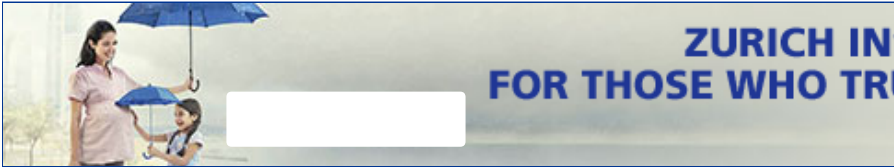


Tuesday, May 10, 2016



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# IOI focused on lifting of RSPO suspension

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KUCHING: IOI Corporation Bhd (IOI) is focused on taking corrective actions for early lifting of the RSPO membership suspension with analysts believe a prolonged suspension will have significant impact on its profitability and valuation.

According to Affin Hwang Investment Bank Bhd's research arm (Affin Hwang Research) noted that with regard to the temporary RSPO membership suspension, IOI has revised the action plans after discussions with NGOs.

Meanwhile, HCV assessment reports will be reviewed by a RSPO approved reviewer.

It added that IOI has also engaged Global Environment Centre, a specialist in peatland conservation and rehabilitation, and Proforest, a consultant on responsible production and sourcing as well as land use and conservation.

Prolonged RSPO suspension will significantly affect IOI's specialty oils & fats business, which accounts for around 11 per cent of group EBIT.

“We expect the FFB production to decline by five per cent-six per cent in FY16, but barring the re-occurrence of extreme weather conditions, grow by six per cent-eight per cent in FY17.

“The group is still looking to acquire more plantation land to boost CPO supply for its downstream operations,” noted the research house.

“Pending the outcome of the next RSPO meeting on its membership, possibly in May, we maintain our forecasts and target price for IOI. We expect the 3QFY16 core net profit to be lower on quarter mainly due to lower contribution from the upstream segment.”