QUESTION RAISED BY MSWG RELATTING TO 49TH AGM OF IOI CORPORATION BERHAD

Q1. The plant utilisation for specialty oils & fats and refinery for the past 5 years ranging around 50% and 60% respectively.

(a) How does the above utilisation rate fare compared to the average utilisation rate of others in the industry in Malaysia?

(b) What is the optimum utilisation rate for the Group and what are the initiatives taken or to be taken to help the Group achieve the optimum rate?

<u>Specialty Oil & Fats</u>

The specialty oils and fats business are undertaken by Bunge Loders Croklaan Group B.V. ("Bunge Loders"), which is now part of a global agri-food company with differentiated and comprehensive product offerings based on both tropical and seed oils, and world-class formulation and application capabilities. Bunge Loders will leverage on Bunge Loders's existing plant assets and establish integrated supply chain in regions such as South America and South Asia to sustain its growth and better serve its multinational customers. We foresee utilisation rate of the plants to improve with higher market penetration going forward.

<u>Refinery</u>

The current utilisation rate of approximately 69% is satisfactory given the on-going industry overcapacity situation in the region. We will continue to undertake efficient management practices to optimize utillisation rate going forward.

Q2. Note 25 to the Financial Statements on page 156 of the Annual Report indicates a substantial increase in the amount due from associates of RM147.4 million at the end of FY2018 from RM1.4 million at the end of FY2017. The amount is unsecured, interest-free and payable upon demand in cash.

(a) To which associates are the increase attributable to and what is the justification for the interest-free advances to the associates involved?

(b) As the amount is payable upon demand and be classified as "Current Assets", would the repayment be expected in the next 12 months?

The increase is mainly attributable to amount due from Bunge Loders arising from trade transactions which were subject to normal trade terms. These trade transactions are also within the credit period allowed.

The trade transactions with Bunge Loders prior to divestment of Bunge Loders were eliminated upon consolidation as these were intra-group transactions

Q3. As stated in the Chairman's Statement in page 9 of the Annual Report, approximately 50% of the proceeds from the divestment of the Loders stake was utilised to pare down existing borrowings, giving rise to a healthier net gearing ratio of 0.26 at the end of FY2018 compared to 0.78 at the end of FY2017.

(a) Is the net gearing ration of 0.26 in the optimum range to the Group?

The net gearing ratio of 0.26 puts the Group in a good position as it provides a comfortable head-room for the Group to leverage further in the event there are good investment opportunities which arises in the near future.

(b) What is the finance cost expected to be saved in FY2019 from the pare-down exercise?

*We expect to save approximately **RM40 million** per annum from the pare-down exercise.*

Q4. As disclosed in Note 21.3 to the Financial Statements on page 153 of the Annual Report, an impairment loss on cost of investment in a joint venture amounting to RM18 million has been recognized during the financial year due to the recoverable amount, which is determined based on cash flow projections, being lower than the carrying amount.

(a) To which joint venture is the impairment attributable?

The impairment is attributable to Adeka Foods (Asia) Sdn Bhd which manufactures high quality margarine and shortening for breads and confectionary using enzymatic interesterification.

(b) What is the main factor that has caused the recoverable amount in the joint venture to be lower than the carrying amount?

The impairment was due to a lower than expected performance as a result of the challenging operating environment at this juncture. The joint venture has taken longer than initially anticipated to establish its product acceptance and brand presence in South East Asia and other parts of Asia.

Q5. Effective 1 January 2019, the minimum wage will be increased to RM1,050 per month or RM5.05 per hour nationwide.

What will be the impact on the operating cost of the Group with the new minimum wage?

The impact to operating cost of the Group is negligible as most of our workers are already earning above RM1,050 per month.
("for internal reference: RM7 million impact per annum)