APPENDIX B

The following are the questions and answers ("**Q&A**") session held during the Meeting:-

Q&A 1

Mr Chew Hem Poo commented that the POA profit contribution to the Group seems insignificant and that the oil palm industry is getting competitive. Hence, he wanted to know whether QL will consider venturing into cocoa plantation or downstream cocoa-based products business as the global demand for cocoa is increasing.

Dr Chia replied that Mr Chew's has made a very good suggestion and will discuss this possibility with other Board members. According to Dr Chia, the existing palm oil estate in Tawau, Sabah used to be planted with cocoa trees twenty years ago.

In reply to Mr Chew's further enquiry on the reason for ceasing the cocoa plantation business, Dr Chia stated that when they first venture into cocoa related business, the industry is booming and the market price is good. However, the business become more challenging whereby the cocoa price plummeted and the tree was hit by diseases. At the same time, the oil palm business was booming and market prices was bullish. Thus, the Company pursue the oil palm plantation business instead of cocoa plantation.

Q&A 2

Mr Teck Hong enquired the following:-

1) *Has QL implemented Industry 4.0 for its 4 pillars business particularly cashless system for FamilyMart?*
2) *To elaborate on the OER (Oil Extraction Rate), KER (Kernel Extraction Rate) and prime age of the tree. Based on the unaudited 1st quarterly result, page 10, item B2(b), the sales of palm oil decreased by 12% against preceding quarter due to lower CPO price (RM1,964 current quarter vs RM1,976 preceding quarter). As such, is there any plan to improve the OER by changing the seed type that produce high yield and high OER?*
3) *The audit fee for Messrs KPMG PLT has increased by about 22% from RM1,255,000 in FY2018 to RM1,525,000 in FY2019. Please explain whether the significant increase arises from QL adopting the new accounting standards and whether it will increase whenever there is adoption of new accounting standards.*
4) *Under Note 29 in the Annual Report 2019, the business segment does not reflect the individual contribution from the convenience store business, instead it is reflected under the ILF (Integrated Livestock Farming) results. Can the shareholders have the breakdown of the convenience store's results?*

Dr Chia commented that the following directors will attend to the respective questions as stated above whilst he will answer question no. 4:-

1) Segmental Reporting - Convenience Store/FamilyMart business

   Dr Chia replied that in FY2019, FamilyMart's results are still being recognised in ILF division because its contribution is insignificant to enable it to be segmentised pursuant to Paragraph 13, MFRS 8 (Operating Segment), which clearly state that the segmental reporting is required once the profit before tax reaches 10% of the Group's result. At this juncture, FamilyMart's contribution has yet to reach the said threshold and insignificant. However, QL will segmentise the results accordingly once the threshold is met.

…2/-

2) Industry 4.0

Mr Chia Lik Khai replied that Industry 4.0 is a broad term, which is a mean to an end. The end-results is how QL improves its efficiency and make better decision using data.

QL has been focusing on how to be a data-driven/centric organisation and is still studying the usage of various application to ensure its reliability before implementation. Currently, QL has developed a farm management system that captures/record farm's data whereas QL's manufacturing business in Hutan Melintang is using SCADA system to record and store products' data and information for analytical purpose.

In terms of cashless system, FamilyMart has been intensifying its online marketing activities and connectivity with its customer through digital platform. Nonetheless, Industry 4.0 is a long journey for QL but the Management is aware of its importance and will continue to drive this area.

3) Improvements in POA

Mr Chia Seong Fatt informed the Meeting that QL is very careful in the selection of oil palm seed and most of them are from reputable seed garden i.e. IJM, Malindo and AAR. Majority of the seeds are from AAR, who is also QL's agronomist consultant.

He explained that oil palm tree is a bisexual plant and the major factor that affected the fruit formation is the weather, a biological cycle of the plant. For instance, during high rainfall for prolong period of 3-5 months, the fruit formation will be affected in the next 7 months. Ultimately, the CPO yield and OER will be badly affected. Last year, there was a high rainfall in Kalimantan for 3-4 months and the fruit formation was badly affected whereby the OER also drop to 19%. However, the OER has started to recover recently and it is anticipated that the OER level will increase to 21% to 22%.

4) Increase in Audit Fee paid to Messrs KPMG

Mr Chieng Ing Huong, Eddy, being the Chairman of the Audit Committee was invited by Mr Teck Hong to reply this question. Mr Eddy commented that QL is a company that is cautious about its costs and expenses including audit fee. As such, the Audit Committee has reviewed the fee charged by Messrs KPMG and assured the Meeting that the fee recommended to the Board for approval had been duly considered and justified.

The increase in the audit fees were mainly due to additional scope of activities arising from the new accounting standards for example, MFRS 8 (Operating Segments) and MFRS 9 (Financial Instruments relating to Biological Assets revaluation) as well as the increase of Messrs KPMG's staff cost in view of the said additional activities. Therefore, the AC opined that the increase was fair and justifiable.

Mr Eddy added that the audit fees are reviewed annually and subject to change based on the scope of work.

Q&A 3

Mr Wong Pin Siong opined that the closing remark by the Chairman in the Chairman Statement, which read as "… I am optimistic of another year of respectable growth barring unforeseen circumstances" is very bold as QL has remain profitable and growing despite economy slowdown whilst other big companies are maintaining a cautious outlook. With such statement, he has confident in QL.

Mr Wong also wishes to know the factors that will be contributing to QL's growth in terms of product and countries.

Dr Chia replied that he has been prudent when making the said statement, which represents a true and fair view of QL's financial position. This was reported in the unaudited 1st quarterly results whereby QL's revenue increased by 22% and PBT by 21% in the first quarter of FY2020 (financial year ending 31 March 2020) as compared to the same quarter last year. In the coming 2nd and 3rd quarters, Dr Chia think that QL will continue to achieve a positive results.

The drivers of the growth are as follows:-

a) MPM (Marine Products Manufacturing) downstream activities in view of the growing demand from both domestic and overseas market, especially the hot pot business in China, which is booming fast.
b) Expansion of convenience store business via opening of more new outlets and increase in demand from consumer for its downstream products/ready-to-eat products.
c) Expansion of QL's centralised kitchen to cater for the supply of food products to FamilyMart.
d) Expansion of QL's ILF regional operation, which contributed 35% of growth of the Group's results.

<u>Q&A 4</u>

Mr Mohd Yusof bin Hussain complimented Dr Chia and thanked the Board for their continuous effort and achievement in maintaining a healthy growth and profitability over the years despite challenging economic outlook. He is not worried about QL non-performing POA division as it is still able to achieve profit from the other business pillars. He concurred with Dr Chia on his (Dr Chia) statement regarding QL's positive outlook because he opined that the CPO prices will pick-up soon and prolong in the next 24 months due to cyclical factor.

He is satisfied that Dr Chia has considered his suggestion few years ago in revamping the boards' composition pursuant to the practices in MCCG (Malaysia Code on Corporate Governance) particularly on the composition of members in the Audit Committee and Risk Management Committee. He commended the Board for having 4 women directors in its Board.

He also requested the Board to consider implementing Corruption Risk Assessment ("CRA") framework in order to safeguard the interest of the Company in the event of any wrongdoings carried out by the employee. The implementation of CRA will strengthen the Company's internal controls and SOP (Standard Operating Procedure).

Dr Chia thanked Mr Yusof for his comment and suggestions. Dr Chia agreed with Mr Yusof on the action to be taken for the implementation of the CRA. He invited Ms Yvonne Ng, the Company Secretary to update the Meeting on this area.

Ms Yvonne updated that the Board is aware of the Corporate Liability involved and has engaged an external consultant to review and to carry out assessment as well as guide the Board and Company on this area. The said consultant has made the necessary presentation to the Board in the last 2 quarters and the CRA policy has been targeted to be implemented by year 2020.

<u>Q&A 5</u>

Mr Chong Jit Seng commented that he is cautious about QL's outlook due to its total assets of RM3.68 billion (FY2018: RM3.31 billion), which is higher than the revenue of RM3.62 billion in FY2019 (FY2018: RM3.26 billion). Furthermore, he wished to know whether QL will explore artificial protein in view of the uncertainty of the outlook for the fishing industry.

…4/-

Dr Chia stated that the high capital expenditure incurred by QL is inevitable due to its nature of business that requires high investment in assets particularly land in order to grow its 3 core businesses. Nonetheless, the Board and Management are mindful on such expenditure growing the convenience store business under FamilyMart, which requires low capital expenditure is a way forward in order to spur the growth of the Group. With this, QL will continue to accelerate the expansion of its convenience store business and may slow down its high capex intensive business.

Meanwhile, QL acknowledged the existence of artificial protein in the market, an alternate source for vegan consumers. However, QL will continue to operate its businesses as usual and will not change its business direction in view of such trend at this juncture. Nevertheless, QL will consider to explore this business if the need arise.