QL RESOURCES BERHAD

ANNUAL GENERAL MEETING

25TH AUGUST 2016

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Performance Review : FY16 vs FY15

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RM'million	FY2016	FY2015	% change
Revenue	2,854	2,707	+5.0%
Results from operating activities	269	252	+6.7%
Profit before tax – recurring (PBT % margin)	249 (9%)	238 (9%)	+4.6%
Gain on deemed disposal of associate	-	8	
Profit before tax (after non-recurring)	249	246	+1.2%
Profit after tax (PAT % margin)	192 (6.7%)	191 (7.1%)	+0.5%

Review of FY2016 Performance: Marine Products Manufacturing

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Marine Products Manufacturing

- ASEAN's leading marine products manufacturer
- Produced more than 140k mt of marine products per annum
- Sales - FY15: RM841m vs FY15: RM732m (Up 15%)
- PBT - FY16: RM169m vs FY15: RM127m (Up 33%)

- During the year under review, the MPM divisions benefited from the following factors:
  - increase in export of fishery products due to weaker Ringgit;
  - Improve fish catch in Peninsular Malaysia due to EL Nino weather effect.
- As a consequence; sales and earnings increased 15% and 33% respectively against corresponding period.

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Integrated Livestock Farming

- Asean's leading poultry egg producer
- 4.5m eggs per day, 1 million mt of raw material feed per year
- Sales – FY16: RM1.70b vs FY15:RM1.63b (Up 4%)
- PBT – FY16: RM71m vs FY15: RM104m (Down 32%)

- During the year under review, the ILF divisions was affected by the following factors:
  - EL Nino hot weather affect farm productivity (heat stress);
  - major egg price correction in Peninsular market after strong egg price in previous corresponding period;
  - lower farming efficiency in Indonesia poultry unit due to challenging farming conditions;
  - Non-recurring earnings in FY16 as a results of disposal of investment in Lay Hong Bhd in FY15.
- As a consequence; sales increased 4% and earnings decreased 32% against corresponding period.

Review of FY2016 Performance : 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 – FY15:RM308m vs FY15:RM345m (Down 10%)
- PBT – FY16:RM12m vs FY14: RM15m (Down 20%)

- POA's sales decreased 10% mainly due to lower CPO price (RM2132/mt vs RM2285/mt) as well as lower FFB processed by Sabah palm oil unit;
- Earnings decreased 20% due to lower contribution from Associate (Boilermech), lower FFB produced & processed by Sabah palm oil unit as well as lower CPO price.

Turnover : Track Record (RM million)

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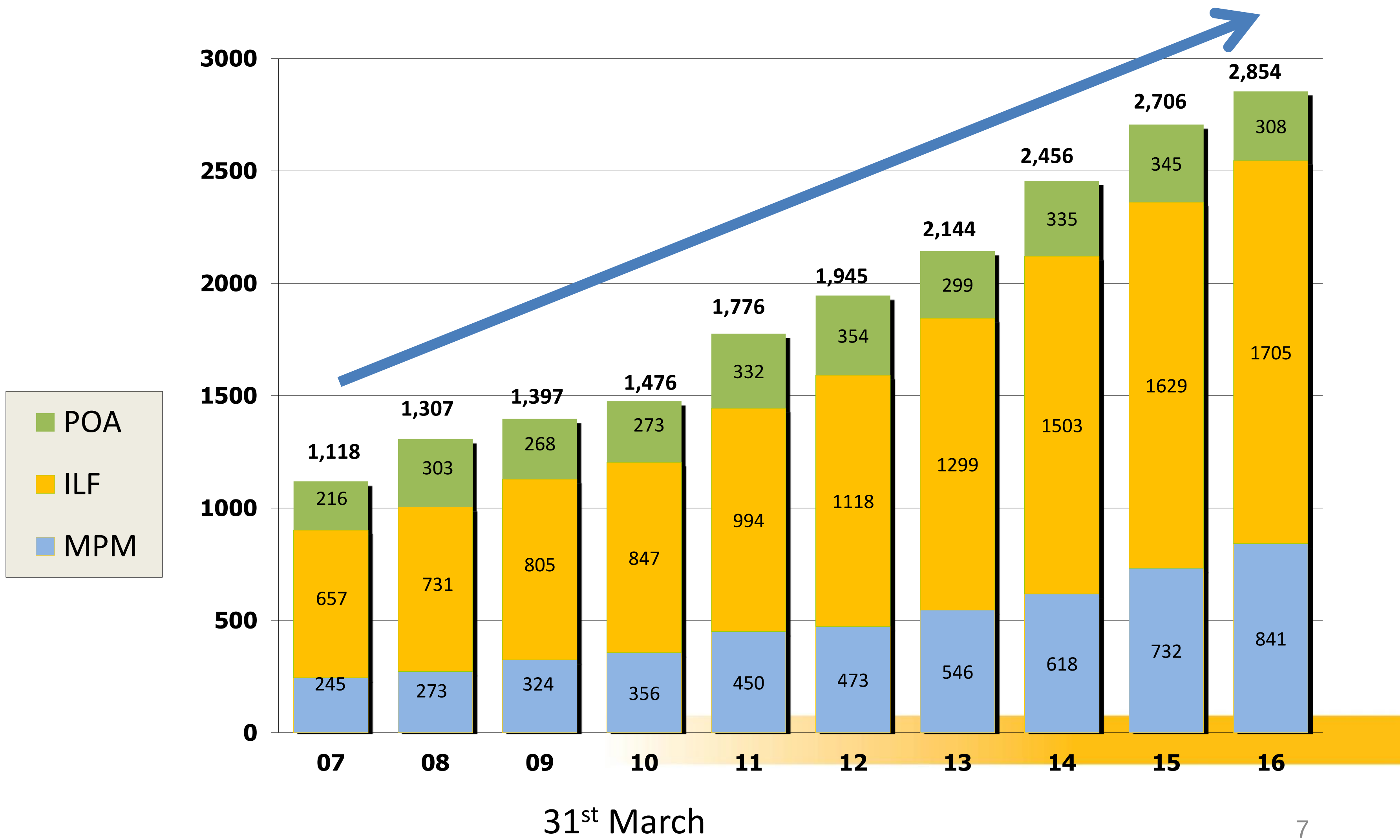
10 YEARS CAGR: FY2007-FY2016 = 11%



Earnings (PBT) : Track Record (RM million)

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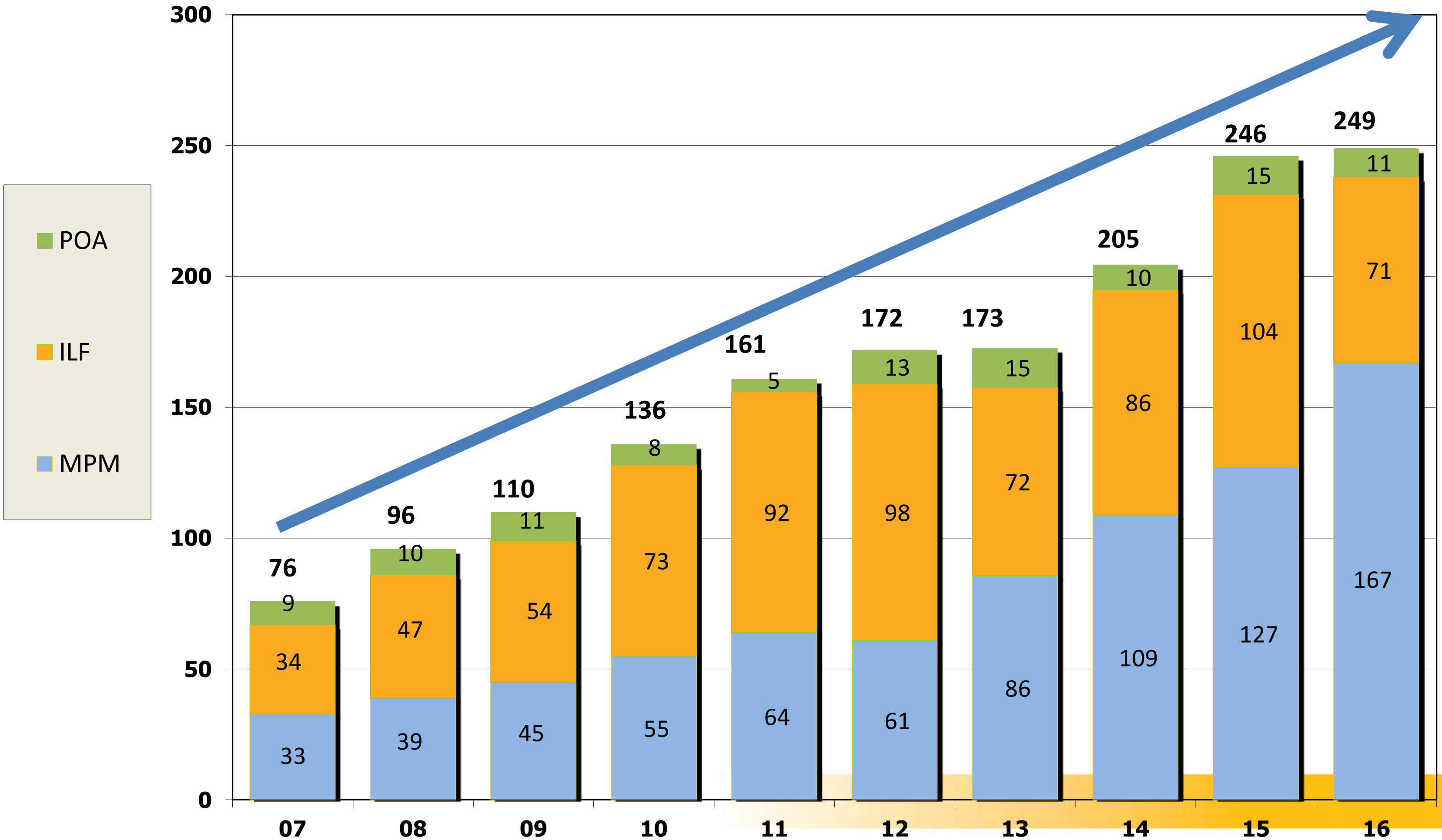
10 YEARS CAGR: FY2007-2016=14%



31st March

5 Years Summarised Financial Ratios

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	YE 2012	YE 2013	YE 2014	YE 2015	YE 2016
Current Ratios	1.29	1.45	1.62	1.51	1.45
Debtors Day	32 days	37 days	32 days	34 days	36 days
Inventory Days	34 days	47 days	40 days	55 days	59 days
Long Term Debts to Equity	35%	47%	21%	22%	18%
Dividend Payout	28%	28%	28%	28%	28%
Total Assets	RM1.67b	RM2.0b	RM2.24b	RM2.58b	RM2.81b
Market Capitalisation	At 31.3.2012 RM2.7b	At 31.3.2013 RM2.5b	At 31.3.2014 RM4.04b	At 31.3.2015 RM4.99b	At 31.3.2016 RM5.3b

Performance Review : Q1FY17 vs Q1FY16

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RM'million	Qtr 30.6.16	Qtr 30.6.2015	% change
Revenue	669	655	+2%
Results from operating activities	85.5	80.6	+6%
Share of associates profits	3.6	3.7	
Profit before tax (PBT % margin)	52.8 (7.9%)	52.8 (8%)	+0.01%
Profit after tax PAT % margin)	42.0 (6.3%)	41.0 (6.2%)	+2%

Significant Operational Highlights on MPM activities for FY2016

- Marine Products Manufacturing activities

  – Phase 1 of the new plant specialising in frozen surimi-based products in Kulai has been completed and operations are being migrated from its current factory in Johor Bahru.

  – A new RM40-million chilled surimi-based product plant is being built in Hutan Melintang. This new facility will double the current capacity of 12,000 metric tonnes per year.

  – Over at Tuaran, Sabah, a new RM25 million frozen marine products processing plant is being constructed.

  – For the upstream activities, QL is growing our current 21 fish fleet in Endau to 24 by the next end of FY2018 to bolster our deep-sea fishing capabilities.

Significant Operational Highlights on ILF Activities for FY2016

- Integrated Livestock Farming Activities
  - Volume for raw material trade in Indonesia and Vietnam has started to build up. At the same time, our commercial feed mill in Bekasi, Indonesia to support QL's own requirements and to supply to other farms has been completed.
  - The broiler integration business in East Malaysia and Indonesia will be expanded due to significant breakthrough in our broiler farm productivity.
  - The new poultry downstream processing plant in Kota Kinabalu is also ready to receive its halal certification.
  - Work has started on the integrated layer farm of 500,000 eggs per day capacity in Raub, Pahang which has received the 10-year Pioneer Status investment incentive under the East Coast Economic Region initiative.

Significant Operational Highlights on Palm Oil Activities for FY2016

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- Palm Oil Activities
  - El Nino caused severe drop in production of FFB in the palm oil activities division. This in turn affected the downstream activities which then faced shortage of FFB for processing. Adding on to these was the lower CPO prices during the period under review.
  - Collectively, these factors also adversely affected the performance of QL's associate company (Boilermech), where its earnings are mainly derived from plantation industries.
  - On a brighter note, our plantations are increasing in maturity profile. The timing of this increase in FFB production taken together with a stabilising CPO price should put this division on a contribution growth path.
  - During the year under review, our associate (Boilermech) acquired 60% equity interests in TEK (Technologi Enviro-Kimia group). This acquisition falls within Boilermech's growth strategy to be a leader in renewable energy and sustainable environmental solutions.

Other matters: Investment in FamilyMart Convenience Stores

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- The signing of franchise agreement with FamilyMart in April 2016 is QL's strategic plan to expand into convenience-stores chain.
- This is part of our strategic growth theme through downstream expansion of our existing food manufacturing and distribution businesses . It also opens up bigger growth opportunities in the consumer market for the group.
- QL is confident that this long term strategy, with a name such as FamilyMart will provide a new chapter of both excitement and growth for the group.
- We are targeting to open the first store by December 2016.

Overall outlook for FY2017

- QL is in consumer staples market where demand is less affected by market and financial condition. With domestic consumer sentiments that remain bearish and a lethargic growth for Malaysia and other economies, FY2017 will continue to be a challenging year.
- Sectors outlook :
  - MPM outlook is generally positive:
    - Prospects for export will hopefully continue to grow for QL's products through new capacity expansion, innovative new product range, new market, brand and price leadership as well as weak Ringgit.
    - On the domestic market, we will continue to grow our market share through continuing investment in modern processing technology, R & D, quality of products as well as efficient cost of production.
  - ILF activities is expected to recover after a weak FY2016:
    - Our new commercial feed mill in Indonesia has contributed positively in FY2016 and we hope to have greater feed mill quantity and improvement in FY2017.
    - Broiler farming efficiency has also improved significantly in FY2016 and will continue to do so in FY2017.
    - After a year of consolidation in FY2016, the Peninsular egg prices is projected to normalise in FY2017. Improvement in Vietnam operation is on the table as we work hard to increase production output.
    - We expect our raw material trading unit margin to maintain in FY2017, and trading volume to increase in FY2017 as we expand our regional trade in Indonesia and Vietnam.

Overall outlook for FY2017 -continue

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- Palm Oil activities is also expected to recover from a weak FY2016:
  - Growing palm maturity from Indonesia plantation will provide positive contribution in the coming financial year. We forecast CPO price to recover in the coming financial year and to be between RM 2,400 to RM 2,600 per metric tonne. This will be positive for our plantation.
  - We anticipate that EL-Nino lingering effect will continue to adversely affect our Sabah palm oil unit in the first half of FY2017.
  - Contribution from our associate Boilermech Holdings Berhad is expected to recover in FY2017 as a result of improvement in CPO price.

- Overall for the Group, we remain confident of returning another year growth.

Thank you !