THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to take, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

Bursa Malaysia Securities Berhad has not perused through the contents of this Circular relating to the Proposed Bonus Issue (as defined herein) and Proposed Exemption (as defined herein) prior to its issuance and takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

QL RESOURCES BERHAD

(Company No. 428915-X)
(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

PART A

(I) PROPOSED BONUS ISSUE OF 249,605,886 NEW ORDINARY SHARES OF RM0.25 EACH IN QL RESOURCES BERHAD ("QL") ("QL SHARE(S)" OR "SHARE(S)") ("BONUS SHARE(S)") ON THE BASIS OF THREE (3) BONUS SHARES FOR EVERY TEN (10) EXISTING QL SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("ENTITLEMENT DATE") ("PROPOSED BONUS ISSUE");

(II) PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 166,403,924 QL SHARES ("RIGHTS SHARE(S)") ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY TEN (10) EXISTING QL SHARES HELD ON THE ENTITLEMENT DATE ("PROPOSED RIGHTS ISSUE"); AND

(III) PROPOSED EXEMPTION UNDER PARAGRAPH 16.1 OF PRACTICE NOTE 9 OF THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS 2010 TO EXEMPT CBG HOLDINGS SDN BHD ("CBG") AND ITS PARTIES ACTING IN CONCERT WITH CBG FROM THE OBLIGATION OF EXTENDING A MANDATORY TAKE-OVER OFFER FOR THE REMAINING QL SHARES NOT ALREADY HELD BY THEM PURSUANT TO THE PROPOSED RIGHTS ISSUE ("PROPOSED EXEMPTION")

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF QL IN RELATION TO THE PROPOSED EXEMPTION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser for Part A

RHB Investment Bank Berhad
(Company No. 19663-P)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B

KENANGA INVESTMENT BANK BERHAD
(Company No. 15678-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("EGM") of QL Resources Berhad ("Company"), which will be held at Saujana Ballroom, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor on Friday, 24 January 2014 at 10.00 a.m., together with the Form of Proxy are enclosed herein.

A member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to attend and vote on his/ her behalf. In such event, the completed and signed Form of Proxy must be lodged at the Registered Office of the Company at No.16A, Jalan Astaka U8/83, Bukit Jelutong, 40150 Shah Alam, Selangor, not less than 48 hours before the time stipulated for holding the EGM as indicated below. The lodging of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy .... : Wednesday, 22 January 2014 at 10.00 a.m.
Date and time of the EGM .... : Friday, 24 January 2014 at 10.00 a.m.

This Circular is dated 9 January 2014

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	:	The Companies Act, 1965
"Board"	:	The Board of Directors of QL
"Bonus Share(s)"	:	249,605,886 new QL Shares to be issued pursuant to the Proposed Bonus Issue
"Bursa Depository" or "Depository"	:	Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"CBG"	:	CBG Holdings Sdn Bhd
"Circular"	:	This circular dated 9 January 2014
"Code"	:	Malaysian Code on Take-Overs and Mergers, 2010
"Director(s)"	:	The director(s) of QL and shall have the meaning given in Section 4 of the Act
"EGM"	:	Extraordinary General Meeting
"Entitled Shareholders"	:	The shareholders of QL who are registered as a member and whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date
"Entitlement Date"	:	The date as at the close of business (to be determined and announced later by the Board) on which shareholders of QL must be registered as a member and whose names appear in the Record of Depositors of the Company in order to participate in the Proposed Bonus Issue and Proposed Rights Issue
"EPS"	:	Earnings per Share
"Farsathy"	:	Farsathy Holdings Sdn Bhd
"FPE"	:	Financial period ended/ ending
"FYE"	:	Financial year ended/ ending
"IAL"	:	The independent advice letter dated 9 January 2014 prepared by the Independent Adviser, which is set out in Part B of this Circular
"KIBB" or the "Independent Adviser"	:	Kenanga Investment Bank Berhad, being the Independent Adviser for the Proposed Exemption
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	10 December 2013, being the latest practicable date prior to the printing and despatch of this Circular

"Market Day(s)"	:	Any day from Monday to Friday (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for the trading of securities
"Maximum Subscription Level"	:	Assuming all the shareholders of QL subscribe to their respective entitlements under the Proposed Rights Issue amounting to 166,403,924 Rights Shares
"Minimum Subscription Level"	:	Assuming only CBG and Farsathy subscribe to their respective entitlements under the Proposed Rights Issue amounting to 96,236,844 Rights Shares
"MT"	:	Metric ton(s)
"NA"	:	Net assets
"PAC(s)"	:	Parties acting in concert with CBG pursuant to the Proposed Exemption
"Proposals"	:	The Proposed Bonus Issue, Proposed Rights Issue and the Proposed Exemption, collectively
"Proposed Bonus Issue"	:	The proposed bonus issue of 249,605,886 Bonus Shares on the basis of three (3) Bonus Shares for every ten (10) existing QL Shares held on the Entitlement Date
"Proposed Exemption"	:	The proposed exemption under Paragraph 16.1 of Practice Note 9 of the Code to CBG and PACs from the obligation of extending a mandatory take-over offer for the remaining QL Shares not already owned by them pursuant to the Proposed Rights Issue
"Proposed Rights Issue"	:	The proposed renounceable rights issue of 166,403,924 Rights Shares on the basis of two (2) Rights Shares for every ten (10) existing QL Share held on the Entitlement Date
"QL" or the "Company"	:	QL Resources Berhad
"QL Group" or the "Group"	:	QL and its subsidiary companies, collectively
"QL Share(s)" or "Share(s)"	:	Ordinary share(s) of RM0.25 each in QL
"Record of Depositors"	:	A record of depositors established by Bursa Depository under the Rules of Depository
"RHBIB" or the "Adviser"	:	RHB Investment Bank Berhad
"Rights Share(s)"	:	166,403,924 new QL Shares to be issued pursuant to the Proposed Rights Issue
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"Ruby"	:	Ruby Technique Sdn Bhd
"SC"	:	Securities Commission Malaysia

"TEAP"	:	Theoretical ex-all price
"Undertakings"	:	Irrevocable undertakings from QL's major shareholders, namely CBG and Farsathy, to fully subscribe for their total entitlement under the Proposed Rights Issue based on their direct shareholdings in QL
"VWAP"	:	Volume weighted average price

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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PART A

LETTER TO THE SHAREHOLDERS OF QL IN RELATION TO THE PROPOSALS

QL RESOURCES BERHAD
(Company No. 428915-X)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office

No.16A, Jalan Astaka U8/83
Bukit Jelutong
40150 Shah Alam
Selangor

9 January 2014

Board of Directors

YM Tengku Dato' Zainal Rashid Bin Tengku Mahmood (Chairman/ Independent Non-Executive Director)
Chia Song Kun (Group Managing Director)
Chia Seong Pow (Executive Director)
Chia Seong Fatt (Executive Director)
Chia Song Kooi (Executive Director)
Chia Song Swa (Executive Director)
Chia Mak Hooi (Executive Director)
Cheah Juw Teck (Executive Director)
Chieng Ing Huong, Eddy (Senior Independent Non-Executive Director)
Tan Bun Poo, Robert (Independent Non-Executive Director)
Datuk Wira Jalilah Binti Baba (Independent Non-Executive Director)

To: The Shareholders of QL Resources Berhad

Dear Sir/ Madam,

I. PROPOSED BONUS ISSUE;

II. PROPOSED RIGHTS ISSUE; AND

III. PROPOSED EXEMPTION

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

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1. INTRODUCTION

On 3 October 2013, RHBIB had, on behalf of the Board, announced that the Company proposes to undertake the following:-

i. the proposed bonus issue of 249,605,886 Bonus Shares on the basis of three (3) Bonus Shares for every ten (10) existing QL Shares held on Entitlement Date;

ii. the proposed renounceable rights issue of 166,403,924 Rights Shares on the basis of two (2) Rights Shares for every ten (10) existing QL Shares held on the Entitlement Date; and

iii. the proposed exemption under Paragraph 16.1 of Practice Note 9 of the Code to exempt CBG and PACs from the obligation of extending a mandatory take-over offer for the remaining QL Shares not already held by them pursuant to the Proposed Rights Issue.

The Board had, on 7 October 2013, appointed KIBB as the Independent Adviser to advise the non-interested shareholders of QL in relation to the Proposed Exemption. KIBB had, on 9 October 2013, submitted to the SC its declaration of independence in relation to its role as the Independent Adviser for the Proposed Exemption.

On 7 November 2013, RHBIB had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 6 November 2013, resolved to approve the following:-

i. Listing of and quotation for 249,605,886 Bonus Shares to be issued pursuant to the Proposed Bonus Issue; and

ii. Listing of and quotation for 166,403,924 Rights Shares to be issued pursuant to the Proposed Rights Issue;

on the Main Market of Bursa Securities, subject to the conditions as disclosed in **Section 7** of Part A of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF QL WITH THE RELEVANT INFORMATION ON THE PROPOSALS, AS WELL AS TO SEEK THE APPROVAL FROM THE SHAREHOLDERS OF QL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY. THE NOTICE OF THE FORTHCOMING EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

SHAREHOLDERS OF QL ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Bonus Issue

2.1.1 Basis and number of Bonus Shares

Based on the total issued and paid-up share capital of QL as at LPD of RM208,004,905 comprising 832,019,620 QL Shares, the Proposed Bonus Issue will entail an issuance of 249,605,886 Bonus Shares to be credited as fully paid-up on the basis of three (3) Bonus Shares for every ten (10) existing QL Shares held by the entitled shareholders of the Company as at the close of business on the Entitlement Date.

Fractional entitlements arising from the Proposed Bonus Issue, if any, shall be dealt with in such manner as the Board shall in their discretion deem fit and expedient, and to be in the best interest of the Company.

2.1.2 Capitalisation of reserves

The Proposed Bonus Issue shall be wholly capitalised from the Company's share premium account. Based on the Company's latest audited financial statements for the FYE 31 March 2013 and the latest unaudited financial statements for the six (6)-month FPE 30 September 2013, the effects of the Proposed Bonus Issue on the share premium account of the Company are as follows:-

Company level	Audited as at 31 March 2013 (RM'000)	Unaudited as at 30 September 2013 (RM'000)
Share premium	113,599	113,599
Amount to be capitalised for the Proposed Bonus Issue	(62,401)	(62,401)
Balance after the Proposed Bonus Issue	**51,198**	**51,198**

The Board confirms that based on the Company's latest audited financial statements for the FYE 31 March 2013 and the unaudited financial statements for the six (6) month FPE 30 September 2013, the available share premium reserves of the Company are adequate for the capitalisation of the Proposed Bonus Issue.

The reserves required for the capitalisation of the Proposed Bonus Issue are unimpaired by losses on a consolidated basis and the Proposed Bonus Issue will not be implemented in stages over a period of time.

2.1.3 Ranking of the Bonus Shares

The Bonus Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing QL Shares, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid where the entitlement date precedes the date of allotment of the Bonus Shares.

2.1.4 Listing of and quotation for the Bonus Shares

On 6 November 2013, Bursa Securities approved the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities, subject to the conditions as stated in **Section 7** of this Circular.

2.2 Proposed Rights Issue

2.2.1 Details of the Proposed Rights Issue

Based on the total issued and paid-up share capital of QL as at LPD, of RM208,004,905 comprising 832,019,620 QL Shares, the Proposed Rights Issue entails an issuance of 166,403,924 Rights Shares on a renounceable basis of two (2) Rights Shares for every ten (10) existing QL Shares held on the same Entitlement Date.

The Proposed Rights Issue is not conditional on the Proposed Bonus Issue and as such, the number of Rights Shares to be issued will not be dependent on the number of Bonus Shares to be issued pursuant to the Proposed Bonus Issue. For avoidance of doubt, shareholders who do not subscribe for the Rights Shares will still be entitled to the Bonus Shares under the Proposed Bonus Issue.

The Proposed Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/or renounce their entitlements for the Rights Shares in full or in part. Any unsubscribed Rights Shares shall be offered to other shareholders of QL under the excess Rights Shares application.

Any fractional entitlements of the Rights Shares under the Proposed Rights Issue shall be dealt with in such manner as the Board in their absolute discretion deem fit and expedient, and to be in the best interest of the Company.

2.2.2 Basis of determining and justification for the issue price of the Rights Shares

The issue price of the Rights Shares will be determined by the Board at a later date after receipt of all relevant approvals but before the Entitlement Date, based on an indicative discount range of between 25% to 40% to the TEAP of QL Shares (after taking into account the Proposed Bonus Issue) based on the five (5)-day VWAP of QL Shares immediately preceding the price-fixing date. The Board deems the indicative discount range to be reasonably attractive and is generally in line with the market discount rates for rights issue exercises in Malaysia.

For illustrative purposes, the Rights Shares are assumed to be issued at an indicative issue price of RM1.80 per Rights Share. This represents a discount of approximately 37.3% to the TEAP of RM2.87 (after taking into account the Proposed Bonus Issue) based on the five (5)-day VWAP of QL Shares up to LPD of RM3.95.

2.2.3 Ranking of the Rights Shares

The Rights Shares will, upon allotment and issuance, rank *pari passu* in all respects with the existing QL Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of the Rights Shares.

2.2.4 Undertakings by the major shareholders and minimum subscription level

The Board has decided to undertake the Proposed Rights Issue on the Minimum Subscription Level. The Company intends to raise a minimum of approximately RM173.2 million from the Proposed Rights Issue to meet the immediate funding requirements of QL Group.

The Company had on 24 December 2013 procured written irrevocable undertakings from its major shareholders, namely CBG and Farsathy, to subscribe in full for their total entitlement of 96,236,844 Rights Shares based on their direct shareholdings as at LPD under the Proposed Rights Issue.

A summary of the irrevocable undertakings is set out below:-

	Shareholding as at the LPD		Entitlement under the Proposed Rights Issue	
	No. of Shares	%	No. of Shares	%[(1)]
CBG	373,846,682	44.93	74,769,336	44.93
Farsathy	107,337,540	12.90	21,467,508	12.90

Note:-

(1) Computed based on 166,403,924 Rights Shares available for subscription under the Maximum Subscription Level.

The funding requirements for CBG and Farsathy amounts to approximately RM173.2 million collectively, based on the indicative issue price of RM1.80 per Rights Share. CBG and Farsathy had on 24 December 2013 provided confirmation that they have sufficient financial resources to subscribe for their entitlements. The said confirmation has been verified by RHBIB, the adviser for the Proposals.

As the Proposed Rights Issue will be undertaken on a Minimum Subscription Level basis, QL will not procure any underwriting arrangement for the remaining Rights Shares not subscribed for by other Entitled Shareholders.

For avoidance of doubt, all the Entitled Shareholders of QL are entitled to subscribe for their Rights Shares entitlements and the unsubscribed Rights Shares not subscribed by the other entitled shareholders, if any, under the Proposed Rights Issue.

2.2.5 Listing of and quotation for the Rights Shares

The approval from Bursa Securities has been obtained vide its letter dated 6 November 2013 for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

2.2.6 Utilisation of proceeds

The Proposed Rights Issue is expected to raise gross proceeds of up to approximately RM299.5 million based on an indicative issue price of RM1.80 per Rights Share. The gross proceeds are expected to be utilised in the following manner:-

Details of utilisation	Minimum Subscription Level (RM'000)	Maximum Subscription Level (RM'000)	Timeframe for the utilisation of proceeds
Repayment of bank borrowings[(a)]	172,026	220,000	Within nine (9) months
Capital Expenditure[(b)(i)]	-	70,000	Within eighteen (18) months
Working Capital [(b)(ii)]	-	8,327	Within twelve (12) months
Estimated expenses for the Proposals	1,200	1,200	Upon completion of the Proposals
	173,226	**299,527**	

Notes:-

(a) *QL has earmarked approximately RM172 million and RM220 million based on the Minimum Subscription Level and Maximum Subscription Level respectively for the repayment of the following types of bank borrowings:-.*

Type of borrowings	*Repayment amount* Minimum Subscription Level (RM'000)	Maximum Subscription Level (RM'000)	*Indicative month for repayment*
Revolving credit financing	*32,000*	*80,000*	*March 2014*
Term loan	*140,000*	*140,000*	*[(1)] March 2014- September 2014*

Note:-

(1) *Approximately RM115 million will be repaid shortly after the completion of the Proposals while the balance amounting to approximately RM25 million will be repaid on a staggered basis in accordance to the bank's loan repayment schedule.*

As at 31 October 2013, the total bank borrowings of QL Group stood at approximately RM846.52 million. For illustrative purposes, the repayment of bank borrowings under the Maximum Subscription Level and Minimum Subscription Level will reduce the debt position of the Group to approximately RM674.50 million and RM626.52 million respectively.

Based on the average cost of borrowings disclosed above of approximately 4% per annum, the repayment of bank borrowings of RM220 million under the Maximum Subscription Level and RM172 million under the Minimum Subscription Level is expected to result in interest cost savings of approximately RM8.8 million and RM6.9 million per annum respectively.

(b) *In the event of Maximum Subscription Level, QL has earmarked the following-*

(i) *RM70.0 million of the funds allocated for the capital expenditure of the marine and livestock division, to be utilised in the following manner:-*

(A) *Integrated Livestock Farming - 50% of the proceeds earmarked for capital expenditure will be utilised towards the following:-*

(I) *expansion of QL Group's existing poultry farms in Malaysia, Indonesia and Vietnam*

Currently, its poultry farms in Malaysia, Indonesia and Vietnam are operating at near to full or full capacity, producing an overall total of approximately 40 million day old chicks annually and 4 million eggs daily. The expansion of the poultry farms will potentially increase the overall total production capacity of these poultry farms to a maximum output of approximately 50 million day old chicks annually and 5.0 million eggs daily within the next eighteen (18) months from the date of this Circular. The management estimates that the total cost for such expansion is approximately RM60 million.

(II) *the construction of a new feedmill in Indonesia*

To cater for the growing scale of QL Group's poultry farms, QL intends to build a new feedmill in Bekasi, Indonesia, which has an estimated built-up area approximately 10,900 square meters. With the new feedmill, QL will be producing its own feed, hence lengthening the value chain of its integrated livestock farming. The feedmill is expected to lower the feed cost for its operating poultry farms in Indonesia as the Group currently sources its feed from third parties.

The expected production capacity of the feedmill is approximately 30,000 MT of mesh feed per month. The feedmill is expected to be completed by the fourth quarter of FYE 31 March 2015. The estimated total construction cost of the feedmill is approximately RM50 million.

The estimated total cost for the above projects is approximately RM110 million, of which RM35 million will be satisfied using the proceeds raised from the Proposed Rights Issue. The balance of the estimated total cost will be funded from internally generated funds and/or bank borrowings.

(B) *<u>Marine Product Manufacturing</u> - Balance 50% of the proceeds will be utilised for the upgrading of QL's existing marine product manufacturing facilities as well as to develop a new marine prawn aquaculture farm in Malaysia.*

QL's existing marine product manufacturing facility which is able to produce approximately 25,000 MT per annum of frozen surimi-based products per annum is currently operating at full capacity. QL Group intends to utilise part of the proceeds for the construction of its frozen surimi-based product plant in Hutan Melintang, Perak Darul Ehsan. The new frozen surimi-based product plant (with an estimated built-up areas of approximately 6,400 square feet) will provide the QL Group with an additional production capacity of 15,000 MT per annum.

In addition, part of the allocated proceeds will also be utilised for the development of a new marine prawn aquaculture farm in Kudat, Sabah. This marks QL Group's first investment and venture into shrimp farming as the Board envisages positive growth in this market. For information purposes, the prospects of the shrimp industry are as follows:-

"Cultured shrimps have become a more affordable protein source and coupled with changing consumption pattern, the demand for cultured shrimps has been increasing. The Malaysia government is also encouraging greater involvement of corporate sectors on capital intensive as well as high-tech culture method and integration for sustainable growth in aquaculture. Aquaculture Industrial Zones (AIZ) have been designated for commercial scale aquaculture integrated projects. The Malaysia government provides its support by, amongst others, macro planning, funding for main basic infrastructure, technical and services support, tax incentive, development of structure and bio secure shrimp farm belt as well as tackle disease outbreak through greater cooperation and coordination response among the regional industry fraternity. In view of the growing demand for cultured shrimps and government support, the management is of the opinion that shrimp farming is a sustainable business venture."

(Source: Management)

QL intends to complete Phase 1 of the project which will comprise hundred (100) ponds measuring approximately 250 acres, by the fourth quarter of 2015. The management expects the initial first batch of twenty (20) ponds measuring approximately 50 acres to be completed and commence operations in 2014.

The management estimates that the total cost for the above projects is approximately RM80 million. The source of funding for the projects will be from the allocated proceeds from the Proposed Rights Issue, internally generated funds and/or bank borrowings.

The final utilisation of proceeds may vary between each of the above purposes as they are based on management's estimates and are also dependent on the needs of the QL Group at that point in time. However, such variations will not be material for each category.

(ii) *RM8.32 million of the proceeds to be utilised to finance the day-to-day operating expenses which includes amongst others, payment of trade and other payables, staff costs, utilities expenses as well as rental of buildings.*

Although QL has adequate cash to finance its day-to-day operating expenses, it should be noted that the proceeds earmarked as working capital will provide the Company the opportunity to reserve its existing funds towards its business developments or investment expenditures.

Any variation to the amount of proceeds to be raised, which is dependent upon the actual number of Rights Shares to be issued and the issue price of the Rights Shares, will be adjusted against the working capital.

Pending utilisation of the proceeds from the Proposed Rights Issue for the above purposes, the proceeds will be placed in deposits with financial institutions or short-term money market instruments.

2.3 Proposed Exemption

As at LPD, CBG, a major shareholder of QL, directly holds approximately 44.93% of the issued and paid-up share capital of QL. Assuming that only CBG and Farsathy subscribe for their respective entitlements for the Proposed Rights Issue pursuant to the Undertakings, CBG may potentially increase its shareholding in QL from 44.93% to 47.61% as illustrated below:-

	Shareholdings as at LPD		After Proposed Bonus Issue		After Proposed Rights Issue	
	No. of QL Shares	%	No. of QL Shares	%	No. of QL Shares	%
CBG	373,846,682	44.93	486,000,687	44.93	560,770,023	47.61

Under such scenario, CBG and its PACs shall have an obligation to undertake a mandatory general offer for all the remaining QL Shares, not already held by them pursuant to the Proposed Rights Issue and in accordance to Part III of the Code. Under Practice Note 9 of the Code, the SC may however grant an exemption to CBG and its PACs from such obligation if, amongst others:-

(a) there is no disqualifying transaction*;

(b) approval has been obtained from the independent holders of the voting shares of QL, by poll, at a meeting in which the interested parties are to abstain from voting, to waive their rights to receive the mandatory take-over offer from CBG and its PACs; and

(c) the names of the parties that have abstained from voting at the general meeting have been submitted to the SC.

Note:-

* *Under Paragraph 16.4, Practice Note 9 of the Code, a "disqualifying transaction" refers to a purchase of voting shares or voting rights of the offeree by the offeror or person acting in concert subsequent to negotiation, discussion, understanding or agreement with the directors of the offeree in relation to the proposed issue of new voting shares or voting rights and before the completion of the transaction where the exemption is sought and approved.*

As CBG and its PACs do not intend to undertake a mandatory general offer to acquire all the remaining QL Shares not already held by them upon completion of the Proposed Rights Issue in the event of such under subscription of the Rights Shares (and as a result thereof, its equity interest in QL increases by more than two (2) percent over a period of six (6) months), hence, in this regard, CBG and its PACs intend to seek an exemption from the SC from the obligation to undertake the said mandatory offer under Practice Note 9 of the Code.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSALS

3.1 Proposed Bonus Issue

The Proposed Bonus Issue provides the Company with the opportunity to demonstrate its appreciation to its shareholders for their loyalty and continuing support by enabling the shareholders to have a greater participation in the equity of the Company in terms of number of shares held whilst maintaining their percentage of equity interest. In addition, the Proposed Bonus Issue is expected to improve the trading liquidity and affordability of QL Shares on Bursa Securities.

3.2 Proposed Rights Issue

The rationale for the Proposed Rights Issue is as follows:-

(i) The Proposed Rights Issue will enable QL to raise funds without incurring interest cost, as compared to bank borrowings. The funds raised will be utilised for the purposes highlighted in **Section 2.2.6** of this Circular, which are expected to contribute positively towards the future earnings of QL Group;

(ii) The Proposed Rights Issue will provide the shareholders of QL with the opportunity to increase their equity participation in the Company at an attractive discount to the prevailing market price; and

(iii) To increase the size and strength of QL's statement of financial position, reduce the Group's gearing ratio as well as to potentially increase the market capitalisation of QL.

3.3 Proposed Exemption

The Proposed Exemption will relieve CBG and its PACs from the potential obligation to undertake a mandatory take-over offer under the Code as a result of the potential increase in CBG's equity interest in QL pursuant to the Proposed Rights Issue and the Undertakings.

In addition, the Proposed Exemption will also ensure successful completion of the Proposed Rights Issue and will enable CBG, a major shareholder of QL, to provide financial support via the Undertakings for the Proposed Rights Issue.

4. INDUSTRY OUTLOOK AND FUTURE PROSPECTS

4.1 Overview and outlook of the Malaysia economy

While domestic demand in the Malaysian economy has remained strong, the overall growth performance was affected by the weak external sector. In the second quarter, the Malaysian economy expanded by 4.3% (1Q 2013: 4.1%). While domestic demand remained firm, growing by 7.3% (1Q 2013: 8.2%), exports registered a larger decline, amid weakness across most export products.

Going forward, the global economy continues to face downside risks, emanating from developments in several major economies. Policy uncertainties surrounding the Quantitative Easing programme in the United States of America and European sovereign debt concerns are expected to weigh on market sentiment and growth prospects. While overall growth performance in most emerging economies, including in Asia, will be affected by these developments, domestic demand will continue to support the overall growth performance. The growth prospects are also being augmented by targeted policy measures.

For the Malaysian economy, the prolonged weakness in the external environment has affected the overall growth performance of the economy going forward. While domestic demand is expected to remain firm, supported by sustained private consumption, capital spending in the domestic-oriented industries and the ongoing implementation of infrastructure projects, the weak external sector in the first half of this year will affect our overall growth performance for the year. The overall growth of the economy for this year has now been revised to 4.5 - 5.0%. Going forward, domestic demand is expected to remain on its steady growth trajectory and will continue to be supported by an accommodative monetary policy.

(Source: Economic and Financial Developments in Malaysia in the third quarter of 2013, Bank Negara Malaysia)

4.2 Overview and outlook of the Indonesia economy

Indonesia's economy performed well in 2012 amid a slowdown and uncertainty in the global economy. Economic growth was maintained at the robust level of 6.2%, with inflation remained low (4.3%) and controlled within its target range of 4.5±1%. Amid weaker exports performance, national economic expansion was driven mainly by strong domestic demand, buttressed by favorable macroeconomic and financial conditions. This condition has encouraged economic activities by the household as well as business sector. However, sanguine domestic demand during a phase of weaker exports performance has caused imbalances in the current account.

Indonesia's economy is expected to post higher growth in 2013, although a number of risks and challenges must be anticipated. In line with global economic recovery, especially in the second half of 2013, Indonesia's economic growth is expected to arrive at 6.3-6.8%, with inflation stays within Bank Indonesia's target range of 4.5±1%. Domestic demand will continue to be the main engine of economic growth. Notwithstanding, several risk factors and challenges remain and must be anticipated to maintain macroeconomic and financial system stability.

(Source: 2012 Economic Report on Indonesia, Bank Indonesia)

4.3 Overview and prospects of Malaysia's fisheries and poultry livestocks industry

Increasing production of food commodities such as vegetables, fruits and livestock as well as the sustained production of crude palm oil ("**CPO**") and rubber are expected to support growth of the agriculture sector. The food commodities, mainly livestock, fruits and vegetables as well as fishing will continue to record favourable growth, following various government initiatives through the NKEA Entry Point Projects (EPPs) to ensure sufficient domestic food production. In addition, investment in oil palm and rubber downstream industries will steadily increase growth in the agriculture sector.

Exports of manufactured goods, which accounted for 74.1% of total exports, are expected to decrease 0.2% to RM518.2 billion (2012: 73.9%; 2.8%; RM519.1 billion) affected by lower shipments of electrical and electronics ("**E&E**") products. Export of agriculture products are expected to fall 138% to RM66.8 billion (2012: -15.3%; RM77.4 billion) affected by lower prices of palm oil and rubber.

Production of food commodities comprising livestock, other agriculture and fishing remain as the main driver of the agriculture sector. Value-added of the livestock subsector increased 7.4% (January-June 2012: 8.9%), mainly on account of higher poultry output (9.2%), goats (45.7%) and eggs (4.6%), as demand by domestic food processing industries and the external market increased. Meanwhile, the fishing subsector rebounded 4% (January-June 2012: -2.1%) on account of higher growth of aquaculture produce at 3.7% and marine fish landings, 4.2%. Similarly, the other agriculture subsector expanded strongly by 8.9% (January-June 2012: 7.7%) attributed to higher output of paddy (3.2%), fruits (9.4%) and vegetables (13%) amid expansion in cultivated areas.

(Source: Chapter 3, Economic Report 2013/2014, Ministry of Finance Malaysia)

4.4 Overview and prospects of Malaysia's oil palm industry

During the first eight months of 2013, export receipts of palm oil contracted 20.2% to RM28.4 billion (January-August 2012: -11%; RM35.6 billion). However, shipments of palm oil increased 5.1% to 11.6 million tonnes (January-August 2012: -5.1%; 11.1 million tonnes) attributed to higher demand, mainly from China, Pakistan and the Netherlands. China remained the largest importer of palm oil with a 19.6% share of total palm oil exports. The higher export volume was, however, unable to offset the impact of the sharp fall in CPO prices of 25% to RM2,439 per tonne (January-August 2012: -6.1%; RM3,209 per tonne). For the year, export receipts of palm oil are projected to contract 15.9% to RM45.2 billion (2012: -11.9%; RM53.7 billion) amid lower export price of RM2,450 per tonne (2012: RM3,002 per tonne).

The agriculture sector is expected to register a growth of 3% (2013: 2.7%) as demand for palm oil and rubber from major export markets improve in line with better prospects in 2014. Production of CPO is estimated to increase further following higher Fresh Fruit Bunches yields due to increased matured areas, particularly in Sabah and Sarawak.

(Source: Chapter 3, Economic Report 2013/2014, Ministry of Finance Malaysia)

4.5 Prospects of QL Group

QL Group is principally involved in marine products manufacturing, integrated livestock farming and palm oil activities.

Over the years, QL Group has successfully grown to become Malaysia's largest fishmeal, surimi-based product and Halal fish-based product manufacturer. To the best of QL management's knowledge and belief on the fishmeal industry, QL Group is currently deemed to be the largest surimi producer in the ASEAN region with its marine-product consumer brand foods namely Mushroom, OceanRia, Suria and iKa's, being distributed across Asia, Europe and North America. As of 2012, QL produced approximately 30,000 tonnes of surimi-based products per year.

Apart from marine product manufacturing, QL Group is also known to be one of the key players in agricultural-based food production. Presently, QL has poultry farms in Peninsular Malaysia, East Malaysia, Indonesia and Vietnam. In Southeast Asia, Malaysians are among the top consumers of poultry, with the average person consuming approximately 38kg of broiler chicken per year as of 2009. Malaysia's poultry production usually meets domestic demand and excess supply is exported to other countries. Malaysia's poultry industry has potential as it has ability to produce halal poultry and it also has the best access to the Singapore market which does not produce much food. While Indonesia's average quantity of poultry meat eaten is low at just 6kg per person in 2009, it is anticipated that an expanding middle class will contribute significantly to a doubling of consumption in the future.

The QL Group is also involved in palm oil activities. It currently owns a total of approximately 1,200 hectares of mature palm oil estates in Sabah and 15,000 hectares of palm oil estates under development in Eastern Kalimantan, Indonesia. The QL Group is currently operating three (3) crude palm oil mills, of which two (2) mills are located in Sabah and the other mill in Indonesia. The total production capacity of these three (3) crude palm oil mills is 150MT per hour.

The revenue and profit contribution for each business segment for the past three (3) financial years are as follows:-

BUSINESS SEGMENT	REVENUE						PROFIT BEFORE TAXATION					
	FYE 31 March 2011		FYE 31 March 2012		FYE 31 March 2013		FYE 31 March 2011		FYE 31 March 2012		FYE 31 March 2013	
	(RM'mil)	(%)	(RM'mil)	(%)	(RM'mil)	(%)	(RM'mil)	(%)	(RM'mil)	(%)	(RM'mil)	(%)
Marine-products manufacturing	457	25.7	474	24.4	546	25.4	66	41.0	65	38.1	86	49.7
Palm oil activities	329	18.5	355	18.2	300	14.0	4	2.7	15	8.5	15	8.7
Integrated livestock farming	991	55.8	1,118	57.4	1,300	60.6	91	56.3	92	53.4	72	41.6
TOTAL	1,777	100	1,947	100	2,146	100	161	100	172	100	173	100

The growth strategy of the QL Group is to replicate and expand all its three core businesses regionally to further strengthen and integrate the Company's value chain and to develop a stronger presence in the consumer foods market.

Presently, the Group has undertaken a series of business development and expansion projects to further enhance the production capacity of its existing integrated livestock farming and marine product manufacturing business. Apart from the existing and proposed expansion plans disclosed in **Section 2.2.6** of this Circular, the management of QL Group has also undertaken or will undertake the following to further grow the earnings of the Group:-

(i) the QL Group has recently doubled its fishmeal and surimi production capacity in its marine product manufacturing plant in Surabaya, Indonesia, from 5,000MT to 10,000MT per annum, having only commenced its plant operations two (2) years ago. Such efforts were made to cater for the growing high demand for the Group's products during the peak season in Indonesia;

(ii) the QL Group is presently assessing the prospects of manufacturing surimi-based products in Indonesia. Presently, the QL Group is only involved in the production of fishmeal and surimi in Indonesia. The management of QL Group is optimistic of the potential of the surimi-based products market in Indonesia given the improving standard of living of the country and the fact that these products are basic inexpensive food items; and

(iii) the QL Group has completed the acquisition of a surimi-based manufacturer based in Zhongsan, China, in June 2013. The said company produces various types of frozen minced fish fillets and other flavoured products. The management of QL Group believes that the acquisition will provide QL Group with the platform to tap into the large consumer market in China in the near future.

Premised on the above, the prospects of the industries disclosed in **Section 4.3 and 4.4** of this Circular, the Board believes that the businesses of the Group will continue to flourish, and the Group will further benefit as and when its future plans are realised.

(Source: Management of QL)

5. EFFECTS OF THE PROPOSALS

The Proposed Exemption will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings of the Company, and the NA per Share, gearing, earnings and EPS of the Group.

For illustrative purposes, the effects of the Proposed Bonus Issue and Proposed Rights Issue shall be illustrated based on the Minimum Subscription Level and Maximum Subscription Level.

5.1 Issued and paid-up share capital

The proforma effects of the Proposed Bonus Issue and Proposed Rights Issue on the issued and paid-up share capital of QL are set out below:-

	Minimum Subscription Level		Maximum Subscription Level	
	No. of Shares	RM	No. of Shares	RM
Issued and paid-up share capital as at LPD	832,019,620	208,004,905	832,019,620	208,004,905
Bonus Shares to be issued pursuant to the Proposed Bonus Issue	249,605,886	62,401,472	249,605,886	62,401,472
	1,081,625,506	270,406,377	1,081,625,506	270,406,377
Rights Shares to be issued pursuant to the Proposed Rights Issue	96,236,844	24,059,211	166,403,924	41,600,981
Enlarged issued and paid-up share capital	**1,177,862,350**	**294,465,588**	**1,248,029,430**	**312,007,358**

5.2 NA per Share and gearing

Based on the audited consolidated statements of financial position of QL Group as at 31 March 2013, the proforma effects of the Proposed Bonus Issue and Proposed Rights Issue on the NA per Share and gearing of QL Group are set out below:-

Minimum Subscription Level	Audited as at 31 March 2013 (RM'000)	Proforma I After Proposed Bonus Issue (RM'000)	Proforma II After Proforma I and the Proposed Rights Issue(4) (RM'000)
Share capital	208,005	270,406	294,465
Share premium	113,599	51,198	(3)199,165
Reserves	569,177	569,177	569,177
Shareholders' equity/ NA	**890,781**	**890,781**	**1,062,807**
No. of QL Shares ('000)	832,020	1,081,626	1,177,862
NA per QL Share (RM)	**1.07**	**0.82**	**0.90**
Cash and cash equivalents (RM'000)	141,101	141,101	141,101
Borrowings (RM'000)	**827,753**	**827,753**	**(5)655,727**
Net borrowings (RM'000)(1)	686,652	686,652	514,626
Net gearing (times)(2)	**0.77**	**0.77**	**0.48**

Notes:-

(1) *Calculated based on borrowings net off cash and cash equivalents.*
(2) *Calculated based on net borrowings divided by NA.*
(3) *After deducting estimated expenses of RM1,200,000 incurred in relation to the Proposals.*
(4) *Based on the indicative issue price of RM1.80 per Rights Share.*
(5) *Assuming the repayment of bank borrowings amounting to approximately RM172 million derived from the proceeds as disclosed in Section 2.2.6 of this Circular.*

Maximum Subscription Level	Audited as at 31 March 2013 (RM'000)	Proforma I After Proposed Bonus Issue (RM'000)	Proforma II After Proforma I and the Proposed Rights Issue(4) (RM'000)
Share capital	208,005	270,406	312,007
Share premium	113,599	51,198	(3)307,924
Reserves	569,177	569,177	569,177
Shareholders' equity/ NA	**890,781**	**890,781**	**1,189,108**
No. of QL Shares ('000)	832,020	1,081,626	1,248,030
NA per QL Share (RM)	**1.07**	**0.82**	**0.95**
Cash and cash equivalents (RM'000)	141,101	141,101	(5)149,428
Borrowings (RM'000)	**827,753**	**827,753**	**(6)607,753**
Net borrowings (RM'000) (1)	686,652	686,652	458,325
Net gearing (times)(2)	**0.77**	**0.77**	**0.39**

Notes:-

(1) *Calculated based on borrowings net off cash and cash equivalents.*
(2) *Calculated based on net borrowings divided by NA.*
(3) *After deducting estimated expenses of RM1,200,000 incurred in relation to the Proposals.*
(4) *Based on the indicative issue price of RM1.80 per Rights Share.*
(5) *Assuming RM70 million earmarked for capital expenditure has been fully utilised.*
(6) *Assuming the repayment of bank borrowings amounting to approximately RM220 million derived from the proceeds as disclosed in Section 2.2.6 of this Circular.*

5.3 Earnings and EPS

The Proposals are not expected to have any material effect on the earnings of the QL Group for the FYE 31 March 2014 save for the interest cost savings to be enjoyed by the QL Group upon the repayment of its bank borrowings as disclosed in **Section 2.2.6** of this Circular. However, barring unforeseen circumstances, the Proposed Rights Issue is expected to contribute positively to the future earnings of QL Group for the ensuing financial years when the benefits of the utilisation of proceeds are realised.

Notwithstanding the above, there may be a corresponding dilution in the Group's EPS as a result of the increase in the number of QL Shares arising from the Proposals. Nevertheless, the Board is of the view that the enlarged issued and paid-up share capital is reflective of the future earnings prospects of the Group.

5.4 Substantial shareholding structure

The proforma effects of the Proposed Bonus Issue and Proposed Rights Issue on the substantial shareholders' shareholdings of QL are set out below:-

Minimum Subscription Level

Major shareholders	Shareholdings as at LPD				Proforma I After the Proposed Bonus Issue				Proforma II After Proforma I and the Proposed Rights Issue			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
CBG	373,846,682	44.93	-	-	486,000,687	44.93	-	-	560,770,023	47.61	-	-
Farsathy	107,337,540	12.90	-	-	139,538,802	12.90	-	-	161,006,310	13.67	-	-
Chia Song Kun	450,000	0.05	383,677,998	46.11[(1)]	585,000	0.05	498,781,397	46.11[(1)]	585,000	0.05	573,550,734	48.69[(1)]
Chia Seong Pow	1,880,000	0.23	111,132,740	13.36[(2)]	2,444,000	0.23	144,472,562	13.36[(2)]	2,444,000	0.21	165,940,070	14.09[(2)]
Chia Song Kooi	580,000	0.07	377,753,882	45.40[(3)]	754,000	0.07	491,080,047	45.40[(3)]	754,000	0.06	565,849,383	48.04[(3)]
Chia Seong Fatt	324,000	0.04	110,121,540	13.24[(4)]	421,200	0.04	143,158,002	13.24[(4)]	421,200	0.04	164,625,510	13.98[(4)]
Chia Song Swa	378,000	0.05	376,486,682	45.25[(3)]	491,400	0.05	489,432,687	45.25[(3)]	491,400	0.04	564,202,023	47.90[(3)]
Chia Mak Hooi	465,000	0.06	380,331,382	45.71[(5)]	604,500	0.06	494,430,797	45.71[(5)]	604,500	0.05	569,200,133	48.32[(5)]

Notes:-

(1) Deemed interest via his and his spouse's interest in CBG, Attractive Features Sdn Bhd, his and his spouse's indirect interest in Ruby as well as his spouse's, children's and their spouse's shares in QL.

(2) Deemed interest via his and his spouse's beneficial shareholding in Farsathy, his and his spouse's indirect interest in Ruby, his spouse's and children's shares in QL.

(3) Deemed interest via his interest in CBG and indirect interest in Ruby and his spouse's shares in QL.

(4) Deemed interest via his and his spouse's beneficial shareholding in Farsathy, his and his spouse's indirect interest in Ruby and his children's shares in QL.

(5) Deemed interest via his and his father's interest in CBG, his and his father's indirect interest in Ruby and his father's and his spouse's shares in QL.

Maximum Subscription Level

Major shareholders	Shareholdings as at LPD				Proforma I After the Proposed Bonus Issue				Proforma II After Proforma I and the Proposed Rights Issue			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
CBG	373,846,682	44.93	-	-	486,000,687	44.93	-	-	560,770,023	44.93	-	-
Farsathy	107,337,540	12.90	-	-	139,538,802	12.90	-	-	161,006,310	12.90	-	-
Chia Song Kun	450,000	0.05	383,677,998	46.11(1)	585,000	0.05	498,781,397	46.11(1)	675,000	0.05	575,516,997	46.11(1)
Chia Seong Pow	1,880,000	0.23	111,132,740	13.36(2)	2,444,000	0.23	144,472,562	13.36(2)	2,820,000	0.23	166,699,110	13.36(2)
Chia Song Kooi	580,000	0.07	377,753,882	45.40(3)	754,000	0.07	491,080,047	45.40(3)	870,000	0.07	566,630,823	45.40(3)
Chia Seong Fatt	324,000	0.04	110,121,540	13.24(4)	421,200	0.04	143,158,002	13.24(4)	486,000	0.04	165,182,310	13.24(4)
Chia Song Swa	378,000	0.05	376,486,682	45.25(3)	491,400	0.05	489,432,687	45.25(3)	567,000	0.05	564,730,023	45.25(3)
Chia Mak Hooi	465,000	0.06	380,331,382	45.71(5)	604,500	0.06	494,430,797	45.71(5)	697,500	0.06	570,497,073	45.71(5)

Notes:-

(1) *Deemed interest via his and his spouse's interest in CBG, Attractive Features Sdn Bhd, his and his spouse's indirect interest in Ruby as well as his spouse's, children's and their spouse's shares in QL.*

(2) *Deemed interest via his and his spouse's beneficial shareholding in Farsathy, his and his spouse's indirect interest in Ruby, his spouse's and children's shares in QL.*

(3) *Deemed interest via his interest in CBG and indirect interest in Ruby and his spouse's shares in QL.*

(4) *Deemed interest via his and his spouse's beneficial shareholding in Farsathy, his and his spouse's indirect interest in Ruby and his children's shares in QL.*

(5) *Deemed interest via his and his father's interest in CBG, his and his father's indirect interest in Ruby and his father's and his spouse's shares in QL.*

5.5 Convertible securities

As at the LPD, the Company does not have any existing convertible securities.

6. HISTORICAL SHARE PRICES

The monthly highest and lowest transacted market prices of QL Shares as traded on Bursa Securities for the past 12 months from January 2013 to December 2013 are set out below:-

	High RM	Low RM
2013		
January	3.27	3.07
February	3.09	3.00
March	3.08	2.88
April	3.03	2.96
May	3.40	2.97
June	3.30	3.00
July	3.64	3.10
August	3.60	3.20
September	3.69	3.34
October	4.02	3.59
November	4.28	3.91
December	4.17	3.88

Last transacted market price on 2 October 2013 (being the date prior to the announcement on the Proposals)	RM3.63
Last transacted market price on 6 January 2014 (being the latest practicable date prior to the printing of this Circular)	RM4.12

(Source: Bloomberg)

7. APPROVALS REQUIRED/ OBTAINED

The Proposals are subject to the following approvals being obtained:-

(i) Bursa Securities, which was obtained vide its letter dated 6 November 2013, for the listing of and quotation for the Bonus Shares and Rights Shares on the Main Market of Bursa Securities subject to the following conditions:-

	Conditions	Status of compliance
(a)	QL and RHBIB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals;	Noted and to be complied.
(b)	QL and RHBIB to inform Bursa Securities upon the completion of the Proposals;	To be complied.
(c)	QL to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed;	To be complied.
(d)	QL and RHBIB are required to make relevant announcements pursuant to Paragraph 6.35(2)(a) and (b) and 6.35(4) of the Listing Requirements for the Proposed Bonus Issue.	To be complied.

(ii) The SC, for the Proposed Exemption, an application for which will be submitted to the SC after obtaining the approval of the shareholders of QL for the Proposals at the forthcoming EGM of the Company;

(iii) The shareholders of QL, for the Proposals at the forthcoming EGM of the Company; and

(iv) Any other relevant authority or party, if required.

8. INTER-CONDITIONALITY OF THE PROPOSALS

The Proposed Bonus Issue and Proposed Rights Issue are not conditional upon each other. However, the Proposed Rights Issue is conditional upon the Proposed Exemption.

The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED TO THEM

Save as disclosed below, none of the Directors and major shareholders of QL and/or persons connected to them have any interest, whether direct or indirect, in the Proposals, apart from their respective entitlements under the Proposed Bonus Issue and the Proposed Rights Issue, which shall also be made available to all the other entitled shareholders of QL:-

(a) CBG is deemed interested in the Proposed Exemption as it allows CBG to subscribe for its entitlement to the Rights Shares without extending a mandatory take-over offer for the remaining QL Shares not held by CBG and its PACs pursuant to the Code;

(b) Chia Song Kun, Chia Seong Pow, Chia Song Kooi, Chia Seong Fatt, Chia Song Swa, Chia Mak Hooi, Cheah Juw Teck (collectively referred to as "**Interested Directors**") are deemed interested in the Proposed Exemption by virtue of them being persons connected with CBG pursuant to Section 122A of the Companies Act, 1965. Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings of QL pertaining to the Proposed Exemption; and

(c) CBG and the Interested Directors (collectively referred to as "**Interested Parties**") will also abstain from voting in respect of their direct and indirect shareholdings in QL on the resolution pertaining to the Proposed Exemption to be tabled at the EGM to be convened. The Interested Parties have also undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in QL on the resolution pertaining to the Proposed Exemption to be tabled at the EGM to be convened.

10. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring unforeseen circumstances and subject to all relevant approvals being obtained, the Proposals are expected to be completed by the first quarter of 2014. The tentative timetable in relation to the Proposals is set out below:-

Month	Events
24 January 2014	• Convening of EGM to obtain the approval of shareholders of QL
Early February 2014	• Announcement on the Entitlement Date for the Proposed Bonus Issue and Proposed Rights Issue
Mid February 2014	• Entitlement Date • Listing of and quotation for the Bonus Shares • Issuance of abridged prospectus in relation to the Proposed Rights Issue
Mid March 2014	• Closing date of acceptance of and applications for the Rights Shares • Listing of and quotation for the Rights Shares on the Main Market of Bursa Securities

11. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, the Board is not aware of any other corporate exercise that has been announced but not yet completed as at the date of this Circular.

12. INDEPENDENT ADVISER

In compliance with the requirements under Practice Note 9 of the Code, KIBB has been appointed as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of QL in relation to the Proposed Exemption.

The IAL containing KIBB's evaluation and recommendation on the Proposed Exemption is enclosed in Part B of this Circular.

13. DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposed Bonus Issue and Proposed Rights Issue, including the rationale and justification for the aforementioned proposals as well as the utilisation of proceeds and effects of the Proposed Rights Issue, is of the opinion that the Proposed Bonus Issue and Proposed Rights Issue are in the best interest of the Company. As such, the Board recommends that the shareholders of QL vote in favour of the resolutions pertaining to the Proposed Bonus Issue and Proposed Rights Issue, to be tabled at the forthcoming EGM of the Company.

In addition, the Board, save for the Interested Directors, having considered all aspects of the Proposed Exemption, including the rationale and justification for the Proposed Exemption, is of the opinion that the Proposed Exemption is in the best interest of the Company. As such, the Board, save for the Interested Directors, recommends that the shareholders of QL vote in favour of the resolution pertaining to the Proposed Exemption to be tabled at the forthcoming EGM of the Company.

14. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Saujana Ballroom, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor on Friday, 24 January 2014 at 10.00 a.m. for the purpose of considering and if thought fit, passing with or without modification, the resolutions to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein, to be deposited at the Registered Office of the Company at No.16A, Jalan Astaka U8/83, Bukit Jelutong, 40150 Shah Alam, Selangor, not less than 48 hours before the time stipulated for holding the EGM. The lodging of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

15. FURTHER INFORMATION

Shareholders are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board
QL RESOURCES BERHAD

Tengku Dato' Zainal Rashid Bin Tengku Mahmood
Chairman / Independent Non-Executive Director

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PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF QL IN RELATION TO THE PROPOSED EXEMPTION

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meanings as the words and expressions defined in the Definition section of the Circular dated 9 January 2014, except where the context requires otherwise or alternatively defined herein.

This Executive Summary is intended to be a brief summary of this IAL which has been prepared by KIBB as the Independent Adviser to provide the non-interested shareholders of QL with an independent evaluation of the Proposed Exemption and to express our recommendation thereon. Non-interested shareholder should consider carefully the recommendation contained therein before voting on the resolution pertaining to the Proposed Exemption at the forthcoming EGM of QL.

1. INTRODUCTION

On 3 October 2013, RHBIB had, on behalf of the Board, announced that the Company proposed to undertake, amongst others, the Proposed Rights Issue and the Proposed Exemption ("**Announcement**").

The Proposed Rights Issue is undertaken on a minimum subscription basis after taking into consideration the minimum gross proceeds of approximately RM173.23 million to be raised from the Proposed Rights Issue. The purpose of the Proposed Rights Issue is to raise proceeds for the repayment of bank borrowings of the Group, as well as to raise additional funds for the capital expenditure and working capital of the Group under the Maximum Subscription Level. The proposed utilisation of the funds raised pursuant to the Proposed Rights Issue is in line with QL's growth strategies and serves to further strengthen the Group's balance sheet.

In conjunction with the Minimum Subscription Level, the Company's major shareholders, namely CBG and Farsathy have provided Undertakings to subscribe in full for their respective entitlements to the Rights Shares in respect of their direct shareholdings in QL. Under the Minimum Subscription Level (assuming only CBG and Farsathy subscribe for their respective entitlements to the Rights Shares and no other Entitled Shareholders subscribe for the Proposed Rights Issue), CBG's individual shareholding in QL may increase by more than 2.0% from approximately 44.93% to 47.61%, whilst the collective shareholdings of CBG and its PACs as at the LPD may increase from 61.87% to 64.13% of the enlarged issued and paid-up share capital of QL after the Proposed Rights Issue.

Arising therefrom and pursuant to the provisions of the Code, CBG individually shall have an obligation to undertake a mandatory take-over offer for the remaining QL Shares not already held by it and its PACs upon completion of the Proposed Rights Issue. Therefore, CBG and its PACs are seeking an exemption from the SC from the obligation to undertake the said mandatory take-over offer under Paragraph 16.1 of Practice Note 9 of the Code.

KIBB has been appointed by the Board on 7 October 2013 to act as the Independent Adviser to advise the non-interested shareholders of QL for the Proposed Exemption. KIBB had on 9 October 2013 declared its independence to the SC to act as the Independent Adviser in respect of the Proposed Exemption.

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2. EVALUATION

We have assessed and evaluated the Proposed Exemption after taking into consideration various factors, as discussed in Section 4 of this IAL. These factors are summarised as follows:-

2.1 Rationale for the Proposals

(a) Proposed Bonus Issue

The Proposed Bonus Issue provides the Company with the opportunity to demonstrate its appreciation to its shareholders for their loyalty and continuing support by enabling the shareholders to have a greater participation in the equity of the Company in terms of additional number of QL Shares held whilst maintaining their percentage of equity interest. Shareholders may also benefit from the potential improvement in trading liquidity and affordability of QL Shares on Bursa Securities arising from the enlarged share base pursuant to the Proposed Bonus Issue.

(b) Proposed Rights Issue

The Proposed Rights Issue is viewed by the Board as the most appropriate avenue for QL to raise funds to sustain its growth momentum due to, amongst others, the following:-

(i) The Proposed Rights Issue will enable the QL Group to raise funds without incurring additional finance costs and further increasing its gearing level. As at 30 September 2013, the net gearing ratio of the Group is approximately 0.79 times, which is currently deemed to be the optimal level by the Board ("**Optimal Level**"). The funds raised will be principally utilised for repayment of bank borrowings, which will reduce the Group's gearing level from the current Optimal Level and give rise to savings in finance costs of RM6.88 million and RM8.80 million per annum under the Minimum Subscription Level and Maximum Subscription Level respectively (based on the prevailing average interest rate incurred by the QL Group of approximately 4.0% per annum);

(ii) The Proposed Rights Issue provides the QL Group with the opportunity to expand its business operations without further increasing the Group's existing gearing level which is at the Optimal Level. Part of the funds raised from the Proposed Rights Issue under the Maximum Subscription Level will also be utilised for capital expenditure in its Integrated Livestock Farming and Marine Products Manufacturing divisions domestically and regionally, as well as working capital of the Group, which are expected to contribute positively towards the future earnings of the Group.

In the event that QL obtains debt financing facilities to raise the required funds, the Group may need to incur additional finance costs of RM6.93 million and RM11.98 million per annum under the Minimum Subscription Level and Maximum Subscription Level respectively; and

(iii) The Proposed Rights Issue will increase the size and strength of the Group's balance sheet, reduce the Group's gearing ratio as well as to potentially increase the market capitalisation of QL, which will strengthen the Group's capital structure.

(c) **Proposed Exemption**

The Proposed Exemption will relieve CBG and its PACs from the potential obligation to undertake a mandatory take-over offer under the Code as a result of the potential increase in CBG's equity interest in QL pursuant to the Undertakings and the Minimum Subscription Level.

The entitlements to the Rights Shares are fair and proportionate to all the Entitled Shareholders based on their shareholdings in QL on the Entitlement Date. The Proposed Exemption is not intended to dilute the shareholdings of the minority shareholders of QL and the collective shareholdings of CBG and its PACs in QL will only increase beyond their existing percentage holding if the other Entitled Shareholders decide not to take up or to renounce their entitlements to the Rights Shares at their discretion.

Please refer to **Section 4.1 of this IAL** for further details.

2.2 Indicative Issue Price of the Rights Shares

The indicative issue price of RM1.80 per Rights Share is at:-

(a) A discount ranging between 25.62% and 32.08% per QL Share to the TEAP based on the five (5)-day, one (1)-month, three (3)-month, six (6)-month and one (1)-year VWAP up to the LTD and the last transacted market price as at the LTD; and

(b) A discount ranging between 36.40% and 37.28% per QL Share to the TEAP based on the last transacted market price as at the LPD and the five (5)-day VWAP up to the LPD.

All the Entitled Shareholders are entitled to subscribe for their respective entitlements to the Rights Shares at the same issue price including CBG and its PACs.

Please refer to **Section 4.2 of this IAL** for further details.

2.3 Effects of the Proposed Exemption

The Proposed Exemption on a standalone basis will not have any effect on the share capital and substantial shareholders' shareholdings of QL, as well as the NA, gearing, earnings and EPS of the QL Group. However, the Proposed Rights Issue, which is inter-conditional to the Proposed Exemption, will have an effect on the share capital and substantial shareholders' shareholdings of QL, as well as the NA, gearing, earnings and EPS of the QL Group.

The Proposed Rights Issue will increase the Company's capital base and reduce its gearing, which in turn will strengthen the financial position of the QL Group. On a proforma basis, the NA per Share is expected to increase from RM0.82 per Share (after the Proposed Bonus Issue) to RM0.90 and RM0.95 per Share after the Proposed Rights Issue based on the Minimum Subscription Level and Maximum Subscription Level respectively. In addition, the net gearing level of the QL Group will reduce from 0.77 times as at 31 March 2013 to 0.48 times and 0.39 times after the Proposed Rights Issue based on the Minimum Subscription Level and Maximum Subscription Level respectively.

Please refer to **Section 4.3 of this IAL** for further details.

2.4 Historical Financial Performance of the QL Group

The QL Group's revenue increased from RM1.78 billion to RM2.15 billion, while its profit after taxation and minority interest ("**PATMI**") grew from RM124.55 million to RM131.71 million from FYE 31 March 2011 to FYE 31 March 2013. In addition, the Group's NA per Share has also increased from RM0.88 per Share as at 31 March 2011 to RM1.07 per Share as at 31 March 2013, indicating that the Group is in a healthy financial position. However, the Group's net gearing has also increased from 0.51 times as at 31 March 2011 to 0.77 times as at 31 March 2013, mainly due to borrowings obtained to finance acquisitions of assets for the Group's domestic and regional expansion, as well as working capital for its operations.

The proceeds from the Proposed Rights Issue under the Minimum Subscription Level and Maximum Subscription Level would be principally utilised for repayment of the Group's bank borrowings, which would reduce the Group's gearing and finance costs, and improves its liquidity and financial position. Further, the additional funds raised under the Maximum Subscription Level which are earmarked for capital expenditure in the Group's Integrated Livestock Farming and Marine Products Manufacturing divisions domestically and regionally, as well as working capital of the Group, are expected to contribute positively towards the future earnings of the Group.

Please refer to **Section 4.4 of this IAL** for further details.

2.5 Industry Outlook and Future Prospects of the QL Group

The industry outlook and future prospects of the QL Group is summarised as follows:-

(a) QL's vision to become the preferred agro-based enterprise has driven the Group to invest heavily into its three (3) core businesses, namely the Integrated Livestock Farming, Marine Products Manufacturing and Palm Oil Activities divisions. Throughout FYE 31 March 2011 to 2013, the Group has incurred total capital expenditure of approximately RM650 million in its core businesses. QL's growth strategy for the next few years is focus in investing and growing its Integrated Livestock Farming and Marine Products Manufacturing divisions domestically and regionally, especially in Indonesia and Vietnam;

(b) The prospects of the Malaysian, Indonesian and Vietnam economy which the Group operates in are expected to remain positive as the overall growth of the aforementioned three (3) countries will continue to be driven by strong domestic demand from both private and public sectors particularly in Malaysia; and

(c) The Government's recognition of agro-industry as an important industry coupled with the implementation of the strategies under the National Agro-Policy (2011 – 2020) augurs well for the Malaysia's Livestock, Fisheries and Palm Oil Activities Industries in general.

After taking into consideration the encouraging prospects of the Malaysia's Livestock, Fisheries and Palm Oil Industries, coupled with the vision and growth strategy of the QL Group, the prospects of the Group for the next twelve (12) months is expected to remain positive.

Please refer to **Section 4.5 of this IAL** for further details.

2.6 Implications of the Proposed Exemption

The Proposed Exemption will be applicable only in the event that the other Entitled Shareholders do not subscribe for their entitlement to the Rights Shares, thereby resulting in the increase in CBG's equity interest in QL pursuant to the Undertakings and the Minimum Subscription Level.

Should you **vote in favour** of the Proposed Exemption, the SC would be able to consider the application made by CBG and its PACs for the Proposed Exemption. Under the Minimum Subscription Level, the Proposed Exemption will allow the individual shareholding of CBG in QL to increase from 44.93% to 47.61% of the enlarged issued and paid-up share capital of QL after the Proposed Rights Issue without being required to undertake a mandatory take-over offer.

Should you **vote against** the Proposed Exemption, QL would not be able to implement the Proposed Rights Issue, which is conditional upon the Proposed Exemption. As such, the potential benefits arising from the Proposed Rights Issue would not materialise. Hence, the Company may have to deliberate on other fund raising options, such as through bank borrowings, which may incur additional finance costs of RM6.93 million and RM11.98 million per annum under the Minimum Subscription Level and Maximum Subscription Level respectively, based on QL's after-tax cost of debt of 4.0% per annum *(Source: Bloomberg)*.

Please refer to **Section 4.6 of this IAL** for further details.

2.7 Confirmations made by CBG and its PACs in relation to the Proposed Exemption

Based on the confirmations as provided by CBG and its PACs in relation to the Proposed Exemption, we note that after the Proposals, CBG and its PACs are not expected to effect any major change to the continuation of the business, structure of the QL Group and the employment of the employees of the QL Group (except where such changes are considered by the QL Group to be necessary to improve amongst others, its business, profitability, operation and/or market position and in the best interest of the QL Group) for a period of twelve (12) months from the date of this IAL.

Furthermore, the confirmations by the major shareholders, namely CBG and Farsathy on the provision of their Undertakings for the Proposed Rights Issue reflect their commitment and confidence in the prospects of the QL Group.

Please refer to **Section 5.1 of this IAL** for further details.

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3. CONCLUSION AND RECOMMENDATION

The purpose of this IAL is intended to provide the non-interested shareholders of QL with an independent evaluation of the Proposed Exemption and to make our independent recommendation thereon.

To sustain QL's growth strategy, the Group will focus in investing domestically and regionally for its Integrated Livestock Farming and Marine Products Manufacturing divisions. After considering other avenues of fund raising, the Proposed Rights Issue is viewed by the Board as the most appropriate avenue of fund raising for the Group to sustain its growth momentum. The decision was made after taking into consideration amongst others, the Group's debts versus equity composition, gearing ratio as well as finance costs arising from external borrowings. The advantages of raising funds via the Proposed Rights Issue include, amongst others, the following:-

(a) The Proposed Rights Issue will enable the QL Group to raise funds to make further investments without incurring additional finance costs and further increasing its gearing level. As at 30 September 2013, the net gearing ratio of the Group of approximately 0.79 times is at the Optimal Level.

The funds raised from the Proposed Rights Issue will be principally channeled towards the repayment of bank borrowings, which will lower and improve the Group's gearing ratio from the current Optimal Level. The utilisation of the proceeds from the Proposed Rights Issue for repayment of bank borrowings will result in immediate interest savings of RM6.88 million and RM8.80 million per annum under the Minimum Subscription Level and Maximum Subscription Level respectively;

(b) The Proposed Rights Issue provides the QL Group with the opportunity to grow and expand its business operations without increasing the Group's existing gearing level which is at the Optimal Level. Part of the funds raised from the Proposed Rights Issue under the Maximum Subscription Level will also be utilised for capital expenditure in its Integrated Livestock Farming and Marine Products Manufacturing divisions domestically and regionally, as well as working capital of the Group, which are expected to contribute positively towards the future earnings of the Group.

In the event that QL obtains debt financing facilities to raise the required funds, the Group may need to incur additional finance costs of RM6.93 million and RM11.98 million per annum under the Minimum Subscription Level and Maximum Subscription Level respectively (based on QL's after-tax cost of debt of 4.0% per annum); and

(c) The Proposed Rights Issue will strengthen the QL Group's capital structure as its shareholders' funds are expected to improve from approximately RM890.78 million as at 31 March 2013 to RM1.06 billion and RM1.19 billion after the Proposed Rights Issue based on the Minimum Subscription Level and Maximum Subscription Level respectively. In addition, the Group's gearing level will also decrease as the proceeds raised from the Proposed Rights Issue under the Minimum Subscription Level and Maximum Subscription Level will be principally utilised for repayment of bank borrowings. This will result in a corresponding stronger financial position of the Group, which would allow the QL Group to have more financial flexibility when sourcing for funding in the future.

Premised on the above, the Proposed Rights Issue represents the most equitable and expedient way for the QL Group to raise funds to sustain its growth momentum as well as to increase the capital base of the Company to be more reflective of its scale of operations.

We wish to note that the Proposed Rights Issue and Proposed Exemption are inter-conditional upon each other. By voting in favour of the Proposed Exemption, you will enable the Company to benefit from the funds raised pursuant to the Proposed Rights Issue.

After taking into consideration the abovementioned various factors and on an overall basis, we are of the opinion that the Proposed Exemption is fair and reasonable and is not detrimental to the interests of the non-interested shareholders of QL.

Accordingly, we recommend that the non-interested shareholders of QL to VOTE IN FAVOUR of the ordinary resolution pertaining to the Proposed Exemption to be tabled at the forthcoming EGM of the Company.

THE NON-INTERESTED SHAREHOLDERS OF QL ARE ADVISED TO READ THIS IAL TOGETHER WITH THE ACCOMPANYING ATTACHMENTS THOROUGHLY AND PART A OF THE CIRCULAR AND THE APPENDICES ATTACHED THEREIN FOR MORE INFORMATION AND NOT RELY SOLELY ON THIS EXECUTIVE SUMMARY BEFORE FORMING AN OPINION ON THE PROPOSED EXEMPTION.

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Kenanga

9 January 2014

To: The Non-Interested Shareholders of QL Resources Berhad

Dear Sir/Madam,

QL RESOURCES BERHAD ("QL" OR THE "COMPANY")

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF QL IN RELATION TO THE PROPOSED EXEMPTION

This IAL is prepared for inclusion in the Circular. All terms defined in Part A of the Circular shall apply throughout this IAL except where the context otherwise requires or where otherwise defined.

1. INTRODUCTION

On 3 October 2013, RHBIB had, on behalf of the Board, announced that the Company proposed to undertake, amongst others, the Proposed Rights Issue and the Proposed Exemption.

The Proposed Rights Issue is undertaken on a minimum subscription basis after taking into consideration the minimum gross proceeds of approximately RM173.23 million to be raised from the Proposed Rights Issue. The purpose of the Proposed Rights Issue is to raise proceeds for the repayment of bank borrowings of the Group, as well as to raise additional funds for the capital expenditure and working capital of the Group under the Maximum Subscription Level, as elaborated in Section 4.1.2 of this IAL. The proposed utilisation of the funds raised pursuant to the Proposed Rights Issue is in line with QL's growth strategies and serves to further strengthen the Group's balance sheet.

To facilitate the Proposed Rights Issue, the Company's major shareholders, namely CBG and Farsathy have provided Undertakings via their letters dated 24 December 2013 to subscribe in full for their respective entitlements to the Rights Shares in respect of their direct shareholdings in QL, which is equivalent to the Minimum Subscription Level of 96,236,844 Rights Shares. The Proposed Rights Issue is offered on pro-rata basis to all the Entitled Shareholders, who are entitled to subscribe for their Rights Shares entitlements and the unsubscribed Rights Shares not subscribed by the other Entitled Shareholders, if any, under the Proposed Rights Issue.

As at the LPD, CBG holds directly 373,846,682 QL Shares, representing 44.93% equity interest in the Company. Pursuant to the Undertakings and Minimum Subscription Level, in the event that only CBG and Farsathy subscribe for their respective entitlements to the Rights Shares, and no other Entitled Shareholders subscribe for the Proposed Rights Issue, the shareholdings of CBG and its PACs as at the LPD could increase as follows:-

(a) CBG could increase its individual shareholding in QL by more than 2.0% from approximately 44.93% to 47.61% of the enlarged issued and paid-up share capital of QL after the Proposed Rights Issue; and

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(b) CBG collective shareholdings with its PACs could increase from approximately 61.87% to 64.13% of the enlarged issued and paid-up share capital of QL after the Proposed Rights Issue.

Arising therefrom and pursuant to the provisions of the Code, CBG individually shall have an obligation to undertake a mandatory take-over offer for the remaining QL Shares not already held by it and its PACs upon completion of the Proposed Rights Issue. In any event, CBG and its PACs' eventual shareholdings will be dependent upon the Rights Shares to be subscribed by the other Entitled Shareholders.

As it is not CBG and the PACs' intention to undertake a mandatory take-over offer for the remaining QL Shares not already held by them as a result of the Undertakings upon the completion of the Proposed Rights Issue, RHBIB will, on behalf of CBG and its PACs, make an application to the SC to seek the SC's approval for the Proposed Exemption under Paragraph 16.1 of Practice Note 9 of the Code, subject to CBG and its PACs obtaining the approval from the non-interested shareholders of QL for the Proposed Exemption and the following procedures being complied with:-

(a) The resolution for the Proposed Exemption shall be separated from other resolutions but may be conditional on other resolutions;

(b) All interested parties have to abstain from voting on the resolution on the Proposed Exemption at the forthcoming EGM to be convened;

(c) The voting for the Proposed Exemption at the forthcoming EGM will be conducted by way of a poll, the result of which has to be confirmed by an independent auditor;

(d) The independent shareholders of QL are provided with competent independent advice;

(e) KIBB having declared its independence to the SC (declaration made on 9 October 2013);

(f) The SC's consent to the contents of this IAL setting out details for the Proposed Exemption being obtained before the despatch of this IAL (consent obtained on 6 January 2014); and

(g) The IAL is despatched to the non-interested shareholders of QL at least fourteen (14) days before the forthcoming EGM.

Farsathy, Ruby, Chia Song Kun, Chia Song Kang, Chia Song Pou, Chia Song Swa, Chia Cheong Soong, Chia Song Kooi, Chia Bak Lang, Chia Mak Hooi, Chia Song Phuan, Cheah Yaw Song, Chia Teow Guan, Chia Seong Pow, Chia Seong Fatt, Chia Chong Lang, Sim Ahi Yok, Chia Chw Pew, Koh Kwee Choo, Chia Suan Hooi, Chia Chew Seng, Chia Chiew Yang, Chia Chew Ngee, Cheah Juw Teck, Chia Juak Sui, Chia Lik Khai, Chia Liek Kuen, Chia Jooi Seng, Wong Yuet Lai and Chia Soon Lai are PACs with CBG in respect of the Proposed Exemption.

The Proposed Exemption is being sought to allow CBG to increase its equity interests in QL arising from its subscription of the Rights Shares pursuant to the Undertakings without incurring a mandatory take-over offer obligation. The Proposed Exemption, if granted by the SC under the Code will be invalidated once CBG and/or its PACs have triggered a "disqualifying transaction". For the purpose of the Proposed Exemption, a "disqualifying transaction" refers to a purchase of voting shares or voting rights of QL by CBG and its PACs subsequent to negotiation, discussion, understanding or agreement with the Directors of QL in relation to the Proposed Rights Issue and before the completion of the Proposed Rights Issue.

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In view of the Proposed Exemption, QL is required under the Code to appoint an Independent Adviser to advise the non-interested shareholders of QL on the Proposed Exemption. On 7 October 2013, RHBIB had, on behalf of the Board, announced that the Board had on the even date appointed KIBB to act as the Independent Adviser to advise the non-interested shareholders of QL for the Proposed Exemption. KIBB had on 9 October 2013 declared its independence to the SC to act as the Independent Adviser in respect of the Proposed Exemption.

Pursuant to the Undertakings, CBG and Farsathy have confirmed that they have sufficient financial resources to take up their respective entitlements to the Rights Shares and such confirmations have been verified by RHBIB.

The SC had on 6 January 2014 given its consent for the contents of this IAL. However, such consent shall not be taken to imply that the SC concurs with the views and recommendation of KIBB contained in this IAL. It merely means that this IAL has been prepared in compliance with the provisions of the Code.

The purpose of this IAL is to provide the non-interested shareholders of QL with an independent evaluation of the Proposed Exemption together with our recommendation on the resolution pertaining to the Proposed Exemption to be tabled at the forthcoming EGM, subject to the scope and limitation of our role and evaluation as specified in Section 3 of this IAL.

This IAL is prepared solely for the use of the non-interested shareholders of QL for the purpose of considering the merits of the Proposed Exemption and should not be used or relied upon by any other party for any other purpose whatsoever.

THE NON-INTERESTED SHAREHOLDERS OF QL ARE ADVISED TO READ AND UNDERSTAND THIS IAL AND THE CIRCULAR AND TO CONSIDER CAREFULLY THE EVALUATIONS AND RECOMMENDATION CONTAINED IN THIS IAL BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED EXEMPTION TO BE TABLED AT THE FORTHCOMING EGM.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE PROPOSALS

The Company is proposing to undertake the following proposals:-

(a) A bonus issue of 249,605,886 Bonus Shares to be credited as fully paid-up on the basis of three (3) Bonus Shares for every ten (10) existing QL Shares held on the Entitlement Date;

(b) A renounceable rights issue of 166,403,924 Rights Shares on the basis of two (2) Rights Shares for every ten (10) existing QL Shares held on the same Entitlement Date; and

(c) An exemption under Paragraph 16.1 of Practice Note 9 of the Code to exempt CBG and its PACs from the obligation of extending a mandatory take-over offer for the remaining QL Shares not already held by them pursuant to the Proposed Rights Issue.

Please refer to Section 2 of Part A of the Circular for further details of the Proposals.

The Proposed Rights Issue is not conditional on the Proposed Bonus Issue and as such, the number of Rights Shares to be issued will not be dependent on the number of Bonus Shares to be issued pursuant to the Proposed Bonus Issue. However, the Proposed Rights Issue is conditional upon the Proposed Exemption.

3. SCOPE AND LIMITATIONS TO THE EVALUATION OF THE PROPOSED EXEMPTION

KIBB was not involved in the negotiations on the terms, conditions and structure of the Proposed Rights Issue and accordingly our evaluation of the Proposed Exemption is based on information provided by QL and discussions with the Company. In performing our evaluation, we have relied on the following resources for information:-

(a) Information contained in Part A of the Circular and the accompanying appendices therein;

(b) Discussions with and representations made by the management of QL;

(c) Other relevant information furnished to us by the management of QL and the Board; and

(d) Other publicly available information.

We have made due enquiries and have relied on QL, its Directors and management to take due care to ensure that all information, documents and representations provided to us to facilitate our evaluation are accurate, valid and complete in all material respects. The Board has, individually and collectively, accepted full responsibility for the accuracy of the information provided and given herein and confirmed in writing that after making all reasonable enquiries and to the best of their knowledge and belief, all relevant facts and information necessary for our evaluations have been disclosed to us and there is no omission of any fact that would make any information provided to us incomplete, misleading or inaccurate.

We are satisfied with the disclosures from the Board and management of the Company and have no reason to believe that any of the information is unreliable.

Our evaluations and opinions as set out in this IAL are based upon market, economic, industry, regulatory and other conditions (if applicable) and the information/documents made available to us, as at the LPD or such other relevant period as discussed herein (as the case may be). Such conditions may change significantly over a period of time. Accordingly, our evaluations and opinions in this IAL do not take into account the information, events and conditions arising after the LPD or such other relevant period as discussed herein (as the case may be).

As the Independent Adviser, we have evaluated the Proposed Exemption and in forming our opinion, we have considered factors which we believe would be of relevance and general importance to the non-interested shareholders of QL. In rendering our advice, we have taken note of the pertinent issues which we have considered important in enabling us to form our opinion on the fairness and reasonableness of the Proposed Exemption.

Our evaluations as set out in this IAL are rendered solely for the benefit of the non-interested shareholders of QL as a whole. We have not taken into consideration any specific investment objective, financial situation or particular needs of any individual shareholder or any specific group of shareholders. We recommend that any individual shareholder or group of shareholders who are in doubt as to the action to be taken or require advice in relation to the Proposed Exemption in the context of their individual objectives, financial situation or particular needs, to consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers.

4. EVALUATION OF THE PROPOSED EXEMPTION

In our evaluation of the Proposed Exemption, we have taken into consideration the following factors:-

(a) Rationale for the Proposals;

(b) Indicative issue price of the Rights Shares;

(c) Effects of the Proposed Exemption;

(d) Historical financial performance of the QL Group;

(e) Industry outlook and future prospects of the QL Group;

(f) Implications of the Proposed Exemption; and

(g) Declarations and confirmations made by CBG and its PACs in relation to the Proposed Exemption.

4.1 Rationale for the Proposals

4.1.1 Rationale for the Proposed Bonus Issue

As set out in Section 3.1 of Part A of the Circular, the Proposed Bonus Issue provides the Company with the opportunity to demonstrate its appreciation to its shareholders for their loyalty and continuing support by enabling the shareholders to have a greater participation in the equity of the Company in terms of holding additional number of QL Shares whilst maintaining their percentage of equity interest.

In addition, shareholders of QL may also benefit from the potential improvement in trading liquidity and affordability of QL Shares on Bursa Securities arising from the enlarged share base pursuant to the Proposed Bonus Issue.

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4.1.2 Rationale for the Proposed Rights Issue

In deciding on the Proposed Rights Issue against other forms of fund raising, the Board had considered amongst others, the Group's debt versus equity composition, gearing ratio as well as the finance costs arising from external borrowings. Although the cost of equity of QL as at 30 September 2013 of 9.90% *(Source: Bloomberg)* is higher than the QL Group's after-tax cost of debt of 4.0%, the benefits of QL raising funds through equity financing as compared to debt financing are summarised as follows:-

(a) The Proposed Rights Issue will enable the QL Group to raise funds for the purposes as disclosed in Section 3.2 of Part A of the Circular without incurring additional finance costs and further increasing the Group's gearing level. As at 30 September 2013, the net gearing ratio of the Group of approximately 0.79 times is at the Optimal Level. The funds raised from the Proposed Rights Issue will be principally channeled towards the repayment of bank borrowings, which will lower and improve the Group's gearing ratio from the current Optimal Level.

With the Proposed Rights Issue, the Group is able to grow and expand its business operations without increasing the Group's existing gearing level which is at the Optimal Level. A portion of the funds raised from the Proposed Rights Issue will also be utilised for capital expenditure in the Group's Integrated Livestock Farming and Marine Products Manufacturing divisions domestically and regionally, as well as working capital of the Group, which are expected to contribute positively towards the future earnings of the Group.

In the event that QL obtains debt financing facilities to raise the required funds, the Group may need to incur additional finance costs of RM6.93 million and RM11.98 million per annum under the Minimum Subscription Level and Maximum Subscription Level respectively (based on QL's after-tax cost of debt of 4.0% per annum). The interest savings (net of taxation) of RM6.93 million and RM11.98 million per annum under the Minimum Subscription Level and Maximum Subscription Level respectively is expected to have a positive effect on the Group's earnings, which could be reinvested for the Group's future expansion;

(b) The Group will have better control and flexibility over its cash flows as compared to debt financing wherein the Group is obliged to service interest and principal on a fixed schedule;

(c) The Proposed Rights Issue will enable the Group to increase the size and strength of its balance sheet and reduce its gearing level whilst also providing a platform for the Company to reward its shareholders with an opportunity to increase their equity participation in the Company at a discount to the prevailing market price as disclosed in Section 4.2 of this IAL; and

(d) The Proposed Rights Issue will allow the QL Group to have more flexibility in sourcing for funding in the near future to cater for its capital expenditure and working capital requirements should the need arises.

Premised on the above, the Board believes that the Proposed Rights Issue is deemed to be the most suitable and expedient form of fund raising for the QL Group at this juncture, as compared to bank borrowings.

As mentioned above and detailed in Section 3.2 of Part A of the Circular, the funds raised from the Proposed Rights Issue will be utilised for repayment of the Group's bank borrowings, capital expenditure and working capital requirements of the Group in the manner as set out below:-

	Minimum Subscription Level		Maximum Subscription Level	
Details of Utilisation	**RM'000**	**%**	**RM'000**	**%**
Repayment of bank borrowings	172,026	99.31	220,000	73.45
Capital expenditure	-	-	70,000	23.37
Working capital	-	-	8,327	2.78
Estimated expenses for the Proposals	1,200	0.69	1,200	0.40
	173,226	**100.00**	**299,527**	**100.00**

Please refer to Section 2.2.6 of Part A of the Circular for further details on the proposed utilisation of proceeds raised from the Proposed Rights Issue.

From the table above, we note that a substantial portion of the total proceeds raised from the Proposed Rights Issue (representing approximately 99.31% and 73.45% under the Minimum Subscription Level and Maximum Subscription Level respectively) will be utilised for the repayment of bank borrowings.

Further, under the Maximum Subscription Level, approximately RM79.53 million or 26.55% of the total proceeds from the Proposed Rights Issue will be channeled towards the following:-

(a) RM70.0 million of the proceeds earmarked for capital expenditure will be utilised for the Group's Integrated Livestock Farming and Marine Products Manufacturing divisions which include expansion of the Group's existing poultry farms in Malaysia, Indonesia and Vietnam, construction of a new feedmill in Indonesia, and upgrading of the Group's existing marine product manufacturing facilities as well as to develop a new marine prawn aquaculture farm in Malaysia;

(b) RM8.32 million of the proceeds will be utilised for the Group's working capital requirements which include amongst others, payment to trade and other payables, staff costs, utilities expenses as well as rental of buildings; and

(c) The balance of RM1.20 million will be utilised to defray expenses incidental to the Proposals.

We have set out below a summary of the audited consolidated statements of financial position of QL as at 31 March 2011, 31 March 2012 and 31 March 2013, and the unaudited consolidated statement of financial position of QL as at 30 September 2013:-

	<---------- Audited ---------->			Unaudited
	<---------- As at 31 March ---------->			As at 30 September
	2011 (RM'000)	2012 (RM'000)	2013 (RM'000)	2013 (RM'000)
Property, plant and equipment	680,597	877,260	960,702	973,127
Biological assets	122,662	165,344	186,006	176,773
Investment properties	7,195	4,077	29,466	29,672
Prepaid lease payments	53,275	51,700	53,300	54,907
Investment in associates	35,319	65,819	74,564	81,530
Trade and other receivables	204,232	216,355	282,485	222,542
Cash and cash equivalents	122,057	101,503	141,101	120,256
Inventories	170,013	153,207	219,363	207,585
Other assets	77,019	35,392	61,543	130,959
Total Assets	**1,472,369**	**1,670,657**	**2,008,530**	**1,997,351**
Share capital	208,000	208,000	208,005	208,005
Share premium	113,561	113,544	113,599	113,599
Reserves	414,360	490,052	569,177	567,295
Net assets	735,921	811,596	890,781	888,899
Non-controlling interests	63,431	68,438	68,857	66,293
Total Equity	**799,352**	**880,034**	**959,638**	**955,192**
Loan and borrowings	498,392	596,518	827,753	818,636
Trade and other payables	126,452	136,779	152,536	148,163
Other liabilities	48,173	57,326	68,603	75,360
Total Liabilities	**673,017**	**790,623**	**1,048,892**	**1,042,159**
Net borrowings	**376,335**	**495,015**	**686,652**	**698,380**
Gearing ratio (times)	**0.68**	**0.73**	**0.93**	**0.92**
Net gearing ratio (times)*	**0.51**	**0.61**	**0.77**	**0.79**

Note:-

* *Computed based on total borrowings net of cash and cash equivalents divided by net assets.*

As disclosed in Section 4.4 of this IAL, the revenue of the QL Group has grown from RM1.78 billion in FYE 31 March 2011 to RM2.15 billion in FYE 31 March 2013. We note the following from the table above:-

(a) Throughout FYE 31 March 2011 to FYE 31 March 2013, the Group had invested heavily along its three (3) core business divisions, as reflected by the increase in the Group's total assets from RM1.47 billion as at 31 March 2011 to RM2.01 billion as at March 2013, due to the increase in investment in property, plant and equipment, biological assets, investment properties and investment in associates; and

(b) The investments made were primarily funded via increase in total borrowings and internally generated funds. The increase in borrowings had resulted in a corresponding increase in the net gearing level of the Group from 0.51 times as at 31 March 2011 to 0.77 times as at 31 March 2013.

Hence, the utilisation of the proceeds from the Proposed Rights Issue for repayment of bank borrowings will reduce the Group's gearing level and finance costs, which would result in immediate interest savings, thereby contributing positively to the Group's earnings. On a proforma basis:-

(a) The net gearing ratio of the QL Group is estimated to improve from 0.77 times as at 31 March 2013 to 0.48 times and 0.39 times after the Proposed Rights Issue based on the Minimum Subscription Level and Maximum Subscription Level respectively; and

(b) The repayment of bank borrowings of RM172.03 million and RM220.0 million under the Minimum Subscription Level and Maximum Subscription Level respectively is envisaged to give rise to savings in finance costs of RM6.88 million and RM8.80 million per annum under the Minimum Subscription Level and Maximum Subscription Level respectively (based on the prevailing average interest rate incurred by the QL Group of approximately 4.0% per annum).

To sustain the Group's growth strategy, QL will focus in investing domestically and regionally for its Integrated Farming and Marine Products Manufacturing divisions, which include amongst others, the following:-

(a) Expansion of the Group's existing poultry farms in Malaysia, Indonesia and Vietnam and construction of a new feedmill in Bekasi, Indonesia for its Integrated Livestock Farming division; and

(b) Construction of a frozen surimi-based product plant in Hutan Melintang, Perak and development of a new marine prawn aquaculture farm in Kudat, Sabah for its Marine Products Manufacturing division.

Therefore, the Proposed Rights Issue allows the QL Group to raise funds to make further investments without further increasing its gearing level and finance costs. This would allow the QL Group to preserve cash for reinvestment and/or operational purposes.

The Proposed Rights Issue will also strengthen the QL Group's capital structure as its shareholders' funds are expected to improve from approximately RM890.78 million as at 31 March 2013 to RM1.06 billion and RM1.19 billion after the Proposed Rights Issue based on the Minimum Subscription Level and Maximum Subscription Level respectively. In addition, it will also lower the Group's gearing level, as the proceeds raised from the Proposed Rights Issue under the Minimum Subscription Level and Maximum Subscription Level will be principally utilised for repayment of bank borrowings. This will result in a corresponding stronger financial position of the Group, which would allow the QL Group to have more financial flexibility when sourcing for funding in the future.

Taking into consideration the above, we believe that equity funding via the Proposed Rights Issue is a suitable method for QL to raise funds to sustain its growth momentum as well as to increase the capital base of the Company to be more reflective of its scale of operations.

4.1.3 Rationale for the Proposed Exemption

We note that as at the LPD, CBG directly holds 44.93% equity interest in the Company, while CBG and its PACs collectively hold 61.87% equity interest in the Company.

In view of the Undertakings, upon completion of the Proposed Rights Issue, CBG's individual shareholding in QL may increase by more than 2.0% from 44.93% to 47.61%, and collectively with the PACs from 61.87% to 64.13% of the enlarged issued and paid-up share capital of QL based on the Minimum Subscription Level. As such, CBG individually will have an obligation to undertake a mandatory take-over offer pursuant to the Code.

Notwithstanding the foregoing, the individual shareholding of CBG would still remain between 33% to 50% upon completion of the Proposed Rights Issue under the Minimum Subscription Level. Hence, CBG would still need to comply with Part III of the Code where in the event CBG increase its individual shareholding by more than 2.0% in any six (6) months period in the future, CBG would still be required to extend a mandatory take-over offer for the remaining QL Shares not already held by it and its PACs.

It is important to note that it is not the intention of CBG and its PACs to undertake a mandatory take-over offer to acquire all the remaining QL Shares not already held by them via the Proposed Rights Issue. Therefore, the Proposed Exemption which is allowable under the provision of the Code (subject to amongst others, the approval of the non-interested shareholders of QL and thereafter the SC) is being sought to relieve CBG and its PACs from the obligation to undertake a mandatory take-over offer under the Code due to the increase in CBG's interest in the voting shares of the Company under the Minimum Subscription Level of the Proposed Rights Issue.

The entitlements to the Rights Shares are fair and proportionate to all the Entitled Shareholders based on their shareholdings in QL on the Entitlement Date. The Proposed Exemption is not intended to dilute the shareholdings of the minority shareholders of QL and the collective shareholdings of CBG and its PACs in QL will only increase beyond their existing percentage holding if the other Entitled Shareholders decide not to take up or to renounce their entitlements to the Rights Shares at their discretion. If all shareholders of QL subscribe for their respective entitlements, CBG and its PACs shareholdings in QL will remain unchanged.

Non-interested shareholders of QL should note that should you resolve not to subscribe for your entitlement to the Rights Shares or resolve to renounce your entitlement pursuant to the Proposed Rights Issue, your existing shareholdings in QL would be diluted accordingly. Notwithstanding the above, non-interested shareholders of QL have the right to trade their rights to the Rights Shares on the market, and as such those that choose to renounce their entitlements to the Rights Shares can sell all or part of their rights to the Rights Shares in the market.

The Proposed Rights Issue and the Proposed Exemption are inter-conditional upon each another. As such, in the event that the Proposed Exemption is not approved by the non-interested shareholders of QL or the SC, the Proposed Rights Issue will not be successfully implemented. Thus, the potential benefits arising from the Proposed Rights Issue as detailed in Section 4.1.2 of this IAL would not materialise and the Company may have to deliberate on other fund raising options.

Further, the Proposed Exemption will facilitate CBG to extend its continuous support and commitment to the QL Group without incurring additional financial burden of having to acquire all the remaining QL Shares not already held by it and its PACs as a result of the Undertakings.

In summary, the rationale for the Proposed Rights Issue is to enable the QL Group to raise funds to repay the Group's bank borrowings as well as to cater for its business requirements and growth strategies. Without the Proposed Exemption, QL will not be able to implement the Proposed Rights Issue and accordingly, the Group will have to explore other fund raising options, such as through bank borrowings, which may incur additional finance costs of RM6.93 million and RM11.98 million per annum under the Minimum Subscription Level and Maximum Subscription Level respectively, based on QL's after-tax cost of debt of 4.0% per annum *(Source: Bloomberg).*

4.2 Indicative Issue Price of the Rights Shares

As set out in Section 2.2.2 of Part A of the Circular:-

"The issue price of the Rights Shares will be determined by the Board at a later date after receipt of all relevant approvals but before the Entitlement Date, based on a discount that is deemed appropriate after taking into consideration, amongst others, the TEAP of QL Shares (after taking into account the Proposed Bonus Issue) based on the five (5)-day VWAP of QL Shares immediately preceding the price-fixing date."

The following evaluation of the issue price of the Rights Shares is based on the indicative issue price of RM1.80 per Rights Share:-

<u>**Analysis of VWAP vis-à-vis the indicative issue price of RM1.80 per Rights Share**</u>

	VWAP	**TEAP***	**(Discount)/ Premium of the Indicative Issue Price to the TEAP**	
	(RM)	**(RM)**	**(RM)**	**(%)**
Based on VWAP up to 2 October 2013 (being the last full trading date prior to the Announcement) ("LTD"):-				
Five (5)-day VWAP	3.61	2.65	(0.85)	(32.08)
One (1)-month VWAP	3.55	2.61	(0.81)	(31.03)
Three (3)-month VWAP	3.46	2.55	(0.75)	(29.41)
Six (6)-month VWAP	3.33	2.46	(0.66)	(26.83)
One (1)-year VWAP	3.27	2.42	(0.62)	(25.62)
Last transacted market price as at the LTD	3.60	2.64	(0.84)	(31.82)
Last transacted market price as at the LPD	3.88	2.83	(1.03)	(36.40)
Five (5)-day VWAP up to the LPD	3.95	2.87	(1.07)	(37.28)

(Source: Bloomberg)

Note:-

* *Computed after taking into account of the Proposed Bonus Issue and Proposed Rights Issue.*

In respect of the above, the indicative issue price of RM1.80 per Rights Share represents:-

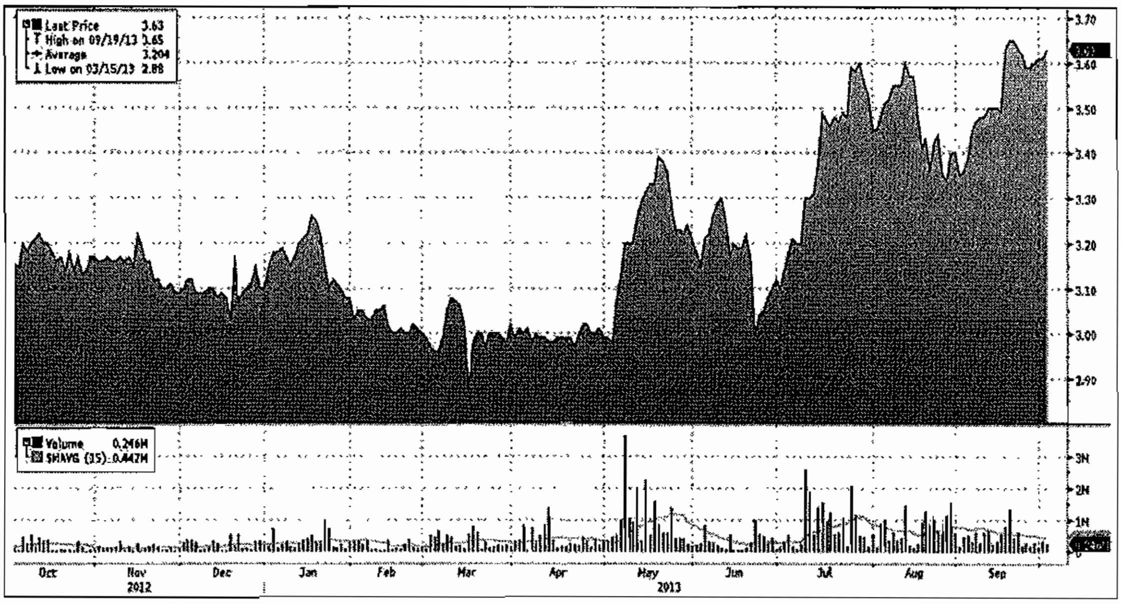
(a) Discounts ranging between RM0.62 (25.62%) and RM0.85 (32.08%) to the TEAP based on the VWAP of QL Shares for the periods of five (5)-day, one (1)-month, three (3)-month, six (6)-month and one (1)-year up to the LTD and the last transacted market price as at the LTD; and

(b) Discounts ranging between 36.40% and 37.28% to the TEAP based on the last transacted market price as at the LPD and the five (5)-day VWAP of QL Shares up to the LPD.

Based on the foregoing, the indicative issue price of the Rights Shares is considered to be attractive to shareholders as shareholders will be entitled to subscribe for the Rights Shares at a discount to the prevailing market price of QL Shares.

Movement in the Historical Prices of QL Shares

The movement in the historical closing prices and trading volume of QL Shares for the past one (1) year up to the LTD is shown in the diagram below:-



(Source: Bloomberg)

Based on the diagram above, the highest traded price of QL Shares for the past one (1) year up to the LTD was RM3.69 on 19 September 2013, whilst the lowest traded price was RM2.88 on 15 March 2013. QL Shares have never traded below RM1.80, being the indicative issue price of the Rights Share.

The entitlements to the Rights Shares are proportionate to all the Entitled Shareholders. As such, all the Entitled Shareholders are entitled to subscribe for their respective entitlements to the Rights Shares at the same issue price including CBG and its PACs. Hence, from the perspective of the issue price of the Rights Shares, the Proposed Exemption is fair and reasonable as all shareholders will have the opportunity to subscribe for the Rights Share at the same price. As such, it does not disadvantage the non-interested shareholders. Further, the Proposed Rights Issue also provides an opportunity for the existing shareholders to increase their equity participation in the Company at a discount to the prevailing market price of QL Shares from the subscription of the Rights Shares.

Non-interested shareholders of QL should note that should you choose not to subscribe for the Rights Shares, your existing shareholdings would be diluted with the issuance of the Rights Shares and you would also have foregone the opportunity to subscribe for the Rights Shares at a discount. However, non-interested shareholders of QL have the right to trade their rights to the Rights Shares on the market, and as such those that choose to renounce their entitlements to the Rights Shares can sell all or part of their rights to the Rights Shares in the market.

4.3 Effects of the Proposed Exemption

The Proposed Exemption on a standalone basis will not have any effect on the share capital, NA, gearing, earnings and EPS, and substantial shareholders' shareholdings of QL and/or the QL Group (whichever is applicable).

However, the Proposed Rights Issue, being an integral part of the Proposals, which is inter-conditional to the Proposed Exemption, will have an effect on the share capital, NA, gearing, earnings and EPS and substantial shareholders' shareholdings of QL and/or the QL Group (whichever is applicable).

Please refer to Section 5 of Part A of the Circular for further details on the effects of the Proposals.

4.3.1 Issued and Paid-up Share Capital

The Proposed Bonus Issue and the Proposed Rights Issue involve the issuance of new QL Shares. Pursuant to the Proposed Bonus Issue and Proposed Rights Issue, we note that the issued and paid-up share capital of QL will increase from RM208.0 million to RM294.47 million and RM312.01 million under the Minimum Subscription Level and Maximum Subscription Level respectively.

4.3.2 NA and Gearing

Based on the audited consolidated statements of financial position of QL Group as at 31 March 2013, the proforma effects of the Proposed Bonus Issue and Proposed Rights Issue on the NA per Share and gearing of the QL Group are shown below, as extracted from Section 5.2 of Part A of the Circular:-

(a) Minimum Subscription Level

		Proforma I	**Proforma II**
	Audited as at 31 March 2013 (RM'000)	**After Proposed Bonus Issue (RM'000)**	**After Proforma I and the Proposed Rights Issue(3) (RM'000)**
Share capital	208,005	270,406	294,465
Share premium	113,599	51,198	199,165(2)
Reserves	569,177	569,177	569,177
Shareholders' equity/ NA	**890,781**	**890,781**	**1,062,807**
No. of QL Shares ('000)	832,020	1,081,626	1,177,862
NA per QL Share (RM)	**1.07**	**0.82**	**0.90**
Cash and cash equivalents	141,101	141,101	141,101
Borrowings	**827,753**	**827,753**	**655,727**
Net borrowings	686,652	686,652	514,626
Net gearing (times)(1)	**0.77**	**0.77**	**0.48**

(b) **Maximum Subscription Level**

	Audited as at 31 March 2013 (RM'000)	Proforma I After Proposed Bonus Issue (RM'000)	Proforma II After Proforma I and the Proposed Rights Issue(3) (RM'000)
Share capital	208,005	270,406	312,007
Share premium	113,599	51,198	307,924(2)
Reserves	569,177	569,177	569,177
Shareholders' equity/ NA	**890,781**	**890,781**	**1,189,108**
No. of QL Shares ('000)	832,020	1,081,626	1,248,030
NA per QL Share (RM)	**1.07**	**0.82**	**0.95**
Cash and cash equivalents	141,101	141,101	149,428(4)
Borrowings	**827,753**	**827,753**	**607,753**
Net borrowings	686,652	686,652	458,325
Net gearing (times)(1)	**0.77**	**0.77**	**0.39**

Notes:-

(1) Calculated based on net borrowings divided by NA.
(2) After deducting estimated expenses of RM1,200,000 incurred in relation to the Proposals.
(3) Based on the indicative issue price of RM1.80 per Rights Share.
(4) Assuming RM70.0 million earmarked for capital expenditure has been fully utilised.

The Proposed Bonus Issue will increase the number of QL Shares whilst maintaining the NA of the QL Group, thereby decreasing the NA per Share of the QL Group. The Proposed Bonus Issue will not have any effect on the gearing ratio of the QL Group.

The Proposed Rights Issue will increase the Company's capital base and reduce the Group's gearing, which in turn will strengthen the financial position of the QL Group. As set out in the table above, on a proforma basis, the NA per Share is expected to increase from RM0.82 per Share (after the Proposed Bonus Issue) to RM0.90 and RM0.95 per Share after the Proposed Rights Issue based on the Minimum Subscription Level and Maximum Subscription Level respectively. The increase in the NA per Share is as a consequence of the issuance of new QL Shares at an indicative issue price of RM1.80, which is above the NA per Share of the QL Group.

On a proforma basis, the net gearing ratio of the QL Group is expected to improve from 0.77 times as at 31 March 2013 to 0.48 times and 0.39 times after the Proposed Rights Issue based on the Minimum Subscription Level and Maximum Subscription Level respectively as a result of the repayment of borrowings and increase in the shareholders' funds pursuant to the Proposed Rights Issue.

The Weighted Average Cost of Capital ("**WACC**") is the minimum required rate of return that a company must achieve in order to compensate its investors for the risks undertaken through their capital contribution to the company either via debt or equity financing. WACC is basically the weighted average of the cost of equity and cost of debt in relation to the capital structure of the company. The cost of equity is the rate of return required by a company's common shareholders, while the cost of debt is the cost of debt financing to a company when it issues a bond or takes up a bank financing.

The WACC of QL as at 30 September 2013 is 8.64%. For illustration purposes, based on QL's cost of equity and after-tax cost of debt of 9.90% and 4.0% respectively *(Source: Bloomberg)*, the issuance of additional equity pursuant to the Proposed Rights Issue is expected to increase the WACC of QL to 8.89% and 8.83% under the Minimum Subscription Level and Maximum Subscription Level respectively. Accordingly, the required rate of return of the QL Group has to increase to 8.89% and 8.83% under the Minimum Subscription Level and Maximum Subscription Level respectively, in order to maintain the same rate of return to shareholders of 9.90%.

In the event QL opt for borrowings of RM172.23 million and RM299.53 million to raise the required funds, the WACC will decrease to 8.44% and 8.30% based on the Minimum Subscription Level and Maximum Subscription Level respectively. The lower WACC is mainly due to the tax shield on the interest payable for debt funding. Although cost of debt is generally cheaper than cost of equity, the issuance of new QL Shares will result in larger capital base and higher net asset value for the QL Group. In addition, QL would not need to incur additional finance costs of RM6.93 million and RM11.98 million per annum under the Minimum Subscription Level and Maximum Subscription Level respectively.

4.3.3 Earnings and EPS

Save for the finance cost savings to be enjoyed by the QL Group upon the repayment of its bank borrowings as disclosed in Section 4.1.2 of this IAL, the Proposals are not expected to have a material effect on the earnings of the QL Group for FYE 31 March 2014.

The Proposed Bonus Issue and Proposed Rights Issue will result in an immediate dilution in the EPS of the QL Group as a result of the increase in the number of QL Shares in issue upon the completion of the Proposals. Notwithstanding the above, the Proposed Rights Issue is expected to have a positive impact on the future earnings of the Group as the proceeds raised would provide further funds to the QL Group for capital expenditure and working capital, as well as interest savings from repayment of borrowings under the Maximum Subscription Level.

The actual impact on the QL Group's earnings and EPS in the future would ultimately be subject to the level of returns generated by the Group from the utilisation of the proceeds raised from the Proposed Rights Issue.

4.3.4 Substantial Shareholders' Shareholdings

The proforma effects of the Proposed Rights Issue on the substantial shareholders' shareholdings are set out in Section 5.4 of Part A of the Circular.

The entitlements to the Proposed Bonus Issue and the Proposed Rights Issue are available to all shareholders of QL. Accordingly, under the Maximum Subscription Level, in the event all shareholders of QL subscribe in full for their respective entitlements for the Rights Shares, the Proposed Bonus Issue and Proposed Rights Issue will not have any effect on the percentage shareholdings of the shareholders of QL in the Company albeit the proportionate increase in the total number of QL Shares held by each shareholder of QL. The same applies to the shareholdings of the substantial shareholders of QL under the Maximum Subscription Level.

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However, under the Minimum Subscription Level, assuming only CBG and Farsathy subscribe for their respective entitlements to the Rights Shares pursuant to the Undertakings and the other Entitled Shareholders do not subscribe for their respective entitlements, the individual shareholding of CBG will increase from 44.93% to 47.61% of the enlarged issued and paid-up share capital of QL. Therefore, CBG individually shall have an obligation to undertake the mandatory take-over offer pursuant to Paragraph 16.1 of Practice Note 9 of the Code, for which the Proposed Exemption is being sought.

It should be noted that the non-interested shareholders of QL will face dilution under the Minimum Subscription Level. The Undertakings are not intended to dilute the shareholdings of the non-interested shareholders of QL as the direct shareholdings of CBG and Farsathy will only increase beyond their existing percentage shareholdings if the other Entitled Shareholders resolve not to take up or resolve to renounce their entitlements to the Rights Shares. In the event all the Entitled Shareholders subscribe for their respective entitlements to the Rights Shares, the shareholdings of CBG and Farsathy will remain at 44.93% and 12.90% respectively.

In summary, the effects of the Proposals on the issued and paid-up share capital and substantial shareholders' shareholdings of the Company, as well as the NA, gearing, earnings and EPS of the QL Group, taken as a whole, are not detrimental to the interest of the non-interested shareholders of QL.

Nonetheless, non-interested shareholders of QL should take note that should you choose not to subscribe to your respective entitlements to the Rights Shares, your shareholdings in QL will be diluted accordingly. The non-interested shareholders of QL should also note the benefits of the Proposed Rights Issue as detailed in Section 4.1.2 of this IAL. Over time, as and when the returns from the utilisation of the proceeds materialise, shareholders through QL are envisaged to enjoy increased earnings. However, the ultimate effects on the EPS of the Group in the future would ultimately be subject to the level of returns generated by the QL Group from the utilisation of the proceeds arising from the Proposed Rights Issue.

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4.4 Historical Financial Performance of the QL Group

The following table provides a summary of the historical financial performance of the QL Group based on its audited consolidated financial statements for the past three (3) FYE 31 March 2011 to 2013 and the unaudited consolidated results for the six (6)-month FPE 30 September 2012 as well as six (6)-month FPE 30 September 2013:-

	<---- Audited	---->		<---- Unaudited	---->
	<---- FYE 31 March	---->		6-Month FPE 30 September	
	2011 (RM'000)	2012 (RM'000)	2013 (RM'000)	2012 (RM'000)	2013 (RM'000)
Income Statement					
Revenue	1,776,751	1,964,672	2,146,307	1,046,813	1,184,684
Profit before taxation ("**PBT**")	160,808	172,282	172,709	89,820	96,816
Profit after taxation for the year	133,798	139,169	137,552	72,121	79,071
PATMI	124,552	131,407	131,706	68,290	77,207
Financial Position					
Shareholders' funds / NA	735,921	811,596	890,781	830,172	888,899
Total borrowings	498,392	596,518	827,753	709,635	818,636
Basic EPS (sen)	15.71	15.79	15.83	8.21	9.28
No. of QL Shares in issue ('000)	832,000	832,002	832,020	832,000	832,020
Weighted average no. of QL Shares in issue ('000)	793,048	832,001	832,004	832,000	832,020
Financial Ratios					
PATMI margin (%)	7.01	6.69	6.14	6.52	6.52
NA per Share (RM)	0.88	0.98	1.07	1.00	1.07
Gearing ratio (times)	0.68	0.73	0.93	0.85	0.92
Net gearing ratio (times)	0.51	0.61	0.77	0.74	0.79
Dividend per Share (sen)	4.25	4.50	4.50	-	-

FYE 31 March 2011

FYE 31 March 2011, the QL Group recorded revenue of RM1.78 billion, representing an increase of approximately RM300.0 million or 20.27% from the previous financial year's revenue of RM1.48 billion. In line with the increase in revenue, the Group's PBT increased by RM24.79 million or 18.23% from RM136.02 million in the previous financial year to RM160.81 million in FYE 31 March 2011.

The increase in the Group's revenue and profits were mainly contributed by growth in both the Integrated Livestock Farming and Marine Products Manufacturing divisions. PBT for the Integrated Livestock Farming and Marine Products Manufacturing divisions increased by RM17.97 million (or 24.75%) and RM10.44 million (or 18.85%) respectively mainly due to upward trend of commodities prices and higher unit values of animal feed raw materials as well as exceptionally good fish catches in Sabah.

The Palm Oil Activities division, however, suffered contraction of RM3.62 million or 45.13% in its PBT after being affected by "La Nina", a weather phenomenon which brought unusually heavy rainfalls to Malaysia and Indonesia.

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FYE 31 March 2012

For the FYE 31 March 2012, the QL Group's revenue increased from RM1.78 billion in FYE 31 March 2011 to RM1.96 billion in FYE 31 March 2012, representing an increase of RM0.18 billion or 10.11% from the previous financial year, while its PBT increased by RM11.47 million or 7.13% from RM160.81 million recorded in the previous financial year to RM172.28 million.

The improvement in revenue and profits were principally due to growth in the Group's Palm Oil Activities division arising from higher contribution of palm oil from own estates as well as higher crude palm oil ("**CPO**") prices in FYE 31 March 2012 as compared to the previous financial year. PBT from the Palm Oil Activities division increased by RM10.26 million from RM4.40 million in FYE 31 March 2011 to RM14.66 million in FYE 31 March 2012. Besides, the improvement in the Group's performance was also partly due to contribution from the regional expansion of its operations in Indonesia and Vietnam.

FYE 31 March 2013

For the FYE 31 March 2013, the QL Group recorded revenue of RM2.15 billion as compared to RM1.96 billion registered in the previous financial year, representing an increase of approximately RM0.19 billion or 9.69%. The higher revenue was contributed by the Integrated Livestock Farming and Marine Products Manufacturing divisions, which both registered an increase in revenue of 16.25% and 15.36% respectively during the financial year, mainly due to higher unit value of animal feed raw materials as well as higher volume of surimi-based products and fishmeal sold. Further, the increase in the Integrated Livestock Farming and Marine Products Manufacturing divisions were also partly contributed by revenue generated from its regional operations in Indonesia and Vietnam, which contributed to approximately 11.78% of the Group's total revenue in FYE 31 March 2013.

Despite the increase in revenue, the Group's PBT grew marginally by RM0.43 million or 0.25% from RM172.28 million in FYE 31 March 2012 to RM172.71 million in FYE 31 March 2013 mainly due to record worldwide price hikes in the animal feed raw materials costs arising from the severe drought in North America which wiped out all crops, leading to a supply shortfall and subsequent record high feed prices. This has resulted in lower farming margins and contraction in the growth of the Integrated Livestock Farming division. Besides, the increase in the finance costs incurred from RM22.65 million in FYE 31 March 2012 to RM28.59 million, an increase of RM5.94 million or 26.23%, has also impacted the Group's PBT growth during the financial year.

FPE 30 September 2013

For the FPE 30 September 2013, the Group registered revenue of RM1.18 billion, representing an increase of RM0.13 billion or 12.38% as compared to the revenue of RM1.05 billion recorded in FPE 30 September 2012 mainly due to growth from all the three (3) divisions.

Meanwhile, the Group's PBT grew by RM7 million or 7.79% from RM89.82 million in FPE 30 September 2012 to RM96.82 million, mainly driven by increase in PBT of the Marine Products Manufacturing division of RM11.67 million or 26.83% due to higher contribution from surimi-based products and fishmeal operations during the period. The Palm Oil Activities division, however, recorded a loss during the period due to lower CPO prices as well as losses incurred from its plantation operations in Indonesia due to low processing of fresh fruit brunches ("**FFB**") and production from own estates in Indonesia which has yet to achieve the breakeven point.

(Source: Information extracted from respective years Annual Reports and announced interim financial statements for six (6)-month FPE 30 September 2012 and FPE 30 September 2013)

Comments:-

We note that the QL Group has achieved progressive growth for the financial years under review. From FYE 31 March 2011 to FYE 31 March 2013, the Group's revenue increased from RM1.78 billion to RM2.15 billion, while its PATMI grew from RM124.55 million to RM131.71 million. In addition, the Group's NA per Share has also increased from RM0.88 per Share as at 31 March 2011 to RM1.07 per Share as at 31 March 2013, indicating that the QL Group is in a healthy financial position.

We note an increase in the Group's bank borrowings from RM498.39 million as at 31 March 2011 to RM827.75 million as at 31 March 2013, which has led to the increase in net gearing from 0.51 times as at 31 March 2011 to 0.77 times as at 31 March 2013. The Group has obtained long-term borrowings in the form of term loans to finance acquisitions of assets for the Group's domestic and regional expansion, while short term borrowings such as bills payable and revolving credit were utilised to finance the Group's working capital requirements.

We also note that throughout FYE 31 March 2011 to FYE 31 March 2013, the Group has invested approximately RM650 million across the three (3) divisions for both its domestic and regional operations in Indonesia and Vietnam for expansion of production capacity, modernisation of production facilities and/or development of new facilities. These investments are expected to fuel near to medium growth of the QL Group.

The proceeds raised from the Proposed Rights Issue under the Minimum Subscription Level and Maximum Subscription Level would be principally utilised for repayment of the Group's bank borrowings, which would reduce the Group's gearing and finance costs, and improve its liquidity and financial position. Further, the additional funds to be raised under the Maximum Subscription Level which are earmarked for capital expenditure and working capital of the QL Group would cater for the Group's expansion and operational requirements.

Premised on the above, moving forward, we are of the view that the Group's financial performance will remain encouraging as the investments made by the Group domestically and regionally over the last three (3) financial years, together with the funds raised from the Proposed Rights Issue, is expected to aid the QL Group to sustain its growth momentum in the future.

4.5 Industry Outlook and Future Prospects of the QL Group

Shareholders are advised to take note of the industry outlook and prospects of the QL Group as set out in Section 4 of Part A of the Circular.

We note that the business of the QL Group comprises the following three (3) core divisions:-

(a)	Integrated Livestock Farming	:	Distribution of animal feed raw materials, food related products and poultry farming
(b)	Marine Products Manufacturing	:	Deep-sea fishing, manufacture and sale of fishmeal, surimi and surimi based products
(c)	Palm Oil Activities	:	CPO milling and oil palm cultivations

The Integrated Livestock Farming division contributed to approximately 60.56% of the Group's revenue for the FYE 31 March 2013, whilst approximately 25.46% and 13.98% of the Group's revenue came from the Marine Products Manufacturing and Palm Oil Activities divisions respectively.

Further, based on QL's audited consolidated financial statements for the FYE 31 March 2013, contributions to the QL Group's revenue were mainly derived from three (3) geographical locations, i.e. Malaysia, Indonesia and Vietnam, comprising 88.22%, 9.94% and 1.84% respectively. As such, in our evaluation, we have included below the overview and outlook of the global economy and the aforementioned three (3) countries as well as the three (3) core industries which the QL Group principally operates in, namely the Livestock, Fisheries and Palm Oil Industries.

4.5.1 Overview and Outlook of the Global Economy

Global economic activity is expected to strengthen moderately during the second half of 2013, with the whole year growth projected at 2.9%. Economic expansion will continue to be supported by growth in major emerging and developing economies, reinforced by strengthening in the advanced economies, particularly in the US where activity is expected to intensify as fiscal consolidation eases and monetary conditions stay supportive.

Global economic activity is forecast to strengthen moderately in 2014. The outlook for advanced economies is expected to improve with output expanding 2% (2013: 1.2%). Substantial easing of fiscal consolidation and a highly accommodative monetary policy in the US and Europe are expected to support growth. The US economy is expected to gain momentum, backed by continued recovery in the property sector and higher household wealth. In the euro area, growth is forecast to recover to 1% (2013: -0.4%), driven by smaller fiscal reductions, stronger external demand and improvement of lending conditions to the private sector. In contrast, growth in Japan is projected to decelerate to 1.2% (2013: 2%), as the fiscal stimulus lapses and the consumption tax is increased.

Emerging market and developing economies are forecast to expand 5.1% (2013: 4.5%), with developing Asia continuing to lead the uptick. Growth prospects for other developing regions in Africa, Central and South America, Commonwealth of Independent States as well as Europe are generally brighter, supported by improvements in the advanced economies. Growth in China is projected to decelerate to 7.3% (2013: 7.6%) due to continued restructuring from investment-driven towards a more balanced and higher quality growth based on domestic consumption. India's growth is expected to accelerate to 5.1% (2013: 3.8%) as infrastructure improvements ease supply bottlenecks and external demand strengthens.

(Source: Economic Report 2013/2014, Ministry of Finance Malaysia)

The global economy continued to expand in the third quarter. In the advanced economies, emerging signs of improvements in economic growth suggested that a modest recovery is underway. Growth in Asia was sustained, albeit with some variation across the region. However, rising external risks, which to some extent compounded domestic vulnerabilities, prompted some monetary authorities in the region to adopt a tighter monetary policy stance to ease inflation and stabilise domestic currencies.

Going forward, emerging signs of a recovery in the US and euro area will provide some support to overall global growth. However, uncertainties surrounding the fiscal and monetary policy adjustments in the advanced economies present downside risks to the global economy. While global policy spillovers may impact Asia, growth will continue to be supported by domestic demand, and underpinned by sound macroeconomic fundamentals and policy flexibility.

(Source: Developments in the Third Quarter of 2013, Quarterly Bulletin, Third Quarter 2013, Bank Negara Malaysia)

4.5.2 Overview and Outlook of the Malaysian Economy

Given the resilience of the domestic economy and better growth prospects in the US, Japan and China during the second half of the year, the Malaysian economy is expected to expand at a firmer pace in the second half and to achieve 4.5% - 5% in 2013. Growth is supported by strong macroeconomic fundamentals as well as accommodative monetary and fiscal policies.

The Malaysian economy is expected to expand further by 5% - 5.5% in 2014 (2013: 4.5% - 5%), supported by favourable domestic demand and an improving external environment. Growth will be private-led, supported by strong private capital spending while private consumption continues to remain resilient. Although some degree of uncertainty exists in the global environment due to the volatility of capital flows associated with the possibility of reduced global liquidity, Malaysia's external sector is expected to improve. This is in tandem with the continued recovery of growth across advanced economies as well as stronger regional trade activities which is evident in the second half of 2013. The better outlook of Malaysia's external sector is premised upon China's real gross domestic product ("**GDP**") growth, which is expected to be sustained at around 7.5%, while global trade will continue to grow at a steady pace of 5% in 2014.

Domestic demand is expected to continue its strong growth momentum, driven mainly by the private sector. Strong domestic fundamentals, including low unemployment, rising household income and sustained consumer confidence, will support the continued expansion of private consumption. Growth in private investment is expected to remain strong in line with improving external demand and increasing domestic activity. Public expenditure will be largely underpinned by increased spending on supplies and services.

(Source: Economic Report 2013/2014, Ministry of Finance Malaysia)

The Malaysian economy recorded a stronger growth of 5.0% in the third quarter of 2013 with domestic demand continuing to drive growth. Growth in private sector spending was higher, supported by both private consumption and investment. After four consecutive quarters of contraction, exports turned around to record a positive growth during the quarter. This resulted in a positive contribution of net exports to growth, despite higher import growth in the third quarter. On a quarter-on-quarter seasonally adjusted basis, the economy recorded a growth of 1.7% (2Q 2013: 1.4%).

(Source: Developments in the Malaysian Economy, Quarterly Bulletin, Third Quarter 2013, Bank Negara Malaysia)

4.5.3 Overview and Outlook of the Indonesia Economy

The World Bank continues to expect a gradually improving global economic backdrop for Indonesia, whose major trading partners are expected to grow by 3.4 percent in 2013, picking up to 3.9 percent in 2014, supporting demand for Indonesia's exports.

In the base case, net exports are expected to add to growth over 2013 and 2014 as export volumes are expected to stage a mild recovery, in line with firming demand from high income economies and import volumes are expected to remain subdued in line with domestic demand.

On the production side, the moderation in year-on-year ("yoy") growth in the second quarter was broad-based, with the agricultural and industrial sectors having the biggest impact on overall growth. Other industrial sectors generally performed robustly, such as manufacturing (up 5.8 percent yoy) and construction (up 6.9 percent yoy). The majority of the services sectors continued to perform well, with transport and communication up 11.5 percent yoy and trade, hotel & restaurants up 6.5 percent yoy.

(Source: Indonesia Economic Quarterly, October 2013, World Bank)

Private consumption held up well in the first 6 months, expanding by 5.1% and contributing almost half the growth in GDP. Increases in employment and wages, together with tax reductions for lower-income earners from January 2013, offset the impact of rising inflation and tighter consumer credit.

From the supply side, services and manufacturing were the growth drivers. Services grew by 7.6% and contributed 3.5 percentage points to the increase in GDP. Transport and communications services continued to expand at a double-digit pace. Manufacturing grew by 5.9%, adding 1.5 percentage points to GDP growth. Bad weather trimmed growth in agriculture to 3.4%, while a decline of almost 5% in oil and gas production caused mining output to contract.

Net exports are expected to contribute to GDP growth through the forecast period. Exports will get a lift next year from the projected pickup in major industrial countries and from the rupiah's depreciation.

GDP growth is seen easing to 5.5% in the second half of 2013, with the growth forecast for 2013 as a whole revised down to 5.7%. The better outlook for 2014 suggests a pickup to about 6%.

(Source: Asian Development Outlook 2013 Update, Asian Development Bank)

4.5.4 Overview and Outlook of the Vietnam Economy

Vietnam's macroeconomic conditions continue to improve as its economy enters the third year of relative stability. With moderate inflation, a stable exchange rate, increased reserves and reduced country risks, Vietnam is trying to put an end to the recurrent episodes of macroeconomic instability that started in 2007.

Growth has been uniformly decelerating in all the sectors, though agriculture and industry seem to be particularly hard hit. The services sector expanded by 5.9 percent in 2012 and contributed 2.2 percentage points to overall growth. Growth in the agriculture, forestry and fishery sector decelerated to 2.7 percent in 2012 from 4 percent in 2011 due to unfavorable weather conditions, diseases in livestock and falling prices of most agricultural products. Manufacturing growth also slowed down, reflecting weakening domestic demand and rising inventories. Agriculture and industry, which together account for 70 percent of labor force, contributed just around 3 percentage points to growth compared to a 3.8 percentage point contribution during the 2005-11 period.

Private consumption grew 3.5 percent while investment rose merely 1.9 percent in 2012, compared to 5.3 percent and 9.8 percent respectively during the 2009-2010 period. Net exports turned positive in 2012 due to strong export performance and slowing import growth. Merchandise exports grew by 18.2 percent in 2012, driven by stronger growth in the foreign-invested (FDI) sector.

Vietnam's export performance continues to be strong and resilient to domestic problems. Exports grew at 16 percent during the first four months of 2013 after achieving a growth rate of 18.2 percent in 2012 and 34.2 percent in 2011. While earnings from commodity exports are declining, due to falling prices, Vietnam traditional labor-intensive manufacturing exports such as garments, footwear and furniture continue to sustain rapid growth.

The 2013 State Budget approved by the National Assembly in December 2012 projects more moderate revenue and spending growth compared to recent years. Revenue is expected to grow at 10 percent in nominal terms (1 percent real growth compared to projected real gross domestic product growth of 5.5 percent in 2013). Spending is expected to grow at 8 percent in nominal terms (1 percent contraction in real terms) compared to an average nominal growth of 15.2 percent in 2010-2012.

Vietnam's economy is expected to grow at a moderate rate of around 5.3 percent during 2013 and 5.4 percent in 2014. The slower than potential growth projection is based on the fact that it will take several years to address the structural problems facing the country.

(Source: Taking Stock - An update on Vietnam's recent economic developments dated 10 July 2013, The World Bank)

4.5.5 Overview and Outlook of the Malaysia's Livestock, Fisheries and Palm Oil Industries

Value-added of the agriculture sector recorded a stronger growth of 3.1% during the first half of 2013 (January – June 2012: -1.3%) driven by the significant increase in output of CPO. Growth was also supported by higher output of food commodities such as vegetables, paddy and fruits, reflecting the positive impact of measures taken by the Government to increase food production. The sector is expected to grow further supported by increasing yields following the adoption of good agricultural practices, promotion of self-sufficiency in food production, favourable weather conditions and strong domestic demand. The sector is expected to expand 2.7% in 2013 (2012: 1%).

Going forward, the agriculture sector is expected to register a growth of 3% (2012: 2.7%) as demand for palm oil and rubber from major export markets improve in line with better prospects in 2014. Production of CPO is estimated to increase further following higher FFB yields due to increased matured areas, particularly in Sabah and Sarawak. The food commodities, mainly livestock, fruits and vegetables as well as fishing will continue to record favourable growth, following various Government initiatives through the NKEA Entry Point Projects ("**EPPs**") to ensure sufficient domestic food production. In addition, investment in oil palm and rubber downstream industries will steadily increase growth in the agriculture sector.

(Source: Economic Report 2013/2014 Ministry of Finance Malaysia)

In the commodities sector, growth in agriculture and mining is expected to improve in 2013. The agriculture sector is expected to expand by 4% in 2013, supported by higher output of crude palm oil and food commodities, especially livestock and vegetables. CPO production is expected to rise as yields improve with better weather conditions, supported by supply from newly maturing trees.

(Source: Outlook and Policy 2013, Annual Report 2012 of Bank Negara Malaysia,)

The agriculture sector grew by 2.1% in the third quarter (2Q 2013: 0.4%), supported mainly by growth in food crops. Production of industrial crops contracted, due primarily to the contraction in palm oil and rubber output. Growth in the mining sector moderated to 1.7% (2Q 2013: 4.1%), reflecting lower production of natural gas, while output of crude oil recorded a slight contraction due to maintenance works.

(Source: Developments in the Malaysian Economy, Quarterly Bulletin, Third Quarter 2013, Bank Negara Malaysia)

4.5.6 Future Prospects of the QL Group

The Group's vision is for QL to be the preferred global agro-based enterprise. To work toward this objective, the Group has implemented a medium-term three-pronged growth strategy: Regional expansion and business model replication; strengthening and further integration of the Company's value chain; and development of a stronger presence in the consumer foods market. Over the FYE 31 March 2013, nearly RM200 million was invested across the Group's three (3) divisions, of which 60% was used for regional expansion.

In the Integrated Livestock Farming division, the Group's regional investments have helped to increase the Group's egg production per day from 3.2 million in FYE 31 March 2012 to 4 million in FYE 31 March 2013. In FYE 31 March 2014, the Group targets to increase its egg production per day to 4.6 million. The Group's 'day old chicks' yearly production has increased from 35 million per year in FYE 31 March 2012 to 40 million in FYE 31 March 2013 and the Group is targeting to produce 50 million per year by the end of FYE 31 March 2014.

In the Marine Products Manufacturing division, the Group has increased its fishmeal production per year from 25,000 MT in FYE 31 March 2012 to 30,000 MT in FYE 31 March 2013 and the Group targets to achieve 35,000 MT by end of FYE 31 March 2014. Similarly in the surimi foods division, the Group has increased its production per year from 35,000 MT in FYE 31 March 2012 to 45,000 MT in FYE 31 March 2013 and the Group targets 50,000 MT by end of FYE 31 March 2014.

Kenanga

In the Palm Oil Activities division, mature acreage amounted to 4,000 hectares in FYE 31 March 2013 and will reach 6,000 hectares by the end of FYE 31 March 2014, which will lead to higher yields.

During the financial year, the Company took an important step forward in terms of growing its consumer foods presence by acquiring Zhongsan True Taste Food Industrial Co. Ltd ("**ZF**"), a marine products manufacturing business based in mainland China. With capital investment, innovative technology and modern management practices, the QL Group will service China's burgeoning domestic frozen foods market and provide nourishing food to the most populous country in the world.

Across Malaysia and Indonesia, the Group will focus on brand building with the intention of becoming a trusted household name in the consumer foods markets. Greater distribution channels into modern-trade shops, supermarkets and hypermarkets will form part of this overall strategy.

Despite the world economy's continuing downward trend, the Board is optimistic that the Group's FYE 31 March 2014 performance will be an improvement, barring a repeat of the sort of natural phenomena it experienced in FYE 31 March 2013. The fundamentals of the Company are excellent, and with growing presences in Indonesia and Vietnam, and a new domestic operation in China, the future prospects of the QL Group is encouraging. The Group anticipates profit margins from its regional operations to normalise in FYE 31 March 2014 which, when combined with its domestic operations, will bring PBT margins back above 8%. Looking further ahead, the QL Group's objective is to get back to double digit top-line and bottom-line growth for the years to come.

(Source: QL's Annual Report 2013)

Shareholders are advised to refer also to Sections 2.2.6 and 4.4 of Part A of the Circular for further details on the existing and proposed expansion plans of the QL Group.

<u>Comments:-</u>

Based on the outlook of the global, Malaysian, Indonesian and Vietnam economy as set out in Sections 4.5.1 to 4.5.4 above, we note that the economy of the aforementioned three (3) countries which the Group operates in are expected to grow, albeit moderating, amidst the challenging global economic conditions. Despite the challenging global environment and the downside risks emanating from external developments remain, the trend is expected to be sustained going forward, driven by strong domestic demand from both private and public sectors particularly in Malaysia.

In addition, we note that the growth of the Livestock, Fisheries and Palm Oil Industries in Malaysia is expected to be supported by the implementation of the strategies under the National Agro-Food Policy (2011-2020). This coupled with the Government's recognition of agro-industry as an important industry augurs well for the Livestock, Fisheries and Palm Oil Industries in general.

Taking into account of the encouraging prospects of the Malaysia's Livestock, Fisheries and Palm Oil Industries and coupled with the vision and growth strategy of the QL Group to grow all its three (3) core business divisions regionally, we are of the view that the prospects of the QL Group for the next twelve (12) months is expected to remain positive.

Nonetheless, we wish to highlight that the future plans and strategies undertaken and/or to be undertaken by the Board are subject to uncertainties which are not within the Board's control such as changes in weather conditions, changes in Government policies, changes in interest rates and changes in the global or economic conditions of the countries which the Group operates in. The occurrence of any of such events may materially impact the Group's operations and affect the QL Group's ability to implement the plans within the intended timeframe or such plans may not achieve the expected results.

4.6 Implications of the Proposed Exemption

You should note that the SC will only consider the application for the Proposed Exemption under Paragraph 16.1 of Practice Note 9 of the Code if CBG and its PACs have satisfied, inter-alia, the following conditions:-

(a) There is no "disqualifying transaction" whereby CBG and its PACs have not dealt in the voting shares or voting rights of QL from the date subsequent to negotiation with the Directors of QL in relation to the Proposed Rights Issue, up to the completion of the Proposed Rights Issue, where the Proposed Exemption is sought and approved by the SC;

(b) Approval has been obtained from independent holders of voting shares or voting rights of QL at a meeting of the holders of the relevant class of voting shares or voting rights to waive their rights to receive the mandatory take-over offer from CBG and its PACs; and

(c) The name of the parties that have abstained from voting at the general meeting have been submitted to the SC.

The impact of the non-interested shareholders' votes on the Proposed Exemption to be tabled at the forthcoming EGM is as follows:-

4.6.1 Voting in FAVOUR of the Proposed Exemption

Should you vote in favour of the Proposed Exemption, the SC would be able to consider the application for the Proposed Exemption. An approval from the SC for the Proposed Exemption would then exempt CBG and its PACs from the obligation to undertake a mandatory take-over offer for all the QL Shares not already held by them upon completion of the Proposed Rights Issue.

You should note that under the Minimum Subscription Level, the Proposed Exemption will allow the individual shareholding of CBG in QL to increase from 44.93% to 47.61% of the enlarged issued and paid-up share capital of QL without being required to undertake a mandatory take-over offer.

Notwithstanding the foregoing, in view that CBG's individual shareholding in QL will remain between 33% and 50% upon completion of the Proposed Rights Issue under the Minimum Subscription Level, CBG would still need to comply with Part III of the Code where in the event CBG increase its individual shareholding more than 2% in any period of six (6) months in the future, including through subsequent purchase of QL Shares at open market, CBG would still be required to undertake a mandatory take-over offer unless an exemption is obtained under the Code. However, once CBG's individual shareholding exceeds 50% through subsequent purchase of QL Shares, CBG will be able to further increase its shareholding in QL without any obligation to undertake a mandatory take-over offer.

Shareholders should be aware that as at the LPD, CBG and its PACs collectively already hold 61.87% shareholdings in QL and their collectively shareholdings could increase to 64.13% of the enlarged issued and paid-up share capital upon completion of the Proposed Rights Issue under the Minimum Subscription Level. With shareholdings of more than 50% in QL on a collective basis, any further increase in their collective shareholdings, including through subsequent purchase of QL Shares at open market, would not trigger a mandatory take-over offer obligation under the Code, subject that they do not individually trigger a mandatory take-over offer obligation under Part III of the Code. Further, CBG and its PACs have statutory control over QL and as such will be able to determine the outcome of resolutions which require a simple majority of 50% plus one (1) share at general meetings.

We wish to note that the Proposed Rights Issue and Proposed Exemption are inter-conditional upon each other and the Proposed Exemption will facilitate the implementation of the Proposed Rights Issue. By voting in favour of the Proposed Exemption, you will enable the Company to benefit from the funds raised pursuant to the Proposed Rights Issue.

Your approval of the Proposed Exemption will imply that you have agreed to exempt CBG and its PACs from the obligation to undertake a mandatory take-over offer arising from the increase in CBG's shareholding in QL as a result of the Proposed Rights Issue. The Proposed Exemption will be in effect up until the completion of the Proposed Rights Issue. Depending on the eventual subscription rate of the Rights Shares by the other Entitled Shareholders, the individual enlarged shareholdings of CBG may end up between 44.93% and 47.61% based on the Maximum Subscription Level and Minimum Subscription Level respectively.

Should you vote in favour of the Proposed Exemption, it does not impede, in any way, your rights to participate in the Proposed Rights Issue. However, should you decide not to subscribe for or renounce your entitlement to the Rights Shares, your shareholdings will be diluted accordingly.

4.6.2 Voting AGAINST the Proposed Exemption

In the event that you vote against or reject the Proposed Exemption, the SC will not consider the application by CBG and its PACs for the Proposed Exemption under Paragraph 16.1 of Practice Note 9 of the Code.

The Proposed Rights Issue and Proposed Exemption are inter-conditional upon each another. As such, in the event of an absence of the approval from the non-interested shareholders of QL for the Proposed Exemption, QL would not be able to implement the Proposed Rights Issue. As such, the potential benefits arising from the Proposed Rights Issue as elaborated in Section 4.1.2 of this IAL would not materialise. Hence, the Company may have to deliberate on other fund raising options.

5. DECLARATIONS OF INTERESTS AND CONFIRMATIONS

5.1 Future Plans of the QL Group

In accordance with Third Schedule of the Code, CBG and its PACs have confirmed that for the following period of twelve (12) months from the date of this IAL:-

(a) They do not intend to effect any major changes to the continuation of the business of the QL Group;

(b) They do not intend to effect any major changes to the existing business of the QL Group, including plans to liquidate the QL Group, sell its assets or re-deploy the fixed assets of the QL Group or make any other major change to the structure of the QL Group;

(c) Their commercial justification for the Proposed Exemption is to ensure the success of the Proposed Rights Issue via the Undertakings in the event that some or none of the other Entitled Shareholders subscribes for his/her entitlement under the Proposed Rights Issue; and

(d) They do not intend to effect any major changes to the continued employment of the employees of the QL Group or employment policies of the QL Group,

except where such changes are considered by the QL Group to be necessary to improve amongst others, its business, profitability, operation and/or market position and in the best interest of the QL Group.

Having considered the above confirmations and barring unforeseen circumstances, there will not be any major disruption to the operations of the QL Group's businesses. Furthermore, the above confirmations and the Undertakings by the major shareholders of QL, namely CBG and Farsathy reflect their commitment and confidence in the prospects of the QL Group.

5.2 Directors

5.2.1 Save as disclosed below, none of the Directors of QL holds, directly or indirectly, any voting shares, voting rights, convertible securities and/or any other interest in QL as at the LPD. Their intention to vote in respect of their shareholdings in QL pursuant to the Proposed Exemption are as follows:-

Directors	Direct		Indirect		Intention
	No. of QL Shares	%	No. of QL Shares	%	
YM Tengku Dato' Zainal Rashid Bin Tengku Mahmood	2,700,000	0.32	-	-	Vote in Favour
Chia Song Kun	450,000	0.05	383,677,998	46.11[(1)]	Abstain
Chia Seong Pow	1,880,000	0.23	111,132,740	13.36[(2)]	Abstain
Chia Song Kooi	580,000	0.07	377,753,882	45.40[(3)]	Abstain
Chia Seong Fatt	324,000	0.04	110,121,540	13.24[(4)]	Abstain
Chia Song Swa	378,000	0.05	376,486,682	45.25[(3)]	Abstain
Chia Mak Hooi	465,000	0.06	380,331,382	45.71[(5)]	Abstain
Cheah Juw Teck	1,380,000	0.17	4,859,800	0.58[(6)]	Abstain
Chieng Ing Huong, Eddy	-	-	-	-	Not applicable
Tan Bun Poo, Robert	-	-	-	-	Not applicable
Datuk Wira Jalilah Binti Baba	-	-	-	-	Not applicable

Notes:-

(1) Deemed interest via his and his spouse's interest in CBG, Attractive Features Sdn Bhd, his and his spouse's indirect interest in Ruby as well as his spouse's, children's and their spouse's shares in QL.

(2) Deemed interest via his and his spouse's beneficial shareholding in Farsathy, his and his spouse's indirect interest in Ruby, his spouse's and children's shares in QL.

(3) Deemed interest via his interest in CBG and indirect interest in Ruby and his spouse's shares in QL.

(4) Deemed interest via his and his spouse's beneficial shareholding in Farsathy, his and his spouse's indirect interest in Ruby and his children's shares in QL.

(5) Deemed interest via his and his father's interest in CBG, his and his father's indirect interest in Ruby and his father's and his spouse's shares in QL.

(6) Deemed interest via his spouse's and his parent's shares in QL.

5.2.2 Save as disclosed below, none of the Directors of QL hold, directly or indirectly, any voting shares, voting rights, convertible securities and/or any other interest in CBG, Farsathy and Ruby as at the LPD:-

(a) CBG

		Direct		Indirect	
Directors	Designation	No. of Ordinary Shares of RM1.00 Each in CBG	%	No. of Ordinary Shares of RM1.00 Each in CBG	%
Chia Song Kun	Director	270,000	16.88	66,000	4.13(1)
Chia Song Kooi	Director	128,000	8.00	-	-
Chia Song Swa	Director	128,000	8.00	-	-
Chia Mak Hooi	Director	32,000	2.00	200,000	12.50(2)

Notes:-

(1) Deemed interest via his spouse's interest in CBG.

(2) Deemed interest via his father's interest in CBG.

(b) Farsathy

		Direct		Indirect	
Directors	Designation	No. of Ordinary Shares of RM1.00 Each in Farsathy	%	No. of Ordinary Shares of RM1.00 Each in Farsathy	%
Chia Seong Pow	Director	100,000	20.00(1)	55,000	11.00(2)
Chia Seong Fatt	Director	100,000	20.00(1)	55,000	11.00(3)

Notes:-

(1) *Beneficial shareholding held through TMF Trustees Malaysia Berhad.*

(2) *Deemed interest via his spouse's beneficial shareholding in Farsathy.*

(3) *Deemed interest via his spouse's beneficial shareholding in Farsathy.*

(c) Ruby

Directors	Designation	Direct		Indirect	
		No. of Shares in Ruby	%	No. of Shares in Ruby	%
Ordinary Shares of RM1.00 each					
Chia Song Kun	-	-	-	15,534,000	(1)77.67
Chia Seong Pow	-	-	-	4,466,000	(2)22.33
Chia Seong Fatt	Director	-	-	4,466,000	(2)22.33
Chia Song Swa	Director	-	-	-	-
Chia Song Kooi	Director	-	-	-	-
Redeemable Preference Shares of RM0.01 each					
Chia Mak Hooi	-	513,745	22.41	-	-
Cheah Juw Teck	-	613,201	26.75	-	-

Notes:-

(1) *Deemed interest via his interest in CBG.*

(2) *Deemed interest via his beneficial shareholding in Farsathy.*

5.2.3 None of the Directors of QL has dealt in the voting shares, voting rights and/or convertible securities of QL, CBG, Farsathy or Ruby from 26 September 2013, being the date subsequent to the negotiation with the Directors of QL pertaining to the Proposed Exemption, up to the LPD.

5.2.4 QL does not hold, directly or indirectly, any voting shares, voting rights, convertible securities and/or any other interest in CBG, Farsathy and Ruby as at the LPD. In addition, QL has not dealt in the voting shares, voting rights and/or convertible securities of CBG, Farsathy or Ruby from 26 September 2013, being the date subsequent to the negotiation with the Directors of QL pertaining to the Proposed Exemption, up to the LPD.

5.2.5 None of the Directors of QL has any existing and/or proposed service contracts with QL or any of its subsidiary companies which is not expiring or determinable by the employing company without payment of compensation within twelve (12) months from the date of this IAL. Further, no such service contracts have been entered into or amended within six (6) months of the date of this IAL.

5.2.6 None of the aforesaid non-interested Directors' intention differs in respect of his shareholdings from the recommendation made by KIBB in respect of the Proposed Exemption to be granted to CBG and its PACs.

6. INTERESTS OF DIRECTORS AND/OR MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/or major shareholders of QL and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Bonus Issue and Proposed Rights Issue, apart from their respective entitlements under the Proposed Bonus Issue and the Proposed Rights Issue, which shall also be made available to all the other Entitled Shareholders.

Save as disclosed below, none of the Directors and/or major shareholders of QL and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Exemption:-

6.1 Interested Directors

Chia Song Kun, Chia Seong Pow, Chia Song Kooi, Chia Seong Fatt, Chia Song Swa, Chia Mak Hooi and Cheah Juw Teck, the Directors of QL, are deemed interested in the Proposed Exemption by virtue of them being persons connected with CBG pursuant to Section 122A of the Act.

Accordingly, Chia Song Kun, Chia Seong Pow, Chia Song Kooi, Chia Seong Fatt, Chia Song Swa, Chia Mak Hooi and Cheah Juw Teck have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings of QL pertaining to the Proposed Exemption. They will also abstain from voting in respect of their direct and/or indirect shareholdings in QL on the resolution pertaining to the Proposed Exemption to be tabled at the EGM to be convened. They have also undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in QL on the resolution pertaining to the Proposed Exemption.

6.2 Interested Major Shareholders

CBG, the major shareholder of QL, is deemed interested in the Proposed Exemption by virtue of it being the party seeking the Proposed Exemption.

Accordingly, CBG will abstain from voting in respect of its direct and/or indirect shareholdings in QL on the resolution pertaining to the Proposed Exemption to be tabled at the EGM to be convened. CBG has also undertaken to ensure that persons connected with it will abstain from voting in respect of their direct and/or indirect shareholdings in QL on the resolution pertaining to the Proposed Exemption.

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7. FURTHER INFORMATION

We advise the non-interested shareholders of the Company to refer to the attachments contained in this IAL for further information on QL, CBG, Farsathy, Ruby and the other PACs, as well as Part A of the Circular and its enclosed appendices for further information.

8. DIRECTORS' RESPONSIBILITY STATEMENT

This IAL has been seen and approved by the Directors of QL and they individually and collectively accept full responsibility for the accuracy of the information contained in this IAL and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no other facts, documents or information, the omission of which would make any statement or information in this IAL false or misleading.

All information relating to CBG, Farsathy, Ruby and the other PACs were provided by CBG, Farsathy, Ruby and the other PACs respectively. The responsibility of the Board in relation to the information on CBG, Farsathy, Ruby and the other PACs is therefore limited to ensuring that the relevant information on CBG, Farsathy, Ruby and the other PACs are accurately reproduced in this IAL.

9. CONCLUSION AND RECOMMENDATION

In arriving at our recommendation, we have assessed and evaluated the Proposed Exemption, taking into consideration the various factors discussed in Section 4 of this IAL.

We summarise below our evaluations of the Proposed Exemption:-

9.1 Rationale for the Proposals

(a) Proposed Bonus Issue

The Proposed Bonus Issue provides the Company with the opportunity to demonstrate its appreciation to its shareholders for their loyalty and continuing support by enabling the shareholders to have a greater participation in the equity of the Company in terms of additional number of QL Shares held whilst maintaining their percentage of equity interest. Shareholders may also benefit from the potential improvement in trading liquidity and affordability of QL Shares on Bursa Securities arising from the enlarged share base pursuant to the Proposed Bonus Issue.

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(b) **Proposed Rights Issue**

The Proposed Rights Issue is viewed by the Board as the most appropriate avenue for the QL Group to raise funds to sustain its growth momentum due to, amongst others, the following:-

(i) The Proposed Rights Issue will enable the QL Group to raise funds to make further investments without incurring additional finance costs and further increasing its gearing level. The funds raised will be principally utilised for repayment of bank borrowings, which will reduce the Group's gearing level from the current Optimal Level and give rise to interest savings in finance costs of RM6.88 million and RM8.80 million per annum under the Minimum Subscription Level and Maximum Subscription Level respectively (based on the prevailing average interest rate incurred by the QL Group of approximately 4.0% per annum).

Part of the funds raised from the Proposed Rights Issue under the Maximum Subscription Level will also be utilised for capital expenditure in its Integrated Livestock Farming and Marine Products Manufacturing divisions domestically and regionally, as well as working capital of the Group, which are expected to contribute positively towards the future earnings of the Group; and

(ii) The Proposed Rights Issue will increase the size and strength of the Group's balance sheet, reduce the Group's gearing ratio as well as to potentially increase the market capitalisation of QL, which will strengthen the Group's capital structure.

(c) **Proposed Exemption**

The Proposed Exemption will relieve CBG and its PACs from the potential obligation to undertake a mandatory take-over offer under the Code as a result of the potential increase in CBG's equity interest in QL pursuant to the the Undertakings and the Minimum Subscription Level.

In addition, the Proposed Exemption will also ensure the successful implementation of the Proposed Rights Issue and will enable CBG, a major shareholder of QL, to provide financial support to the QL Group via the Undertakings for the Proposed Rights Issue.

The entitlements to the Rights Shares are fair and proportionate to all the Entitled Shareholders based on their shareholdings in QL on the Entitlement Date. The Proposed Exemption is not intended to dilute the shareholdings of the minority shareholders of QL and the collective shareholdings of CBG and its PACs in QL will only increase beyond their existing percentage holding if the other Entitled Shareholders decide not to take up or to renounce their entitlements to the Rights Shares at their discretion.

9.2 Indicative Issue Price of the Rights Shares

The indicative issue price of RM1.80 per Rights Share represents:-

(a) A discount ranging between 25.62% and 32.08% per QL Share to the TEAP based on the five (5)-day, one (1)-month, three (3)-month, six (6)-month and one (1)-year VWAP up to the LTD and the last transacted market price as at the LTD; and

(b) A discount ranging between 36.40% and 37.28% per QL Share to the TEAP based on the last transacted market price as at the LPD and the five (5)-day VWAP up to the LPD.

All the Entitled Shareholders are entitled to subscribe for their respective entitlements to the Rights Shares at the same issue price including CBG and its PACs.

9.3 Effects of the Proposed Exemption

The Proposed Exemption on a standalone basis will not have any effect on the share capital and substantial shareholders' shareholdings of QL, as well as the NA, gearing, earnings and EPS of the QL Group. However, the Proposed Rights Issue, which is inter-conditional to the Proposed Exemption, will have an effect on the share capital and substantial shareholders' shareholdings of QL, as well as the NA, gearing, earnings and EPS of the QL Group.

The Proposed Rights Issue will increase the Company's capital base and reduce its gearing, resulting in a stronger financial position of the QL Group.

9.4 Industry Outlook and Future Prospects of the QL Group

The industry outlook and future prospects of the QL Group is summarised as follows:-

(a) QL's vision to become the preferred agro-based enterprise has driven the Group to invest heavily into its three (3) core businesses. Throughout FYE 31 March 2011 to 2013, the Group has incurred total capital expenditure of approximately RM650 million for all its three (3) core businesses. QL's growth strategy for the next few years is focus in investing and growing its Integrated Livestock Farming and Marine Products Manufacturing divisions domestically and regionally, especially in Indonesia and Vietnam;

(b) The prospects of the Malaysian, Indonesian and Vietnam economy which the Group operates in are expected to remain positive as the overall growth of the countries will continue to be driven by strong domestic demand from both private and public sectors particularly in Malaysia; and

(c) The Government's recognition of agro-industry as an important industry coupled with the implementation of the strategies under the National Agro-Policy (2011 – 2020) augurs well for the Malaysia's Livestock, Fisheries and Palm Oil Industries in general.

After taking into consideration the encouraging prospects of the Malaysia's Livestock, Fisheries and Palm Oil Industries, coupled with the vision and growth strategy of the QL Group, the prospects of the QL Group for the next twelve (12) months is expected to remain positive.

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9.5 Implications of the Proposed Exemption

Should you **vote in favour** of the Proposed Exemption, the SC would be able to consider the application made by CBG for the Proposed Exemption. Under the Minimum Subscription Level, the Proposed Exemption will allow the individual shareholding of CBG in QL to increase from 44.93% to 47.61% of the enlarged issued and paid-up share capital of QL after the Proposed Rights Issue without being required to undertake a mandatory take-over offer.

Should you **vote against** the Proposed Exemption, QL would not be able to implement the Proposed Rights Issue, which is conditional upon the Proposed Exemption. As such, the potential benefits arising from the Proposed Rights Issue would not materialise. Hence, the Company may have to deliberate on other fund raising options.

After taking into consideration the abovementioned various factors and on an overall basis, we are of the opinion that the Proposed Exemption is fair and reasonable and is not detrimental to the interests of the non-interested shareholders of QL.

Accordingly, we recommend that the non-interested shareholders of QL to VOTE IN FAVOUR of the ordinary resolution pertaining to the Proposed Exemption to be tabled at the forthcoming EGM of the Company.

Yours faithfully,

For and on behalf of
KENANGA INVESTMENT BANK BERHAD

ROSLAN HJ TIK Executive Director, Head Group Investment Banking	**CHAY WAI LEONG** Managing Director

1. HISTORY AND BUSINESS

QL was incorporated in Malaysia under the Act as a public limited company on 25 April 1997. It was listed on the Second Board of Kuala Lumpur Stock Exchange on 30 March 2000 and subsequently on 22 January 2002, QL was transferred to the Main Board of Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities).

QL is principally engaged in investment holding and provision of management services. The principal activities of its subsidiary and associated companies are set out in Section 5 below.

2. SHARE CAPITAL

The authorised and issued and paid-up share capital of QL as at the LPD is as follows:-

	No. of Ordinary Shares of RM0.25 Each ('000)	Par Value (RM)	Total (RM'000)
Authorised share capital	2,000,000	0.25	500,000
Issued and paid-up share capital	832,020	0.25	208,005

3. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of QL and their shareholdings in QL as at the LPD are as follows:-

Substantial Shareholders	Nationality/ Place of Incorporation	Direct		Indirect	
		No. of QL Shares	%	No. of QL Shares	%
CBG	Malaysia	373,846,682	44.93	-	-
Farsathy	Malaysia	107,337,540	12.90	-	-
Chia Soon Kun	Malaysian	450,000	0.05	383,677,998	46.11[(1)]
Chia Seong Pow	Malaysian	1,880,000	0.23	111,132,740	13.36[(2)]
Chia Song Kooi	Malaysian	580,000	0.07	377,753,882	45.40[(3)]
Chia Seong Fatt	Malaysian	324,000	0.04	110,121,540	13.24[(4)]
Chia Song Swa	Malaysian	378,000	0.05	376,486,682	45.25[(3)]
Chia Mak Hooi	Malaysian	465,000	0.06	380,331,382	45.71[(5)]

Notes:-

(1) Deemed interest via his and his spouse's interest in CBG, Attractive Features Sdn Bhd, his and his spouse's indirect interest in Ruby Technique Sdn Bhd as well as his spouse's, children's and their spouse's shares in QL.

(2) Deemed interest via his and his spouse's beneficial shareholding in Farsathy, his and his spouse's indirect interest in Ruby Technique Sdn Bhd, his spouse's and children's shares in QL.

(3) Deemed interest via his interest in CBG and indirect interest in Ruby Technique Sdn Bhd and his spouse's shares in QL.

(4) Deemed interest via his and his spouse's beneficial shareholding in Farsathy, his and his spouse's indirect interest in Ruby Technique Sdn Bhd and his children's shares in QL.

(5) Deemed interest via his and his father's interest in CBG, his and his father's indirect interest in Ruby Technique Sdn Bhd and his father's and his spouse's shares in QL.

4. DIRECTORS AND THEIR SHAREHOLDINGS

The details of the Directors of QL and their respective shareholdings in QL as at the LPD are as follows:-

Name	Nationality	Direct		Indirect	
		No. of QL Shares	%	No. of QL Shares	%
YM Tengku Dato' Zainal Rashid Bin Tengku Mahmood *(Chairman/ Independent Non-Executive Director)*	Malaysian	2,700,000	0.32	-	-
Chia Song Kun *(Group Managing Director)*	Malaysian	450,000	0.05	383,677,998	46.11[(1)]
Chia Seong Pow *(Executive Director)*	Malaysian	1,880,000	0.23	111,132,740	13.36[(2)]
Chia Song Kooi *(Executive Director)*	Malaysian	580,000	0.07	377,753,882	45.40[(3)]
Chia Seong Fatt *(Executive Director)*	Malaysian	324,000	0.04	110,121,540	13.24[(4)]
Chia Song Swa *(Executive Director)*	Malaysian	378,000	0.05	376,486,682	45.25[(3)]
Chia Mak Hooi *(Executive Director)*	Malaysian	465,000	0.06	380,331,382	45.71[(5)]
Cheah Juw Teck *(Executive Director)*	Malaysian	1,380,000	0.17	4,859,800	0.58[(6)]
Chieng Ing Huong, Eddy *(Senior Independent Non-Executive Director)*	Malaysian	-	-	-	-
Tan Bun Poo, Robert *(Independent Non-Executive Director)*	Malaysian	-	-	-	-
Datuk Wira Jalilah Binti Baba *(Independent Non-Executive Director)*	Malaysian	-	-	-	-

Notes:-

(1) *Deemed interest via his and his spouse's interest in CBG, Attractive Features Sdn Bhd, his and his spouse's indirect interest in Ruby Technique Sdn Bhd as well as his spouse's, children's and their spouse's shares in QL.*

(2) *Deemed interest via his and his spouse's beneficial shareholding in Farsathy, his and his spouse's indirect interest in Ruby Technique Sdn Bhd, his spouse's and children's shares in QL.*

(3) *Deemed interest via his interest in CBG and indirect interest in Ruby Technique Sdn Bhd and his spouse's shares in QL.*

(4) *Deemed interest via his and his spouse's beneficial shareholding in Farsathy, his and his spouse's indirect interest in Ruby Technique Sdn Bhd and his children's shares in QL.*

(5) *Deemed interest via his and his father's interest in CBG, his and his father's indirect interest in Ruby Technique Sdn Bhd and his father's and his spouse's shares in QL.*

(6) *Deemed interest via his spouse's and his parent's shares in QL.*

5. SUBSIDIARY AND ASSOCIATED COMPANIES

The subsidiary companies of QL as at the LPD are as follows:-

Subsidiary companies	Date/ Place of Incorporation	Effective Equity Interest (%)	Principal activities
QL Feedingstuffs Sdn Bhd	14.11.1985/ Malaysia	100.00	Investment holding and provision of management services, and distribution of animal feed, raw materials and food grain
QL Oil Sdn Bhd	05.01.1980/ Malaysia	100.00	Investment holding
QL Fishery Sdn Bhd	18.03.1993/ Malaysia	100.00	Investment holding
QL Green Resources Sdn Bhd	11.04.1981/ Malaysia	100.00	Investment holding
QL IPC Sdn Bhd	23.02.1979/ Malaysia	100.00	Dormant
QL Corporate Services Sdn Bhd *(formerly known as Ambang Spektrum Sdn Bhd)*	26.05.2010/ Malaysia	100.00	Dormant
Subsidiary companies of QL Feedingstuffs Sdn Bhd			
QL Agrofood Sdn Bhd	21.12.1990/ Malaysia	100.00	Investment holding, processing and sale of animal feeds, trading of raw materials for animal feeds, lubricants and foodstuffs
QL Agroventures Sdn Bhd	03.03.2006/ Malaysia	100.00	Layer and broiler farming
QL Agrobio Sdn Bhd	14.02.2005/ Malaysia	51.00	Commercial production and supply of biologically digested feeding raw materials
QL KK Properties Sdn Bhd	23.01.1995/ Malaysia	100.00	Investment holding
QL Poultry Farms Sdn Bhd	16.10.1982/ Malaysia	100.00	Layer farming
QL Realty Sdn Bhd	15.02.1995/ Malaysia	100.00	Investment holding
Pacific Vet Group (M) Sdn Bhd	12.09.1997/ Malaysia	90.00	Investment holding

Subsidiary companies	Date/ Place of Incorporation	Effective Equity Interest (%)	Principal activities
Maxincome Resources Sdn Bhd	11.04.1996/ Malaysia	100.00	Dormant
Chingsan Development Sdn Bhd	15.02.1996/ Malaysia	100.00	Property holding
QL AgroResources Sdn Bhd	22.11.1994/ Malaysia	85.00	Feed milling, selling and distribution of animal feeds, raw materials and other related products
QL Feed Sdn Bhd	16.05.2001/ Malaysia	100.00	Marketing and distribution of animal feed raw materials and food grain
QL Farms Sdn Bhd	11.01.1985/ Malaysia	100.00	Investment holding, layer and broiler farming, wholesale of frozen chicken parts, manufacturing and sales of organic fertilizer
QL Tawau Feedmill Sdn Bhd	12.08.1991/ Malaysia	100.00	Manufacture and sale of animal feed and providing chicken parts processing services
QL Ansan Poultry Farm Sdn Bhd	01.04.1982/ Malaysia	85.00	Investment holding and poultry farming
QL Vietnam AgroResources Liability Limited Company	07.05.2008/ Vietnam	100.00	Poultry farming
QL International Pte Ltd	09.05.2013/ Labuan	100.00	Marketing and trading of animal raw materials
PT QL Feed Indonesia	24.06.2013/ Indonesia	100.00	General trading of animal feed raw materials and related products
Subsidiary companies of QL Realty Sdn Bhd			
PT QL Trimitra	16.04.2010/ Indonesia	80.00	Agriculture, chicken husbandry and processing
PT QL Agrofood	07.05.2010/ Indonesia	100.00	Chicken breeding and poultry feed
Subsidiary company of Pacific Vet Group (M) Sdn Bhd			
QL Pacific Vet Group Sdn Bhd	15.11.1999/ Malaysia	90.00	Trading of feed supplement, animal health food and agriculture products
Subsidiary companies of QL AgroResources Sdn Bhd			
QL Livestock Farming Sdn Bhd	19.03.1996/ Malaysia	85.00	Poultry farming, feed milling as well as selling and distribution of animal feeds, poultry and related products
Gelombang Elit (M) Sdn Bhd	05.08.1995/ Malaysia	85.00	Letting of investment property

Subsidiary companies	Date/ Place of Incorporation	Effective Equity Interest (%)	Principal activities
QL TP Fertilizer Sdn Bhd *(formerly known as Inspirasi Sutera Sdn Bhd)*	01.11.2006/ Malaysia	43.35	Dormant
Subsidiary companies of QL Farms Sdn Bhd			
Adequate Triumph Sdn Bhd	19.04.1995/ Malaysia	100.00	Letting of investment properties
QL Inter-Food Sdn Bhd	02.01.1997/ Malaysia	100.00	General trading business
QL Breeder Farm Sdn Bhd	26.01.1985/ Malaysia	100.00	Poultry breeding and farming
Merkaya Sdn Bhd	27.06.1984/ Malaysia	100.00	Dormant
Subsidiary companies of QL Ansan Poultry Farm Sdn Bhd			
QL Rawang Poultry Farm Sdn Bhd	11.08.1982/ Malaysia	85.00	Property holding
Hybrid Figures Sdn Bhd	17.11.2009/ Malaysia	85.00	Dormant
Subsidiary companies of QL Oil Sdn Bhd			
QL Plantation Sdn Bhd	10.09.1979/ Malaysia	100.00	Investment holding, oil palm cultivation and the processing and marketing of oil palm products
QL BioEnergy Sdn Bhd	27.02.1979/ Malaysia	100.00	Dormant
QL Mutiara (S) Pte Ltd	18.03.2006/ Singapore	78.42	Investment holding
Subsidiary company of QL Plantation Sdn Bhd			
QL Tawau Biogas Sdn Bhd	08.03.2010/ Malaysia	100.00	Operating a biogas power plant
Subsidiary company of QL Mutiara (S) Pte Ltd			
PT Pipit Mutiara Indah	15.07.2004/ Indonesia	74.50	Oil palm plantation
Subsidiary companies of QL Fishery Sdn Bhd			
QL Marine Products Sdn Bhd	05.03.1996/ Malaysia	100.00	Investment holding, manufacturing of surimi, surimi-based products and fishmeal as well as processing and sale of frozen seafood
QL Foods Sdn Bhd	25.08.1994/ Malaysia	100.00	Investment holding, manufacturing of surimi and surimi-based products
QL Fishmeal Sdn Bhd	29.05.1984/ Malaysia	100.00	Investment holding, manufacturing and trading of fishmeal
QL Endau Marine Products Sdn Bhd	23.11.1973/ Malaysia	70.59	Investment holding and manufacturing of surimi

Subsidiary companies	Date/ Place of Incorporation	Effective Equity Interest (%)	Principal activities
QL Figo Foods Sdn Bhd *(formerly known as Figo Foods Sdn Bhd)*	04.06.1988/ Malaysia	100.00	Manufacturing and sale of 'halal' food products
QL Fresh Choice Seafood Sdn Bhd	16.02.1990/ Malaysia	100.00	Coastal fish trawling and the wholesale of marine products
QL Lian Hoe Sdn Bhd	16.06.1993/ Malaysia	82.00	Manufacturing and sale of surimi-based products
QL Lian Hoe (S) Pte Ltd	26.05.2000/ Singapore	100.00	Manufacturing and processing of food products
Subsidiary company of QL Marine Products Sdn Bhd			
Icon Blitz Sdn Bhd	09.06.2011/ Malaysia	100.00	Dormant
QL Deep Sea Fishing Sdn Bhd	11.04.2003/ Malaysia	100.00	Deep sea fishing and sale of subsidised diesel to fishermen
Subsidiary companies of QL Foods Sdn Bhd			
QL Aquaculture Sdn Bhd	24.09.2009/ Malaysia	100.00	Dormant
QL Aquamarine Sdn Bhd	28.12.1978/ Malaysia	100.00	Aqua-farming
Subsidiary companies of QL Fishmeal Sdn Bhd			
PT QL Hasil Laut	13.10.2008/ Indonesia	99.97	Manufacturing of surimi and fishmeal
Subsidiary companies of QL Endau Marine Products Sdn Bhd			
QL Endau Deep Sea Fishing Sdn Bhd	19.04.2004/ Malaysia	70.59	Deep-sea fishing
QL Endau Fishmeal Sdn Bhd	14.02.1996/ Malaysia	70.59	Manufacturing and trading of fishmeal
Pilihan Mahir Sdn Bhd	21.02.2006/ Malaysia	70.59	Fishery activities
Rikawawasan Sdn Bhd	14.07.1997/ Malaysia	70.59	Deep sea fishing
Subsidiary company of QL Figo Foods Sdn Bhd (formerly known as Figo Foods Sdn Bhd)			
QL Fujiya Pastry Sdn Bhd	21.11.2006/ Malaysia	60.00	Manufacturing and sale of 'halal' food products
Subsidiary company of QL Lian Hoe (S) Pte Ltd			
Zhongshan True Taste Food Industrial Co Ltd	18.01.2000/ People's Republic of China	100.00	Production of various kinds of quick-frozen minced fish fillets, quick-frozen cooked meat products, other flavoured foods, purchasing, processing and selling agricultural products, import and export of aquaculture products

Subsidiary companies	Date/ Place of Incorporation	Effective Equity Interest (%)	Principal activities
Subsidiary companies of QL Green Resources Sdn Bhd			
QL Green Energy Sdn Bhd	03.08.1999/ Malaysia	97.75	Investment holding
QL NatureCo Sdn Bhd	29.07.2002/ Malaysia	84.99	Investment holding
QL ESCO Sdn Bhd *(formerly known as QL ZeroPoint Green Energy Sdn Bhd)*	17.02.1995/ Malaysia	100.00	Dormant
QL Carbon Sdn Bhd	04.03.2010/ Malaysia	100.00	Dormant
Leisure Pyramid Sdn Bhd	08.12.2011/ Malaysia	66.67	Manufacturing of wood pellet
Subsidiary company of QL Green Energy Sdn Bhd			
QL Tawau Palm Pellet Sdn Bhd	04.03.2010/ Malaysia	98.85	Operating a palm pellet plant
Subsidiary company of QL NatureCo Sdn Bhd			
QL Palm Pellet Sdn Bhd	18.12.1995/ Malaysia	84.99	Development and marketing of "Palm Pelletising System" to produce pellet sized fuel cells called palm pellets

The associated companies of QL as at the LPD are as follows:-

Associated companies	Date/ Place of Incorporation	Effective Equity Interest (%)	Principal activities
Indahgrain Logistics Sdn Bhd	12.06.1996/ Malaysia	29.87	Operating of warehouse and warehouse management
Boilermech Holdings Berhad	08.04.2010/ Malaysia	39.16	Investment holding
Lay Hong Berhad	27.09.1983/ Malaysia	23.86	Investment holding and integrated livestock farming

6. PROFIT AND DIVIDEND RECORD

The profit and dividend record of the QL Group based on its audited consolidated financial statements for the past three (3) FYE 31 March 2011 to 2013 and the unaudited consolidated financial results for the six (6)-month FPE 30 September 2013 are as follows:-

	Audited			Unaudited
	FYE 31 March			6-month FPE 30 September
	2011 (RM'000)	2012 (RM'000)	2013 (RM'000)	2013 (RM'000)
Revenue	1,777,081	1,946,672	2,146,307	1,184,684
PBT	160,808	172,282	172,709	96,816
Taxation	(27,010)	(33,113)	(35,157)	(17,745)
Profit for the year	133,798	139,169	137,552	79,071
Non-controlling interests	(9,246)	(7,762)	(5,846)	(1,864)
Profit attributable to owners of the Company	**124,552**	**131,407**	**131,706**	**77,207**
No. of Shares in issue ('000)	832,000	832,002	832,020	832,020
Weighted average no. of Shares in issue ('000)	793,048	832,001	832,004	832,020
Basic EPS (sen)	15.71	15.79	15.83	9.28
NA per Share (RM)	0.88	0.98	1.07	1.07
Dividend per Share (sen)	4.25	4.50	4.50	-

7. STATEMENT OF ASSETS AND LIABILITIES

The summary statements of assets and liabilities of the QL Group based on its audited consolidated statements of financial position as at 31 March 2011 to 2013 and the unaudited consolidated statement of financial position as at 30 September 2013 are as follows:-

	Audited as at 31 March			Unaudited
	2011 RM'000	2012 RM'000	2013 RM'000	As at 30 September 2013 RM'000
Non-current assets	887,507	1,112,409	1,240,455	1,254,088
Current assets	584,862	558,248	768,075	743,263
TOTAL ASSETS	**1,472,369**	**1,670,657**	**2,008,530**	**1,997,351**
Non-current liabilities	274,088	358,761	511,634	437,027
Current liabilities	398,929	431,862	537,258	605,132
TOTAL LIABILITIES	**673,017**	**790,623**	**1,048,892**	**1,042,159**
TOTAL EQUITY	799,352	880,034	959,638	955,192
TOTAL LIABILITIES AND EQUITY	1,472,369	1,670,657	2,008,530	1,997,351

8. MATERIAL CONTRACTS

QL and its subsidiaries have not entered into any material contracts (not being contracts entered into in the ordinary course of business) during the two (2) years immediately preceding the LPD.

1. HISTORY AND PRINCIPAL ACTIVITIES

CBG was incorporated in Malaysia under the Act as a private limited company on 23 March 1984. CBG is not listed on any stock exchange.

CBG is principally an investment holding company. The principal activities of its subsidiary and associated companies are set out in Section 5 below.

2. SHARE CAPITAL

The authorised and issued and paid-up share capital of CBG as at the LPD is as follows:-

	No. of Ordinary Shares of RM1.00 Each ('000)	Par Value (RM)	Total (RM'000)
Authorised share capital	5,000	1.00	5,000
Issued and paid-up share capital	1,600	1.00	1,600

3. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of CBG and their shareholdings in CBG as at the LPD are as follows:-

Substantial Shareholders	Nationality	Direct		Indirect	
		No. of CBG Shares	%	No. of CBG Shares	%
Chia Song Kun	Malaysian	270,000	16.88	66,000	4.13[(1)]
Cheah Yaw Song	Malaysian	200,000	12.50	-	-
Chia Teow Guan	Malaysian	200,000	12.50	32,000	2.00[(2)]
Chia Song Phuan	Malaysian	160,000	10.00	-	-
Chia Song Kang	Malaysian	160,000	10.00	-	-
Chia Song Pou	Malaysian	128,000	8.00	-	-
Chia Song Swa	Malaysian	128,000	8.00	-	-
Chia Cheong Soong	Malaysian	128,000	8.00	-	-
Chia Song Kooi	Malaysian	128,000	8.00	-	-
Chia Bak Lang	Malaysian	66,000	4.13	270,000	16.88[(3)]
Chia Mak Hooi	Malaysian	32,000	2.00	200,000	12.50[(4)]

Notes:-

(1) Deemed interest via his spouse's interest in CBG.

(2) Deemed interest via his son's interest in CBG.

(3) Deemed interest via her spouse's interest in CBG.

(4) Deemed interest via his father's interest in CBG.

4. DIRECTORS AND THEIR SHAREHOLDINGS

The details of the Directors of CBG and their respective shareholdings in CBG as at the LPD are as follows:-

Name	Nationality	Direct		Indirect	
		No. of CBG Shares	%	No. of CBG Shares	%
Chia Song Kun	Malaysian	270,000	16.88	66,000	4.13[(1)]
Cheah Yaw Song	Malaysian	200,000	12.50	-	-
Chia Teow Guan	Malaysian	200,000	12.50	32,000	2.00[(2)]
Chia Song Kang	Malaysian	160,000	10.00	-	-
Chia Song Phuan	Malaysian	160,000	10.00	-	-
Chia Song Pou	Malaysian	128,000	8.00	-	-
Chia Song Swa	Malaysian	128,000	8.00	-	-
Chia Song Kooi	Malaysian	128,000	8.00	-	-
Chia Mak Hooi	Malaysian	32,000	2.00	200,000	12.50[(3)]

Notes:-

(1) Deemed interest via his spouse's interest in CBG.

(2) Deemed interest via his son's interest in CBG.

(3) Deemed interest via his father's interest in CBG.

5. SUBSIDIARY AND ASSOCIATED COMPANIES

The subsidiary companies of CBG as at the LPD are as follows:-

Subsidiary companies	Date/ Place of Incorporation	Effective Equity Interest (%)	Principal activities
Ruby Technique Sdn Bhd	11.10.1996/ Malaysia	77.67	Investment holding
Credential Development Sdn Bhd	02.09.1996/ Malaysia	100.00	Investment holding
Subsidiary companies of Ruby Technique Sdn Bhd			
M.B. Agriculture (Sabah) Sdn Bhd	03.12.1990/ Malaysia	77.67	Livestock farming
RubyTech Resources Sdn Bhd	03.06.1982/ Malaysia	77.67	Investment holding
Arena Dijaya Sdn Bhd	23.02.2005/ Malaysia	69.90	Rearing livestock for sale, trading of rice and oil palm cultivation and sales of oil palm fresh fruit bunches
M.B. Agriculture (Sandakan) Sdn Bhd	18.02.1986/ Malaysia	69.90	Rearing livestock for sale, oil palm cultivation and sales of oil palm fresh fruit bunches and trading of oil palm fresh fruit bunches as well as general trading business

Subsidiary companies	Date/ Place of Incorporation	Effective Equity Interest (%)	Principal activities
Subsidiary companies of Ruby Technique Sdn Bhd (Cont'd)			
Success Portfolio Sdn Bhd	06.02.1997/ Malaysia	58.25	Livestock farming
Bijak Lestari Sdn Bhd	18.03.2013/ Malaysia	77.67	Dormant
Leisure Junction Sdn Bhd	25.11.2013/ Malaysia	77.67	Dormant

The associated companies of CBG as at the LPD are as follows:-

Associated companies	Date/ Place of Incorporation	Effective Equity Interest (%)	Principal activities
QL Resources Berhad	25.04.1997/ Malaysia	44.93	Investment holding and provision of management services
Associated companies of Ruby Technique Sdn Bhd			
EITA Resources Berhad	19.08.1996/ Malaysia	18.45	Investment holding, provision of management services and procurement of contracts including assisting in procurement of contracts
Legenda Beringin Holding Sdn Bhd	24.08.2011/ Malaysia	15.53	Investment holding
Inspirasi Delima Sdn Bhd	09.03.2012/ Malaysia	38.06	Dormant
Sizeable Properties Sdn Bhd	29.12.2011/ Malaysia	38.06	Dormant

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6. PROFIT AND DIVIDEND RECORD

The profit and dividend record of CBG based on its audited consolidated financial statements for the past three (3) FYE 31 March 2011 to 2013 are as follows:-

	FYE 31 March		
	2011 (RM'000)	2012 (RM'000)	2013 (RM'000)
Revenue	62,510	52,428	48,086
PBT	84,359	65,529	80,197
Taxation	(3,437)	(2,211)	(2,033)
PAT	80,922	63,318	78,164
Minority interests	(5,601)	(2,196)	(5,577)
PAT after minority interests	**75,321**	**61,122**	**72,587**
No. of shares in issue ('000)	1,600	1,600	1,600
Weighted average no. of shares in issue ('000)	1,600	1,600	1,600
Basic EPS (RM)	47.08	38.20	45.37
NA per share (RM)	266.23	296.94	355.43
Net dividend per share (RM)	6.25	7.50	6.88

7. STATEMENT OF ASSETS AND LIABILITIES

The summary statements of assets and liabilities of CBG based on its audited consolidated balance sheets as at 31 March 2011 to 2013 are as follows:-

	Audited as at 31 March		
	2011 RM'000	2012 RM'000	2013 RM'000
Non-current assets	422,776	486,555	528,005
Current assets	40,585	35,202	53,216
TOTAL ASSETS	**463,361**	**521,757**	**581,221**
Non-current liabilities	13,079	7,402	5,940
Current liabilities	4,737	12,564	6,563
TOTAL LIABILITIES	**17,816**	**19,966**	**12,503**
TOTAL EQUITY	445,545	501,791	568,718
TOTAL LIABILITIES AND EQUITY	463,361	521,757	581,221

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1. HISTORY AND PRINCIPAL ACTIVITIES

Farsathy was incorporated in Malaysia under the Act as a private limited company on 28 August 1980. Farsathy is not listed on any stock exchange.

Farsathy is principally an investment holding company.

2. SHARE CAPITAL

The authorised and issued and paid-up share capital of Farsathy as at the LPD is as follows:-

	No. of Ordinary Shares of RM1.00 Each (RM)	Par Value (RM)	Total (RM)
Authorised share capital	500,000	1.00	500,000
Issued and paid-up share capital	500,000	1.00	500,000

3. SUBSTANTIAL BENEFICIAL SHAREHOLDERS

The substantial beneficial shareholders of Farsathy and their beneficial shareholdings in Farsathy as at the LPD are as follows:-

Substantial Shareholders	Nationality	Direct No. of Farsathy Shares	Direct %	Indirect No. of Farsathy Shares	Indirect %
Chia Seong Pow	Malaysian	100,000	20.00[(1)]	55,000	11.00[(2)]
Chia Seong Fatt	Malaysian	100,000	20.00[(1)]	55,000	11.00[(2)]
Sim Ahi Yok	Malaysian	55,000	11.00[(1)]	100,000	20.00[(2)]
Koh Kwee Choo	Malaysian	55,000	11.00[(1)]	100,000	20.00[(2)]
Chia Suan Hooi	Malaysian	55,000	11.00[(1)]	125,000	25.00[(3)]
Chia Chw Pew	Malaysian	40,000	8.00[(1)]	55,000	11.00[(4)]
Chia Chew Seng	Malaysian	35,000	7.00[(1)]	55,000	11.00[(4)]
Chia Chiew Yang	Malaysian	25,000	5.00[(1)]	55,000	11.00[(4)]
Chia Chew Ngee	Malaysian	25,000	5.00[(1)]	55,000	11.00[(4)]

Notes:-

(1) Beneficial shareholders of Farsathy held through TMF Trustees Malaysia Berhad.

(2) Deemed interest via his spouse's beneficial shareholding in Farsathy.

(3) Deemed interest via his sons' beneficial shareholding in Farsathy.

(4) Deemed interest via his father's beneficial shareholding in Farsathy.

4. DIRECTORS AND THEIR BENEFICIAL SHAREHOLDINGS

The details of the Directors of Farsathy and their respective shareholdings in Farsathy as at the LPD are as follows:-

		Direct		Indirect	
Name	**Nationality**	**No. of Farsathy Shares**	**%**	**No. of Farsathy Shares**	**%**
Chia Seong Pow	Malaysian	100,000	20.00[(1)]	55,000	11.00[(2)]
Chia Seong Fatt	Malaysian	100,000	20.00[(1)]	55,000	11.00[(2)]
Chia Suan Hooi	Malaysian	55,000	11.00[(1)]	125,000	25.00[(3)]

Notes:-

(1) Beneficial shareholders of Farsathy held through TMF Trustees Malaysia Berhad.

(2) Deemed interest via his spouse's beneficial shareholding in Farsathy.

(3) Deemed interest via his sons' beneficial shareholding in Farsathy.

5. SUBSIDIARY AND ASSOCIATED COMPANIES

Farsathy does not have any subsidiary company as at the LPD.

The associated company of Farsathy as at the LPD is as follows:-

Associated company	**Date/ Place of Incorporation**	**Effective Equity Interest (%)**	**Principal activities**
Ruby Technique Sdn Bhd	11.10.1996/ Malaysia	22.33	Investment holding

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6. PROFIT AND DIVIDEND RECORD

The profit and dividend record of Farsathy based on its audited financial statements for the past three (3) FYE 31 March 2011 to 2013 are as follows:-

	FYE 31 March		
	2011 (RM'000)	2012 (RM'000)	2013 (RM'000)
Revenue	4,129	4,659	4,900
PBT	3,729	4,662	4,708
Taxation	(1)	*	(3)
PAT	3,728	4,662	4,705
No. of shares in issue ('000)	500	500	500
Weighted average no. of shares in issue ('000)	500	500	500
Basic EPS (RM)	7.46	9.32	9.41
NA per share (RM)	61.30	63.62	69.03
Net dividend per share (RM)	6.00	7.00	4.00

Note:-

* *Negligible.*

7. STATEMENT OF ASSETS AND LIABILITIES

The summary statements of assets and liabilities of Farsathy based on its audited balance sheets as at 31 March 2011 to 2013 are as follows:-

	Audited as at 31 March		
	2011 RM'000	2012 RM'000	2013 RM'000
Non-current assets	22,814	28,159	29,367
Current assets	9,740	4,355	5,783
TOTAL ASSETS	**32,554**	**32,514**	**35,150**
Non-current liabilities	666	600	532
Current liabilities	1,239	103	102
TOTAL LIABILITIES	**1,905**	703	**634**
TOTAL EQUITY	30,649	31,811	34,516
TOTAL LIABILITIES AND EQUITY	32,554	32,514	35,150

1. HISTORY AND PRINCIPAL ACTIVITIES

Ruby was incorporated in Malaysia under the Act as a private limited company on 11 October 1996. Ruby is not listed on any stock exchange.

Ruby is principally an investment holding company. The principal activities of its subsidiary and associated companies are set out in Section 5 below.

2. SHARE CAPITAL

The authorised and issued and paid-up share capital of Ruby as at the LPD is as follows:-

	No. of Shares	Par Value (RM)	Total (RM)
Authorised:-			
Ordinary shares	49,900,000	1.00	49,900,000
Redeemable preference shares	10,000,000	0.01	100,000
Issued and paid-up:-			
Ordinary shares	20,000,000	1.00	20,000,000
Redeemable preference shares	2,292,532	0.01	22,925

3. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of Ruby and their shareholdings in Ruby as at the LPD are as follows:-

Substantial Shareholders	Nationality/ Place of Incorporation	Direct		Indirect	
		No. of Ruby Shares	%	No. of Ruby Shares	%
CBG	Malaysia	15,534,000	77.67	-	-
Farsathy	Malaysia	4,466,000	22.33	-	-
Chia Song Kun	Malaysian	-	-	15,534,000	77.67(1)
Chia Seong Pow	Malaysian	-	-	4,466,000	22.33(2)
Chia Seong Fatt	Malaysian	-	-	4,466,000	22.33(2)

Notes:-

(1) Deemed interest via his interest in CBG.

(2) Deemed interest via his beneficial shareholding in Farsathy.

The preference shareholders of Ruby and their shareholdings in Ruby as at the LPD are as follows:-

Name	Nationality	No. of Preference Shares	%
Cheah Juw Teck	Malaysian	613,201	26.75
Chia Mak Hooi	Malaysian	513,745	22.41
Chia Lik Khai	Malaysian	507,900	22.15
Chia Liek Kuen	Malaysian	206,519	9.01
Chia Chw Pew	Malaysian	161,899	7.06
Chia Juak Sui	Malaysian	152,601	6.66
Chia Soon Lai	Malaysian	136,667	5.96

4. DIRECTORS AND THEIR SHAREHOLDINGS

The details of the Directors of Ruby and their respective shareholdings in Ruby as at the LPD are as follows:-

		Direct		Indirect	
Name	Nationality	No. of Ruby Shares	%	No. of Ruby Shares	%
Chia Song Swa	Malaysian	-	-	-	-
Chia Seong Fatt	Malaysian	-	-	4,466,000	22.33[(1)]
Chia Song Kooi	Malaysian	-	-	-	-

Note:-

(1) Deemed interest via his beneficial shareholding in Farsathy.

5. SUBSIDIARY AND ASSOCIATED COMPANIES

The subsidiary companies of Ruby as at the LPD are as follows:-

Subsidiary companies	Date/ Place of Incorporation	Effective Equity Interest (%)	Principal activities
M.B. Agriculture (Sandakan) Sdn Bhd	18.02.1986/ Malaysia	90.00	Rearing livestock for sale, oil palm cultivation and sales of oil palm fresh fruit bunches and trading of oil palm fresh fruit bunches as well as general trading business
M.B. Agriculture (Sabah) Sdn Bhd	03.12.1990/ Malaysia	100.00	Livestock farming
Success Portfolio Sdn Bhd	06.02.1997/ Malaysia	75.00	Livestock farming
Arena Dijaya Sdn Bhd	23.02.2005/ Malaysia	90.00	Rearing livestock for sale, trading of rice and oil palm cultivation and sales of oil palm fresh fruit bunches

Subsidiary companies	Date/ Place of Incorporation	Effective Equity Interest (%)	Principal activities
RubyTech Resources Sdn Bhd	03.06.1982/ Malaysia	100.00	Investment Holding
Bijak Lestari Sdn Bhd	18.03.2013/ Malaysia	100.00	Dormant
Leisure Junction Sdn Bhd	25.11.2013/ Malaysia	100.00	Dormant

The associated companies of Ruby as at the LPD are as follows:-

Associated companies	Date/ Place of Incorporation	Effective Equity Interest (%)	Principal activities
EITA Resources Berhad	19.08.1996/ Malaysia	23.75	Investment holding, provision of management services and procurement of contracts including assisting in procurement of contract
Legenda Beringin Holding Sdn Bhd	24.08.2011/ Malaysia	20.00	Investment holding
Inspirasi Delima Sdn Bhd	09.03.2012/ Malaysia	49.00	Dormant
Sizeable Properties Sdn Bhd	29.12.2011/ Malaysia	49.00	Dormant

6. PROFIT AND DIVIDEND RECORD

The profit and dividend record of Ruby based on its audited consolidated financial statements for the past three (3) FYE 31 March 2011 to 2013 are as follows:-

	FYE 31 March		
	2011 (RM'000)	2012 (RM'000)	2013 (RM'000)
Revenue	61,989	51,689	47,596
PBT	26,593	11,207	26,182
Taxation	(3,314)	(2,036)	(1,861)
PAT	23,279	9,171	24,321
Minority interests	(522)	(189)	(148)
PAT after minority interests	**22,757**	**8,982**	**24,173**
No. of shares in issue ('000)	8,400	20,000	20,000
Weighted average no. of shares in issue ('000)	8,400	20,000	20,000
Basic EPS (RM)	2.71	0.45	1.21
NA per share (RM)	9.02	5.40	6.61
Net dividend per share (sen)	-	-	-

7. STATEMENT OF ASSETS AND LIABILITIES

The summary statements of assets and liabilities of Ruby based on its audited consolidated statements of financial statements as at 31 March 2011 to 2013 are as follows:-

	Audited as at 31 March		
	2011 (RM'000)	2012 (RM'000)	2013 (RM'000)
Non-current assets	85,944	110,750	108,242
Current assets	39,785	31,983	52,589
TOTAL ASSETS	**125,729**	**142,733**	**160,831**
Non-current liabilities	42,686	19,489	19,756
Current liabilities	4,617	12,697	6,484
TOTAL LIABILITIES	**47,303**	**32,186**	**26,240**
TOTAL EQUITY	78,426	110,547	134,591
TOTAL LIABILITIES AND EQUITY	125,729	142,733	160,831

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ATTACHMENT V – INFORMATION ON THE OTHER PAC

Full Name	:	Chia Song Kun
Nationality	:	Malaysian
Age	:	64
Occupation	:	Group Managing Director
Address	:	17, Jalan Kelab Golf 13/3, Seksyen 13 40000 Shah Alam Selangor

Full Name	:	Chia Song Kooi
Nationality	:	Malaysian
Age	:	53
Occupation	:	Executive Driector
Address	:	2B, Lorong Raja Udang 9 Kingfisher Park PH 2 88400 Kota Kinabalu Sabah

Full Name	:	Chia Song Swa
Nationality	:	Malaysian
Age	:	53
Occupation	:	Executive Director
Address	:	No. 8, Jalan Setia Nusantara U13/19B Setia Eco Park Setia Alam Section U13 40170 Shah Alam Selangor

Full Name	:	Chia Mak Hooi
Nationality	:	Malaysian
Age	:	48
Occupation	:	Executive Director
Address	:	No. 29, Jalan Kubah U8/59 Bukit Jelutong 40150 Shah Alam Selangor

Full Name	:	Chia Song Kang
Nationality	:	Malaysian
Age	:	63
Occupation	:	Company Director
Address	:	11, Jalan Merlimau 86900 Endau Johor

Full Name	:	Chia Song Pou
Nationality	:	Malaysian
Age	:	57
Occupation	:	Company Director
Address	:	No. 42, Bagan Sungai Burung 45300 Sungai Besar Selangor

Full Name	:	Chia Cheong Soong
Nationality	:	Malaysian
Age	:	57
Occupation	:	Retiree
Address	:	48, Jalan Setia Damai U13/14D Setia Alam Seksyen U13 40170 Shah Alam Selangor

Full Name	:	Chia Bak Lang
Nationality	:	Malaysian
Age	:	60
Occupation	:	Retiree
Address	:	17, Jalan Kelab Golf 13/3, Seksyen 13 40000 Shah Alam Selangor

Full Name	:	Chia Song Phuan
Nationality	:	Malaysian
Age	:	61
Occupation	:	Company Director
Address	:	225, Taman Sri Intan 2 Lorong Taman Sri Indah 13 36400 Hutan Melintang Perak

Full Name	:	Cheah Yaw Song
Nationality	:	Malaysian
Age	:	65
Occupation	:	Company Director
Address	:	No. G 1, Jalan Tepi Sungai Hutan Melintang Perak

Full Name	:	Chia Teow Guan
Nationality	:	Malaysian
Age	:	72
Occupation	:	Company Director
Address	:	42, Bagan Sungai Burong 45300 Sungai Besar Selangor

Full Name	:	Chia Seong Pow
Nationality	:	Malaysian
Age	:	58
Occupation	:	Company Director
Address	:	19, Jalan Kelab Golf 13/3 Seksyen 13 40000 Shah Alam

Full Name	:	Chia Seong Fatt
Nationality	:	Malaysian
Age	:	58
Occupation	:	Company Director
Address	:	No. 303, Taman Lily Batu 4, Jalan Sin On 91000 Tawau Sabah

Full Name	:	Chia Chong Lang
Nationality	:	Malaysian
Age	:	56
Occupation	:	Retiree
Address	:	19, Jalan Kelab Golf 13/3 Seksyen 13 40000 Shah Alam

Full Name	:	Sim Ahi Yok
Nationality	:	Malaysian
Age	:	58
Occupation	:	Retiree
Address	:	No. 303, Taman Lily Batu 4, Jalan Sin On 91000 Tawau Sabah

Full Name	:	Chia Chw Pew
Nationality	:	Malaysian
Age	:	50
Occupation	:	Company Director
Address	:	5467, Taman Da Hua 1 Jalan Bunga Raya 91000 Tawau Sabah

Full Name	:	Koh Kwee Choo
Nationality	:	Malaysian
Age	:	58
Occupation	:	Retiree
Address	:	19, Jalan Kelab Golf 13/3 Seksyen 13 40000 Shah Alam

Full Name	:	Chia Suan Hooi
Nationality	:	Malaysian
Age	:	75
Occupation	:	Company Director
Address	:	5467, Taman Da Hua 1 Jalan Bunga Raya 91000 Tawau Sabah

Full Name	:	Chia Chew Seng
Nationality	:	Malaysian
Age	:	47
Occupation	:	Manager
Address	:	Hse 10, Lorong Bukit Sepanggar 3/4A Taman Bukit Sepanggar 88450 Menggatal Kota Kinabalu Sabah

Full Name	:	Chia Chiew Yang
Nationality	:	Malaysian
Age	:	41
Occupation	:	Company Director
Address	:	No. 23, Lorong 4 Taman Tawau Jalan Chong Thien Vun 91000 Tawau Sabah

Full Name	:	Chia Chew Ngee
Nationality	:	Malaysian
Age	:	45
Occupation	:	Company Director
Address	:	3, Jalan Sentosa 53 Kawasan 19, Batu Belah 41400 Klang Selangor

Full Name	:	Cheah Juw Teck
Nationality	:	Malaysian
Age	:	44
Occupation	:	Company Director
Address	:	G 1, Jalan Tepi Sungai 36400 Hutan Melintang Perak

Full Name	:	Chia Juak Sui
Nationality	:	Malaysian
Age	:	38
Occupation	:	Finance Manager
Address	:	13, Jalan Bolasepak Enam 13/11F Seksyen 13 40100 Shah Alam Selangor

Full Name	:	Chia Lik Khai
Nationality	:	Malaysian
Age	:	35
Occupation	:	Company Director
Address	:	14, Jalan Kelab Golf 13/6D Green Ville KGSAAS, Seksyen 13 40100 Shah Alam Selangor

Full Name	:	Chia Liek Kuen
Nationality	:	Malaysian
Age	:	35
Occupation	:	Company Director
Address	:	No. 11, Jalan Merlimau 86900 Endau Johor

Full Name	:	Chia Jooi Seng
Nationality	:	Malaysian
Age	:	32
Occupation	:	Operation Manager
Address	:	22, Lorong Kingfisher 17 Taman Kingfisher 3A 88450 Kota Kinabalu Sabah

Full Name	:	Wong Yuet Lai
Nationality	:	Malaysian
Age	:	49
Occupation	:	General Manager
Address	:	2B, Lorong Raja Udang 9 Kingfisher Park PH 2 88400 Kota Kinabalu Sabah

Full Name	:	Chia Soon Lai
Nationality	:	Malaysian
Age	:	31
Occupation	:	General Manager
Address	:	225,Taman Sri Intan 2 Lorong Taman Sri Indah 13 36400 Hutan Melintang Perak

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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF QL GROUP AS AT 31 MARCH 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER

KPMG

KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Internet www.kpmg.com.my

The Board of Directors
QL Resources Berhad
16A, Jalan U8/83
Bukit Jelutong
40150 Shah Alam
Selangor

7 January 2014

Dear Sirs

QL Resources Berhad
Report on the compilation of the pro forma consolidated statements of financial position as at 31 March 2013

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statements of financial position as at 31 March 2013 of QL Resources Berhad ("QLRB" or "the Company") and its subsidiaries (collectively defined as "QL Group") by the Board of Directors of the Company. The pro forma consolidated statements of financial position as at 31 March 2013, together with the accompanying notes, is set out in Appendix I, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the Board of Directors of the Company has compiled the pro forma consolidated statements of financial position are specified in the Securities Commission Malaysia's *Prospectus Guidelines* ("Guidelines") and described in Note 1 of Appendix I.

The pro forma consolidated statements of financial position has been compiled by the Board of Directors of the Company to illustrate the impact of the following corporate exercises on QL Group's financial position as at 31 March 2013, as if the event had taken place at 31 March 2013:-

(i) the proposed bonus issue of 249,605,886 new ordinary shares of RM0.25 each in QLRB ("QL Share(s)" or "Share(s)") ("Bonus Share(s)") on the basis of three (3) Bonus Shares for every ten (10) existing QL Shares held on an entitlement date to be determined later ("Entitlement Date") ("Proposed Bonus Issue");

(ii) the proposed renounceable rights issue of 166,403,924 QL Shares ("Rights Share(s)") on the basis of two (2) Rights Shares for every ten (10) existing QL Shares held on the Entitlement Date ("Proposed Rights Issue"); and

(iii) the proposed exemption under Paragraph 16.1 of Practice Note 9 of the Malaysian Code on Take-overs and Mergers 2010 to exempt CBG Holdings Sdn Bhd ("CBG") and its parties acting-in-concert with CBG from the obligation of extending a mandatory take-over offer for the remaining QL Shares not already held by them pursuant to the Proposed Rights Issue ("Proposed Exemption").

(Collectively referred to as the "Proposals")

As part of this process, information about the QL Group's financial position have been extracted by the Board of Directors of the Company from the financial statements of QL Group for the year ended 31 March 2013, on which an audit report has been published.

Directors' responsibility for the pro forma consolidated statements of financial position

The Board of Directors of the Company is responsible for compiling the pro forma consolidated statements of financial position on the basis described in Note 1 of Appendix I.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion as required by the Guidelines, about whether the pro forma consolidated statements of financial position has been compiled, in all material respects, by the Board of Directors of the Company on the basis described in Note 1 of Appendix I.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Company has compiled, in all material respects, the pro forma consolidated statements of financial position on the basis described in Note 1 of Appendix I.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position.

The purpose of the pro forma consolidated statements of financial position included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event at 31 March 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors of the Company in the compilation of the pro forma consolidated statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statements of financial position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of QL Group, the events or transactions in respect of which the pro forma consolidated statements of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion,

(a) the pro forma consolidated statements of financial position has been properly prepared in accordance with the basis stated in Note 1 of Appendix I using financial statements prepared in accordance with Financial Reporting Standards and in a manner consistent with both the format of the financial statements and the accounting policies of the Company; and

(b) each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position is appropriate for the purposes of preparing the pro forma consolidated statements of financial position.

Other Matters

This letter is prepared at your request for the purpose of the Proposals and should not be relied upon for any other purposes.

Yours faithfully

KPMG
Firm No. AF 0758
Chartered Accountants

QL RESOURCES BERHAD ("QLRB" or the "Company") AND ITS SUBSIDIARIES ("QL GROUP")

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2013

The pro forma consolidated statements of financial position of QLRB as at 31 March 2013 as set out below have been prepared solely for illustrative purposes only and to show the effects of the transactions referred to in the notes:

Minimum Scenario

	Note	Audited as at 31 March 2013 RM'000	Pro forma I After adjusting for Proposed Bonus Issue RM'000	Pro forma II After Pro forma I and Proposed Rights Issue RM'000
Assets				
Property, plant and equipment	3	960,702	960,702	960,702
Intangible assets		7,229	7,229	7,229
Biological assets		111,838	111,838	111,838
Investment properties		29,466	29,466	29,466
Prepaid lease payments		53,300	53,300	53,300
Investment in associates		74,564	74,564	74,564
Deferred tax assets		539	539	539
Trade and other receivables		2,817	2,817	2,817
Total non-current assets		1,240,455	1,240,455	1,240,455
Inventories		219,363	219,363	219,363
Biological assets		74,168	74,168	74,168
Other investment, including derivatives		138	138	138
Trade and other receivables		279,668	279,668	279,668
Prepayments and other assets		37,595	37,595	37,595
Current tax assets		9,007	9,007	9,007
Asset held for sale		7,035	7,035	7,035
Cash and cash equivalents	4	141,101	141,101	141,101
Total current assets		768,075	768,075	768,075
Total assets		2,008,530	2,008,530	2,008,530

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2013 (Continued)

Minimum Scenario (continued)

	Note	Audited as at 31 March 2013 RM'000	Pro forma I After adjusting for Proposed Bonus Issue RM'000	Pro forma II After Pro forma I and Proposed Rights Issue RM'000
Equity				
Share capital	5	208,005	270,406	294,465
Share premium	6	113,599	51,198	199,165
Reserves		569,177	569,177	569,177
Equity attributable to owners of the Company [a]		890,781	890,781	1,062,807
Non-controlling interests		68,857	68,857	68,857
Total equity		959,638	959,638	1,131,664
Liabilities				
Loans and borrowings		451,074	451,074	451,074
Employee benefits		769	769	769
Deferred tax liabilities		59,791	59,791	59,791
Total non-current liabilities		511,634	511,634	511,634
Trade and other payables, including derivatives		152,536	152,536	152,536
Loans and borrowings	7	376,679	376,679	204,653
Current tax liabilities		8,043	8,043	8,043
Total current liabilities		537,258	537,258	365,232
Total liabilities		1,048,892	1,048,892	876,866
Total equity and liabilities		2,008,530	2,008,530	2,008,530
No. of QL Shares ('000)		832,020	1,081,626	1,177,862
Net Assets per QL Share (RM)		1.07	0.82	0.90
Net gearing (times) [b]		0.77	0.77	0.48

Note:-

(a) Net Assets is defined as equity attributable to owners of the Company.

(b) Net gearing is calculated on net borrowings (borrowings less eash) divided by net assets.

(c) The Proposed Exemption does not have any impact on the financial position of QLRB as at 31 March 2013

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2013 (Continued)

Maximum Scenario

	Note	Audited as at 31 March 2013 RM'000	Pro forma I After adjusting for Proposed Bonus Issue RM'000	Pro forma II After Pro forma I and Proposed Rights Issue RM'000
Assets				
Property, plant and equipment	3	960,702	960,702	1,030,702
Intangible assets		7,229	7,229	7,229
Biological assets		111,838	111,838	111,838
Investment properties		29,466	29,466	29,466
Prepaid lease payments		53,300	53,300	53,300
Investment in associates		74,564	74,564	74,564
Deferred tax assets		539	539	539
Trade and other receivables		2,817	2,817	2,817
Total non-current assets		1,240,455	1,240,455	1,310,455
Inventories		219,363	219,363	219,363
Biological assets		74,168	74,168	74,168
Other investment, including derivatives		138	138	138
Trade and other receivables		279,668	279,668	279,668
Prepayments and other assets		37,595	37,595	37,595
Current tax assets		9,007	9,007	9,007
Asset held for sale		7,035	7,035	7,035
Cash and cash equivalents	4	141,101	141,101	149,428
Total current assets		768,075	768,075	776,402
Total assets		2,008,530	2,008,530	2,086,857

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2013 (Continued)

Maximum Scenario (continued)

	Note	Audited as at 31 March 2013 RM'000	Pro forma I After adjusting for Proposed Bonus Issue RM'000	Pro forma II After Pro forma I and Proposed Rights Issue RM'000
Equity				
Share capital	5	208,005	270,406	312,007
Share premium	6	113,599	51,198	307,924
Reserves		569,177	569,177	569,177
Equity attributable to owners of the Company [a]		890,781	890,781	1,189,108
Non-controlling interests		68,857	68,857	68,857
Total equity		959,638	959,638	1,257,965
Liabilities				
Loans and borrowings		451,074	451,074	451,074
Employee benefits		769	769	769
Deferred tax liabilities		59,791	59,791	59,791
Total non-current liabilities		511,634	511,634	511,634
Trade and other payables, including derivatives		152,536	152,536	152,536
Loans and borrowings	7	376,679	376,679	156,679
Current tax liabilities		8,043	8,043	8,043
Total current liabilities		537,258	537,258	317,258
Total liabilities		1,048,892	1,048,892	828,892
Total equity and liabilities		2,008,530	2,008,530	2,086,857
No. of QL Shares ('000)		832,020	1,081,626	1,248,030
Net Assets per QL Share (RM)		1.07	0.82	0.95
Net gearing (times) [b]		0.77	0.77	0.39

Note:-

(a) Net Assets is defined as equity attributable to owners of the Company.

(b) Net gearing is calculated on net borrowings (borrowings less cash) divided by net assets.

(c) The Proposed Exemption does not have any impact on the financial position of QLRB as at 31 March 2013

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**QL RESOURCES BERHAD ("QLRB" or the "Company")
AND ITS SUBSIDIARIES ("QL GROUP")**

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2013**

1. Basis of preparation

The pro forma consolidated statements of financial position of the QL Group as at 31 March 2013 are based on the audited financial statements of QL Group for the year ended 31 March 2013, which were prepared in accordance with Financial Reporting Standards, generally accepted accounting principles and the Companies Act, 1965 in Malaysia. The accounting policies, basis and assumptions used in the preparation of the pro forma consolidated statements of financial position are consistent with those adopted by QL Group in the preparation of their audited financial statements for the year ended 31 March 2013.

The pro forma consolidated statements of financial position do not include the effects of the adoption of Financial Reporting Standards issued by the Malaysian Accounting Standards Board which are effective for the annual period beginning on 1 April 2013.

The pro forma is presented based on the following assumptions:

(i) Minimum Scenario - only CBG Holdings Sdn Bhd and Farsathy Holdings Sdn Bhd subscribe for their respective entitlement of the Rights Shares pursuant to the Proposed Rights Issue. The Rights Shares issue amounts to 96,236,844 Rights Shares.

(ii) Maximum Scenario - all the shareholders subscribe for their respective entitlement pursuant to the Proposed Rights Issue. The Rights Shares issue amount to 166,403,924 Rights Shares.

2. Pro forma consolidated statements of financial position as at 31 March 2013

The pro forma consolidated statements of financial position are for illustrative purposes only and to incorporate the following transactions as though they were effected on 31 March 2013:

Pro forma I – Proposed Bonus Issue

Pro forma I incorporates the adjustments for a bonus issue of 249,605,886 new ordinary shares of RM0.25 each in QLRB ("Bonus Shares") on the basis of three (3) Bonus Shares for every ten (10) existing QLRB Shares held on an entitlement date to be determined later ("Proposed Bonus Issue").

Pro forma II – Proposed Rights Issue

Pro forma II incorporates Pro forma I and the effects of the proposed renounceable rights issue of 166,403,924 of QLRB Shares ("Rights Shares") on the basis of two (2) Rights Shares for every ten (10) existing QLRB Shares held on an entitlement date to be determined later ("Proposed Rights Issue"). The indicative issue price of the Rights Shares is RM1.80 each, which will be satisfied in cash.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2013 (Continued)

2. Pro forma consolidated statements of financial position as at 31 March 2013 (continued)

The total gross proceeds of RM173.23 million and RM299.53 million for minimum and maximum scenario respectively are assumed to be utilised as follows:

Minimum Scenario

(a) RM172.03 million for the repayment of bank borrowings; and
(b) RM1.20 million to defray the estimated expenses relating to the Proposals.

Maximum Scenario

(a) RM220.00 million for the repayment of bank borrowings;
(b) RM70.00 million for capital expenditure purposes;
(c) RM8.33 million for working capital purposes; and
(d) RM1.20 million to defray the estimated expenses relating to the Proposals.

The estimated expenses in relation to the Proposals will be debited to "Share Premium" account.

3. Movement in property, plant and equipment

	Minimum Scenario RM'000	Maximum Scenario RM'000
Audited balance at 31 March 2013 and Pro forma I	960,702	960,702
Effects of Pro forma II - Capital expenditure	-	70,000
Pro forma II	960,702	1,030,702

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2013
(Continued)

4. Movement in cash and cash equivalents

		Minimum Scenario RM'000	Maximum Scenario RM'000
Audited balance at 31 March 2013 and Pro forma I		141,101	141,101
Effects of Pro forma II	- Proceeds from issuance of new QLRB Shares via Proposed Rights Issue	173,226	299,527
	- Repayment of bank borrowings	(172,026)	(220,000)
	- Capital expenditure	-	(70,000)
	- Payment of expenses relating to the Proposals	(1,200)	(1,200)
Pro forma II		141,101	149,428

5. Movement in share capital

		Minimum Scenario RM'000	Maximum Scenario RM'000
Audited balance at 31 March 2013		208,005	208,005
Effects of Pro forma I	- Issuance of new QLRB Shares via Proposed Bonus Issue	62,401	62,401
Pro forma I		270,406	270,406
Effects of Pro forma II	- Issuance of new QLRB Shares via Proposed Rights Issue	24,059	41,601
Pro forma II		294,465	312,007

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2013 (Continued)

6. Movement in share premium

		Minimum Scenario RM'000	Maximum Scenario RM'000
Audited balance at 31 March 2013		113,599	113,599
Effects of Pro forma I	- Issuance of new QLRB Shares via Proposed Bonus Issue	(62,401)	(62,401)
Pro forma I		51,198	51,198
Effects of Pro forma II	- Issuance of new QLRB Shares via Proposed Rights Issue	149,167	257,926
	- Proposals	(1,200)	(1,200)
Pro forma II		199,165	307,924

7. Movement in current loans and borrowings

		Minimum Scenario RM'000	Maximum Scenario RM'000
Audited balance at 31 March 2013 and Pro forma I		376,679	376,679
Effects of Pro forma II	- Repayment of loans and borrowings	(172,026)	(220,000)
Pro forma II		204,653	156,679

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. CONSENTS

RHBIB

RHBIB, being the Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Messrs KPMG

Messrs KPMG, being the Reporting Accountants for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the proforma consolidated statements of financial position of QL Group as at 31 March 2013 together with its letter, and all references thereto in the form and context in which they appear in this Circular.

KIBB

KIBB, being the Independent Adviser for the Proposed Exemption, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the IAL, and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICTS OF INTEREST

RHBIB

Dato' Wira Jalilah Binti Baba, an Independent Non-Executive Director of RHB Capital Berhad (being the holding company of RHBIB) is also an Independent Non-Executive Director of QL. However, being the Independent Non-Executive Director of both listed companies, she is not involved in the day-to-day operations of both listed companies, RHB Capital Berhad and QL.

In view of the above and also given that RHBIB does not have any equity and/or financial relationship with QL, RHBIB has given its confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Adviser to QL for the Proposals.

Messrs KPMG

Messrs KPMG has given their written confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Reporting Accountants to QL for the Proposals.

KIBB

KIBB has given their written confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Independent Adviser to QL for the Proposed Exemption.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, neither the Company nor any of its subsidiary companies are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and does not have any knowledge of any proceedings pending or threatened against QL and/ or its subsidiary companies, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of QL and/ or its subsidiary companies.

5. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any material commitments and contingent liabilities incurred or known to be incurred by the Group.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are 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 (except public holidays) from the date of this Circular until the date of the forthcoming EGM of the Company:-

i. Memorandum and Articles of Association of QL;

ii. Audited consolidated financial statements of QL Group for the past two (2) financial years up to the FYE 31 March 2013 and the latest unaudited quarterly report of QL Group for the financial period ended 30 September 2013;

iii. The proforma consolidated statements of financial position of QL Group as at 31 March 2013 together with the Reporting Accountants' letter prepared by Messrs KPMG, as set out in Appendix I of this Circular; and

iv. The letters of consent and conflict of interest referred to in Section 2 and Section 3 above.

QL RESOURCES BERHAD

(Company No. 428915-X)
(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of QL Resources Berhad ("QL" or the "Company") ("EGM") will be held at Saujana Ballroom, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor on Friday, 24 January 2014 at 10.00 a.m. for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:-

ORDINARY RESOLUTION 1

PROPOSED BONUS ISSUE OF 249,605,886 NEW ORDINARY SHARES OF RM0.25 EACH IN QL ("QL SHARE(S)" OR "SHARE(S)") ("BONUS SHARE(S)") ON THE BASIS OF THREE (3) BONUS SHARES FOR EVERY TEN (10) EXISTING QL SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED BONUS ISSUE")

"**THAT**, subject to the approvals of all relevant regulatory authorities, the Board of Directors of the Company ("Board") be and is hereby authorised to capitalise an amount of RM62,401,471.50 out of the reserves of the Company, and to apply the same for the purposes of issuing 249,605,886 Bonus Shares of RM0.25 each in the share capital of the Company credited as fully paid-up to be issued on the basis of three (3) Bonus Shares for every ten (10) existing QL Shares held by the entitled shareholders whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced later ("Entitlement Date");

THAT such Bonus Shares shall, upon issue and allotment, rank *pari passu* in all respects with the then existing Shares in the Company, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the Bonus Shares;

THAT fractional entitlements, if any, will be disregarded and the aggregate of such fractions shall be dealt with in such manner as the Board shall in their discretion deem fit and expedient in the best interest of the Company;

AND THAT the Board be and is hereby authorised to give effect to the Proposed Bonus Issue with full powers to assent to any conditions, modifications, variations and/ or amendments in any manner as may be required by the relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Bonus Issue."

ORDINARY RESOLUTION 2

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 166,403,924 QL SHARES ("RIGHTS SHARE(S)") ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY TEN (10) EXISTING QL SHARES HELD ON THE ENTITLEMENT DATE ("PROPOSED RIGHTS ISSUE")

"**THAT**, subject to the passing of Ordinary Resolution 3, and the approvals of all relevant authorities or parties being obtained, where required, approval be and is hereby given to the Board to provisionally allot and issue by way of a renounceable rights issue of 166,403,924 Rights Shares at an issue price to be determined later and announced by the Board, but in any case, not lower than the par value of QL Shares on the basis of two (2) Rights Shares for every ten (10) existing QL Shares held to the entitled shareholders whose names appear in the Record of Depositors of the Company as at the close of business on Entitlement Date;

AND THAT, the Rights Shares will, upon allotment and issuance, rank *pari passu* in all respects with the existing QL Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of the Rights Shares;

AND THAT, the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the aforesaid Proposed Rights Issue with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Rights Issue;

AND THAT, approval is hereby given for the Company to utilise the proceeds of the Proposed Rights Issue for the purposes set out in the Circular dated 9 January 2014, and the Directors be and are hereby authorised with full powers to vary the manner and/or purpose of utilisation of proceeds in such manner as the Directors of the Company in their discretion deem fit, necessary, expedient and/or in the best interest of the Company."

ORDINARY RESOLUTION 3

PROPOSED EXEMPTION UNDER PARAGRAPH 16.1 OF PRACTICE NOTE 9 OF THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS 2010 TO EXEMPT CBG HOLDINGS SDN BHD ("CBG") AND ITS PARTIES ACTING IN CONCERT WITH CBG ("PACS") FROM THE OBLIGATION OF EXTENDING A MANDATORY TAKE-OVER OFFER FOR THE REMAINING QL SHARES NOT ALREADY HELD BY THEM PURSUANT TO THE PROPOSED RIGHTS ISSUE ("PROPOSED EXEMPTION")

"**THAT**, subject to the passing of Ordinary Resolution 2, and the approvals of all relevant authorities or parties being obtained, where required, including but not limited to the compliance with such conditions as may be imposed by the Securities Commission Malaysia, CBG and PACs is hereby exempted under Paragraph 16.1 of Practice Note 9 of the Code from the obligation to undertake a mandatory take-over offer for all the remaining QL Shares not already owned by them pursuant to the Proposed Rights Issue;

AND THAT, the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the aforesaid Proposed Exemption with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Exemption."

BY ORDER OF THE BOARD

Ng Geok Ping (MAICSA 7013090)
Company Secretary

Shah Alam
9 January 2014

Notes:-

1. *A member of the Company entitled to attend and vote at the EGM may appoint up to two proxies to attend and vote in his place. Where a member appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy can be any person and there shall be no restriction as to the qualification of the proxy and paragraphs (a), (b) and (d) of Section 149(1) of the Companies Act, 1965 shall not apply.*

2. *Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depository) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

3. *Only members whose name appears on the Register of Depositors as at 16 January 2014 shall be entitled to attend the said meeting or appoint proxy(ies) to attend and/or vote on his behalf.*

4. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 16A, Jalan Astaka U8/83, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan, at least 48 hours before the appointed time of holding the EGM.*

5. *In the case of a corporation, the instrument appointing a proxy or proxies must be under seal or under the hand of an officer or attorney duly authorised.*

QL RESOURCES BERHAD
(Company No. 428915-X)
(Incorporated in Malaysia under the Companies Act, 1965)

FORM OF PROXY

No. of ordinary shares held

I/We ....

of..

being a member/members of Company hereby appoint (Proxy 1)..

of ....

and*/or failing him* (Proxy 2),..

of .... and*/or failing him*, the Chairman of the Meeting, as *my/ our proxy to vote for *me/us and on *my/our behalf at the Extraordinary General Meeting ("EGM") of the Company to be held at Saujana Ballroom, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor on Friday, 24 January 2014 at 10.00 a.m. and at any adjournment thereof.

The proportions of my/our holdings to be represented by my/our proxy(ies) are as follows:-

Proxy 1 - ______ % In case of a vote by show of hands, Proxy 1*/ Proxy 2* shall vote on my/ our behalf.
Proxy 2 - ______ %
100%

* Strike out whichever is inapplicable

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

		For	Against
ORDINARY RESOLUTION 1	**PROPOSED BONUS ISSUE**		
ORDINARY RESOLUTION 2	**PROPOSED RIGHTS ISSUE**		
ORDINARY RESOLUTION 3	**PROPOSED EXEMPTION**		

Signature of Shareholder(s) ....

Signed this .... day of.., 2014

Notes:-

1. *A member of the Company entitled to attend and vote at the EGM may appoint up to two proxies to attend and vote in his place. Where a member appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy can be any person and there shall be no restriction as to the qualification of the proxy and paragraphs (a), (b) and (d) of Section 149(1) of the Companies Act, 1965 shall not apply.*

2. *Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depository) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

3. *Only members whose name appears on the Register of Depositors as at 16 January 2014 shall be entitled to attend the said meeting or appoint proxy(ies) to attend and/or vote on his behalf.*

4. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 16A, Jalan Astaka U8/83, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan, at least 48 hours before the appointed time of holding the EGM.*

5. *In the case of a corporation, the instrument appointing a proxy or proxies must be under seal or under the hand of an officer or attorney duly authorised.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
QL RESOURCES BERHAD (428915-X)
No. 16A, Jalan Astaka U8/83
Bukit Jelutong
40150 Shah Alam
Selangor Darul Ehsan

1st fold here