



***Delivering Value,  
Advancing Sustainability***

## REPLY TO MSWG & SHAREHOLDERS' QUESTIONS

**By Mr Kang Boon Beng  
Chief Financial Officer**

**25<sup>th</sup> ANNUAL GENERAL MEETING  
30<sup>th</sup> AUGUST 2022**

# 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 25<sup>th</sup> Annual General Meeting of QL Resources Berhad to be held on Tuesday, 30 August 2022.

## Q1

QL's fishing fleet comprises 29 well-equipped purse seine vessels. Labouring hard to overcome crew shortage, the Group managed to increase operations of the vessels from a measly 3 at the beginning of FY2022 to 22 units at the end of Q4, after the monsoon season. As the labour situation improves, QL expects the entire fishing fleet in Endau to be fully operational. (page 25 of AR2022).

Has the Group managed to overcome its crew shortage issue? To-date, are the entire QL fishing fleet fully operational?

## REPLY:

The Group worked closely with the authority to bring in sufficient crew and by end May 2022, all 29 fleets were fully operational.

## Q2

During the reporting period, one of the Group's Sabah mills had to halt operations for three weeks to remove empty fruit bunch (EFB) stored onsite. The EFB was found to be releasing leachate into the waterway. Following the rectification, the mill was operating at only 50% capacity for three months before being cleared to operate fully. (p29 of AR2022)

What was the financial impact to the Group and the environmental impact in relation to the above matter? Please provide brief details in relation to the rectification made

## REPLY:

The Group spent about RM2million on rectification. To minimize the financial impact during the period, the FFB was diverted to our nearby mill for processing with extra transport cost. The leachate was channelled to waste water treatment pond immediately to minimize the environmental impact.

In summary, below are the brief details of rectification taken in line with the DOE's requirement.

- EFB was cleared by sending to nearby plantations as mulching material with the consents of their owners.
- A new EFB storage shed with 14-days retention capacity was constructed to prevent leachate in future.

## Q3

The Group's Convenience Store Chain business recorded a profit before tax of RM43.00 million on the back of RM636.71 million revenue as FamilyMart achieved economies of scale. (page 30 of AR2022)

(a) For the financial year ended 31 March 2022, in terms of percentage, how many FamilyMart convenience stores were profitable, breakeven and/or loss making?

## REPLY:

- a) The market for our FamilyMart business is very dynamic. We monitor closely the performance of every store and put in place sales and cost management control to ensure that they stay profitable. The number of unprofitable stores are minimal and if it cannot be turnaround over a period of monitoring and improvement, the policy is to close that particular store.

## Q3 (cont..)

(b) The Group have set its sight on opening another 300 FamilyMart stores in the next five years after reaching its landmark 300th store in June 2022 (page 31 of AR2022). How long does it take for an outlet to breakeven?

(c) More FamilyMart Mini are planned for high traffic density locales such as hospitals and universities (page 31 of AR2022). What is the Group's target number of FamilyMart Mini to be set-up in financial year ending 2023?

## REPLY:

b) We target outlet investment payback period within 3 years.

c) We target to rollout 80 FamilyMart Mini by end FY2023.

## Q4

Inventories write-down amounted to RM1.11 million (2021: RM0.27 million) (page 127 of AR2022). What comprises the inventories that have been written down? How much of the written down inventories are still saleable?

## REPLY:

The inventories write-down is mainly from our subsidiary Boilermech involving some aging pipe and related materials, and obsolete equipment as per the company's inventory provision policy. Most of the materials are steel pipes which are still usable.

## Q5

Revenue contribution from Vietnam for marine-products manufacturing decreased significantly to RM2.58 million (2021: RM43.73 million) (Note 22, pages 186 of AR2022)

What is the reason for the huge decrease in revenue contribution from Vietnam for marine-products manufacturing?

## REPLY:

Huge decrease in revenue from Vietnam was due to

- Lower fish catch from fishing activities caused by MCO with fishing fleets mostly grounded due to shortage of fishing crew.
- Lockdown in Vietnam during the height of Covid-19 resulted in operational disruption in most of their tuna- canning factories.



# Questions Posed by Shareholder up to 28 August 2022



# Questions Posed by Shareholder up to 28 August 2022



## Q1

What is the FamilyMart action plan to counter the competition from KK Group on its joint venture with GS25 South Korea store chain?

## REPLY:

The entry of new foreign player reflects the increased acceptance of consumer for convenient food and augur well for industry players including FamilyMart.

FamilyMart's fresh food offering, quality and brand loyalty remain to be our differentiation against other CVS player. We will continue to focus on those factors and expand our network for the convenience of our consumers.

# Questions Posed by Shareholder up to 28 August 2022

## Q2

Is FamilyMart planning to focus on FM Mini instead of ordinary store as its main strategy in convenience store segment?

## REPLY:

Our physical convenience store, FamilyMart Food Superstore, will still be the main focus of our expansion.

FM Mini complements the normal stores in providing enhanced convenience to our customers. It offers selected range of fresh food, drinks and snacks 24/7 via an automated, cashless and contactless experience at customer's doorstep.

# Questions Posed by Shareholder up to 28 August 2022



## **Q3**

The Tokyo FamilyMart outlet uses Inventor AI to provide counter service per their press and media release in August 2022. Is FamilyMart Malaysia planning to do the same as Tokyo?

## **REPLY:**

The FamilyMart management will continue to evaluate and explore ways which includes adopting mature technology to improve the customer experience and service quality at FamilyMart store, on top of addressing long term labour shortage and rising wages issue.

# Questions Posed by Shareholder up to 28 August 2022



## Q4

What was the revenue contribution for Mushroom Brand and FIGO brand?

What issues faced by its existing popular frozen products resulted in delivery and out of stock issue in the market? Have the issues resolved?

## REPLY:

The subsidiaries recorded higher revenue as the demand for frozen and convenient food increased during the MCO period.

Due to increased demand and production disruption caused by labour shortage and tight SOP compliance, we had to prioritize production orders accordingly. The constraints have eased now with additional foreign workers recruited. Meanwhile, we are in the process of expanding production capacity in Kulai factory.

# Questions Posed by Shareholder up to 28 August 2022



## **Q5**

How did QL overcome material shortages including the imported material?

## **REPLY:**

We source for more alternative suppliers both locally and oversea to ensure sufficient supply for our production.

# Questions Posed by Shareholder up to 28 August 2022



## Q6

How did company manage the logistics disruption? During the peak and high load period, did QL outsource or rent 3rd party transport service to full-fill the delivery requirement

## REPLY:

We have our own delivery fleet and on top, we outsource to 3<sup>rd</sup> party transporters to meet the customer delivery requirement during the peak period.

# Questions Posed by Shareholder up to 28 August 2022



## Q7

What was the order book from export?

## REPLY:

The export market contributes about 10 - 13% of Group's sales in past few years but we expect the export order contribution to come down in the coming year with our shift of focus to meet the increased domestic market demand.



# Questions Posed by Shareholder up to 28 August 2022



## Q8

Recently many new players from non-listed company entered the market, how does QL stay competitive and sustain as market leader?

- (a) After pandemic, many new players with crowd funding support achieved good result in past 2 financial years. Are they taking away QL's existing business partner causing reduced business from wholesaler or end-user?
- (b) Are stakeholder and business partner adhering to QL's ESG requirement?

## REPLY:

We are aware of the changing market landscape and its related risk and opportunity. We remain steadfast with our growth strategies and business plan to remain competitive and sustain as market leader.

ESG elements are embedded into QL's strategies and business operations, which also govern our stakeholders and business partners.

# Questions Posed by Shareholder up to 28 August 2022



## **Q9**

What was QL's strategy to overcome the interest rate spike with high borrowing?

## **REPLY:**

Long term outstanding borrowing has been on the decline and for majority of these loan, the interest cost is fixed and not affected by interest rate spike.

Most of current borrowing are short term trade facilities financing that are rising in tandem with hike in commodity price. The financing cost increase will be factored in together with other operating costs in product pricing mechanism.

# Questions Posed by Shareholder up to 28 August 2022



## Q10

Can QL distribute higher dividend per share at RM0.70sen or RM1?

## REPLY:

Dividend payment is subject to availability of distributable earnings and solvency test.

QL does not have a dividend policy but strive to maintain a payout of about 30% of PATAMI every year, with the balance retained to support investment for growth.

# Questions Posed by Shareholder up to 28 August 2022



## Q11

Does QL have corporate activities update and presentations for Investor or Online update latest info? Is QL planning to do to promote company to local investment community?

## REPLY:

On an ongoing and regular basis, Head of IR engages with local and oversea investment community like analyst and fund managers through online or physical meeting to share the latest group activities and update.

# Questions Posed by Shareholder up to 28 August 2022



## Q12

Shall the group less pay attention in ILF segment as its margin is the smallest?

## REPLY:

Although the ILF segment margin is lower, it is one of the core focus business growth segment, in line with QL's vision and mission.

The ILF business is cyclical in nature, with higher percentage contributed from trading with thin margin. However with upstream to downstream integration, the absolute margin is decent with big revenue base, on top of synergy across the group operations.

# Questions Posed by Shareholder up to 28 August 2022

## Q13

There was an increased investment in Boilermech (BM) to consolidate as a subsidiary. What type of business activities carried out by Boilermech? Was there any increase in order? Were the existing orders delivered per order demand?

## REPLY:

- Boilermech is a diversified renewable energy and environmental solutions provider. The company design and construct Biomass boilers, water treatment systems and Solar PV systems.
- The company's order book is sizable and supported by increasing ESG requirements and favourable palm oil prices.

# Questions Posed by Shareholder up to 28 August 2022



## Q14

What are the impacts to group performance from (a) CPI increase (b)OPR Adjustment (c) Min Wages (d)Weak RM against USD, SGD and RMB?

## REPLY:

The above factors will increase the operating cost and put pressure on margin.

The Group will mitigate the cost increase by improving production efficiency, tight cost control and price adjustment.

The Group remains focused on its strategy to deliver sustainable long term growth by adhering to our governance and risk management.

# Questions Posed by Shareholder up to 28 August 2022



## Q15

What would QL do and from which business to deliver higher and stable profitable revenue?

May I know, what is the company's future outlook?

## REPLY:

QL continues to focus on its long term strategies of regional replication, value chain strengthening and downstream integration. It keeps a watchful and vigilant eye on business dynamics to respond to changes in a timely manner.

CVS has now come onstream as a growth catalyst alongside our core focus on MPM and ILF.

For FY2023 outlook, please refer to GMD presentation shared earlier.



# Questions Posed by Shareholder up to 28 August 2022



## **Q16**

How does QL manage raw material and FX to minimize raw material and FX loss?

## **REPLY:**

We adhere to the our risk management policy governing the FX and commodity hedging.

# Questions Posed by Shareholder up to 28 August 2022



## Q17

Could QL sustain as KLCI index component? What is QL's future plan?

## REPLY:

We will continue to focus on creating sustainable value for the stakeholders which will allow QL to maintain in the KLCI index.

# Questions Posed by Shareholder up to 28 August 2022



## **Q18**

How does the Minimum Wage of RM1500 impact QL Group? Does the operational cost increase?

## **REPLY:**

Hike in minimum wage to RM 1500 increases the overall group operating cost significantly.

The group needs to manage and control cost to maintain the margin and profitability.

# Questions Posed by Shareholder up to 28 August 2022



## Q19

- a. Recently, the government plans to introduce a 45 hours work week. How does it impact QL? Does it apply to all full-time employees? Does QL plan to revise wages and salaries to reduce overall cost of operation?
- b. Is the new working hour applicable to sales team and also customer service and support team? How does it tie in with their reward?

## REPLY:

- a. QL will be guided by government policy on the scope to ensure compliance. The policy is expected to result in significant labour cost increase. To mitigate continued rise in labour shortage and labour cost issue, we will invest in technology and automation to improve productivity.
- b. Work hour flexibility and incentive program for sales team will depend on their business and work nature.

# Thank you