QUESTION RAISED BY MSWG RELATING TO SIXTH ANNUAL GENERAL MEETING OF IOI PROPERTIES GROUP BERHAD

Strategy / Financial Matters

Q1. As reported in the Management Discussion and Analysis (MD&A) on page 18 of the Annual Report, the Group's PBT of RM937.7 million was RM440.4 million lower than the FY2017 PBT of RM1,378.1 million. The decline was mainly due to lower contribution from overseas projects in both Singapore and PRC in the Property Development Segment.

(a) What are the main factors that have caused lower contribution from the projects in Singapore and PRC?

The lower contribution from the project in Singapore is due to lesser units remaining for sale. To date, the take up rate of The Trilinq has reached 98%. As for projects in PRC, lower contribution is due to products that were launched in FY2017 were mostly sold before the financial year end leaving little product carried forward for sales in FY2018 coupled with fewer units launches for FY2018.

(b) Is the contribution from the overseas projects in both Singapore and PRC expected to improve in FY2019?

For financial year ending 2019, the Group is looking at lining up more products to be launched in its existing developments in Xiamen, PRC for both IOI Palm City and Xiang An. The components expected to be launched will comprise of high/mid-rise condominiums and town villas.

For Singapore, we expecting lower contribution from our projects due to lesser units remaining for sale in FY2019. As for joint ventures' development properties, we are expecting steady profit contribution from the property development, property investment and leisure segments.

Q2. The "completed development properties" in inventories has increased significantly to RM2.1 billion as at 30 June 2018.

(a) When were the properties in the inventories as at 30 June 2018 completed and launched?

Approximately 47% of the total inventories were units completed during the financial year 2018. These properties are mainly high rise residential properties located in both Klang Valley and Johor. They are mostly launched 3 years ago. The other component of approximately 37% of the total inventories was completed 1 to 2 years ago and these properties were launched 3 to 5 years ago.

Some of these unsold inventories are currently rented out for rental income to minimise the holding costs.

(b) To-date, what is the total value of the properties that have been sold from the inventories?

The sales data subsequent to the balance sheet date is not available until the quarterly results are announced to Bursa. Based on historical data, the Group has sold RM1.2 billion and RM0.95 billion worth of completed development properties in the respective FY2018 and FY2017.

(c) What are the strategies to increase the sale of these unsold units?

We will be more aggressive in leveraging on the social media and digital platforms to reach out to wider target audiences, roll out a variety of sales packages to cater for different demographic needs and utilise augmented/virtual reality technology and CRM app to enhance our engagement with prospects and to shorten the sales cycle.

Q3. As stated in the MD&A on page 22 of the Annual Report, "Rent-To-Own" ("RTO") and "Buy Now Pay Later" ("BNPL") are some of the key sales and marketing initiatives to address the challenges resulting from affordability issues and stringent loan approvals.

(a) What is the percentage of the projects under the RTO & BNPL schemes?

(b) How successful have these schemes helped to boost the properties sales?

We have received numerous enquiries on "The Rent to Own". However, as this is a relatively new concept, it takes time for prospects to understand and gain acceptance. Nevertheless, given the prevalent affordability gap which this scheme serves to address, we are optimistic that we will see more notable take up in the short term.

As for the Buy Now Pay Later scheme, we have been running this scheme for our Malaysia projects since 3 financial years ago and this has served us well in expediting sales. Riding on past successes, we have recently tweaked and improved the scheme to further reduce the financing gap and make it even more attractive to prospects.

(c) Please share the revenue recognition policy for the properties under the schemes?

RTO - The revenue recognition could be an operating or finance lease, depending on the terms and conditions agreements as the schemes are tailored to the needs of the buyers.

BNPL - Recognition as sales of development properties upon execution of sales and purchase agreement.

Q4. As shown on page 13 of the Annual Report, the average occupancy rate for Property Investment Segment in FY2018 is 59%, decline from 65%, compared to FY2017 and is at the lowest in the last five years.

(a) Which sub-segments under the Property Investment Segment have caused the decline in the occupancy rate? What is the average occupancy rate for office space, retail and the Regional Investment Properties under Group in FY2018 compared to FY2017?

The decline in the overall occupancy rate from 65% to 59% is principally due to the completion and inclusion of the CONEZION retail and office space which has a net lettable area of about 925k sq ft. CONEZION's introduction into IOI's portfolio has on the one hand strengthened the investment assets of the Group but in the short–term has affected the occupancy as it takes time to get tenants to occupy the 925k sq ft. CONEZION is a relatively new retail office location and the occupancy has been relatively slow. However, we are pleased to note that interests have been improving with aggressive marketing and leasing efforts by the team.

The average occupancy rate as follows:-

Office space: 30% (2018); 36% (2017)
Retail: 92% (2018); 93% (2017)
Regional Investment Properties (Malaysia): 59% (2018); 65% (2017)

(b) What are the measures taken to improve the occupancy rates amidst the oversupply of office space and retails, especially in Klang Valley?

Aggressive marketing by our marketing and leasing teams have been carried out over the year in all the main office and retail locations in Putrajaya and Puchong to increase *the occupancy rates. We have made our rental rates to be more competitive. We have also given competitive agency rates to estate agents and we have appropriately publicized all our properties using various marketing channels.*

(c) Is the occupancy rate expected to improve in FY2019?

The occupancy rates are expected to increase even though it is a very challenging OFFICE market condition. We expect the overall occupancy to increase to 70%. We have to be aggressive in offering very competitive rates plus we have to ensure our Offices are well-managed to ensure our amenities and facilities meet the expectations of the tenants.

Q5. As disclosed in Note 22.1 to the Financial Statements on page 264 of the Annual Report, as at 30 June 2018, the Group has Interest in joint ventures of RM4.95 billion, of which RM1.17 billion represents advances and working capital to the joint ventures. The amount due from joint ventures are unsecured and non-interest bearing except for an amount of RM564.3 million.

(a) What is the justification to provide non-interest bearing advances to joint ventures?

The non-interest bearing advances of approximately SGD200 million are in substance the Group's proportionate share of the equity funding to South Beach project since the inception of joint venture.

(b) To what extend has the Company control over the operations of the joint ventures? Are there any Board representations in the joint venture companies?

Day to day operation of the joint venture companies are managed by the operation team. Their limits of authority are governed by the budget approved by the JV's board of directors of which we have the number of representations proportionate to the shareholding. Any deviation from the budget will require board's approval. In most joint ventures, we also exercise control by reviewing and monitoring the development progress and operation matters through our participation in the Development Committees.

Q6. 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.

Corporate Governance Matters

Q7. The other remuneration for both Executive & Non-Executive Directors which comprises meeting allowance and leave passage for FY2018 as shown on page 171 of the Annual Report is RM83,000 (RM29,000 and RM54,000 respectively).

Under Resolution 5, the Company is seeking shareholders' approval for payment of Directors' benefits up to RM350,000. As explained in Note C on page 343 of the Annual Report, the Directors' benefits comprise attendance allowance and other benefits such as insurance coverage, retirement farewell gift and other claimable benefits.

(a) What is the reasons for the significant increase in Director's benefits from RM83,000 for FY2018 to RM350,000 for FY2019?

(b) What is the Company's policy for retirement farewell gifts and to whom are the retirement farewell gift are provided for in FY2019?

We wish to inform that the Directors' benefits of up to RM350,000 under resolution 5 mainly consist of corporate liability insurance premium, benefit-in-kind and meeting attendance allowance. Similarly, in the last 2017 AGM, shareholders of IOIPG had approved the Directors benefits of up to RM300,000 for the period from 31 January 2017 till 31 October 2018 AGM following the introduction of the Companies Act 2016.

The total payout of our meeting allowance is anticipated to increase as the meeting allowance is now RM1,000 per meeting rather than RM1,000 per day. This is in light of time commitment, complexity and intensity of deliberations involved by the Directors.

We also wish to clarify that the inclusion of "retirement farewell gifts" as one of the benefits in page 343 is merely illustrating some of the usual components to be included as Directors benefits.

Presently, the Company does not have a policy on retirement farewell gifts. Moving forward, we will clearly indicate the components in the Directors' Benefits that is subject to approval by shareholders.