



ANNUAL REPORT 2015



全利資源有限公司  
Resources Berhad



## LIVELIHOODS

Livelihood is the theme of this year's annual report, and at QL Resources, livelihoods are an essential ingredient of growth. When we buy crops from small holders, catch from fishermen or produce from farmers, we contribute to their livelihoods. In return they supply us nourishing foods that enrich the lives of our consumers. And then there are the livelihoods of our thousands of employees, across the nation, across the region, in fields, factories and offices. Our livelihoods are strengthened by one another. These win-win relationships provide value for all, and ensure that – together – our livelihoods can only get better.

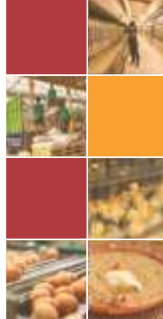




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## PRINCIPAL ACTIVITIES

QL Resources is a sustainable and scalable multinational agro-food corporation that farms and produces some of the most resource-efficient protein and food energy sources. The Group has three principal activities; Integrated Livestock Farming, Marine Products Manufacturing and Oil Palm Activities. QL has operation centres in Malaysia, Indonesia, Vietnam and China.

### **Marine Products Manufacturing Activities**

Marine Products Manufacturing's integrated upstream and downstream activities include deep-sea fishing, aquaculture farming, surimi and fishmeal production and consumer foods. Through the use of innovative technology and quality practices, QL has achieved industry leadership positions. QL is Malaysia's largest fishmeal manufacturer and producer of surimi-products, and Asia's largest surimi producer. Mushroom and Figo, QL's marine-product consumer foods brands, are distributed across Asia, Europe and North America.

### **Integrated Livestock Farming Activities**

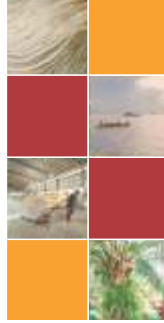
Organic growth and a series of strategic acquisitions has driven QL's rise to become one of Malaysia's leading operators in animal feed raw materials and poultry farming. QL is among ASEAN's leading poultry egg producers with a group production rate of 4.5 million eggs per day. Approximately 40 million Day Old Chicks (DOC) are produced annually across poultry farms in Malaysia and Indonesia. In Malaysia, QL trades over 800,000 metric tonnes of animal feed raw materials annually.

### **Palm Oil Activities**

QL has built its capabilities in palm oil from milling and estate ownership to biomass clean energy in a move that expands the value chain of traditional agriculture. QL has developed proprietary technology that converts palm waste biomass into a high quality burning fuel, and manufactures industrial boiler systems which convert biomass fuel into energy, minimising carbon emissions and improving energy cost efficiencies. To complement clean energy manufacturing, QL operates a clean energy consultancy that provides end-to-end solutions and advice on customised biomass energy solutions. QL has two independent Crude Palm Oil (CPO) mills servicing small and medium sized estates in the Tawau and Kunak regions of Sabah, East Malaysia. QL's first CPO mill in Indonesia is in Eastern Kalimantan and was commissioned during FY2013. QL owns a 1,200 hectare palm oil estate in Sabah, as well as 15,000 hectare plantation (currently under development) in Eastern Kalimantan, Indonesia.







## VISION

To be the preferred global agro based enterprise



## MISSION

We create nourishing products from agro resources, leading to benefit for all parties

## PERSONALITY

Progressive  
Trustworthy  
Initiative  
Humility

## VALUES

Integrity  
Win-win  
Team work  
Innovative





# GROUP CORPORATE STRUCTURE

(AS AT 30 JUNE 2015)

## 全利資源有限公司 QL Resources Berhad

### MARINE PRODUCTS MANUFACTURING

#### QL FISHERY SDN BHD - 100%

- 100% QL Figo Foods Sdn. Bhd.
- 100% QL Marine Products Sdn. Bhd.
  - 100% Icon Blitz Sdn. Bhd.
  - 100% QL Deep Sea Fishing Sdn. Bhd.
- 100% QL Fresh Choice Seafood Sdn. Bhd.
- 70.59% QL Endau Marine Products Sdn. Bhd.
  - 100% QL Endau Deep Sea Fishing Sdn. Bhd.
  - 100% QL Endau Fishmeal Sdn. Bhd.
  - 100% Pilihan Mahir Sdn. Bhd.
  - 100% Rikawawasan Sdn. Bhd.
- 100% QL Foods Sdn. Bhd.
  - 100% QL Aquaculture Sdn. Bhd.
  - 100% QL Aquamarine Sdn. Bhd.
- 100% QL Fishmeal Sdn. Bhd.
  - 99.97% PT. QL Hasil Laut
- 82% QL Lian Hoe Sdn. Bhd.
- 100% QL Lian Hoe (S) Pte. Ltd.
  - 100% Zhongshan True Taste Food Industrial Co. Ltd
- 100% Kuala Kedah Fish Meal Sendirian Berhad
- 100% QL Figo (Johor) Sdn. Bhd.  
(Formerly QL Fujiya Pastry Sdn. Bhd.)
- 63.33% Kembang Subur Sdn. Bhd.
  - 100% KS Galah Sdn. Bhd.
  - 100% KS Monodon Sdn. Bhd.
  - 55% Kembang Subur (Perak) Sdn. Bhd.
  - 51% Kembang Subur International Ltd.
  - 100% Nam Duong Vietnam Aquatic Hatchery Co. Ltd.

### PALM OIL ACTIVITIES

#### QL OIL SDN BHD - 100%

- 100% QL BioEnergy Sdn. Bhd.
- 78.42% QL Mutiara (S) Pte. Ltd.
  - 95% PT. Pipit Mutiara Indah
- 100% QL Plantation Sdn. Bhd.
  - 100% QL Tawau Biogas Sdn. Bhd.

#### QL IPC SDN BHD - 100%

## BIOMASS ENERGY BUSINESS

### QL GREEN RESOURCES SDN BHD - 100%

- 100% QL Green Energy Sdn. Bhd.
- 100% QL NatureCo Sdn. Bhd.  
100% QL Palm Pellet Sdn. Bhd.
- 100% QL Carbon Sdn. Bhd.
- 66.67% Leisure Pyramid Sdn. Bhd.
- 100% QL ESCO Sdn. Bhd.
- 100% QL Tawau Palm Pellet Sdn. Bhd.

### QL CORPORATE SERVICES SDN BHD - 100%

## INTERGRATED LIVESTOCK FARMING

### QL FEEDINGSTUFFS SDN BHD - 100%

- 100% Chingsan Development Sdn. Bhd.
- 100% Maxincome Resources Sdn. Bhd.
- 100% QL Feed Sdn. Bhd.
- 90% Pacific Vet Group (M) Sdn. Bhd.  
100% QL Pacific Vet Group Sdn. Bhd.
- 50.50% QL Agrobio Sdn. Bhd.
- 100% QL Agroventures Sdn. Bhd.
- 100% QL Agrofood Sdn. Bhd.
- 95% QL AgroResources Sdn. Bhd.  
100% QL Livestock Farming Sdn. Bhd.  
100% Gelombang Elit (M) Sdn. Bhd.  
51% QL TP Fertilizer Sdn. Bhd.
- 100% QL Tawau Feedmill Sdn. Bhd.
- 100% QL Farms Sdn. Bhd.  
100% Adequate Triumph Sdn. Bhd.  
100% QL Breeder Farm Sdn. Bhd.  
100% QL Inter-Food Sdn. Bhd.  
100% Merkaya Sdn. Bhd.
- 100% QL KK Properties Sdn. Bhd.
- 90.77% QL Ansan Poultry Farm Sdn. Bhd.  
100% QL Rawang Poultry Farm Sdn. Bhd.  
100% Hybrid Figures Sdn. Bhd.  
100% QL Poultry Farms Sdn. Bhd.
- 100% QL Realty Sdn. Bhd.  
80% PT. QL Trimitra  
99% PT. QL Agrofood
- 100% QL Vietnam AgroResources Liability Ltd Co
- 100% QL International Pte. Ltd.
- 99% PT. QL Feed Indonesia

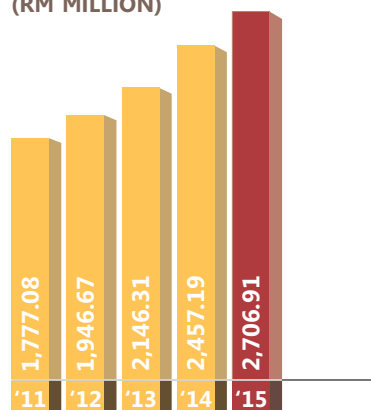
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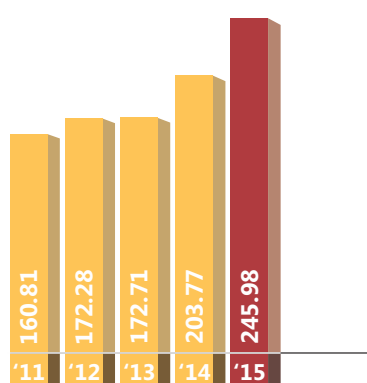
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## FINANCIAL HIGHLIGHTS

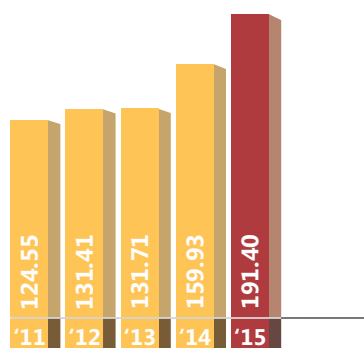
**TURNOVER  
(RM MILLION)**



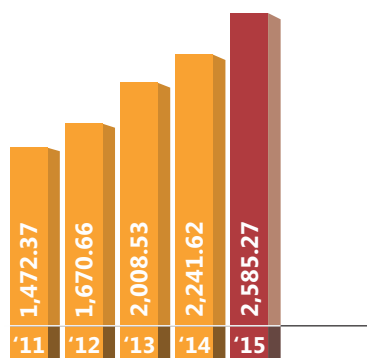
**PROFIT  
BEFORE TAX  
(RM MILLION)**



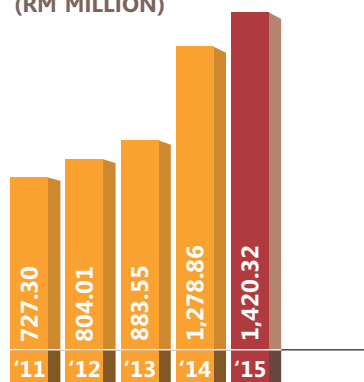
**PROFIT AFTER TAX  
AFTER MINORITY  
INTEREST  
(RM MILLION)**



**TOTAL ASSETS  
(RM MILLION)**



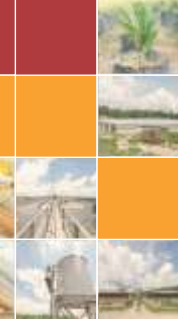
**NET TANGIBLE  
ASSETS  
(RM MILLION)**



	2011 RM MIL	2012 RM MIL	2013 RM MIL	2014 RM MIL	2015 RM MIL
Turnover	1,777.08	1,946.67	2,146.31	2,457.19	2,706.91
Profit Before Tax	160.81	172.28	172.71	203.77	245.98
Profit After Tax After Minority Interest	124.55	131.41	131.71	159.93	191.40
Total Assets	1,472.37	1,670.66	2,008.53	2,241.62	2,585.27
Net Tangible Assets	727.30	804.01	883.55	1,278.86	1,420.32
Profit as % of Turnover					
Before Tax	9.05	8.85	8.05	8.29	9.09
After Tax	7.01	6.75	6.14	6.51	7.07
Earnings Per Share (sen) - Basic #	11 <sup>^</sup>	11	11	14	15
Net Tangible Assets Per Share (sen)	87.42	96.63	106.19	102.47	113.80
Paid-up share Capital	208.00	208.00	208.00	312.01	312.01
No. of shares in Issue (million)	832.00	832.00	832.02	1,248.03	1,248.03

# Adjusted for share split in 2011, bonus issue in January 2010 and February 2014 and rights issue in February 2014

<sup>^</sup> Adjusted for share placements in 2011



## CORPORATE INFORMATION

### 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  
(Resigned on 22 August, 2014)*

### COMPANY SECRETARY

Ng Geok Ping  
(MAICSA 7013090)

### AUDITORS

KPMG  
Chartered Accountants  
Level 10, KPMG Tower  
8, First Avenue  
Bandar Utama  
47800 Petaling Jaya  
Selangor

### AUDIT COMMITTEE

YM Tengku Dato' Zainal Rashid  
Bin Tengku Mahmood  
*Chairman/Independent Non-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  
(Resigned on 22 August, 2014)*

### REMUNERATION COMMITTEE

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

Chia Song Kun  
*Group Managing Director*

Chieng Ing Huong, Eddy  
*Senior Independent Non-Executive Director*

### NOMINATING COMMITTEE

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

Chieng Ing Huong, Eddy  
*Senior Independent Non-Executive Director*

### REGISTERED OFFICE

No. 16A, Jalan Astaka U8/83  
Bukit Jelutong  
40150 Shah Alam  
Selangor  
Tel : 03-78012288  
Fax : 03-78012228  
Website: [www.ql.com.my](http://www.ql.com.my)

### PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad  
Alliance Islamic Bank Berhad  
AmBank (M) Berhad  
Hong Leong Bank Berhad  
HSBC Amanah Malaysia Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
Standard Chartered Bank Malaysia  
Berhad  
RHB Bank Berhad  
United Overseas Bank (Malaysia)  
Berhad

### REGISTRARS

Bina Management (M) Sdn Bhd  
Lot 10, The Highway Centre  
Jalan 51/205  
46050 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-77843922  
Fax : 03-77841988

### STOCK EXCHANGE LISTING

Main Market of  
Bursa Malaysia Securities Berhad  
Stock Name: QL  
Stock Code: 7084

### INVESTOR RELATION

Freddie Yap  
Tel : 03-78012288  
Fax : 03-78012222  
Email : [freddieyap@ql.com.my](mailto:freddieyap@ql.com.my)



BOARD OF DIRECTORS'





*From left to right: Mr. Cheah Juw Teck, Mr. Chia Seong Pow, Chia Song Swa, Chia Mak Hooi, YM Tengku Dato' Zainal Rashid Bin Tengku Mahmood, Dr. Chia Song Kun, Mr. Eddy Chieng Ing Huang, Mr. Chia Song Kooi, Mr. Chia Seong Fatt and Mr. Robert Tan Bun Poo*

## BOARD OF DIRECTORS' PROFILE



YM Tengku Dato' Zainal Rashid Bin Tengku Mahmood, aged 76, Malaysian, was appointed as the Chairman and Independent Non-Executive Director of the Company on 3 January 2000. He is also the Chairman of Audit, Nominating and Remuneration Committees.

He has a wide range of experience, having been actively involved in a variety of business over the last 40 years. YM Tengku has an MBA from Syracuse University, USA. He began his business career with the Harper Gilfillan Group (a diversified British organisation) in the early 1960's and retired as the Group Managing Director of Harper Wira Sdn. Bhd. Currently, he is the Executive Chairman of K-Line Maritime (Malaysia) Sdn. Bhd., a Malaysian-Japanese joint-venture company with K-Line Tokyo, one of the biggest Japanese shipping company. He also sits on the boards of several other companies. Apart from managing various companies, YM Tengku is

also actively involved in the affairs of maritime related organisations.

He was the Chairman of the International Shipowners Association of Malaysia (ISOA) and the past president of I.C.H.C.A. Malaysian chapter. He also sat on the Boards of Klang and Kuantan Port Authorities for more than a decade.

In addition to maritime bodies, YM Tengku is also an active participant in the affairs of Chambers of Commerce. He is the past President of the Malaysian International Chamber of Commerce and Industry (MICCI) and a Vice-President of the National Chamber of Commerce and Industry of Malaysia (NCCIM). At the ASEAN level, he was the Malaysia Chairman of the ASEAN Chambers of Commerce and Industry. YM Tengku was also on the board of MIDA, a Council Member of the Malaysia-India Business Council and the Malaysian Norway Business Council and a Director of Port Klang Free Zone Sdn. Bhd.

YM Tengku Dato' Zainal Rashid is also the Honorary Consul of Norway.

He attended four out of five board of directors' meetings held for the financial year.

He has no family relationship with any Director and/or major shareholders of QL. He has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.





Dr. Chia Song Kun, aged 65, Malaysian, was appointed as the Group Managing Director of QL Resources Berhad on 3 January 2000. He is also a member of the Remuneration Committee.

Dr. Chia was born and raised in Sungai Burong, an impoverished fishing village on the northern coast of Selangor. He graduated with a Bachelor of Science (Honours) degree majoring in Mathematics from the University of Malaya in 1973 and obtained a Masters in Business Administration in 1988 from the same university. He started his career as a tutor and subsequently joined University Teknologi Mara as a lecturer where he served for 11 years until 1984.

During his lecturing years, Dr. Chia, along with his brothers and his brothers-in-law, began trading in fish meal and feed meal raw material. The business they founded was subsequently incorporated as QL Resources Berhad. Today QL is a sustainable and

scalable multinational agro-food corporation with interests in Integrated Livestock Farming, Marine Products Manufacturing and Palm Oil Activities. The company has a market capitalisation of approximately five billion ringgit.

Dr Chia is a founding member of INTI Universal Holdings Berhad, which operates one of the leading private university colleges in Malaysia. On 5 July 2008, he was conferred the honorary degree of Doctor of Laws (Hon LLD) by the Honorary Awards Board of the University of Hertfordshire in recognition of his outstanding contribution to the development of business and education in Malaysia. He is also the Chairman of Boilermach Holdings Berhad, a company listed on the ACE Market of Bursa Malaysia Securities Berhad on 5 May 2011, which then transferred to the Main Market on 4 December 2014.

Dr. Chia's leadership has been recognised by a number of noted organisations. In 2005 The Edge selected him as one of '20 CEOs We Admire'. In July 2011 Dr. Chia led the Group to new heights when QL Resources won the prestigious The Edge Billion Ringgit Club Company of the Year award. In 2012 Dr. Chia was awarded the Ernst & Young Entrepreneur of the Year Award 2012 for Malaysia.

Dr. Chia Song Kun is the brother of Mr Chia Song Swa and Mr Chia Song Kooi. He is also the brother-in-law of Mr Chia Seong Pow and Mr Chia Seong Fatt. He is the director and substantial shareholder of CBG Holdings Sdn. Bhd., a major shareholder of QL.

He attended all five board of directors' meetings held for the financial year.

He has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.



Chia Seong Pow, aged 59, Malaysian, was appointed as an Executive Director of the Company on 3 January 2000.

He graduated from Tuanku Abdul Rahman College with a diploma in Building Technology.

He is one of the founder members of QL Group. He joined CBG Holdings Sdn. Bhd., a substantial shareholder of QL, as Marketing Director in 1984. He has more than 25 years of experience in the livestock and food industry covering layer farming, manufacturing, trading and shipping.

Currently, Mr Chia Seong Pow is mainly in charge of layer farming, regional merchandising trade in food grains as well as new business developments.

Majority of the Group's new expansion programmes were initiated by him.

He is the younger brother to Mr Chia Seong Fatt. Both of them are brothers-in-law to Dr Chia Song Kun. He is the director and beneficial shareholder of Farsathy Holdings Sdn. Bhd., a major shareholder of QL.

He attended all five board of directors' meetings held for the financial year.

Mr Chia Seong Pow has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.



Chia Seong Fatt, aged 59, Malaysian, was appointed as an Executive Director of the Company on 3 January 2000.

He obtained his B.Sc. Honours degree in chemistry from University of London in 1979. He practised as an industrial chemist for 3 years before he pursued further studies in University Malaya.

In 1984, he graduated from University of Malaya with a Master degree in Business Administration.

He served for seven years as Managing Director in Sri Tawau Farming Sdn. Bhd., a company involved in layer farming. The Company is an associated company of Lay Hong Berhad, a company listed on the Main Market of the Bursa Malaysia Securities Berhad.

In 1991, he was appointed as Managing Director of QL Farms Sdn. Bhd., a subsidiary of QL overseeing its operations in Tawau. In January 1996, he was appointed as an Executive Director of QL Feedingstuffs Sdn. Bhd. in charge of layer farm and Crude Palm Oil ("CPO") milling operations. In view of the restructuring of the QL Group, he has resigned as a director of QL Feedingstuffs Sdn. Bhd., however he is still in charge of layer, broiler farm and CPO milling operations in Tawau.

He is also an alternate director in Boilermech Holdings Berhad, a company listed in the ACE Market of Bursa Malaysia Securities Berhad on 5 May 2011, which then transferred to the Main Market on 4 December 2014.

He is the elder brother to Mr Chia Seong Pow. Both of them are brothers-in-law to Dr Chia Song Kun. He is the director and beneficial shareholder of Farsathy Holdings Sdn. Bhd., a major shareholder of QL.

He attended all five board of directors' meetings held for the financial year.

Mr Chia Seong Fatt has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.



Chia Song Kooi, aged 55, Malaysian, was appointed as an Executive Director of the Company on 3 January 2000.

He holds a bachelor of Agricultural Science from University Putra Malaysia (1985).

He began his career with Ancom Berhad, a company listed on the Main Market of the Bursa Malaysia Securities Berhad, as a Marketing Executive for agro-chemical products and eventually headed the Product and Market Development Division in 1987.

He joined QL Feedingstuffs Sdn. Bhd. as an executive director on 21 September 1988. He has 20 years of experience in farm management and in trading of raw materials for farm use, as well as 10 years of experience in marine products processing. He is currently the Deputy Chairman of Sabah Livestock Poultry Association. In view of the restructuring of the QL Group, he has resigned as a director of QL Feedingstuffs Sdn. Bhd. He is overall in charge of the group's operations in Kota Kinabalu.

Mr Chia Song Kooi is the brother to Dr Chia Song Kun and Mr Chia Song Swa. He has indirect interest in QL by virtue of his interest in CBG Holdings Sdn. Bhd., a major shareholder of QL.

He attended all five board of directors' meetings held for the financial year.

Mr Chia Song Kooi has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.



Chia Song Swa, aged 55, Malaysian, was appointed as an Executive Director of the Company on 3 January 2000.

He holds a degree in Chemistry and Statistics from the University of Campbell, USA.

He began his career at Genting Berhad, a company listed on the Bursa Malaysia Securities Berhad as a Management Trainee in 1984 and served for 2 years.

In 1987 he joined QL Feedingstuffs Sdn. Bhd. as a sales executive and was appointed as a director of QL Feedingstuffs Sdn. Bhd. on 22 June 1987. In line with the transfer of business from QL Feedingstuffs Sdn. Bhd. to QL Feed Sdn. Bhd., he was appointed as the director in charge of sales and trading function at QL Feed Sdn. Bhd. As a result of his vast experience in feed raw material distribution, he has helped the Company to establish a very strong distribution network.

He is the brother to Dr Chia Song Kun and Mr Chia Song Kooi. He has indirect interest in QL by virtue of his interest in CBG Holdings Sdn. Bhd., a major shareholder of QL.

He attended all five board of directors' meetings held for the financial year.

Mr Chia Song Swa has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.



Chia Mak Hooi, aged 50, Malaysian, was appointed as an Executive Director of the Company on 3 January 2000. He graduated from Arizona State University, USA with a degree in Accounting and Finance in 1988.

He started his career in 1989 as an Assistant Accountant at Concept Enterprises Inc. In 1991, he joined QL Feedingstuffs Sdn. Bhd. as Finance Manager where he was mainly responsible for the accounts, tax and audit planning, and cash management and liaised with bankers for banking facilities. In 1996, he was appointed Finance Director of QL Feedingstuffs Sdn. Bhd., and was involved in the proposed listing of the Company on the Second Board of Bursa Malaysia.

Currently, he is actively involved in group corporate activities and strategic business planning and also group integrated livestock business expansion programs both locally and overseas.

Mr Chia Mak Hooi is the director of EITA Resources Berhad and Group, a company listed on the Main Market of the Bursa Malaysia Securities Berhad on 9 April 2012. EITA group of companies is involved in the distribution and manufacturing of electrical related products.

He is the nephew to Dr Chia Song Kun, Mr Chia Song Swa and Mr Chia Song Kooi. He has indirect interest in QL by virtue of his interest in CBG Holdings Sdn. Bhd., a major shareholder of QL.

He attended all five board of directors' meetings held for the financial year.

Mr Chia Mak Hooi has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.



Cheah Juw Teck, aged 46, Malaysian, was appointed as an Executive Director of the Company on 1 June 2011.

He holds a degree in Food Technology from University Putra Malaysia (1993).

Prior to joining QL Group in 1994, he was involved in quality control in S & P Foods Bhd as quality control executive. In 1994, he joined QL Group as operations manager to set up the surimi and surimi-based products business and subsequently was appointed as a Director of QL Foods Sdn. Bhd. in 1997. He is also the director in charge of the surimi and surimi-based products division in QL Group as well as the expansion programs in overseas.

Mr Cheah Juw Teck is the nephew to Dr Chia Song Kun, Mr Chia Song Swa and Mr Chia Song Kooi.

He attended all five board of directors' meetings held for the financial year.

He has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.



Chieng Ing Huong, Eddy, aged 57, Malaysian, was appointed as a Senior Independent Non-Executive Director of the Company on 24 December 2001. He is also a member of the Audit, Nominating and Remuneration Committees.

Mr Eddy Chieng graduated in 1980 from the University of New South Wales, Australia with a Bachelor of Commerce Degree with Merit in Accounting, Finance and Information Systems. He qualified as a Chartered Accountant in 1981 and is a Fellow of the Institute of Chartered Accountants, Australia. He is also a Chartered Accountant registered with the Malaysian Institute of Accountants since 1983.

Mr Eddy Chieng has extensive senior management experience having been involved in a number of successful entrepreneurial businesses in Malaysia and overseas; primarily in ASEAN, Hong Kong and Australia.

Mr Eddy Chieng is also the Executive Chairman of Esthetics International Group Berhad and Chairman of Selangor Dredging Berhad. He was previously the Founder/Managing Director of Nationwide Express Courier Services Berhad, Executive Director of OSK Holdings Berhad, Independent Non-Executive Director of Ancom Berhad, Nylex (Malaysia) Berhad, Orotongroup Limited (ASX listed) and Chairman of Asia Poly Holdings Berhad. In addition, he was instrumental in bringing Fedex to Malaysia and was a Director of Federal Express Malaysia for a number of years.

He attended all five board of directors' meetings held for the financial year.

He does not have any family relationship with any director and/or major shareholder of the Company. Mr Chieng has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.



Tan Bun Poo, Robert, aged 65, Malaysian, was appointed as an Independent Non-Executive Director of the Company on 1 June 2011. He is also a member of Audit Committee.

He graduated with a Bachelor of Commerce from University of Newcastle, Australia and thereafter qualified as a Chartered Accountant of the Institute of Chartered Accountants in Australia in 1997. He is a member of the Malaysian Institute of Accountants (MIA), the Malaysian Institute of Certified Public Accountants (MICPA), the Malaysian Institute of Taxation and a fellow member of the Institute of Chartered Accountants in Australia. He is a member in the Auditing & Assurance Standards Board established under the auspices of MIA and has served as a council member of MICPA up to June 2015.

Mr. Tan Bun Poo, a practicing accountant, has more than 37 years of experience in the audits of various industries, including banking and financial services, manufacturing, hospitality and services. His other experiences include reporting accountants work relating to Initial Public Offerings and other corporate exercises, leading assignments in corporate acquisition and overseeing the provision of risk management and internal audit services. Mr. Tan was a retired senior partner with Deloitte Malaysia.

Mr. Tan is also a director of UEM Edgenta Berhad (formerly known as Faber Group Berhad), AmCorp Properties Berhad, RCE Capital Berhad, AmMetLife Takaful Berhad (formerly known as AmFamily Takaful Berhad) and has recently been appointed to the Board of AmInvestment Bank Berhad.

He attended all five board of directors' meetings held for the financial year.

Mr Tan Bun Poo has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past ten years.

## CHAIRMAN'S STATEMENT



### **Dear Shareholders,**

QL Resources delivered a positive set of results in FY2015, successfully producing profit while making value-adding investments in value chain expansion. The Group's profit before tax for the year ended 31 March 2015 increased 21% on the prior year to RM246 million. The Group reported revenue of RM2.707 billion, up 10% from the prior year.

This year QL celebrates 15 years as a listed corporation. I am pleased to report another year of uninterrupted growth for the Group in conjunction with this milestone.

### **Shareholder Appreciation**

We have rewarded our shareholders in the past through dividends, bonus issues and share price appreciation. In FY2015, the board recommended a single tier final dividend of 4.25 sen (up from 3.5 sen per share last year). This represents a pay-out ratio of 27.84% (versus 27.31% last year). Over the last 12 months to 31st March 2015, our market capitalisation has risen from RM4.0 billion, to RM4.9 billion. This milestone achievement further demonstrates QL's sound fundamentals.

### **Corporate Governance**

The tenets of good corporate governance are at the forefront of our decision-making and control processes. These comprise responsible, value-based management and monitoring focused on long-term success, goal-oriented and efficient cooperation between our Board of Directors and other committees, respect for the interests of our shareholders and employees, transparency and responsibility in all our entrepreneurial decisions and an appropriate risk management system. The Board is therefore committed to maintain high standards of corporate governance by supporting and implementing the prescriptions of the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012.

During the year in review QL engaged a professional management consultancy firm to enhance the Group's standard operating procedures (SOPs). The SOPs were refined across each division to maximise operational and production efficiencies in line with

the introduction of a new IT system and GST. This financial year also saw director's remuneration benchmarked against market practice in order to retain and attract talent with deep expertise.

During the year, QL's investor relations team continued to proactively engage, communicate and build professional relationships with the region's investment community. The team participated with RHB, Deutsche Bank and UOB-Kayhian in their annual Singapore and Hong Kong conferences. QL also participated in Invest Malaysia 2015, a Kuala Lumpur-based conference organised by CIMB, held in April 2015. The investor relations team was recognised by the financial community once again with two nominations from the Malaysia Investor Relations Association. QL Resources was ranked No.23 for Best Company for Investor Relations (Main Board-Mid), and No.11 in Best Quality of One-on-One Meetings.

#### **Award**

In April 2015, QL Resources won the ASEAN Business Awards Malaysia (ABAM) AEC Priority Integration Sector – Fisheries Award at the 6th ASEAN Business Awards Malaysia. The Award is an annual programme to showcase local outstanding businesses and individuals. Winners were evaluated and judged under four core categories; namely growth, employment, innovation and corporate social responsibility. The winner at this national level program qualifies to compete at the regional level in November 2015, within the same award category.

#### **Consumer Engagement**

In last year's annual report Dr Chia Song Kun announced that the Group was developing QL Kitchen, an online recipe portal that features many of QL's consumer food items. QL Eggs, Figo Foods, MUSHROOM and other subsidiary brands feature their food products in recipes published on the site. QL Kitchen has been a notable success, with over 300,000 visitors to the website amassing more than 800,000 page views. QL Kitchen's corresponding Facebook page has over 70,000 fans at the time of writing. Through targeted advertising, QL Kitchen is able to engage directly with those interested in food, and its recipe content is then shared organically to a wider audience. QL Kitchen is a component of a wider marketing objective to capture a larger share of the consumer foods market.

## **Corporate Responsibility**

### **IJN Foundation**

During the year in review QL became a Gold Partner of IJNF (Institut Jantung Negara Foundation). The donations QL raise fund treatment costs for poor and needy patients, for their heart surgery and purchase of devices. A more detailed write-up of the IJNF project can be found in the Corporate Social Responsibility report.

### **SJK (C) Yuk Chai School, Kelantan**

As many of you are aware, Kuala Krai school was in one of the worst affected areas during the Kelantan floods of December 2014. Together with our associates Boilermach, we reached out to help this badly affected school to recover from the disaster. A more detailed write-up on this is in the Corporate Social Responsibility report.

### **Appreciation**

My congratulations go to the employees of QL. Every year you surpass your previous efforts. This is an exceptional record of achievement and one that deserves to be highlighted. I wish to thank the senior management team for their careful stewardship of the Group amid comprehensive regional growth activities. And lastly my thanks go to QL's wider community – shareholders, suppliers and partners – for their ongoing faith in the Group's mission.

I hope to see one and all at our next annual general meeting.

**YM Tengku Dato' Zainal Rashid**

**Bin Tengku Mahmood**  
**Chairman**

## GROUP MANAGING DIRECTOR'S REPORT



### Fellow Shareholders,

Financial year 2015 marks a special milestone for QL Resources. This year the Group celebrates 15 years as listed corporation. It is with pleasure that I mark this occasion by announcing another year of growth across the QL group of companies. There have been meaningful challenges: escalating labour costs (due to minimum wage legislation), labour shortages in our plantation sector, weak purchasing power brought on by poor commodity prices and struggling regional economies, not to mention the implementation of GST in our domestic market. Punching through these external challenges in order to maintain our record of uninterrupted growth is a proud moment. More importantly it is an indicator of QL's strong fundamentals.

### Financial Review

QL's revenue grew to RM2.707 billion in financial year 2015, increasing RM250 million, or 10%, from FY2014's figure of RM2.457 billion. Profit before tax (PBT) grew to RM246 million in FY2015, up RM42 million, or 21%, from the RM204 million registered in the previous financial year. Profit after tax (PAT) increased 19% to RM191 million, from last year's figure of RM160 million.

Although I mentioned that regional top and bottom lines should improve in FY2015, the bottom line component continues to elude us. Regional operations delivered an increase in turnover of more than 20%, yet the Group continues to face significant challenges, mainly due to poor egg prices in Vietnam and severe 'Day-Old-Chicks' over production in Indonesia's poultry market, both causing the ILF's regional bottom line to be poor. On the positive side, QL's mature palm acreage has increased in its Indonesia unit, which has helped to trim losses. Fishery operations in Indonesia have also done well, with both sales and profit up more than 40% and 50% respectively.

QL's performance is set against a backdrop of declining economic performances in QL's host nations, including Indonesia and Vietnam. Although Malaysia and Vietnam posted increases in GDP during calendar year 2014, both achieving 6%, Indonesia slowed to 5%. Overall, QL's host nation economies are encountering tougher challenges due to poor commodity prices (including Oil and Crude Palm Oil), weaker currencies as well as weakening purchasing power.

### 15 Years since IPO

Five years ago, we celebrated the 10th anniversary of QL as a listed entity in Bursa Malaysia. On March 2015, it was QL's 15th anniversary. Many important developments and milestones have occurred over the last five years. What follows is a brief snapshot: the commencement of poultry layer operations in Vietnam and Indonesia; the acquisition of a major stake in Boilermech Bhd; our first marine prawn aquaculture project in Kudat, Sabah; the start of construction on a new feed mill in Bekasi, Indonesia; QL Resources was announced as The Edge Billion Ringgit Club 2011 Company of the Year; I was awarded Malaysian Entrepreneur of the Year by Ernst & Young in 2012; and in February of 2015 QL entered into position No.59 in Bursa Malaysia Top 100 Companies by market capitalisation, with a market cap' of over RM5 billion. We believe the steady increase in market capitalisation and PE over the last 5 years can be attributed to the investment communities' continued appreciation of QL's management execution capability, resilient business nature, 3-pronged growth strategy and consistent earnings track record. Despite a challenging regional business environment, I am confident that over the next five years we will continue to demonstrate QL's management strength and strive to deliver continuous earnings growth.

### Operational Review

In QL's Marine Products Manufacturing division, we continue to lengthen our value chain by investing in upstream, mid-stream and down-stream activities. In line with the Malaysian government's National Blue Ocean Strategy (NBOS), and Budget 2015 announcement of accelerating aquaculture activities to help improve the quality of rural lives, QL has developed a comprehensive plan to invest in integrated marine



prawn aquaculture activities over the next 10 years. The first phase involves approximately RM100 million in capital expenditure. RM40 million was allocated for QL's first marine prawn farm in Kudat, Sabah, which began development in 2013. The farm's first contributions to the Group's bottom line began in FY2015. Another RM25 million was allocated to the acquisition of Kembang Subur (KS), a leading prawn hatcheries business in Malaysia, which will further increase upstream hatcheries activities. In prawn down-stream, we will invest RM25 million in constructing a new prawn processing plant in Tuaran, Sabah, and expect completion in December 2015. During the year, we invested another RM10 million to acquire a 900 acre block of land for second phase marine prawn aquaculture in Kota Belud.

In regional fishery operations, our Surabaya unit increased its annual surimi production capacity from 10,000MT to 15,000MT and annual fishmeal production capacity from 10,000MT to 12,000MT. In down-stream activities, a land reclamation project is underway adjacent to QL's processing factory, with a view to manufacture surimi-based products in Indonesia. As I mentioned last year, our downstream project in Kulai, Johore, is currently undergoing construction. We expect phase one of our next 10 years' expansion plan (RM30 million) for this unit to start commercial production by December 2015. The new facilities will enable Figo to expand its range of flour-based frozen food products and capture a larger share of the frozen foods market.

The Indonesian unit of our Integrated Livestock Farming division has recently completed construction of a new feed mill in Bekasi. Once production-ready, the feed mill will have a capacity of 8,000MT per 8-hour shift, (equivalent to approximately 25,000MT of pelletised feed per month). Completion of the feed mill will allow QL to expand its value chain to span animal feed raw material trading, feedmilling, day-old-chick production, commercial broiler farming, broiler processing, and ready-to-eat poultry products. On the domestic front, our new poultry processing plants in Kota Kinabalu and Kuching have been completed and will further add value to our downstream activities.

In our Palm Oil Activities division, mature acreage is increasing each month in the up-stream Indonesian plantation unit. The total planted area as of March 2015 was 9,000 hectares. This unit, which started as a green field project, faced traditional start-up losses in the early years due to heavy rainfall and poor fruit formation issues. With increasing maturity (4 to 7 years maturity profile), our upstream plantation should start to bring in results. Mid-stream crude palm oil milling capacity utilisation has also improved to more than 50%. In down-stream, we continue to invest in biomass clean energy generation and associated engineering activities through our 41% associate Boilermech Bhd.

### **Looking Forward**

In last year's annual report I wrote about the possibility of the El Nino weather phenomenon positively affecting QL's business through reduced feed meal prices and increased fish prices. El Nino failed to materialise in FY2015, but it may yet take effect in FY2016 (at this point of writing). However, QL's consistent and bold investments in upstream and downstream operations are projected to strengthen and widen revenue streams, leaving the company slightly less susceptible to external factors.

Regional operations are a key driver for QL's future growth, despite their muted profit performance in FY2015. We forecast that FY2016's regional turnover should increase by 25%, with strong rebound in earnings from FY2015 level.

Economic growth is projected to slow down further over the course of QL's FY2016. In each of Southeast Asia's five biggest economies – Indonesia, Thailand, Malaysia, the Philippines and Singapore – analysts' average forecasts for earnings per share have fallen. Some of the concern can be attributed to poor oil prices, poor commodity prices, weaker currency and poorer purchasing power, whereas a majority of analysts attribute the outlook to uncertain political climates. Against this backdrop QL is cautiously optimistic of maintaining its growth record, barring unforeseen circumstances.

### **Acknowledgement and Appreciation**

QL Resources is fortunate to have strong, supportive stakeholder community. The first pillar of this community is QL's shareholders, whose loyalty and commitment to the company continues to be nothing short of exceptional. We are also gifted with supportive suppliers, customers and welcoming communities in which we operate. This support provides bedrock for QL's growth and we are ever-appreciative of its strength.

As mentioned earlier, QL has reached a milestone in its growth story: 15 years as a listed corporation. The Group's success during this journey owes much to my fellow directors and heads of operations. Their experience, skills in execution and steady hands have steered QL toward a prosperous future, despite significant external challenges and unfavourable economic conditions. Furthermore, I wish to extend my appreciation to each member of the QL team, upstream and down, in the fields and factories, for their commitment and hard work.

I look forward to seeing as many of you as possible at the upcoming Annual General Meeting.

**Dr Chia Song Kun**  
**Group Managing Director**



# AUDIT COMMITTEE REPORT

## MEMBERSHIP

The present members of the Audit Committee comprise:-

YM Tengku Dato' Zainal Rashid Bin Tengku Mahmood	Chairman/Independent Non-Executive Director
Chieng Ing Huong, Eddy	Member/Independent Non-Executive Director
Tan Bun Poo, Robert	Member/Independent Non-Executive Director
Datuk Wira Jalilah Binti Baba**	Member/Independent Non-Executive Director

\*\* Resigned as member on 22.08.2014

## ATTENDANCE AT MEETINGS

During the financial year, the Committee held a total of five (5) meetings. Details of attendance of the Committee members are as follows:

Name of member	Number of meetings attended
YM Tengku Dato' Zainal Rashid Bin Tengku Mahmood	4/5
Mr. Chieng Ing Huong, Eddy	5/5
Mr. Tan Bun Poo, Robert	5/5
Datuk Wira Jalilah Binti Baba**	1/3

The Managing Director, Finance Director, Group Accountant and Risk Management Manager were present by invitation in all the meetings. The Secretary to the Committee is the Company Secretary.

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The main activities undertaken by the Committee were as follows:

- Reviewed the external auditors' scope of work and the audit plan for the year prior to the commencement of audit.
- Reviewed with the external auditors the results of the audit, the audit report and areas of concern.
- Assessed the external auditors' independence, objectivity, effectiveness and terms of engagement, including taking into consideration the provision of audit and non-audit services by the external auditors before recommending their re-appointment and remuneration.
- Reviewed the adequacy and relevance of scope, functions, competency and resources of Internal Audit and their necessary authority to carry out its work.
- Reviewed the internal audit plan, considered the major findings of the internal Audit Report, which highlighted the risk issues, recommendations and management's response;
- Reviewed quarterly risk summary reports on the Group's top risks and management action plans to manage the risks;
- Reviewed the quarterly unaudited financial result and annual audited financial statements before submission to the Board for consideration and approval;
- Reviewed the related party transactions entered into by the Group.

In the financial year under review, the Audit Committee held two (2) meetings with the External Auditors without the presence of the executive board members and management, to allow the auditors to discuss any issues arising from the audit assignment or any other matter, which the External Auditors wish to highlight.

## **INTERNAL AUDIT FUNCTION**

The Company has outsourced its internal audit function to an independent professional consulting firm and, together with the groups' designated Risk Management Manager, are tasked to provide assurance to the Audit Committee and the Board on the adequacy and effectiveness of the internal control systems and risk management processes in the Company and its subsidiary companies. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices. During the financial year, the major areas of work performed by the Internal Audit are as follows:-

- Reviewed the effectiveness and adequacy of the existing control and procedures and perform compliance testing to ensure that the controls in place are adhered to effectively;
- Issued audit report to the Audit Committee detailing the findings from the systems review and compliance test including recommendations for improvements;
- Identified, understand and managed risk embedded in the processes and activities that could negatively impact the achievement of the Company's objectives;
- Assessed the risk profile of the Group by carrying out risk identification and assessment, including prioritizing the strategic risks, business risks and operational risks; and
- Performed follow up on recommendations for improvement made to ensure that appropriate corrective actions were implemented on a timely basis.

During the financial year, the total cost incurred for the internal audit function is RM200,000.

## **TERMS OF REFERENCE OF AUDIT COMMITTEE**

The Audit Committee is governed by the following terms of reference:

### **1. MEMBERSHIPS**

The Committee shall be appointed by the Board of Directors of the Company from amongst the Board and shall consist of not less than three (3) members, majority of which shall comprise of independent directors. At least one member must be a member of the Malaysian Institute of Accountants or eligible for membership.

In the event of any vacancy in an audit committee resulting in the non compliance with the above, the Board shall, within three (3) months of that event, fill the vacancy.

The members of the Committee shall elect a Chairman from among their members who shall be an Independent Director.

The terms of office and performance of an audit committee and each of its members should be reviewed by the Board at least once a year.

## 2. AUTHORITY

The Committee is authorised by the Board to investigate any activity within its terms of reference. It shall have resources which are required to perform its duties. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. It shall have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Committee shall report to the Board.

The Audit Committee has the authority to investigate any matter within its terms of reference, at the cost of the Company and with the following:

- (a) the resources which are required to perform its duties;
- (b) full and unrestricted access to any information pertaining to the Company;
- (c) direct communication channels with the External Auditors and the Internal Auditors;
- (d) ability to obtain independent professional or other advice; and
- (e) ability to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees of the listed corporation, whenever deemed necessary.

The Internal Auditor shall report directly to the Committee and shall have direct access to the Chairman of the Committee on all matters of control and audit. All proposals by Management regarding the appointment, transfer and removal of the Internal Auditor of the Company shall require prior approval of the Committee. Any inappropriate restrictions on audit scope are to be reported to the Committee.

## 3. FUNCTIONS OF THE COMMITTEE:

- (1) To review the quarterly and annual financial statements of the Company, before the approval of the Board of Directors, focusing particularly on:
  - (a) significant accounting policies and practices;
  - (b) significant adjustments arising from the audits;
  - (c) compliance with accounting standards and other legal requirements; and
  - (d) the going concern assumption.
- (2) To review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (3) To review, on an annual basis, the principal risks identified by Management and the methodology employed in the identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner.
- (4) To ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored.

- (5) To cause reviews to be made of the extent of compliance with established internal policies, standards, plans and procedures.
- (6) To obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the organisation.
- (7) To be satisfied that the strategies, plans, manning and organisation for internal auditing are communicated down through the Company.

Specifically:

- (a) to review the internal audit plans and to be satisfied with their consistency with the results of the risk assessment made, the adequacy of coverage and the audit methodologies employed;
  - (b) to be satisfied that the internal audit function within the Company has the proper resources and authority to enable them to complete their mandates and approved audit plans;
  - (c) to review status reports from internal audit and ensure that appropriate action is taken on the recommendations of the internal audit function. To recommend any broader reviews deemed necessary as a consequence of the issues or concerns identified;
  - (d) to review the effectiveness of the Internal Auditor and to approve the reappointment, termination or replacement of the incumbent and the appointment of any other Internal Auditor;
  - (e) to ensure internal audit has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties; and
  - (f) to request and review any special audit which it deems necessary.
- (8) To consider and recommend the nomination and appointment or re-appointment of External Auditors.
  - (9) To review with the External Auditors the nature and scope of their audit plan, their evaluation of the system of internal controls and report.
  - (10) To review any matters concerning the appointment and reappointment, audit fee and any questions of resignation or dismissal of the External Auditors and Internal Auditors.
  - (11) To review and evaluate factors related to the independence of the External Auditors and assist them in preserving their independence.
  - (12) To review and approve when applicable, significant use of the External Auditors in performing non-audit services within the Group, considering both the types of services rendered and the fees to be paid, such that their independence and objectivity as External Auditors are not compromised.
  - (13) To review the External Auditors' findings arising from audits, particularly any comments and responses in management letters as well as the assistance given by the employees of the Group in order to be satisfied that the level of co-operations given is appropriate.
  - (14) To recommend to the Board steps to improve the system of internal control derived from the findings of the Internal and External Auditors and from the consultations of the Audit Committee itself.
  - (15) To prepare the annual Audit Committee Report to the Board which includes the composition of the Audit Committee, its terms of reference, number of meetings held, a summary of its activities and the existence of an internal audit function and summary of the activities of that function for inclusion in the annual report.

(16) To assist the review of the Board's statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the annual report.

(17) To review the assistance given by the employees of the Company to the External Auditors.

#### **4. ATTENDANCE AT MEETINGS**

The Company must ensure that other Directors and employees attend Audit Committee meeting only at the Audit Committee's invitation and specific to the relevant meeting. At least twice a year the Committee shall meet with the external auditors excluding the attendance of other Directors and employees of the Company and whenever deemed necessary.

The Company Secretary shall be the secretary of the Committee.

#### **5. PROCEDURE OF THE COMMITTEE:**

- (a) The internal and external auditors and members of the Committee may call for the Audit Committee meeting which they deem necessary.
- (b) The notice of such meeting shall be given at least 7 days before the meetings unless such requirement is waived by the members present in the meeting.
- (c) The voting and proceedings of such meetings shall be on show of hands. The Chairman shall have a casting vote.
- (d) The minutes shall be kept by the secretarial department and shall be available for inspection during working hours at the request of the Directors and members.
- (e) The Committee shall cause minutes to be duly entered in books provided for the following purpose:-
  - (i) of all appointments of member
  - (ii) of the names of members and invitees such as others Director, and employees present at all meetings of the Committee;
  - (iii) of all actions, resolutions and proceedings at all meetings of committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting in which case the minutes shall be confirmed as correct by a member or members present at the succeeding meeting who was or were also present at the preceding meeting. Such minutes shall be conclusive evidence without further proof of the facts thereon stated; and
  - (iv) of all other orders.

#### **6. QUORUM**

A majority of members present must be Independent Directors and shall form the quorum of the Committee.

#### **7. FREQUENCY OF MEETINGS**

Meetings shall be held at least every quarter in a calendar year. The external auditor may request a meeting if they consider one necessary.



# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of QL Resources Berhad recognises the importance of adopting high standards of corporate governance throughout the Group as a fundamental part of discharging its roles and responsibilities to protect and enhance shareholders' value and financial performance of the Group.

As such, the Board strives to adopt the substance behind corporate governance prescriptions and not merely the form. The Board is therefore committed to maintain high standards of corporate governance by supporting and implementing the prescriptions of the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 ("MCCG").

## **PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES**

### **Functions of the Board and Management**

The Board is ultimately responsible for establishing all strategies and policies relating to the running of the Company.

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of Senior Management to manage the Company in accordance with the direction and delegations of the Board. The responsibility of the Board to oversee the activities of Management in carrying out these delegated duties.

### **Board's Roles and Responsibilities**

The Company is led by an experienced and dynamic Board. It has a balanced board composition with effective independent directors. The Board plays a pivotal role in the stewardship of the Group and ultimately enhancing shareholders value. To fulfill this role, the Board is responsible for the following:-

- to review and adopt strategic plans, addressing the sustainability of the Group's business;
- to oversee the conduct of the Group's businesses and evaluate whether or not the businesses are being properly managed;
- to identify principal business risks faced by the Group and ensure the implementation of appropriate systems to manage these risks;
- to consider and implement succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing members of the Board and Senior Management;
- to develop and implement an investor relations programme or shareholder communications policy for the Company; and
- to review the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

### **Ethical Standards through a Directors' Code of Conduct**

The Board recognises the importance of establishing a standard of competence for corporate accountability which includes standard of professionalism and trustworthiness in order to uphold good corporate integrity. The Board had adopted a Code of Conduct which is embedded in the Board Charter of the Company.

### **Company's Strategies for Sustainability**

The Board recognises the environmental sustainability role as a corporate citizen in its business approach, and always endeavors in adopting most environmental friendly, ecological and cost effective production process.

The Board also endeavors in developing Group objectives and strategies having regard to the Group's responsibilities to its shareholders, employees, customers and other stakeholders and ensuring the long term stability of the business, succession planning and sustainability of the environment. A corporate social responsibilities statement is also set out on page 45 to 46 of this Annual Report.

**Access to Information and Advice**

A record of submissions, papers and material presented to the Board is maintained and kept by the Company Secretary, together with minutes of meetings, and is accessible to Directors during office hours.

All Directors (Executive and Non-Executive) have the same right of access to information relevant to the furtherance of their duties and responsibilities as Directors of the Company, subject to a formal written request to the Board Chairman furnishing satisfactory and explicit justification for such a request.

In addition, the Directors may obtain independent professional advices, where necessary, at the Group's expenses in furtherance of their duties.

**Company Secretary**

The Board recognises the fact that the Company Secretary should be suitably qualified and capable of carrying out the duties required of the post.

The key role of the Company Secretary is to provide unhindered advice and services for the Directors, as and when the need arises, to enhance the effective functioning of the Board and to ensure regulatory compliance.

**Board Charter**

The Board Charter sets out the roles and responsibilities of the Board and Committees, and the rights, process and procedures of the Board. It is drafted in accordance with the principles and recommendations of MCCG, fundamental requirements of provisions in the Companies Act, 1965, Bursa Listing Requirements, Articles and Association of the Company and other applicable rules and regulations.

The Board had in 2013 formalised a Board Charter and is subject to review periodically. The salient features of the Board Charter is available on the Company's website [www.ql.com.my](http://www.ql.com.my).

**PRINCIPLE 2: STRENGTHEN COMPOSITION**

The Board of Directors delegates specific responsibilities to the respective Committees of the Board namely, the Nominating Committee, the Remuneration Committee, the Audit Committee, the Executive Committee and the Risk Management Committee, all of which have their terms of reference to govern their respective scopes and responsibilities.

**Nominating Committee**

The Nominating Committee was established on 18 February 2002. The Committee consists entirely of Non-Executive Directors, all of whom are independent and chaired by the Board Chairman. The members during the year were:

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

Chieng Ing Huong, Eddy  
- Senior Independent Non-Executive Director

The Nominating Committee oversees matters relating to the nomination of new Directors, annually reviews the required mix of skills, experience, assessment of Independent Directors, reviews succession plans and, boardroom diversity; oversees training courses for Directors and other requisite qualities of Directors, as well as the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director.



The Nominating Committee met three times during the financial year to review and assess on the following:

- terms of reference;
- succession planning and training;
- Directors' Performance;
- Board effectiveness;
- Committees' Evaluation;
- Directors' Skill Set;
- the independence of its Independent Directors;
- training needs of each Directors; and
- induction program for new Director.

#### **Criteria for Recruitment and Annual Assessment of Directors**

For the assessment and selection of Directors, the Nominating Committee shall consider prospective Directors' character, experience, competence, integrity and time availability, as well as the following factors:

- industry skills, knowledge and expertise;
- professionalism;
- diversity;
- contribution and performance; and
- in the case of candidates for the position of Independent Non-Executive Directors, the Board shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected from Independent Non-Executive Directors.

The Board has taken note pertaining to the establishment of policy formalising its approach to boardroom diversity, the Board has no specific policy on setting targets on female candidates to be appointed to the Board. The evaluation of the suitability of candidates is solely based on candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company, including where appropriate, the ability of the candidates to act as Independent Non-Executive Director as the case may be. With the current composition, the Board feels that its members have the necessary knowledge, experience, requisite range of skills and competence to enable them to discharge their duties and responsibilities effectively. All Directors on the Board have gained extensive experience with their many years of experience on company Boards and also as professionals in their respective fields of expertise.

Each year, the Board, through Nominating Committee, reviews the board committee's effectiveness. These assessments can be used to facilitate the Nominating Committee's evaluation of board committees' performance.

The Articles of Association of the Company provide that one third of the Board members are required to retire at every Annual General Meeting and be subjected to re-election by shareholders. Newly appointed directors shall hold office until the next annual general meeting and shall be subjected to re-election by the shareholders. The Articles of Association provided that all Directors shall retire once every three years.

Directors over seventy (70) years of age are required to submit themselves for re-appointment by the shareholders annually in accordance with Section 129(6) of the Companies Act, 1965. The resolution must be passed by a majority of not less than  $\frac{3}{4}$  of such members of the Company present and voting who, being so entitled to do so, vote in person or by proxy at the General Meeting of the Company.

#### **Remuneration Policies and Procedures**

The members of the Remuneration Committee during the year were:

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

Chieng Ing Huong, Eddy  
- Senior Independent Non-Executive Director

Chia Song Kun  
- Group Managing Director

The Remuneration Committee has reviewed and recommended the remuneration framework for Directors as well as the remuneration and benefit packages of Executive Director and Non-Executive Director to the Board.

The Board as a whole determines the remuneration of Non-Executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration. During the financial year, the Remuneration Committee has met 3 times to review the remuneration package of the Directors.

The Remuneration Committee in its recommendation to the Board took into account that the component parts of remuneration should be structured so as to link rewards to corporate and individual performance and contribution to the success of the Company in the case of Executive Directors; and that in the case of Non-Executive directors, the level of remuneration should reflect the experience and level of responsibilities undertaken by the particular Non-Executive director.

The aggregate remuneration of directors of the Company is as follows:

<b>Subject</b>	<b>Executive Directors</b>	<b>Non-Executive Directors</b>
<b>Aggregate Remuneration</b>	<b>RM</b>	<b>RM</b>
● Directors' fees	964,890	314,500
● Salaries	3,377,130	-
● Allowance	19,200	10,500
● Bonuses	5,451,121	-
● Benefits in kind based on an estimated money value	117,270	-
<b>Total</b>	<b>9,929,611</b>	<b>325,000</b>

<b>Band (RM)</b>	<b>No. of Directors</b>	<b>No. of Directors</b>
50,001 – 100,000	-	4
950,001 – 1,000,000	1	-
1,050,001 – 1,100,000	1	-
1,100,001 – 1,150,000	1	-
1,250,001 – 1,300,000	1	-
1,350,001 – 1,400,000	1	-
1,450,001 – 1,500,000	1	-
2,550,001 – 3,000,000	1	-

The Non-Executive Directors are paid attendance allowance of RM500.00 per day for meetings that they have attended.

### PRINCIPLE 3: REINFORCE INDEPENDENCE

#### Annual Assessment of Independent Directors

The existence of Independent Directors on the board by itself does not ensure the exercise of independent and objective judgment as independent judgment can be compromised by, amongst others, familiarity or close relationship with other board members.

Therefore, the Board with assistance from Nominating Committee will undertake to carry out annual assessment of the independence of its Independent Directors and focus beyond the Independent Director's background, economic and family relationships and consider whether the Independent Director can continue to bring independent and objective judgment to board deliberations.

The Nominating Committee had conducted an evaluation of level of independence of the Independent Non-Executive Directors of the Company through the Directors' self evaluation. The Board is satisfied with the level of independence of the Independent Non-Executive Director.

### **Tenure of an Independent Director**

The Board in its Charter had provided that upon completion of nine (9) years, an Independent Director may continue to serve the Board as an Independent Director subject to the assessment of the Nominating Committee, justification by the Board of Directors and approval of the shareholders.

### **Shareholders' Approval for Retaining Independent Director exceeding 9 years service**

The Board will justify and seek shareholders' approval to retain 2 of its Independent Directors who has served in that capacity for more than nine (9) years. The Board have assessed, reviewed and determined that the independence of YM Tengku Dato' Zainal Rashid, who has served on the Board for 15 years and Mr Eddy Chieng, who has served on the Board for 13 years, remain objective and independent based on the following justifications:-

- they have fulfilled the criteria under the definition of Independent Director pursuant to the Main Market Listing Requirements of Bursa Malaysia;
- they have ensured effective check and balance in the proceedings of the Board and the Board Committees;
- they have actively participated in the Board deliberations, provided objectivity in decision making and an independent voice to the Board and contributed in preventing Board domination by any single party;
- they have devoted sufficient time and attention to their responsibilities as an Independent Non-Executive Director of the Company; and
- they have exercised their due care in the interest of the Company and shareholders during their tenure as an Independent Non-Executive Director of the Company.

### **Separation of Positions of Chairman and Group Managing Director ("GMD")**

The positions of Chairman and GMD are held by different individuals and the Chairman is an Independent Non-Executive Director of the Board and there is a clear division of responsibilities of these individuals to ensure a balance of authority and power. Their roles and responsibilities were defined in the Board Charter.

### **Composition of the Board**

As at the date of this statement, the Board consists of ten members; comprising one Independent Non-Executive Chairman, seven Executive Directors and two Independent Non-Executive Directors.

The Board will ensure that its size and composition is optimum and well balanced, which is consistent with the size of the Group and its operation. At least 1/3 of the Board, or two (2) members, whichever higher, shall consist of Independent Non-Executive Directors when the number of directors of the listed issuer is not 3 or a multiple of 3 then the number nearest to 1/3 is used. The Company's Articles of Association allows a minimum of 2 and maximum of 15 Directors.

A brief profile of each Director is presented on pages 16 to 21 of this Annual Report. The Directors have wide ranging experience and all have occupied or currently occupying senior positions both in the public and private sectors. The Board has appointed Mr Eddy Chieng as the Senior Independent Non-Executive Director to whom concerns may be conveyed by shareholders and the public.

**PRINCIPLE 4: FOSTER COMMITMENT****Time Commitment**

During the financial year ended 31 March 2015, the Board met on five (5) occasions and 32 circular resolutions were passed; where it deliberated upon and considered a variety of matters including the Group's financial results, major investments and strategic decisions and the business plan and direction of the Group.

The Board receives documents on matters requiring its consideration prior to and in advance of each meeting to enable them to obtain explanations, where necessary to allow them to effectively discharge their responsibilities. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting.

Details of each existing Director's meeting attendances are as follows:

<b>Name of Director</b>	<b>Designation</b>	<b>Attendance</b>
YM Tengku Dato' Zainal Rashid Bin Tengku Mahmood	Chairman/Independent Non-Executive Director	4/5
Chia Song Kun	Group Managing Director	5/5
Chia Seong Pow	Executive Director	5/5
Chia Seong Fatt	Executive Director	5/5
Chia Song Swa	Executive Director	5/5
Chia Song Kooi	Executive Director	5/5
Chia Mak Hooi	Executive Director	5/5
Cheah Juw Teck	Executive Director	5/5
Chieng Ing Huong, Eddy	Senior Independent Non-Executive Director	5/5
Tan Bun Poo, Robert	Independent Non-Executive Director	5/5
Datuk Wira Jalilah Binti Baba ( <i>Resigned on 22 August 2014</i> )	Independent Non-Executive Director	1/3

Directors shall devote sufficient time to carry out their responsibilities. Directors shall notify the Chairman before accepting any new directorships and the notification shall provide for an indication of time that will be spent on the new appointment.

A Director of the Company or Group shall not hold more than five (5) directorships in listed company or such lesser number as required under MMLR.

**Continuing Education Programmes**

Newly appointed Directors are required to undergo the mandatory accreditation programme under the requirements of Bursa Malaysia. The Board through Nominating Committee shall review the training needs of the Directors annually, each Director is required to attend at least one training per year. Directors are encouraged to attend relevant training courses/seminars at periodic intervals to keep them abreast with development pertaining to the oversight function of Directors as well as updates on technical matters, for example financial reporting standards, tax budgets, etc.

The Training Programmes, Seminar and Briefings attended by Directors during the financial year ended 31 March 2015 are as follows:-

<b>Name</b>	<b>Seminar/Course</b>	<b>Organiser</b>
Chia Song Kun	Leadership Development - Leadership and Management in Perspective  Board Chairman Series: The Role of the Chairman Balance Scorecard Workshop for Integrated Livestock Farming Industry CAP10 ASEAN CEO Summit 2015 - The Rise of the ASEAN Consumer	QL in-house training conducted by DPI Strategic Consultants Sdn. Bhd. Iclif Leadership and Governance Centre & Bursa Malaysia QL in-house training conducted by Fortner Consulting Bursa Malaysia & Maybank
Chia Seong Pow	Leadership Development - Leadership and Management in Perspective  Balance Scorecard Workshop for Integrated Livestock Farming Industry IEC Asia Leadership Forum	QL in-house training conducted by DPI Strategic Consultants Sdn. Bhd. QL in-house training conducted by Fortner Consulting IEC Asia
Chia Seong Fatt	Leadership Development - Leadership and Management in Perspective  Balance Scorecard Workshop for Integrated Livestock Farming Industry Breeder Conference The 9th China International Oils and Oilseeds Conference POC2015 Palm & Lauric Oils Conference - Trade, Hedge & Be Ahead of Markets	QL in-house training conducted by DPI Strategic Consultants Sdn. Bhd. QL in-house training conducted by Fortner Consulting QL in-house training Dalian Commodity Exchange Bursa Malaysia & CME Group
Chia Song Kooi	Leadership Development - Leadership and Management in Perspective  Balance Scorecard Workshop for Integrated Livestock Farming Industry	QL in-house training conducted by DPI Strategic Consultants Sdn. Bhd. QL in-house training conducted by Fortner Consulting
Chia Song Swa	Leadership Development - Leadership and Management in Perspective  Global Agribusiness - Outlook Balance Scorecard Workshop for Integrated Livestock Farming Industry U.S. Distiller Dried Grain (DDGS) in Poultry & Swine Nutrition	QL in-house training conducted by DPI Strategic Consultants Sdn. Bhd. U.S. Grains Council / USSEC / USDA QL in-house training conducted by Fortner Consulting U.S. Grains Council
Chia Mak Hooi	Leadership Development - Leadership and Management in Perspective  Navision GST Workshop  Balance Scorecard Workshop for Integrated Livestock Farming Industry Breeder Conference	QL in-house training conducted by DPI Strategic Consultants Sdn. Bhd. QL in-house training conducted by Deloitte QL in-house training conducted by Fortner Consulting QL in-house training

Name	Seminar/Course	Organiser
Cheah Juw Teck	Leadership Development - Leadership and Management in Perspective	QL in-house training conducted by DPI Strategic Consultants Sdn. Bhd.
	Rethinking Strategy: Has Competitive Advantage Ended?	Bursatra Sdn. Bhd.
	Balance Scorecard Workshop for Integrated Livestock Farming Industry	QL in-house training conducted by Fortner Consulting
YM Tengku Dato' Zainal Rashid Bin Tengku Mahmood	Audit Committee Conference 2015 - Rising to New Challenges	Malaysian Institute of Accountants/ The Institute of Internal Auditors Malaysia
Chieng Ing Huong, Eddy	Board Chairman Series: The Role of the Board Chairman	Bursa Malaysia Berhad
	One Day GST Seminar	The Institute of Chartered Accountants in Australia
	Nominating Committee Programme	Bursa Malaysia Berhad
Tan Bun Poo, Robert	ACI Breakfast Roundtable 2014 Audit Committee Conference 2015 - Rising to New Challenges	Audit Committee Institute Malaysian Institute of Accountants/ The Institute of Internal Auditors Malaysia
Datuk Wira Jalilah Binti Baba <i>(Resigned on 22 August 2014)</i>	Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers	Bursa Malaysia Berhad

## PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

### Compliance with Applicable Financial Reporting Standards

The Board aims to present a balanced and understandable assessment of the Company's and the Group's position and prospects in the various financial reports to the shareholders, investors and regulatory authorities. The assessment is primarily provided in the annual report through the Chairman's and GMD's Statements, the audited financial statements and the quarterly results announcement.

The Audit Committee reviews the integrity and reliability of the quarterly financial statements and audited financial statements prior to recommending to the Board. The GMD, Finance Director, Group Accountant, Risk Manager, external auditors and internal auditors are invited to participate in the Audit Committee Meeting periodically and as and when required.

The Audit Committee also meet with the external auditors without the presence of any Executive Directors and management twice in the financial year 2015 to discuss any matters that the Audit Committee members and the external auditors may wish to discuss.

In presenting the annual financial statements and the quarterly announcements to shareholders, the Board has taken reasonable steps to ensure that the financial statements are true and fair reflection of the Group's position and prospects. This also applies to circulars to shareholders and other documents that are submitted to the authorities and regulators.

Directors' responsibility statement in respect of the preparation of the audited financial statements is set out on page 42 of this Annual Report.

### **Assessment of Suitability and Independence of External Auditors by the Audit Committee**

The Company, through the Audit Committee, has an appropriate and transparent relationship with the external auditors. In the course of audit of the Group's operation, the external auditors have highlighted to the Audit Committee and the Board, matters that requires the Board's attention. The external auditors provide statutory audit function to the Group.

A summary of the activities of the Audit Committee during the year, including the evaluation of the independent audit process, are set out in the Audit Committee Report on pages 26 to 30 of this Annual Report. The Audit Committee has considered the independence of the external auditors and obtained declaration of independence from them during the Audit Committee meeting.

The Audit Committee discusses the nature and scope of audit and reporting obligations with the external auditors before commencement of audit engagement. It is also the practice of the Audit Committee to respond to auditors' enquiries and recommendations, if any, to ensure compliance with the various approved accounting standards in the preparation of the Group's financial statements.

The Audit Committee is empowered by the Board to review all issues in relation to appointment and re-appointment, resignation or dismissal of external auditors. The external auditors have confirmed, at an Audit Committee meeting that, they are, and have been, independent throughout the conduct of audit engagement in accordance with terms of relevant professional and regulatory requirements.

The Audit Committee has established and approved by the Board, a more formal procedures to assess the suitability and independence of the external auditors as well as policy governing the circumstance under which contracts for provision of non-audit services could be entered into by the external auditors.

## **PRINCIPLE 6: RECOGNISE AND MANAGE RISKS**

### **Sound Framework to Manage Risks**

The Board of Directors acknowledges its responsibility for maintaining a sound system of internal control covering not only financial controls but also controls relating to operational, compliance and risk management to safeguard shareholders' investments and the Group's assets. There is an on-going review process by the Board to ensure the adequacy and integrity of the system and according with the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers (the "Internal Control Guidance"). However, the Board recognises that reviewing of the Group's system of internal controls is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing this objective, internal control can only provide reasonable and not absolute assurance against material misstatement or loss.

The Statement on Risk Management and Internal Control furnished on pages 43 to 44 of this Annual Report provides an overview of the state of internal controls within the Group.

### **Internal Audit Function**

The Company has outsourced its internal audit function to an independent professional consulting firm and together with the Group designated Risk Management Manager, are tasked to provide assurance to the Audit Committee and the Board on the adequacy and effectiveness of the internal control systems and risk management processes in the Company and its subsidiary companies. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

A summary of the major areas of work performed by the Internal Audit during the year are set out in the Audit Committee Report on pages 26 to 27 of this Annual Report.

## **PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE**

### **Corporate Disclosure Policies**

In line with increased investor awareness for greater accountability and transparency, the Board has formalised the Corporate Disclosure Policy and procedure which is in line with the requirements of Main Market Listing Requirements of Bursa Malaysia to enable comprehensive, timely and accurate disclosures on the Group to the regulators, shareholders and other stakeholders.

### **Leverage on Information Technology for Effective Dissemination of Information**

The Company uses information technology in communicating with stakeholders, including a dedicated section for Investor Relations on the Company's website [www.ql.com.my](http://www.ql.com.my). This site provides information such as, amongst others, the Company's performance, corporate strategy, Annual Report, various announcements and other matters affecting shareholders' interests.

## **PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS**

### **Shareholders' Participation at General Meeting**

The Annual General Meeting ("AGM") is the principal forum for dialogue between the Company and its shareholders and investors. At the AGM, the Board briefs the shareholders on the status of the Group's businesses and operations. The shareholders are given the opportunity to raise questions on the Group's activities and prospects as well as to communicate their expectations and concerns to the Company. Extraordinary General Meeting is held as and when shareholders' approvals are required on specific matters.

The Board will consider adopting electronic voting to facilitate greater shareholders participation when the facilities for electronic voting mechanism are more prevalent in the future.

### **Poll Voting**

The Board encourages poll voting for substantive resolutions, whilst the ordinary business resolutions are being voted by show of hands. The Chairman does inform the shareholders of their right to demand a poll vote at the commencement of the general meeting.

### **Effective Communication and Proactive Engagements with Shareholders**

The Company recognises the importance of communicating with its shareholders and does this through the Annual Report, AGM and announcements via Bursa Malaysia. The Company has set up a website to enable an active dialogue with its investors and shareholders with the intention of giving investors and shareholders a clear and complete picture of the Company's performance and position as possible. Further, QL's investors relation activities serves as an important communication channel with the shareholders, investors and the investment community, both in Malaysia and internationally.

Additionally, a press conference is held immediately after the AGM where the Group Managing Director advises the press of the resolutions passed, and answers questions on the Group. The Chairman and the Executive Director are also present at the press conference to clarify and explain any issue.



## OTHER INFORMATION

### (a) Recurrent Related Party Transactions (RRPT) of revenue nature

The shareholders of the Company approved the Proposed Renewal of and New Shareholders' Mandate for RRPT of revenue nature during its AGM held on 22 August 2014.

The Company is also seeking shareholders' approval for the new and to renew the Shareholders' Mandate for RRPT in the forthcoming AGM. The details of the RRPT entered into or to be entered by the Company or its subsidiaries with related parties are included in the Circular to Shareholders.

### (b) Share Buy Back

The shareholders of the Company approved the Proposed Renewal of Share Buy Back Authority during its AGM held on 22 August 2014.

The Company is also seeking shareholder approval to renew the Share Buy Back Authority in the forthcoming AGM. The details of the Share Buy Back are included in the Circular to Shareholders.

### (c) Non-audit fee

The amount of non-audit fees charged by external auditors for the financial year ended 31 March 2015 is RM119,000.

The Board has deliberated, reviewed and approved the Corporate Governance Statement on 9 July 2015.

## ADDITIONAL COMPLIANCE INFORMATION

In compliance with Bursa Malaysia Listing Requirements, the following additional information is provided:-

During the financial year under review, there were no:

- i) share buy back exercise;
- ii) American Depository Receipt (ADR) or Global Depository Receipt (GDR) programme sponsored by the Company;
- iii) sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies;
- iv) material variance between the results for the financial year and the unaudited results previously announced;
- v) profit guarantees given by the Company;
- vi) material contracts between the Company and its subsidiaries that involve directors' or major shareholders' interests, except as those disclose on RRPT transactions;
- vii) contract of loans between the Company and its subsidiaries that involve directors' or major shareholders' interests;
- viii) options, warrants or convertible securities exercised.



## STATEMENT OF DIRECTORS' RESPONSIBILITY

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Directors are required by Company Act, 1965 to prepare financial statement for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results of the Group and of the Company for the financial year then ended.

In preparing those financial statements, the Directors have:

- adopted and consistently applied suitable accounting policies;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable financial reporting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared it on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible in ensuring proper accounting records are kept, which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors are also responsible to take such steps to safeguard the assets of the Group and of the Company and hence, the prevention and detection of fraud and other irregularities.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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## **BOARD'S RESPONSIBILITIES**

The Board of Directors acknowledges its responsibility for maintaining a sound system of internal control covering not only financial controls but also controls relating to operational, compliance and risk management to safeguard shareholders' investments and the Group's assets.

There is an on-going review process by the Board to ensure the adequacy and integrity of the control system in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. However, the Board recognises the review of the Group's system of internal controls is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing this objective, internal control can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has received assurance from the Executive Committee that the Group's risk management and internal control system in place and is adequate and operates effectively, in all material aspects.

## **CONTROL ENVIRONMENT**

The key elements of the Group's control environment are summarized as follows:

- **Organisational structure and accountability levels**

Key responsibilities and lines of accountability within the Group are defined, with clear reporting lines up to the Senior Management of the Group and to the Board of Directors of QL Resources Berhad. The Group's delegation of authority sets out the decisions that need to be taken and the appropriate authority levels of Management including matters that require Board approval.

- **Strategic business planning processes**

Business planning and budgeting is undertaken bi-annually, to establish plans and targets against which performance is monitored.

- **Reporting and review**

The Group's management teams carry out the monitoring and reviewing of the financial results and forecasts for all businesses within the Group, including reporting thereon, of performance against the operating plans and annual budgets. The Group's management teams then formulate action plans to address any areas of concern.

- **Control procedures**

Operating companies in the Group set policies and procedures for sales, procurement and cash management processes to establish standard controls and accountabilities. These policies and procedures are revised as needed to meet changing business needs.

## **Internal Audit**

Internal audit function was carried out by an independent professional services firm. Their scope of work is determined and discussed with the Audit Committee including the review of the effectiveness and adequacy of the internal control systems of certain business units during the financial year ended 31 March 2015. The internal audit team highlighted and discussed on a quarterly basis their findings and recommendations for control improvements to the executive and operational management. The audit reports summarized the audit observations of control weaknesses, recommendations for improvement and management responses were presented to the Audit Committee and deliberated with management at the Audit Committee Meetings. The Audit Committee assessed the overall adequacy and effectiveness of the system of internal controls of the Group and reported to the Board of Directors its activities, significant results, findings and the necessary recommendations for changes.

**Risk Management**

The Board have formalised a Risk Management framework that projects the Group's desire to identify, evaluate and manage significant business risks. The Risk Management Committee had carried out its duties in accordance with the Group's Risk Management Policies and Procedures established to safeguard the Group's assets.

The risk management framework enhances risk oversight and facilitates in continuously identifying significant risks of the Group. Instituted controls are consistently applied by the Management to maintain an acceptable level of exposure consistent with the Group's risk management practices.

The Risk Management Committee reviewed the Risk Management plan and reported its activities to the Audit Committee on a quarterly basis, to facilitate the monitoring and assessment of the management performances in achieving the risk management strategies and objectives.

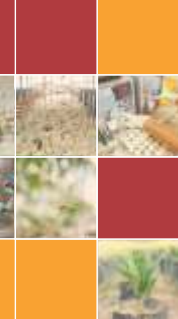
**CONCLUSION**

The Board is of the view that the risk management and internal control systems have been in place for the year under review and up to the date of approval of this statement is adequate and effective to safeguard the shareholders' investment, the Group's assets and the interests of customers, regulators and employees.

There have been no significant breakdowns or weaknesses in the system of internal control of the Group that may result in material losses incurred by the Group for the financial year under review. The Group continues to take the necessary measures to ensure that the system of internal control is in place and functioning effectively.

The Group's system of internal control applies to QL Resources Berhad and its subsidiaries. Associated companies have been excluded because the Group does not have full management and control over them. However, the Group's interest is served through representations on the boards of the respective Associated companies.

This Statement on Risk Management and Internal Control was approved by the Board on 9 July 2015.



## CORPORATE SOCIAL RESPONSIBILITY AT QL

### CORPORATE SOCIAL RESPONSIBILITY REPORT – FY2015

Corporate Social Responsibility has been described as the resulting actions of ethical considerations beyond a corporation's self-interest. This description would put at odds CSR and a corporation's traditional role of revenue-generating. Instead, QL Resources has embedded CSR into its business model. The Group provides employment for underprivileged rural communities, it helps reduce food insecurity by supplying some of the most resource-effective basic foods into the food chain, and it implements strong environmental checks and balances that go significantly beyond mandatory regulations. All of which fuel QL's growth while providing benefits for society.

In short, QL is a pioneer in the ethos of creating shared value, which has been practised since the company was founded in 1987. Uninterrupted year-on-year growth has been achieved by creating value and sharing it among stakeholders: local communities, customers, the environment, employees and shareholders. By operating within the boundaries of this founding ethos, the company generates growth momentum which positively affects the bottom line.

Listed below is a selection of QL's key CSR activities, set into Bursa Malaysia's four pillars of CSR: Environment, Community, Workplace and Marketplace.

#### ENVIRONMENT

We are proud of QL's track record for installing environmental control mechanisms across many of its upstream operational sites. One such mechanism is the Chicken Manure Biogas Renewable Energy plant. Workers at QL's chicken layer farm in Pajam collect chicken droppings, rather than disposing of them the traditional and low-cost way, which is bad for the environment and local communities. The droppings are then processed through a biogas plant; an anaerobic digestion process takes place in air-tight digester tanks, which eliminates any odour emissions associated with chicken manure fermentation. The fermented biogas produced is scrubbed and piped to gas engines for power generation.

The digestate from the biogas plant is dewatered and then processed into organic fertiliser, while the liquid portion is treated through a reed bed system so that the water can be recycled. The Pajam plant generates up to 1MW of clean-energy electrical power using the system, while surrounding communities are much less exposed to the usual manure odours associated with chicken farms.

#### COMMUNITY

The impoverished background of QL's founders is widely known. Having been born into poor fishing villages, they have a first-hand appreciation for the tough conditions fishermen experience, at sea and on land. Fishermen have traditionally operated at, or below, the poverty line, a fact that the founders sought to remedy. Their response was to devise the Fishermen's Financial Assistance programme, which delivers interest-free capital to fishermen to buy new vessels and upgrade existing equipment. To ensure the programme's long term sustainability, QL asks for first refusal of catch – at market prices – which enables the company to source a consistent, top-quality supply of seafood. This programme has become a lifeline for fishing communities, which are often seen as too high-risk for traditional capital lending institutions.

The Fishermen's Financial Assistance (FFA) programme has directly benefited the fishing communities where QL has rolled it out. Bigger boats and better equipment lead to greater yields and increased revenue for fishermen. Trawlers fish further out to sea, where larger, more valuable fish are caught. Associated businesses such as boat building benefit from the FFA, as the knock-on economic effects pump capital into the community. At any one time QL has a thousand fishermen taking part in the programme, and to date the book value exceeds RM40 million.

#### RECENT COMMUNITY EVENT

Severe floods in 2014-2015 on Malaysia's east coast – described as the worst in two decades - left many buildings, including schools, badly damaged. One school in particular - SJK (C) Yuk Chai – in Kuala Kerai, Kelantan, was left with very few resources to recover from the flood damage. In fact it was among the worst hit schools in Kelantan.

Together, QL and Boilermach Bhd (QL's associate) carried out various recovery efforts to get the school back on its feet by rewiring the ground floor of the school building and installing new lighting and fans for classrooms on the ground floor. All in all, the restoration involved 10 classrooms, two computer rooms, Parent-Teacher Association (PTA) book store, PTA room, students activities room, counselling and information room, table tennis room, prayer room, living skills room, three store rooms and toilets in three blocks. These combined efforts are estimated to be worth approximately RM150,000.

### WORKPLACE

To-date, QL has invested more than RM15 million into a plantation worker community development project in Tarakan, Eastern Kalimantan, Indonesia. The project involves constructing a self-sufficient village, complete with community infrastructure, for over 1,500 plantation workers and their families. Many structures have already been erected, including suraus, chapels, clinics, child care centres, primary and secondary schools and workers' quarters. We believe our efforts vastly improve the quality of life of plantation workers in the region and we hope it will provide education opportunities for future generations.



### MARKET PLACE

QL Resources has surpassed RM5 billion in market capitalisation, yet its share of the consumer foods market is still relatively small. Raising awareness of the company's many food brands and marketing products to a public that increasingly cares about nutrition and nutritional foods is a priority for the Group. Partnering with Institut Jantung Negara Foundation (IJNF) helped us work toward this objective while benefiting a very worthwhile organisation.



In October 2014, QL became a Gold Partner of IJNF, pledging to donate RM0.50 from every pack sold of specially branded QL Omega and QL Deli Fresh eggs.

The proceeds raised from this partnership fund treatment costs for poor and needy patients, for their heart surgery and purchase of devices. QL will continue supporting IJNF over the next two years with a total donation value of RM75,000 per year.