

QL RESOURCES BERHAD (428915-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE 1ST QUARTER ENDED 30.6.2017

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 30.6.2017 (UNAUDITED)

	INDIVIDUAL QUARTER				CUMULATIVE QUARTERS			
	% increase against last period	CURRENT YEAR	PRECEDING YEAR	% increase against last period	CURRENT YEAR	PRECEDING CORRESPONDING	% increase against last period	PRECEDING CORRESPONDING
		1ST QUARTER 1.4.2017 TO 30.6.2017	1ST QUARTER 1.4.2016 TO 30.6.2016		TO-DATE 1.4.2017 TO 30.6.2017	PERIOD 1.4.2016 TO 30.6.2016		
	RM'000	RM'000		RM'000	RM'000		RM'000	
Revenue	16%	778,473	669,536	16%	778,473	669,536		
Operating Profit	3%	88,361	85,528	3%	88,361	85,528		
Depreciation and amortisation	11%	(30,447)	(27,521)	11%	(30,447)	(27,521)		
Interest income	-50%	817	1,648	-50%	817	1,648		
Finance costs	1%	(10,593)	(10,455)	1%	(10,593)	(10,455)		
Share of profit of associates (net)		2,229	3,595		2,229	3,595		
Profit Before Taxation	-4.6%	50,367	52,795	-4.6%	50,367	52,795		
Less: Tax expense		(6,072)	(11,506)		(6,072)	(11,506)	(Effective tax rate) 12.1%	(Effective tax rate) 21.8%
Profit for the period	7.3%	44,295	41,289	7.3%	44,295	41,289		
Attributable to:								
Shareholders of the Company	0.2%	42,211	42,125	0.2%	42,211	42,125		
Minority interests		2,084	(836)		2,084	(836)	4.14% (% against PBT)	-1.58% (% against PBT)
Profit for the period		44,295	41,289		44,295	41,289		
Number of shares in issue ('000)		1,248,030	1,248,030		1,248,030	1,248,030		
Earnings per share:								
Basic earnings per ordinary shares (sen)	0%	3.38	3.38	0%	3.38	3.38		
Diluted earnings per ordinary shares (sen)		NA	NA		NA	NA		

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Statements for year ended 31 March 2017 and the accompanying explanatory notes attached to this interim financial statements.

Note: NA denotes "Not Applicable"

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INTERIM FINANCIAL REPORT FOR THE 1ST QUARTER ENDED 30.6.2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30.6.2017 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	CURRENT YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING CORRESPONDING
	1ST QUARTER 1.4.2017 TO 30.6.2017	1ST QUARTER 1.4.2016 TO 30.6.2016	TO-DATE 1.4.2017 TO 30.6.2017	PERIOD 1.4.2016 TO 30.6.2016
	RM'000	RM'000	RM'000	RM'000
Profit for the period	44,295	41,289	44,295	41,289
Other comprehensive income/(loss), net of tax:				
Foreign currency translation differences for foreign operations	(11,378)	15,841	(11,378)	15,841
Fair value of available-for-sale financial assets	(59)	-	(59)	-
Share of gain/(loss) of equity-accounted associates	533	-	533	-
Cash Flow Hedge	(5,652)	(501)	(5,652)	(501)
Total Comprehensive income	27,739	56,629	27,739	56,629
Attributable to:				
Shareholders of the Company	31,271	56,538	31,271	56,538
Minority interests	(3,532)	91	(3,532)	91
Total Comprehensive income	27,739	56,629	27,739	56,629

The Condensed Consolidated Statement of Comprehensive Income Statements should be read in conjunction with the Annual Financial Statements for year ended 31 March 2017 and the accompanying explanatory notes attached to this interim financial statements.

Note: NA denotes "Not Applicable"

QL RESOURCES BERHAD (428915-X)
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QUARTERLY REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30.6.2017 RM'000 Unaudited		At 31.3.2017 RM'000 Audited
ASSETS			
Property, plant and equipment	1,588,651		1,559,805
Investment properties	19,358		23,671
Prepaid lease payments	59,501		57,778
Intangible assets	10,965		11,068
Biological assets	148,692		151,989
Investment in associates	118,836		116,156
Deferred tax assets	9,395		799
Other receivables	8,396		8,056
Total non-current assets	1,963,794		1,929,322
Current Assets			
Biological assets	111,859		108,758
Inventories	403,849	57 days	405,728
Current tax assets	16,130		15,963
Trade receivables	323,210	38 days	307,280
Other receivables, assets and prepayment	153,754		98,965
Derivative financial assets	2,083		6,894
Cash and cash equivalents	263,948		306,907
Assets classified as held for sale	20		110
	1,274,853		1,250,605
Total Assets	3,238,647		3,179,927
EQUITY AND LIABILITIES			
Equity			
Share capital	620,025		620,025
Share premium	-		-
Reserves	1,159,552		1,128,281
Equity attributable to shareholders of the Company	1,779,577		1,748,306
Minority interests	89,773		93,305
Total Equity	1,869,350		1,841,611
Non-current liabilities			
Long term borrowings (LT Debts/Total Equity)	434,975	23%	344,076
Employee benefits	3,831		4,483
Deferred tax liabilities	86,539		87,050
	525,345		435,609
Current Liabilities			
Short term borrowings	557,423		579,711
Payables	272,063		313,394
Derivative financial liabilities	2,292		27
Taxation	12,174		9,575
	843,952		902,707
Total Liabilities	1,369,297		1,338,316
Total equity and liabilities	3,238,647		3,179,927
Net Assets per share (RM) Based on number of shares:('000)	1.43 1,248,030		1.40 1,248,030

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for year ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.

QL RESOURCES BERHAD (428915-X)
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INTERIM FINANCIAL REPORT FOR THE 1ST QUARTER ENDED 30.6.2017

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30.6.2017

	←-----Non-Distributable-----→				Distributable		Non-controlling interests	Total Equity
	Share capital	Translation reserves	Fair value reserves	Hedging reserve	Retained Profit	Attributable to shareholders of the Company		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
3 months ended 30.6.17								
At 1.4.2017	620,025	16,405	-	(2,303)	1,114,179	1,748,306	93,305	1,841,611
Foreign currency translation differences for foreign operations	-	(5,762)	-	-	-	(5,762)	(5,616)	(11,378)
Fair value of available-for-sale financial assets	-	-	(59)	-	-	(59)	-	(59)
Share on loss of equity-accounted associates	-	-	-	533	-	533	-	533
Cash flow hedge	-	-	-	(5,652)	-	(5,652)	-	(5,652)
Profit for the year	-	(5,762)	(59)	(5,119)	42,211	(10,940)	(5,616)	(16,556)
Total comprehensive income for the period	-	(5,762)	(59)	(5,119)	42,211	31,271	(3,532)	27,739
Dividends to owners of the Company	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
At 30.6.2017	620,025	10,643	(59)	(7,422)	1,156,390	1,779,577	89,773	1,869,350

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for year ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.

QL RESOURCES BERHAD (428915-X)
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INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30.6.2017

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30.6.2017

	1st quarter ended 30.6.2017 RM'000	1st quarter ended 30.6.2016 RM'000
Profit before tax	50,367	52,795
Adjustments for:		
Depreciation & amortisation	30,447	27,521
(Increase)/Decrease in working capital	(131,283)	53,927
Income tax paid	(6,750)	(8,354)
Others	7,142	10,128
Net cash from operating activities	(50,077)	136,017
Purchase of fixed assets	(56,600)	(42,918)
Others	-	(1,496)
Net cash used in investing activities	(56,600)	(44,414)
Net borrowings	105,173	(58,778)
Special dividend paid to owners of the Company	(37,441)	-
Proceed from issue of share capital	-	3,900
Net cash from financing activities	67,732	(54,878)
Net increase in cash and cash equivalents	(38,945)	36,725
Cash and cash equivalents at 1.4.2017	281,580	230,386
Cash and cash equivalents at 30.6.2017	242,635	267,111

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for year ended 31 March 2017 and the accompanying explanatory notes attached to this interim financial statements.

QL RESOURCES BERHAD (428915-X)
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INTERIM FINANCIAL REPORT FOR THE 1ST QUARTER ENDED 30.6.2017

NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of preparation

The unaudited interim financial statements of the Group have been prepared in accordance with the requirements of FRS 134 - Interim Financial Reporting and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the financial statements for the financial year ended 31 March 2017 except for the adoption of the following:

- 1) **FRS, Interpretations and Amendments which are effective for annual periods beginning on or after 1st January 2017**
 - Amendments to FRS 12, Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014-2016 Cycle)
 - Amendments to FRS 107, Statement of Cash Flows – Disclosure Initiative
 - Amendments to FRS 112, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses
- 2) **FRS, Interpretations and Amendments which are effective for annual periods beginning on or after 1st January 2018**
 - FRS 9, Financial Instruments (2014)
 - IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
 - Amendments to FRS 1, First-time Adoption of Financial Reporting Standards (Annual Improvements to FRS Standards 2014-2016 Cycle)
 - Amendments to FRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions
 - Amendments to FRS 4, Insurance Contracts – Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts
 - Amendments to FRS 128, Investments in Associates and Joint Ventures (Annual Improvements to FRS Standards 2014-2016 Cycle)
 - Amendments to FRS 140, Investment Property – Transfers of Investment Property
- 3) **FRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed**
 - Amendments to FRS 10, Consolidated Financial Statements and FRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Malaysian Financial Reporting Standards (MFRS Framework)

The Group and the Company falls within the scope of MFRS 141, Agriculture. Therefore, the Group and the Company is currently exempted from adopting the Malaysian Financial Reporting Standards (“MFRS”) and is referred to as a “Transitioning Entity”.

Being Transitioning Entity, the Group and the Company will adopt the MFRS issued by MASB and International Financial Reporting Standard (“IFRS”) and present its first set of MFRS financial statements for annual period beginning on 1 April 2018. As a result, the Group and the Company will not be adopting the above FRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2018.

A2. Seasonal or cyclical factors

Certain segment of the Group's business are affected by cyclical factors.

The management considers that on a quarter to quarter basis, the demand and/or production of the Group's products for each of the three core activities varies and the variation in each quarters were as follows:

- (1) marine products manufacturing activities are affected by monsoon in the 4th quarter.
- (2) crude palm oil milling activities are seasonally affected by monsoon resulting in low crops in the 2nd and 4th quarters.
- (3) integrated livestock farming activities are not significantly affected in any of the quarters.

On an overall basis therefore, the group's performance varies seasonally and maybe affected by unusual and unforeseen events affecting each of the core activities.

Based on past 5 years quarterly data, our average seasonal earnings index is as follows:

Q1	April to June	0.21
Q2	July to September	0.27
Q3	October to December	0.28
Q4	January to March	0.24
		<u>1.00</u>

A3. Unusual items

There are no unusual items that have material effect on the assets, liabilities, equity, net income or cash flow during the quarter under review.

A4. Nature and amount of changes in estimates

There were no material changes in estimates during the quarter under review.

A5. Debts and securities

There are no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the quarter under review.

A6. Dividend Paid

No dividend was paid during the period under review.

A7. Segmental Information

Segment information in respect of the Group's business segments for the 1st quarter ended 30.6.2017

	RM'000	RM'000
	Sales	PBT
Marine products manufacturing	215,082	31,330
Palm Oil Activities	115,856	6,759
Integrated Livestock Farming	447,535	12,278
Total	<u>778,473</u>	<u>50,367</u>

A8. Property, plant and equipment

The valuations of land and building have been brought forward, without amendment from the previous annual report.

A9. Material subsequent Event

There were no material events subsequent to the end of current quarter that have not been reflected in the financial statements.

A10. Changes in composition of the Group

There were no material changes in the composition of the Group in the current quarter.

A11. Changes in Contingent Liabilities

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

There were no contingent liabilities at the end of the current financial period for the Group.

A12. Disclosure of audit report qualification

There was no qualification in the audit report of the preceding annual financial statements.

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INTERIM FINANCIAL REPORT FOR THE 1ST QUARTER ENDED 30.6.2017

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS.

B1 Review of performance for the current quarter and financial period to-date.

	Current quarter	Last year corresponding quarter	% change	Cumulative quarters	Cumulative corresponding quarters last year	% change
	1.4.2017 to 30.6.2017	1.4.2016 to 30.6.2016		1.4.2017 to 30.6.2017	1.4.2016 to 30.6.2016	
	Sales	Sales		Sales	Sales	
	RM'000	RM'000		RM'000	RM'000	
Marine product manufacturing (MPM)	215,082	215,514	-0.2%	215,082	215,514	-0.2%
Palm Oil Activities (POA)	115,856	89,301	30%	115,856	89,301	30%
Integrated Livestock Farming (ILF)	447,535	364,721	23%	447,535	364,721	23%
Total	778,473	669,536	16%	778,473	669,536	16%
	1.4.2017 to 30.6.2017	1.4.2016 to 30.6.2016		1.4.2017 to 30.6.2017	1.4.2016 to 30.6.2016	
	Profit before tax	Profit before tax		Profit before tax	Profit before tax	
	RM'000	RM'000		RM'000	RM'000	
Marine product manufacturing (MPM)	31,330	35,031	-11%	31,330	35,031	-11%
Palm Oil Activities (POA)	6,759	2,614	159%	6,759	2,614	159%
Integrated Livestock Farming (ILF)	12,278	15,150	-19%	12,278	15,150	-19%
Total	50,367	52,795	-4.6%	50,367	52,795	-4.6%

- MPM's current quarter sales decreased marginally against corresponding quarter mainly due to post El-Nino low fish cycle in Malaysia water especially Kota Kinabalu unit. Earnings for the current quarter decreased 11% due to the same reason.
- POA's current quarter sales increased 30% against corresponding quarter mainly due to increase in own FFB production and FFB processed in Indonesia operation. POA's current quarter earnings increased significantly against corresponding quarter due to the same reason as well as higher CPO price (RM2,746 current qtr vs RM2,512 corresponding qtr).
- Despite entrant of new players in feed raw material business, ILF's current quarter sales increased 23% against corresponding quarter mainly due to higher sales contribution from feed raw material trade. Earnings however decreased 19% due to lower margins from feed raw material trade due to stiff competition, in addition Peninsular egg market was affected by over production in domestic market and poor international prices.

B2 Review of current quarter performance with the preceding quarter.

	Current quarter	Preceding quarter	% change	Current quarter	Preceding quarter	% change
	1.4.2017 to 30.6.2017	1.1.2017 to 31.3.2017		1.4.2017 to 30.6.2017	1.1.2017 to 31.3.2017	
	Sales	Sales		Profit before tax	Profit before tax	
Activities:						
Marine product manufacturing (MPM)	215,082	212,984	1%	31,330	26,442	18%
Palm Oil Activities (POA)	115,856	104,510	11%	6,759	9,265	-27%
Integrated Livestock Farming (ILF)	447,535	496,236	-10%	12,278	25,150	-51%
Total	778,473	813,730	-4%	50,367	60,857	-17%

- MPM's current quarter sales increased marginally against preceding quarter due to seasonal effect. However, earnings increased 18% mainly due to higher fish selling price due to overall poorer fish landing.
- POA's current quarter sales increased 11% against preceding quarter mainly due to improvement in FFB processed especially in Indonesia operation. Earnings however decreased 27% due to lower CPO price.(RM2746 current qtr vs RM 3129 preceding qtr).
- Entrant of new players in feed raw material trade resulted in ILF's current quarter sales decreasing 10% against preceding quarter mainly due to lower volume of feed raw material traded. However, earnings decreased 51% against preceding quarter mainly due to lower margins from Peninsular egg operations and feed raw material trade.

B3 Prospects for the next quarter to 30th September 2017

Barring the unfavourable market factors of low fish cycle and Peninsular egg oversupply situation, the management remain optimistic for H2FY18 performance.

B4 Profit Forecast

No profit forecast was published during the period under review.

B5 Tax expense

	Individual quarter	Cumulative period
	3 months ended	To date
	30.6.2017	30.6.2017
	RM'000	RM'000
Current income tax expense	14,406	14,406
Deferred tax expense	(8,334)	(8,334)
	6,072	6,072
	6,072	6,072

The effective tax rate is lower than the statutory rate is mainly due to availability of tax incentives.

B6 Unquoted investments and properties

There were no material disposal of unquoted investments and/or properties during quarter under review.

B7 Quoted Investments

There were no sales or purchase of quoted investment for the quarter under review except as disclosed.

B8 Corporate Proposals

There were no corporate proposals for the quarter under review.

B9 Group Borrowings**Short term:**

RM'000

<i>Bank overdraft-short term (unsecured)</i>		21,313
<i>HP Creditors-short term (unsecured)</i>		107
<i>Bankers' acceptance-short term (unsecured)</i>	232,387	
<i>Bankers' acceptance (Islamic)-short term (unsecured)</i>	39,468	
	271,855	
<i>Term loans-short term (unsecured)</i>	123,547	
<i>Term loans-short term (Islamic - unsecured)</i>	69,500	
	193,047	
<i>Revolving Credit</i>		71,101
		557,423

Long Term:

<i>HP Creditors-long term (unsecured)</i>		145
<i>Term loans-long term (unsecured)</i>	126,195	
<i>Term loans-long term (Islamic unsecured)</i>	308,635	
	434,830	
		434,975

Total Borrowings

992,398

B10 Financial instruments

The Group uses the following hierarchy in determining the fair value of all financial instruments carried at fair value:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable market data, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

As at 30.06.2017, the Group held the following financial assets or liabilities that are measured at fair value:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial Assets:				
Cross currency swap	-	-	-	-
Interest rate swap	-	-	-	-
Forward exchange contracts	-	-	57	57
	<u>-</u>	<u>-</u>	<u>57</u>	<u>57</u>
Financial Liabilities:				
Cross currency swap	-	(509)	-	(509)
Interest rate swap	-	-	(1,969)	(1,969)
Commodity options	-	-	-	-
Forward exchange contracts	-	-	(594)	(594)
	<u>-</u>	<u>(509)</u>	<u>(2,563)</u>	<u>(3,072)</u>

B11 Changes in Material Litigation

There were no changes in material litigation at the date of this report.

B12 Dividend

The directors do not recommend any dividend for the period under review.

B13 Earnings Per Share

The calculations of basic earnings per share were as follows:

	Current quarter ended 30.6.2017	Cumulative to date 30.6.2017
(a) Net profit attributable to ordinary shareholders (RM'000)	42,211	42,211
(b) Number of ordinary shares in issue ('000)- weighted average	1,248,030	1,248,030
Basic Earnings per share (sen)	3.38	3.38

B14 Realised and Unrealised profits

	RM'000
Total Retained profit of the Group:	
Realised	1,266,531
Unrealised	(78,311)
	<u>1,188,220</u>
Total Retained profit of Associates:	
Realised	66,296
	<u>1,254,516</u>
Consolidation Adjustments	(98,126)
Total Group Retained profit as per consolidated accounts	<u>1,156,390</u>