

**QL RESOURCES BERHAD (“QL” OR “COMPANY”)  
- PROPOSED ACQUISITION BY PT. QL AGROFOOD, A WHOLLY-OWNED  
SUBSIDIARY OF QL OF A BREEDING FARMING BUSINESS FROM A  
RELATED PARTY, NAMELY, PT. QL TRIMITRA FOR A TOTAL CASH  
CONSIDERATION OF APPROXIMATELY RM39,211,250.50 (“PROPOSED  
ACQUISITION”)**

**1. INTRODUCTION**

The Board of Directors of QL Resources Berhad (hereinafter referred to as “QL” or the “Company”) wishes to announce that its subsidiary, PT. QL Agrofood (hereinafter referred to as “Agrofood”) had on 15 December 2016 entered into a Sale and Purchase Agreement with a related party namely, PT. QL Trimitra (hereinafter referred to as “Trimitra”) to purchase a breeding farming business (hereinafter referred to as the “Proposed Acquisition”). The description of the breeding farming business is as follows:-

Description	Purchase Consideration	
	Rp	RM (approximately)
i) Breeding farm with a capacity of 150,000 parent stocks located in Tanjung Sari; and ii) Hatchery with a capacity of 2.5 million day-old-chick (hereinafter referred to as “DOC”) located in Buniayu (the abovementioned is collectively known as the “Breeding Assets”)	100,000,000,000.00	32,786,885.25
iii) Biological assets  (all the assets under no. i, ii and iii are collectively known as the “Assets”)	19,594,314,045.63	6,424,365.25
<b>Total</b>	<b>119,594,314,045.63</b>	<b>39,211,250.50</b>

**2. INFORMATION ON AGROFOOD**

Agrofood is a company incorporated in Indonesia, is 100% owned by QL via its wholly-owned subsidiaries, QL Feedingstuffs Sdn. Bhd. and QL Realty Sdn. Bhd.. Its principal nature of business is layer farming, broiler farming and feed milling.

The directors of Agrofood are Mr Chia Mak Hooi, Mr Chia Seong Pow and Dokter Hewan Cecep Mochamad Wahjudin.

**3. INFORMATION ON TRIMITRA**

Trimitra is a company incorporated in Indonesia, is 80% owned by QL via its wholly-owned subsidiaries, QL Feedingstuffs Sdn. Bhd. and QL Realty Sdn. Bhd.. Its principal nature of business is distribution of animal feed raw material, food grain and poultry breeding.

The directors of Trimitra are Mr Chia Mak Hooi, Mr Chia Seong Pow and Dokter Hewan Cecep Mochamad Wahjudin. Dokter Hewan Cecep Mochamad Wahjudin is also a shareholder of Trimitra with equity interest of 20%.

#### 4. ORIGINAL COST OF INVESTMENT, BASIS AND JUSTIFICATION IN ARRIVING AT THE PURCHASE CONSIDERATION

The total cost of investment and net book value of the Breeding Assets are as follows:-

Assets	Total cost of investment from 2011 to 2016		Net Book Value as at 30 November 2016	
	Rp	RM (approximately)	Rp	RM (approximately)
Breeding Assets	119,603,229,197	39,214,173.51	98,320,963,581	32,236,381.50

Meanwhile, the cost (based on QL Group's standard costing method) of the biological assets as at 30 November 2016 was Rp19,594,314,045.63 (equivalent to RM6,424,365.25).

An independent registered valuer, Toto Suharto dan Rekan (hereinafter referred to as the "Valuer") was appointed by Agrofood to carry out the valuation of the Breeding Assets.

Based on the Valuer's report dated 23 November 2016, the market value of the Breeding Assets free from all encumbrances was Rp100,388,300,000.00 (equivalent to approximately RM32,914,196.72) after having inspected the Breeding Assets.

The purchase consideration of the Breeding Assets of Rp100,000,000,000.00 (equivalent to approximately RM32,786,885.25) was arrived based on "willing buyer willing seller" basis and after taking into consideration the abovementioned market value and net book value.

Meanwhile, the purchase consideration of the biological assets of Rp19,594,314,045.63 (equivalent to RM6,424,365.25) was also arrived based on "willing buyer willing seller" basis and after taking into account the cost as at 30 November 2016.

Therefore, the board of directors of Agrofood opined that the said purchase consideration for the Assets is fair.

The purchase consideration for the Assets shall be satisfied by way of cash in the following manner:-

- a) 50% or Rp 59,797,157,022.82 (equivalent to approximately RM19,605,625.25) will be paid by Agrofood upon signing of the Sale and Purchase Agreement.
- b) the balance of 50% or Rp59,797,157,022.82 (equivalent to approximately RM19,605,625.25) will be paid by Agrofood upon receipt of the memorandum of transfer documents.

## **5. RATIONALE FOR THE PROPOSED ACQUISITION AND PROSPECTS OF THE ASSETS**

Trimitra wishes to streamline its poultry businesses in West Java by disposing the Assets to Agrofood.

It is common practice for feed mills in Indonesia to supply feed to the farmers coupled with supplying of the broiler DOC i.e. feed plus DOC as a package deal for better synergy.

The feed plus DOC package enables the feed milling division to secure higher volume of feed sales and maintain loyal customers.

The Proposed Acquisition also enables Agrofood to expand its breeding farm capacity to meet the increase demand in DOC as QL Group continue to grow its feed mill operation and broiler operation.

## **6. RISK FACTOR(S)**

As QL Group is currently involved in integrated livestock farming activities, it has already been exposed to inherent risk in the breeding farming business such as the disease outbreak.

Nonetheless, the Board will ensure that the abovementioned risk be mitigated through efficient farm management, tight bio-security system and effective vaccination program.

## **7. THE FINANCIAL EFFECT OF THE PROPOSED ACQUISITION**

The Proposed Acquisition does not have any effect on QL's earnings per share, net assets per share, gearing, share capital and substantial shareholders' shareholding.

## **8. SOURCE OF FUNDING**

The Proposed Acquisition will be funded by internally generated income.

## **9. APPROVAL**

Agrofood had obtained approval from its shareholders and board of directors on the Proposed Acquisition. No other approval from the shareholders and authorities of the Company is required for the Proposed Acquisition.

## **10. INTEREST OF THE DIRECTORS AND/OR MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

None of the other directors and/or major shareholders of QL and/or persons connected with them have any interest, direct or indirect in the Proposed Acquisition.

## **11. STATEMENT BY THE AUDIT COMMITTEE**

The Audit Committee, having taken into consideration all aspect of the Proposed Acquisition, was of the view that it is in the best interest of the Company, fair, reasonable and on normal commercial terms and not detrimental to the interest of the minority shareholders.

## **12. STATEMENT BY THE BOARD OF DIRECTORS**

The Board of Directors of QL are in the opinion that the Proposed Acquisition is in the best interests of the Company.

## **13. PERCENTAGE RATIO**

The highest percentage ratio applicable to the Proposed Acquisition pursuant to paragraph 10.02(g) of the Main Market Listing Requirements is 2.35%.

## **14. DATE OF COMPLETION**

The Proposed Acquisition is expected to be completed within 6 months from the date of the Sale and Purchase Agreement.

## **15. THE TOTAL AMOUNT TRANSACTED WITH TRIMITRA FOR THE PRECEDING 12 MONTHS**

There are no transactions between Agrofood and Trimitra in the preceding 12 months.

## **16. DOCUMENTS FOR INSPECTION**

The Sale and Purchase Agreement and valuation report for the Breeding Assets will be made available for inspection at the registered office of the Company at No. 16A, Jalan Astaka U8/83, Bukit Jelutong, 40150 Shah Alam, Selangor during normal business hours from Mondays to Fridays (except public holidays) for a period of one month from the date of announcement.

This announcement is dated 15 December 2016.