APPENDIX B

The questions and answers (Q&A) session between the shareholders/proxies and the Board/Management with regards to the presentation from the Group Managing Director and the Company's audited financial statements for the financial year ended 31 March 2018 were summarised as follows:-

Q&A 1

Mr Wan Heng Wah posted the following questions:-

a) *Where will QL set its footprints on its broiler business i.e. locally or regionally? There is a good potential of broiler business as there is scarcity of food. Please elaborate on the business direction and target in the next few years.*
b) *As for the CVS (convenient store) business. Whether QL is able to achieve 150 stores by end of year 3 (QL has targeted to achieve 300 stores by year 5) in nationwide, especially in the northern and southern states as well as to achieve a positive EBIDTA and PBT. This CVS business complements well with QL's ILF and MPM businesses. Please elaborate on this synergies.*
c) *Is the CVS business able to achieve critical mass (breakeven) by end of year 5?*

Dr Chia answered the abovementioned questions in the following manner:-

a) QL has in recent years, expanded quite aggressively in broiler business but in small scale mainly in Kuching, Tawau and Indonesia. Recently, it has also extended the said business in Kota Kinabalu. At the moment, the results from this business has been satisfactory as it is able to achieve its targets.

   Lately, the Company has started to consider embarking into broiler business in West Malaysia where the market potential is high and there is a good market opportunity in the northern and southern states such as Perlis and Johor. It is strategic to expand the business in West Malaysia to cater for the supply of chicken meat to the CVS business in Peninsular Malaysia, which is one of the ingredients used in RTE (Ready to Eat) products.

   The return on the capital employed of broiler business will be better than layer farming business if it is being run efficiently and properly. With Figo's operations having been fully migrated to the new Kulai surimi-based factory, QL will focus on its downstream businesses related to food as well as slaughtering and processing businesses in the next five years.

b) As stated in the MD&A (Management Discussion and Analysis) report, the milestone of this CVS project is to open 30 stores by 31 March 2018 (year 1) but QL managed to open 39 stores instead, which is 30% higher than the target. Next is to have a total of 300 stores by year 5 (FY2022). As at to-date (i.e. April 2018 to August 2018), 22 outlets have been opened and a total of 61 stores will be in place by end of August 2018. Therefore, the opening of new stores is progressing as planned. Further, QL has targeted to achieve 20% to 30% growth in the number of stores by FY2020.

   Overall, the CVS business managed to achieve most of its KPI (key performance indicators) in terms of gross margin, average ticket count and size as targeted and the Management is satisfied with the results.

c) Based on the current progress, the CVS business may be able to achieve a positive EBIDTA ahead of year 5 due to various factors such as high number of crowds and the Management's ability to handle the operational issues such as wastage, labour, rental and system. As such, the business will be able to cut down its losses.

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Q&A 2

Ms Amy Oh Siew Kee asked whether FamilyMart ("FM") is solely in Malaysia.

Dr Chia replied that QL is the master franchisee of FM Malaysia and FM has been long established in other countries.

Q&A 3

Mr Mohd Yusof bin Hussain commented that 2 years ago, a concern was raised on the composition of the Board and board of committees whereby the chairman of the board is also the chairman of the other board committees. However, he is glad that this had been rectified after Dr Chia has been appointed as the Executive Chairman of the Board.

He also believes that the current board of committees are headed by different person and is pleased that QL has segregated the Risk Management role from the Audit Committee ("AC"), which is necessary as QL is a large company where the operational risks are high. The segregation allows the Risk Management Committee ("RMC") to focus on the operational requirements and the AC on the legal requirements.

Further, as a good practice, Mr Yusof hopes that at least one of the AC members is also a member of the RMC and vice versa, which is not reflected in the Annual Report as these two committees are co-related.

He thanked Dr Chia for addressing the abovementioned issue raised 2 years ago and complimented Dr Chia on his personalities as well as expressed his pleasure being a shareholder of QL.

Dr Chia thanked Mr Yusof for his comment and compliment. He explained that at least 3 to 4 members of the AC are also the members of RMC. The meeting of these committees are held concurrently and some of the RMC members are also invited to the AC meeting. Besides that there are at least 3 to 4 common Independent Directors in these 2 committees.

Q&A 4

Mr Chiew Sin Cheong suggested the Company to give door gift to the shareholders in the AGM and to be redeemed at FM stores. The purpose is also a way to publicise FM brand. He also noticed that the outlet in Eng Ann is doing well based on the crowd turnout in the store. Further, if QL has a budget constraint on the door gift, the Management can consider cutting down the budget for the AGM lunch and allocate it for the door gift, hence the cash flow will not be affected.

Mr Looi Cheong Weng also suggested putting the food voucher together with the Annual Report before distributing the same to the shareholders to enable shareholders in the different states to redeem FM products.

Dr Chia noted on Mr Chiew's comment and suggestions. Dr Chia added that the Board and Management will consider the said suggestions carefully and seriously as he has been warned about the challenges on the execution and the consequences should the Company discontinue giving door gift at one point once it has been implemented. Therefore, he sought the shareholders' patience on this matter.

With regards to Mr Looi's suggestion, Dr Chia said that it is a good suggestion but there may be complains from the shareholders that the queue in FM stores is too long (due to overcrowded situation) or stores not being opened fast enough to cater for the huge crowd. Nonetheless, the Management will consider these suggestions.

Q&A 5

Mr Gor Ching Ruey (proxy for Gow Fei Chieh) posted the following questions:-

a) Does QL has the intention to privatise Boilermech Holdings Berhad ("Boilermech") after the consolidation of its accounts with QL Group two years ago?

b) Will QL embark on any mergers or acquisitions ("M&A") exercise in the future?

Dr Chia replied that there is no plan to privatise Boilermech. He then gave an overview of Boilermech business prospects and outlook, whereby the business has been affected by palm oil prices, weather issue, labour shortage and so on, thus the business has been stagnant. However, Boilermech has successfully ventured into a waste water treatment related business and its overall business has rebounded positively. As mentioned in the MD&A, contribution from Boilermech is anticipated to be cautiously better in FY2019 in view of the positive outlook.

Meanwhile, QL has no plans to undertake any M&A exercise in the near future.

Q&A 6

Mr Chong Jit Seng enquired about the value creation and CAPEX incurred for QL's each business segment i.e. ILF, MPM and POA.

Dr Chia replied that QL has invested aggressively mainly for the expansion of its regional operations in Vietnam and Indonesia. Besides that, it also incurred CAPEX for the expansion and strengthening/enhancing its existing businesses in Peninsular Malaysia and Sabah. As stated in the MD&A, the extreme weather has affected the POA industry as well as fish cycles.

As for the ILF, there is an over expansion of big players in Malaysia and the market is saturating whilst the small players are being phased out. Further, FM is still in its gestation period. With all these factors, the Group's PBT has remained flat. Nonetheless, Dr Chia hopes that FY2019 will be a better year with the fast expansion of FM and improvement in the weather situation.

Q&A 7

Mr Jackson Lim Beng Shien asked the following questions:-

a) What is the measures taken by the Company in mitigating the hike in feed cost due to the unfavourable exchange rates?

b) What is the TP (transfer pricing) arrangement between the upstream businesses and downstream businesses i.e. transfer pricing policy/basis in determining the TP?

c) Is there a plan for FM to localise its production of snack and beverages.

The answers to the above questions are as follows:-

a) Dr Chia agreed that the weakening of Ringgit post general election and the strengthening of the USD have contributed to the hike in feed cost. As a result, the farming cost is also higher. However, the looming trade war between China and US may lead to lower feed cost as demand from China dropped significantly. Nevertheless, the impact from the rising feed cost is minimal to QL's business. Further, some of these costs can be passed on to the customers in the long run.

b) Mr Freddie Yap replied that the TP between inter-companies is based on a fixed margin. Dr Chia gave an example whereby the fishmeal produced by a subsidiary will be sold and marketed by another subsidiary. The product will be sold to local and overseas' feed miller at a fixed percentage of mark-up of 3%-4% on the cost. He added that the TP mechanism has been long adopted by QL and is reasonable.

c) Mr Chia Lik Khai ("LKhai") stated that there are 2 main categories of food sold in FM i.e. RTE and fresh food such as bread. The fresh food is produced by one of QL's wholly-owned subsidiaries based on Japanese's taste, formulation and know-how. Secondly, the ingredients of the "oden" (fast food item) is manufactured, supplied and customised by QL Foods Sdn. Bhd., also one of QL's wholly-owned subsidiaries. Therefore, the products are localised.

Moving forward, the Management will develop more products with the manufacturer from QL's supply chain (mostly QL's own business) and look into the synergy of having a house brand in terms of snack and beverage as well as other consumer items in food and beverage category.

<u>Q&A 8</u>

The following questions were raised by Mr Chan Yean Lin:-

a) How much is the contribution from FM to QL Group?
b) Any cross selling of FM product in Malaysia to Japan?
c) Noticed that one of the staffs in FM has charged a lower price of a product, hence a loss to the company.
d) What is the profit margin of FM?
e) How QL manages its high PE ratio?
f) QL's debts and cash positions are high.

Dr Chia replied that the revenue of FM for the financial year ended 31 March 2018 is still small to be reflected in a separate division by itself and not reflected in the segmental reporting in the recent unaudited quarterly results. Therefore, it is currently reported under the ILF division. Nonetheless, FM may be the "fourth leg" of QL's business in FY2020 in view of its positive growth.

As for the cross selling i.e. sales of FM Malaysia's product to Japan or other countries, LKhai replied that the Management will explore with FM franchisors from other countries on the items that can be sold to them. The Management also introduced FM Malaysia's product to them when they visited FM Malaysia and they will study the suitability of the said products. However, the cross selling activity will not be the main priority at the moment but in the long run, this is an opportunity as QL has good surimi and poultry products.

In terms of the low selling price being charged, LKhai said it is possible that the price of the item/product in the system differs from the price tag because the price tag is not updated by the storekeeper as and when there are changes in the price to tally with the price in the system. Therefore, if the price tag is not updated and it is lower than the price stated in the system, the lower price will prevail in order to honor the price as stated in the price tag. The differences arising from the price tag and the system will only be known during stock take. This is a norm in a retail (CVS) business and it is termed as "shrinkage". Nonetheless, the Management has set KPI on "shrinkage" to enhance the internal control.

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Dr Chia commented that QL's current gearing ratio is at a range of 30%, which is considered a healthy level as compared to 70% in its early years of operation. The gearing ratio of 30% is mainly due to high CAPEX incurred by the Group for its expansion on its ILF and MPM businesses. However, the gearing ratio will improve as the CAPEX for CVS business (under ILF) is low.

As for the high PE ratio of the Company, Dr Chia said it is determined by the share trading activities by the shareholders of which the Board or the Company has no control over it. Further, the Company has not been buying back its shares.