Appendix A

Malaysia’s leading agro-food player

QL RESOURCES BERHAD

ANNUAL GENERAL MEETING

28th AUGUST 2018

Contents

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with value for all

- Performance Review of FY 2018 vs FY 2017
- Past Financial Trend & Summary
- Significant operational highlights for FY2018
- Summary of 1st quarter earnings results: Q1FY19 vs Q1FY18
- Overall outlook for FY2019

Performance Review : FY18 vs FY17

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Summarised income statement			
RM'million	FY2018	FY2017	% change
Revenue	3,263	3,012	+8%
Profit before tax (PBT % margin)	255 (8%)	260 (9%)	-2%
Profit after tax (PAT % margin)	206 (6.3%)	196 (6.5%)	+5%

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Marine Products Manufacturing

- ASEAN’s leading marine products manufacturer
- Produced more than 130k mt of marine products per annum
- Sales - FY18: RM905m vs FY17: RM877m (Up 3%)
- PBT - FY18: RM124m vs FY17: RM146m (Down 15%)

- During the year under review, despite 3% growth in turnover , earnings decreased 15% due to post El-Nino low fish catch cycle in Malaysia water especially Kota Kinabalu unit.

Integrated Livestock Farming

- Asean's leading poultry egg producer
- 5.5m eggs per day, 1 million mt of raw material feed per year
- Sales – FY18: RM1.97b vs FY17:RM1.78b (Up 10%)
- PBT – FY18: RM103.2m vs FY17: RM88.9m (Up 16%)

- For the year under review, the ILF division performance continue to be adversely affected by severe over supply of egg in Peninsular market.

- However, higher contribution from regional and East Malaysia farming operations as well as improved broiler farming efficiency in East Malaysia division help to improve ILF division performance

FY2018 Performance Review : Palm Oil Activities

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Palm Oil Activities

- Plantation, CPO Milling & Palm Biomass
- 16.2k HA plantation land, 10.2k HA planted 9.2k HA mature),remaining 5k mt to be planted subject to permit
- 2 CPO mills in Tawau, 1 CPO mill in Tarakan (all with 45MT/hour capacity)

- Sales – FY18:RM387m vs FY17:RM351m (Up 10%)
- PBT – FY18:RM27.9m vs FY17: RM24.9m (Up 12%)

- POA's sales increased 10% mainly due to higher volume FFB produced & processed by Indonesian unit;
- Earnings increased 12% due to the same reason.

Turnover Track Record since IPO (RM million)

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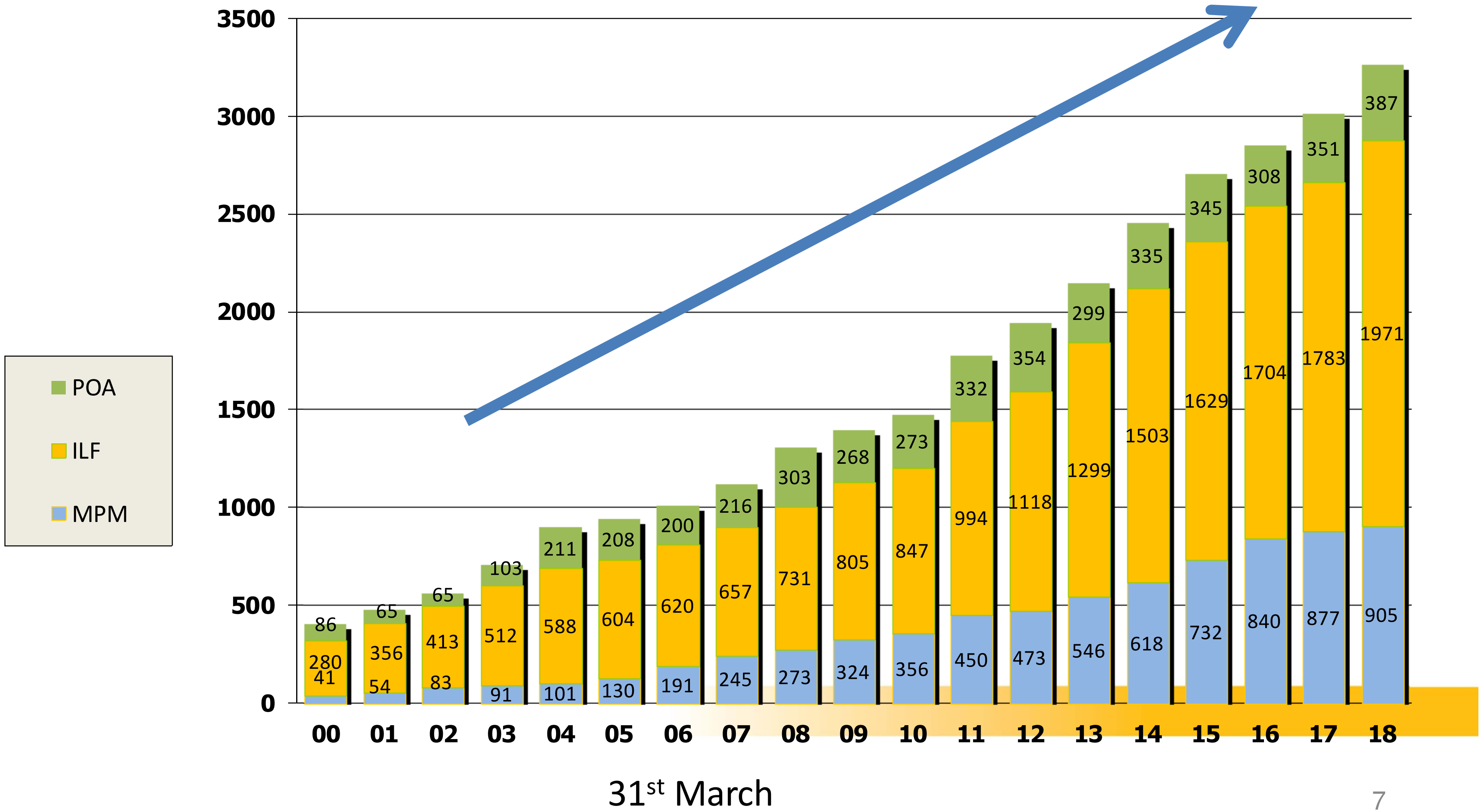
CAGR FY2000-FY2018 = 12%



Earnings (PBT) Track Record since IPO (RM million)

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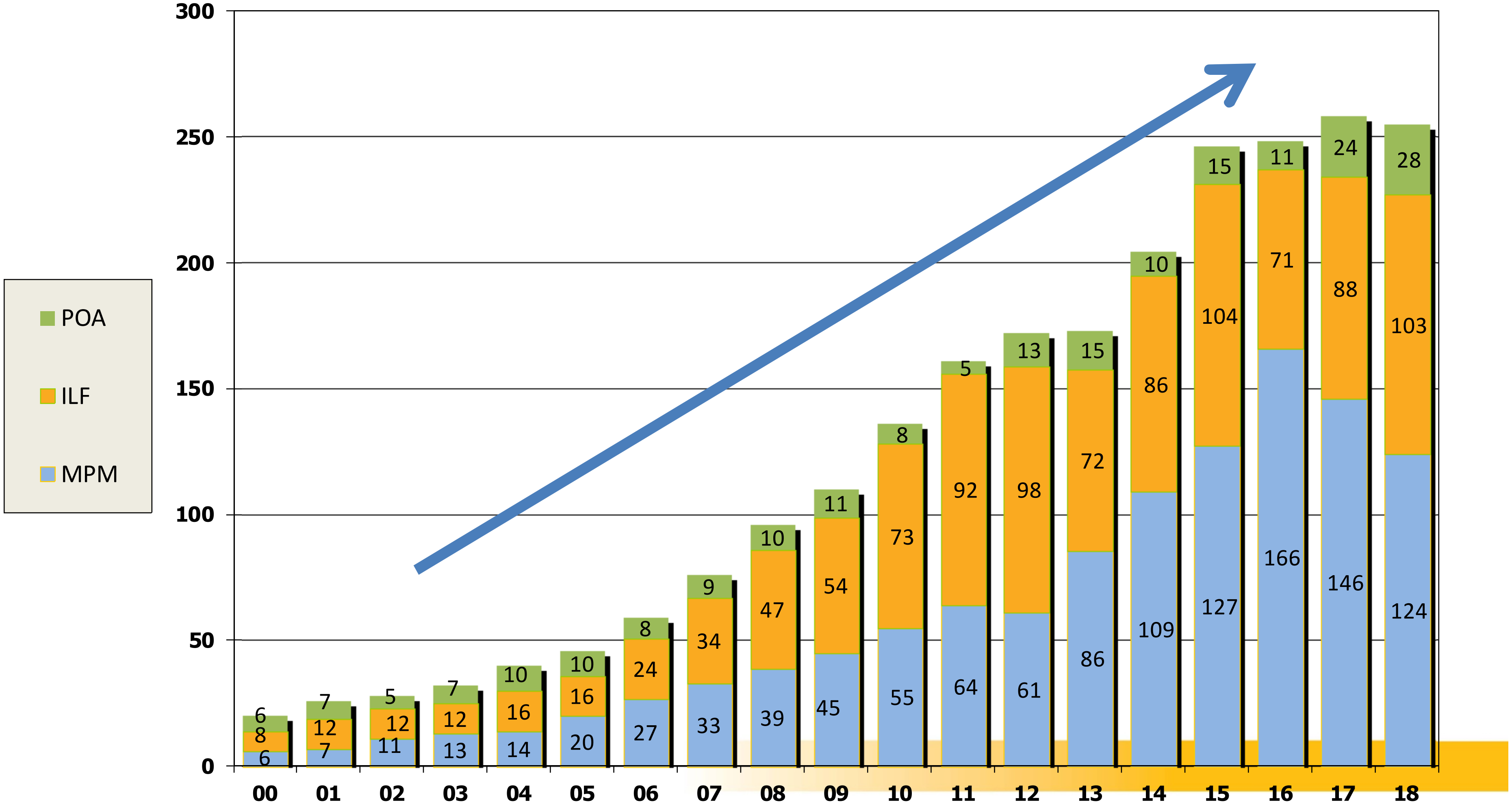
CAGR FY2000-2018=15%



31st March

Past Financial Trend & Summary
5 Years Summarised Financial Ratios

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	YE 2014	YE 2015	YE 2016	YE 2017	YE 2018
Current Ratios	1.62	1.51	1.45	1.38	1.58
Debtors Day	32 days	34 days	36 days	37 days	35 days
Inventory Days	40 days	55 days	59 days	59 days	53 days
Long Term Debts to Equity	21%	22%	18%	18.6%	28.9%
Net Gearing (Total borrowings less cash to Total equity)- borrowings exclude BAs	8%	15%	14%	10%	21%
Dividend Payout	28%	28%	28%	28%	34%
Total Assets	RM2.24b	RM2.58b	RM2.81b	RM3.2b	RM3.3b
Market Capitalisation	At 31.3.2014 RM4.04b	At 31.3.2015 RM4.99b	At 31.3.2016 RM5.3b	At 31.3.2017 RM6.0b	At 31.3.2018 RM8.5b

Significant Operational Highlights for FY2018

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- Marine Products Manufacturing activities

  - In our Hutan Melintang marine unit, works for new chilled surimi-based product plant and frozen products factories were completed in March 2018 at a RM100 million investment. With the new plants, capacity chilled surimi-based products have doubled to 25,000 metric tonnes per year, while capacity for frozen products will see an increase of 15,000 metric tonnes per year to 35,000 metric tonnes per annum.
  - Concurrently, Figo's operations have been fully migrated to the new Kulai frozen surimi-based factory. The full consolidation of production onto a single site will streamline management and boost production efficiency.
  - Three years ago, we commenced our prawn aquaculture activities to diverge from solely depending on fishing activities. This Kudat prawn aquaculture unit is now in the recovery phase after the prawn disease outbreak last 2 years. The improved genetic, better pond facilities and new culturing methods have yielded positive results and better harvest. The operations have been endorsed by the Department of Fisheries Malaysia with the Malaysia Good Agriculture Practices (MyGAP) certification, and Fish Quality Certificate (FQC), adding to the confidence of food safety and sustainable practices.

Significant Operational Highlights for FY2018

- Integrated Livestock Farming Activities
  - In Raub, the project involving the building of a new integrated layer farm is undergoing expansion to enlarge capacity by 30% to 650,000 eggs per day. This extension resulting in higher capacity will increase the investment cost from the allocated RM50 million to RM70 million.
  - Egg price in Peninsular Malaysia experienced prolonged market consolidation due to a soft export market, especially Thailand and Hong Kong, and local oversupply. As a result, the egg price did not recover in FY2018.
  - Operations in Indonesia rebounded healthily. With vigilance and effective vaccination programmes, productivity of the layers has normalised.
  - The Vietnamese unit has also seen gradual increment in production and plans are being mulled to build a new layer farm facility in a new location to double production capacity. Approval for the commencement of this new business and farm has been granted by the Vietnamese authorities.

Significant Operational Highlights for FY2018

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- Palm Oil Activities
  - In FY2018, CPO price trend down from RM2,700 to RM2,400 per metric tonne as compared to FY2017 where CPO was as high as RM3,200 per metric tonne. The stress of the harsh dry year in FY2017 lingered on the oil palm trees in our Sabah plantation, resulting in lower FFB output. Similarly In Indonesia, the heavy rainfalls in FY2018 also affected FFB output. We are fortunate that the plantation growing maturity profile within the range of four to nine years also means that the trees are able to weather through the wetter than usual season.
  - We initially anticipated POA activities to produce 135,000 metric tonnes of FFB in the FY2018. However, the high rainfall dampened production to 127,000 metric tonnes. Nevertheless, this was still a 27% higher in FFB production compared to the 100,000 metric tonnes harvested in FY2017.

Significant Operational Highlights for FY2018

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- FamilyMart Convenience Stores

  - The signing of franchise agreement with FamilyMart in April 2016 is QL's strategic plan to expand into convenience-stores chain.

  - Since our 1st store opening in November 2016, we have opened 39 CVS as at 31.3.2018 in the Klang Valley. We are targeting to have additional 50 CVS by 31.3.2019 and gearing towards our target of 300 CVS by FY2022.

  - Average store performance is up to expectation in terms of key stores operating KPIs such as gross margin, average ticket count and ticket size.

Bringing a lifestyle-changing concept to Malaysia

Summary of 1st quarter earnings results: Q1FY19 vs Q1FY18

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RM'million	Qtr 30.6.18	Qtr 30.6.2017 Restated	% change
Revenue	816	778	+5%
Results from operating activities	94	89	+5%
Profit before tax (PBT % margin)	51.1	49.7	+3%
Profit after tax after MI (PAT % margin)	43.8	42.0	+4%

For details review, please refer to our quarterly report

Overall outlook for FY2019

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- QL is in consumer staples market where demand is less affected by market and financial condition. However QL nature of business is constraint by supply side which can fluctuate due to weather, disease, over expansion in production capacity etc and therefore FY2019 will continue to be a challenging year.
- Sectors outlook :
  - MPM outlook is moderate improvement:
    - Weaker Ringgit may improve prospects for more export
    - We will continue to grow for QL's products through new capacity expansion, innovative new product range, new market, brand and price leadership
    - We are anticipating low fish catch cycle to normalise however recovery of post El-Nino fish cycle seems slower than expected.
  - ILF activities outlook is mix:
    - Broiler farming efficiency has continue to improved in the last 3 years and will continue to do so in FY2019.
    - The prolonged egg price consolidation in Peninsular Malaysia has continue into Q2FY19, however recently there are signs of moderate recovery. The performance of this pillar will be balanced by the positive contribution of regional operations.
    - Feed raw material trade continues to face stiff competition but slightly lesser than FY18 and there was gross margin improvement.

Overall outlook for FY2019 -continue

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- Palm Oil activities is expected to bearish in FY19:
  - Since the beginning of FY19, CPO price continues to drift down from RM2,400 per metric tonne to RM2,200 per metric tonne.
  - POA's performance will be adversely affected :
    - Plantation units:
      - » decrease in own FFB production caused by poorer fruit setting in Indonesia plantation unit due to excessive rainfall (during November17 to January18 period) as well as post El-Nino tree stress on older plant in Tawau.
      - » However excessive rainfall in Indonesia plantation unit may affect OER (Oil extraction rate).
      - » Lower OER (poor fruit setting & labour shortage) in Tawau.
    - CPO milling units:
      - » decrease in FFB processed in Indonesia operation due to more new competing CPO mills, resulting in less outside FFB crop.
  - Contribution from our associate Boilermech Holdings Berhad is expected to be better in FY2019.
- Overall for the Group, barring unforeseen events, we remain cautiously optimistic of another year of growth.

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Thank you

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Questions from MSWG

In the Interest of minority shareholders and all other stakeholders of the Company, we would like to raise the following issue at the 21st Annual General Meeting of QL Resources Berhad

Strategic & Financial Matters

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Q1.

As stated in the Chairman's Statement on page 18 of the Annual Report, the Group is facing limitations of marine catch resources and rising material cost.

Could the Board share on the Group's strategy to address these two limitations to further improve its bottom line?

Answer:

QL's Marine Products manufacturing division faces depleting marine resources in the long term. In order to mitigate this, we invested in marine prawn aquaculture which is more sustainable. We also source surimi from overseas to supplement our supplies during the low fish season.

As to rising material cost, we are able to eventually pass these cost to consumers.

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Q2.

The MD & A on page 22 of the Annual Report stated that QL had earmarked RM300 million for capital expenditure (capex) in FY2018 mainly for MPM & ILF to increase capacity and improve efficiencies.

What is the respective quantum of increase in capacity for each segment and when it will be completed.

Answer:

For MPM, the main capex was for our Hutan Melintang unit where works for new chilled surimi-based product plant and frozen products factories were completed in March 2018 at a RM100 million investment. With the new plants, capacity chilled surimi-based products have doubled to 25,000 metric tonnes per year, while capacity for frozen products will see an increase of 15,000 metric tonnes per year to 35,000 metric tonnes per annum.

For ILF, the main capex was incurred in Raub & Rasa farm units. The project costing approximately RM100 million will increase capacity of Raub farm from 450,000 to 650,000 eggs per day, Rasa farm from 650,000 to 850,000 eggs per day and to open more FamilyMart convenient stores.

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Q3.

We noted on page 116 of the Annual Report that under MPM segment, revenue increased by RM28.3 million in FY2018 while segmental profit declined by RM22.4 million.

a) Please explain how the profit could decline despite a higher revenue and how would the Board address the problem.

Answer:

The increase in revenue is mainly due to higher unit value of fish sold. However cost of fish used for our surimi operation went up due to lesser fish supply and resulting in a decline in profit margin.

b) On Page 23 of the Annual Report (MD&A), it is stated that the Management is optimistic of a recovery in MPM In particular the bottom line in FY2019. Please explain how the Increase in output, as stated, would translate into higher profit as it was not the case in FY2018.

Answer:

We are anticipating low fish catch cycle to normalise in FY2019. With higher volume of fish catch processed, and lower cost of fish, it will lower our production cost and will translate to higher profit.

Q4.

As stated on Page 24 of the Annual Report (MD & A), oversupply of eggs in Peninsular Malaysia with pressure on egg price could potentially be long drawn but the performance of this pillar will be balanced by the positive contribution of regional operations.

Please elaborate on how this could be achieved if there is going to be a continuing soft export market, especially Thailand and Hong Kong.

Answer:

The prolonged egg price consolidation in Peninsular Malaysia has continued into Q2FY19, however recently there are signs of moderate recovery. We do not have operations in Thailand and Hong Kong.The positive contribution of our regional operations comes from our poultry operations in Indonesia & Vietnam.

Q5.

We refer to Note 11 on page 105 of the Annual Report relating to trade and other receivables and Note 21 on page 112 on the impairment loss of RM6.9 million on trade and other receivables in FY2018.

(a) There is a lack of transparency in the disclosure for trade and other receivables in Note 11 as there is no ageing schedule and no outstanding impairment shown. Please explain as such information is important to existing and potential shareholders,

Answer:

Please refer to Note28.4 on page 120 for disclosure of these information

(b) Of the RM6.9 million impairment made In FY2018 or out of total outstanding impairment as at 31 March 2018, is there any amount impaired for trade receivables due from related parties?

Answer:

No

Q6.

Other income on page 64 of the Annual Report declined significantly to RM24.3 million in FY2018 from RM47.2 million in FY2017.

(a) What are the major components under other income in FY2018?

Answer

Major components are:

- Gain on disposal of assets held for resale
- Gain on disposal of property, plant & equipment
- Realised & unrealised gain on foreign exchange

(b) What were the reasons for the decline and is it expected to worsen in FY2019?

Answer:

Main reason for the decline was during FY2017, there was a gain on disposal of subsidiary of RM14.5 million.

Foreign exchange gain forms a major part of Other Income. Weakening of Ringgit may likely to impact Other Income.

Corporate Governance Matters

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Q1.

We noted that the Company's website does not have any summary of key matters of the AGMs as required under Para 9.21(b) of the Bursa Malaysia Main Market Listing Requirements.

Please explain.

Answer:

The summary of key matters has been disclosed in our website under Corporate Info folder.

Corporate Governance Matters

Q2.

We noted that Prof. Datin Paduka Dr. Aini Binti Ideris attended only 4 out of 6 Board meetings and 4 out of 5 Audit Committee meetings during the financial year 2018. We have also highlighted last year on her non-full attendance at the Board (4 out of 6) and Audit Committee (4 out of 5) meetings for FY2017.

What were the reasons for her inability to attend these meetings during the financial year 2018?

Answer:

Datin Paduka Dr. Aini Binti Ideris was called on official duty related to UPM at the Parliament on 27 November 2017.

On 26 February 2018, Datin Paduka Dr. Aini Binti Ideris was on official duty during Duli Yang Maha Mulia Permaisuri Selangor's official visit to UPM.