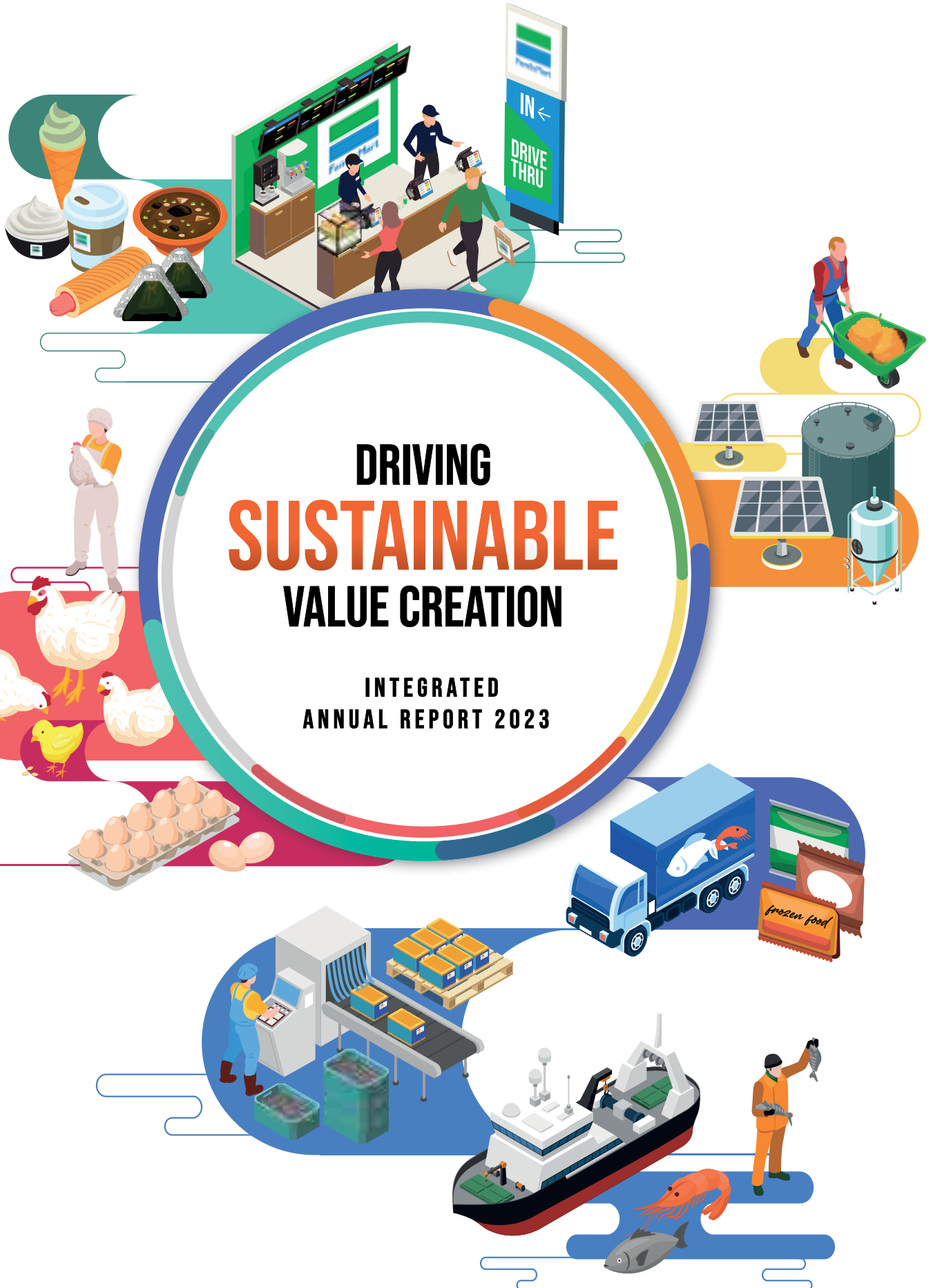




全利資源有限公司
Resources Berhad



**DRIVING
SUSTAINABLE
VALUE CREATION**

**INTEGRATED
ANNUAL REPORT 2023**

WHAT'S INSIDE

VISION To be the preferred global agro-based enterprise.

MISSION Create nourishing products from agro resources, leading to benefit for all parties.

OUR CORE VALUES

- Personality**
- Progressive
 - Trustworthy
 - Initiative
 - Humility

- Values**
- Integrity
 - Win-Win
 - Teamwork
 - Innovative



Cover Rationale

QL achieved satisfactory results with strong profit growth in business divisions. Meanwhile, we continued to optimise our business model to accelerate business development and to sustain solid growth. As a result, we enhanced the enterprise value of QL in 2023.

During the year, we increased the Group's revenue, implemented effective cost control and improved capital structure. Taking these measures, we expanded our business portfolio, further consolidated our leading position in the industry, and strengthened our profitability to enhance shareholder returns and to maximise enterprise value.

Feature

26th Annual General Meeting

Saujana Ballroom, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan



Wednesday, 30 August 2023

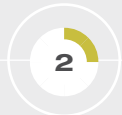
10:00 a.m.

SECTION

1	2	3	4	5	6	7	8
About This Report	QL At A Glance	Chairman's Statement	Management Discussion And Analysis	Sustainability Statement	Leadership & Governance	Financial Statements	Appendices
Page 2	Pages 3 - 7	Pages 8 - 11	Pages 12 - 27	Pages 28 - 76	Pages 77 - 111	Pages 112 - 228	Pages 229 - 246



2 About This Report



3 Principal Activities
4 2023 Key Highlights
6 Our Presence



8 Chairman's Statement



12 Group Managing Director's Review
14 Strategy
16 Value Creation Business Model
18 Business Review
26 Group Outlook



28 Overview & FY2023 Sustainability Highlights
32 Stakeholder Engagement
33 Materiality Assessment
36 Environmental Responsibility
43 Social Responsibility
66 Governance Responsibility



77 Corporate Information
78 Profile of Board of Directors
93 Key Senior Management
94 Corporate Governance Overview Statement
103 Audit Committee Report
106 Statement on Risk Management and Internal Control
110 Additional Compliance Information
111 Statement of Directors' Responsibility



113 Directors' Report
119 Statements of Financial Position
121 Statements of Profit or Loss and Other Comprehensive Income
122 Consolidated Statement of Changes in Equity
124 Statement of Changes in Equity
125 Statements of Cash Flows
129 Notes to the Financial Statements
223 Statement by Directors
224 Statutory Declaration
225 Independent Auditors' Report



229 List of Properties
231 Shareholders' Analysis Report
234 Disclosure on Recurrent Related Party Transactions
238 Notice of Annual General Meeting Form of Proxy

Navigation Icon

CAPITALS

- NC** Natural
- MC** Manufactured
- IC** Intellectual
- HC** Human
- SC** Social
- FC** Financial

OUR GROWTH STRATEGY

- Regional Replication
- Downstream Integration
- Integrating Technology
- Empowering Talents
- Strengthening Value Chain
- Sustainably Enhancing Performance
- Enhance Branding & Product Innovation

STAKEHOLDERS

- Customers
- Community
- Employees
- Media
- Vendors and suppliers
- Regulators and NGOs
- Investors and shareholders

ABOUT THIS REPORT



QL Resources Berhad (QL) developed this Integrated Annual Report for the financial year ended 31 March 2023 (FY2023) to meet stakeholders' disclosure requirements and provide insights into the company's value creation process. We recognise the importance of consistent and effective stakeholder engagement in a transparent manner towards strengthening and retaining trust. This report details the company's value creation process, demonstrating how we generate and share value while minimising erosion. This report is the outcome of QL's reporting approach as governed by the Board.

Reporting Philosophy and Principles

The report includes essential information on QL's strategy for generating value in the short, medium, and long term, as well as its business model, operating environment, risks, opportunities, stakeholder concerns, performance, and prospects. It presents QL's past, present, and anticipated performance in a coherent manner to illustrate the company's operating environment and execution of strategy.

QL's financial statements are prepared in accordance to the Malaysian Financial Reporting Standards (MFRS) and are independently audited.

Reporting Framework and Guidance

- Main Market Listing Requirements of Bursa Malaysia Securities Berhad
- Malaysian Code on Corporate Governance 2021
- International Integrated Reporting Council International <IR> Framework
- Companies Act 2016
- Malaysian Financial Reporting Standards
- International Financial Reporting Standards
- Global Reporting Initiative (GRI) Standards

Assurance

- Internal control and management assurance
- Internal audit and compliance
- External audit by KPMG PLT on financial statements

Reporting Scope and Boundaries

The strategic plans for QL are outlined in this Integrated Annual Report, along with the quantitative and qualitative results of the company's operations from 1 April 2022 to 31 March 2023. This encompasses all QL subsidiaries' financial and non-financial accomplishments, unless stated otherwise.

The sustainability impact of QL's activities and how sustainability considerations affect QL's stakeholders are disclosed where practicable. Further reading about our sustainability practices are on pages 28 - 76.

Forward-Looking Statements

This Integrated Annual Report contains forward-looking statements, which by their very nature are subject to change. This includes projections made about the future at the material time of preparing this report, which could significantly change due to dynamic emergence of new risks and similar factors. These statements should not be taken as guarantees or predictions of QL's future performance. Readers of this report are urged not to place undue reliance on forward-looking statements and the assertions made as actual outcomes and performance may differ from those expressed in this report.

Material Matters

Matters that can substantially impact QL's capacity to generate value is disclosed in this report. Continuous engagement with internal and external stakeholders is the basis in identifying key material matters. Our Material Matters and Materiality Assessment procedure can be read on pages 33 - 35.

Approval by the Board

The Board recognises its role in ensuring this report's integrity. To our knowledge, this report fairly presents QL's integrated performance and reflects material issues that impact QL's ability to create, preserve, or erode value.

The Board affirms that this report was prepared to the best of our capability, in accordance with the International <IR> Framework. The report was approved on 10 July 2023.

Dr. Chia Song Kun
Executive Chairman

Mr. Chia Song Kooi
Group Managing Director

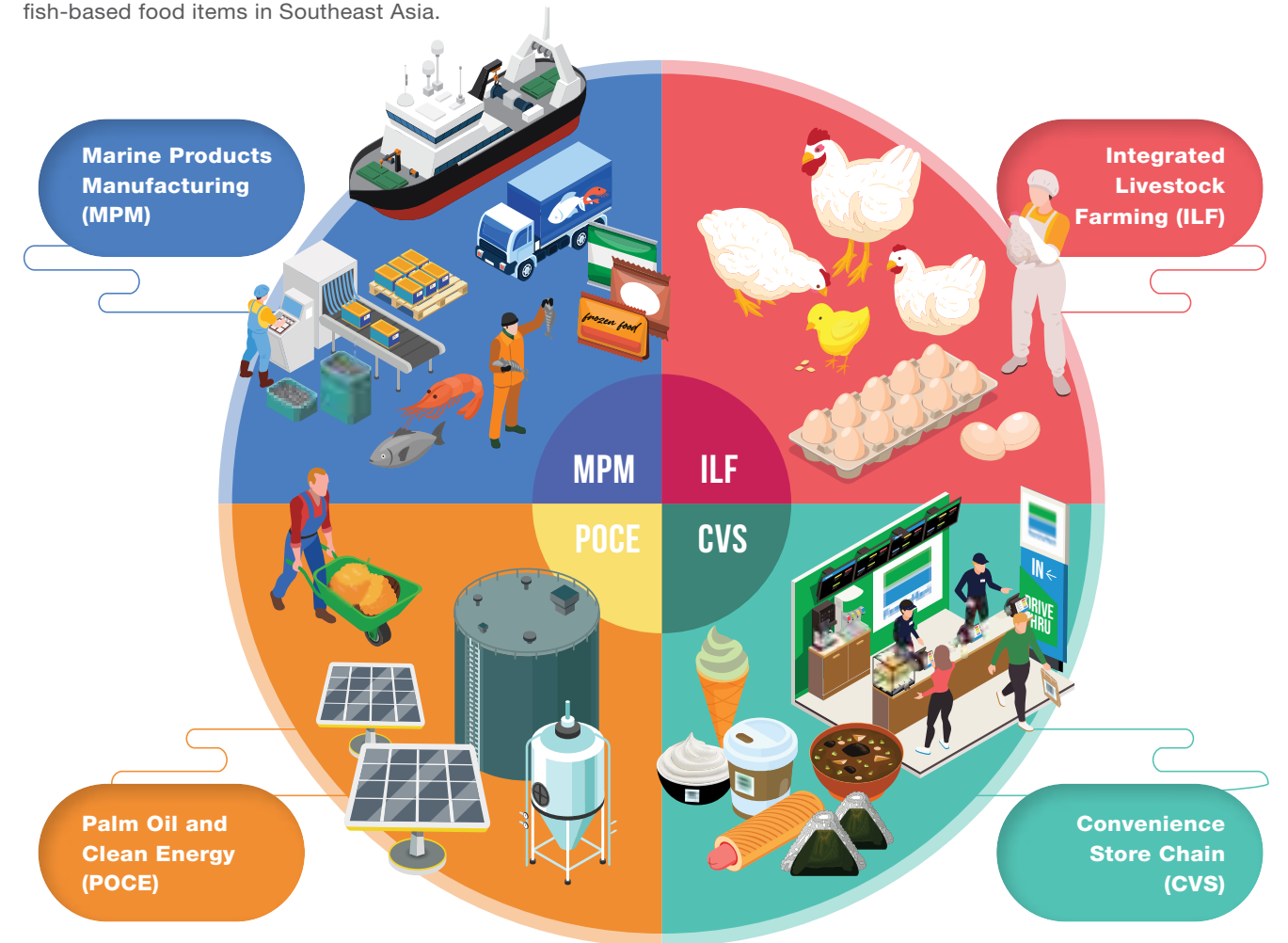
PRINCIPAL ACTIVITIES

QL produces nutritious sources of protein from agro resources to feed a growing population. This is done through a scalable and resource-efficient value chain that is sustainable both operationally and economically. Our operations in Malaysia, Indonesia, and Vietnam are internationally certified, allowing us to market our products globally, as well as cater to local consumers.

Our value chains are streamlined into four complementary business pillars, which are characterised by interconnectedness and synergy.

MPM produces quality, convenient and nourishing marine-based products. This is done through its value chain of upstream-to-downstream activities, from aquaculture, deep-sea fishing, value-added processing and fishmeal, manufacture of surimi and surimi-based products to ready-to-cook food. QL is recognised as a market leader in Malaysia, being the largest producer of surimi and halal fish-based food items in Southeast Asia.

The ILF business pillar produces high-quality, nutritious, affordable sources of protein for consumers. From the trading of feed and raw materials, feed milling, layer farming, and broiler integration, ILF activities span the full value chain. QL maintains strict biosecurity measures and optimal farming conditions to ensure sustainable farm operations.



QL provides environmental solutions including bioenergy, renewable energy, and water treatment to help businesses meet the increasing environmental, social, and governance (ESG) needs. This pillar also includes operations in the palm oil value chain, provision of milling-as-a-service for smallholders and management of 16,000 hectares of palm oil estate.

The FamilyMart convenience store direct-to-consumer channel provides wholesome, ready-to-eat and easily prepared meals suitable for modern lifestyles. Built on the *konbini* concept, it extends QL's range of food production and distribution. The FamilyMart offering has expanded to include smart kiosks called FamilyMart Mini, "Food Superstore" concept stores, as well as FamiCafé.



2023 KEY HIGHLIGHTS



1.20 billion
STANDARD PROTEIN
SERVINGS PRODUCED



RM6.24
billion
REVENUE



ASEAN CORPORATE
GOVERNANCE
SCORECARD
**ASEAN
Asset
Class
Award**
RECIPIENT IN
DECEMBER 2022



IMPROVED
TO
“**BBB**”
MSCI ESG
RATING



RM14.14
billion MARKET CAP



IMPROVED TO
3-star
ESG GRADING BAND PER
FTSE RUSSEL ESG RATINGS
METHODOLOGY



RM170.36
million
TOTAL DIVIDEND
PAYOUT



INSTALLED
RE SOLUTIONS FOR
337
BUSINESSES



1,145
HALAL CERTIFIED
PRODUCTS



19.50
million
MEALS PRODUCED



924
FISHERMEN
ASSISTED IN
FY2023



EXPORT TO
MORE THAN
10 COUNTRIES



>30
OPERATING
ENTITIES



25,153.67
TCO₂E AVOIDED



RM480.83
million
PBT



EMPLOYED
14,602
PEOPLE



OVER **10**
ACCEPTED AND
TRUSTED BRANDS

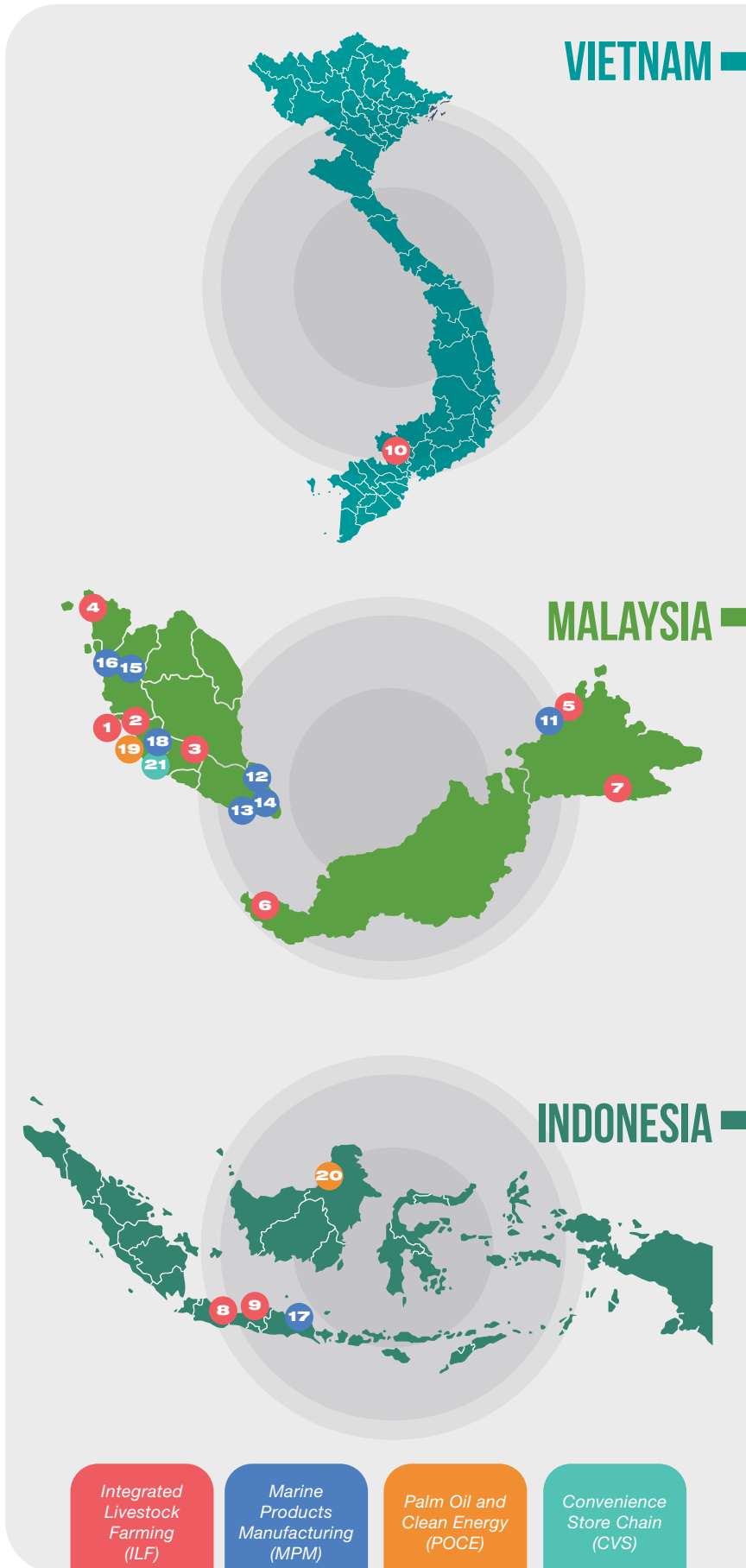


3,000
MANGROVE
SEEDLINGS
PLANTED SINCE 2022



RM346.82
million
PATAMI

OUR PRESENCE



VIETNAM

MALAYSIA

INDONESIA

- Integrated Livestock Farming (ILF)
- Marine Products Manufacturing (MPM)
- Palm Oil and Clean Energy (POCE)
- Convenience Store Chain (CVS)

QL SUBSIDIARIES

1
QL RESOURCES BERHAD
QL FEEDINGSTUFFS SDN. BHD.
QL FEED SDN. BHD.
QL INTERNATIONAL PTE. LTD.
 No. 16A, Jalan Astaka U8/83,
 Bukit Jelutong,
 40150 Shah Alam, Selangor.
 Tel : +603 7801 2288
 Fax : +603 7801 2222
 URL : www.ql.com.my

2
PACIFIC VET GROUP (M) SDN. BHD.
QL PACIFIC VET GROUP SDN. BHD.
 No. 886-C8, Jalan Subang 9,
 Taman Perindustrian Subang,
 47600 Subang Jaya, Selangor.
 Tel : +603 8024 9508
 Fax : +603 8024 9634
 Email : pvgmal@pacificvet.com.my

3
QL POULTRY FARMS SDN. BHD.
 Lot 1338/5, Pajam,
 71700 Mantin,
 Negeri Sembilan.
 Tel : +606 758 7377
 Fax : +606 758 7385
 URL : www.qlleggs.com

4
QL ANSAN POULTRY FARM SDN. BHD.
 Lot 2051, 2053, 2054,
 MK Sidam Kanan, Kg. Paya Union,
 09400, Padang Serai, Kedah.
 Tel : +604 403 2526
 Fax : +604 403 4534

5
QL AGROFOOD SDN. BHD.
QL AGROVENTURES SDN. BHD.
 P.O.Box A158, Inanam,
 88857 Kota Kinabalu, Sabah.
 Tel : +6088 422 604
 Fax : +6088 421 943

6
QL AGRORESOURCES SDN. BHD.
QL LIVESTOCK FARMING SDN. BHD.
 Tingkat 1, Sublot 2490 Fortune Land,
 Jalan Rock, 93250 Kuching, Sarawak.
 Tel : +6082 252 760
 Fax : +6082 410 646

7
QL FARMS SDN. BHD.
QL BREEDER FARM SDN. BHD.
QL TAWAU FEEDMILL SDN. BHD.
QL AGROBIO SDN. BHD.
QL OIL SDN. BHD.
QL BIOENERGY SDN. BHD.
QL PLANTATION SDN. BHD.
QL TAWAU BIOGAS SDN. BHD.
 TB 50 & 51, Mile 5, Apas Road,
 91000 Tawau, Sabah. OR
 P.O.Box 61651,
 91026 Tawau, Sabah.
 Tel : +6089 917 711/
 +6089 917 722/
 +6089 917 733
 Fax : +6089 912 045/
 +6089 913 482
 Email : qltawauhq@ql.com.my

8
PT QL TRIMITRA
 Jl. Sindanglaya, No. 100 Cipanas,
 Cianjur 43253, West Jawa,
 Indonesia.
 Tel : +62 263 515 100
 Fax : +62 263 519 966

9
PT QL FEED INDONESIA
PT QL AGROFOOD
 Jl. Pangkalan VI RT. 03/RW,
 06 Kel. Ciketingudik, Kec.
 Bantargebang, Bekasi, Jawa Barat,
 17153 Indonesia.
 Tel : +62 21 2296 7444
 Fax : +62 21 3396 7437

10
QL VIETNAM AGRORESOURCES LIABILITY LIMITED CO.
QL FEEDINGSTUFFS VIETNAM LIMITED LIABILITY CO.
QL FARMS (TAY NINH) LIABILITY LIMITED CO.
 18 Cong Hoa, Ward 4,
 Tan Binh District, Ho Chi Minh City
 (Warehouse No.6), Vietnam.
 Tel : +84 28384 25131/
 +84 28384 28435/
 +84 28384 28437
 Fax : +84 28384 28434
 URL : www.qlvietnam.com.vn

11
QL MARINE PRODUCTS SDN. BHD.
QL AQUAMARINE SDN. BHD.
QL FRESH CHOICE SEAFOOD SDN. BHD.
QL DEEP SEA FISHING SDN. BHD.
 P.O.Box 502, 89208 Tuaran, Sabah.
 Tel : +6088 791 833/
 +6088 791 866
 Fax : +6088 791 822/
 +6088 787 166
 URL : www.qlmarine.com.my

12
QL ENDAU MARINE PRODUCTS SDN. BHD.
QL ENDAU DEEP SEA FISHING SDN. BHD.
QL ENDAU FISHMEAL SDN. BHD.
RIKAWAWASAN SDN. BHD.
 No. 11, Jalan Merlimau,
 86900 Endau, Johor.
 Tel : +607 794 3814/
 +607 794 4087
 Fax : +607 794 4088
 URL : www.qlendau.com.my

13
QL FIGO (JOHOR) SDN. BHD.
HQ QUARTER:
 Lot 3627, Jalan Harmoni 1,
 Taman Harmoni,
 81000 Kulai, Johor.
 Tel : +607 663 7388
 Fax : +607 663 7366

14
QL LIAN HOE SDN. BHD.
 No. 4, Jalan Penaga 9,
 Kawasan Perindustrian Kata Putri,
 81750 Masai, Johor Bahru.
 Tel : +607 387 5745/
 +607 387 5700
 Fax : +607 386 1629
 Email : sales@lian-hoefood.com.my
 URL : www.lian-hoefood.com.my

15
QL FOODS SDN. BHD.
 Lot 9120 & 9121, Jalan Tepi Sungai,
 36400 Hutan Melintang, Perak.
 Tel : +605 641 5805/
 +605 641 7954
 Fax : +605 641 2257
 URL : www.qlfoods.com

16
QL FISHMEAL SDN. BHD.
 Lot 164, 3314 & 2647,
 Jalan Tepi Sungai,
 36400 Hutan Melintang, Perak.
 Tel : +605 641 2752
 Fax : +605 641 1042

17
PT QL HASIL LAUT
 Jl. Raya Deansdles KM.81.25,
 Desa Sedayulawas,
 Kecamatan Brondong-Kabupaten,
 Lamongan 62263, Jatim-Indonesia.
 Tel : +62 322 662 828
 Fax : +62 322 663 222

18
KEMBANG SUBUR SDN. BHD.
 58-1, Jalan Temenggung 13/9,
 Bandar Mahkota Cheras,
 43200 Cheras, Selangor
 Tel : +603 9011 9635/8935
 Fax : +603 9011 9935
 Email : info@kembangsubur.com.my

19
BOILERMECH HOLDINGS BERHAD
HEAD OFFICE:
 Lot 875, Jalan Subang 8,
 Taman Perindustrian Subang,
 47620 Subang Jaya,
 Selangor Darul Ehsan.
 Tel : +603 8023 9137
 Fax : +603 8023 2127
 URL : www.boilermech.com

20
PT PIPIT MUTIARA INDAH
 Jl. Slamet Riady RT, 26/123,
 Tarakan, Kalimantan Utara.
 Tel : +62 551 24 328
 Fax : +62 551 32 667

21
QL MAXINCOME SDN. BHD.
QL KITCHEN SDN. BHD.
 No. 16A, Jalan Astaka U8/83,
 Bukit Jelutong,
 40150 Shah Alam, Selangor.
 Tel : +603 7801 2288
 Fax : +603 7801 2222
 URL : www.ql.com.my

CHAIRMAN'S STATEMENT

DR. CHIA SONG KUN

Executive Chairman

Dear Valued Shareholders,

QL OPERATES FOUR BUSINESS PILLARS WITH CROSS LINKAGES THAT CREATE VALUE FOR STAKEHOLDERS SUSTAINABLY. THIS IS OUR THIRD INTEGRATED ANNUAL REPORT, IN WHICH WE ENDEAVOUR TO PROVIDE MORE MEANINGFUL AND TRANSPARENT DISCLOSURE ON HOW QL USES RESOURCES TO CREATE OR PRESERVE VALUE OVER TIME. WE TAKE LEAD FROM DEVELOPMENTS THAT GUIDE ON BETTER COMMUNICATION FOR ENVIRONMENTAL, ECONOMIC AND SOCIAL IMPACT.

The post-pandemic economy in our financial year of 1 April 2022 to 31 March 2023 (FY2023) was marked by significant events which presented as many opportunities as it did challenges.



The conflict between Russia and Ukraine which started in February 2022 had sent reverberations through the global economy, driving energy prices and food input cost upwards. The shock in agricultural prices impacted food prices and food security. Together with the lever on interest rates being pushed up to counter inflation and the unexpected laggard reopening of China, it was a year that economists called extraordinary and a year of uncertainty.

Businesses that were prepared, able to change and adapt well, survived and some even thrived. We are pleased that QL is in the right business of producing food from agro resources, managed with solid strategy executed with prudence. This steadfast mission has enabled us to deliver on our commitment of creating value for all.

While input costs remained high across QL's principal activities for the majority of FY2023, reprieve came when oil prices cooled, and the high commodity prices receded from its peak in June 2022, albeit remaining significantly higher than 2015-2019 average levels. At the same time, agricultural price pressures saw respite as the Black Sea Grain Initiative, better harvests and lower energy prices in the second half of the financial year helped stabilise agricultural commodity prices from its early-2022 peaks.

The persistence and keeping course in investment during the tough pandemic years bore fruit as it enabled QL to capitalise on the opportunities in an overall imbalanced market.

We stepped up our risk management and governance as QL pursues our short-term objectives and long-term goals. Resources are allocated in line with our strategy encompassing strategic business growth and strengthening core competencies. The 4C approach remained our opportunities evaluation anchor.



STRATEGIC FOCUS

Making progress towards our vision of being the preferred global agro-based enterprise requires sound business strategy and the ability and capability to act on it.

Our 4C approach comprising Conserve, Continue, Core Focus and Cultivate helps QL evaluate opportunities and identify resources required to strengthen our businesses.

The pandemic and events around the world have changed customer behaviour. As a business that aims to meet a critical need of nutritious and affordable food, QL keeps a finger on the pulse of happenings. Continuous product innovation is complemented by our value chain integration with scalable businesses that enables us to extend downstream into convenient ready-to-cook food and CVS. QL is focusing on expanding our value-added food processing capability and capacity to feed an increasingly growing population, which crossed the eight billionth mark this year.

Enlarging our direct-to-customer network through CVS i.e. FamilyMart has enabled this business to become a growth catalyst for QL. Applying *kaizen* for continuous improvement and diverse points-of-sale in CVS will power our next phase of growth.

The strong brand recall of FamilyMart has boosted visibility. In this same vein, QL is also enhancing the brand presence of MPM products and eggs, while expanding sales channels. We have added Enhance Branding & Product Innovation into the Strengthening of Core Competencies component of our strategy.

Sustainability is central to our business and our Board has attended various environmental, social and governance (ESG) trainings. We continuously

enhance the incorporation of sustainability concerns into our overall strategy, risk management practices and operations to manage and monitor our economic, environmental, and social impact. We pay close attention to how we deploy capitals to derive lasting value for stakeholders.

Walking the talk on sustainability, we increased the use of renewable energy and climate solutions in our business. With the experience gained, we extended similar clean energy and water solutions to help other businesses in their environmental agenda. Doing right by nature became a business philosophy that holds potential for QL. It sits well in the Sustainably Enhancing Performance thrust of our strategy.

Progressively, QL is working towards setting targets for our material matters such as Occupational Health & Safety while intensifying focus on food safety and quality; we are in the midst of engaging an external, certified consultant to guide us. We are committed to embracing the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations.

Thought is the wind, knowledge the sail, and mankind the vessel; strategies will remain as such without understanding and execution. Data-driven management and an improvement-focused mindset become cogs in the wheel for change to happen from within. Supporting this is greater technology integration and automation across our business pillars.

With a top-down and hands-on commitment, our Board takes lead in the strategic initiatives and ensures that the implementation and progress are monitored and managed. These are then communicated to internal and external stakeholders.

Financial Performance

Guided by our strategy, QL delivered another year of uninterrupted revenue growth for the financial year ended 31 March 2023, recording a year-on-year (YoY) growth of 19.2% to RM6.24 billion, attributable to normalised demand and higher unit selling price.

Profit before tax (PBT) increased in tandem with revenue growth, rising 49.7% to RM480.83 million as margins normalised after dipping last year. The efforts in improving productivity and efficiency, as well as cost subsidy helped in this regard. We invested in areas such as product innovation, information technology systems, employee development and branding to deliver a turnaround performance.

Value Creation Performance

QL is driven by our mission to create nourishing products from agro resources. To this end, our focus on creating value to benefit all received additional acknowledgement in December 2022 when QL was inducted into the FTSE Bursa Malaysia KLCI Index Constituent. Importantly, we also maintained our position in the MSCI Global Index.

We also made a significant step forward in our sustainability journey as our ESG Grading Band rating has improved to three-star in accordance with FTSE Russell ESG Ratings Methodology. At the same time, our MSCI ESG rating moved upwards to BBB while S&P Global ESG Score continued to show progress. The advancements in our ESG rating scores are a testament to our sustainability efforts across our business pillars.

- 17.2% GHG intensity reduction against base year FY2020 (32.3 tCO₂e/RM Mil Revenue)**
- 1,145 (+57.5%) halal certified products (largely due to commission of the second central kitchen of FamilyMart)**
- 10 certifications for food safety and quality**
- 15 average training hours per employee (Total employees: ~14,600)**
- 3,433 QL suppliers signed Code of Conduct**

More detailed reading of our sustainability efforts can be found on pages 28 - 76.

QL's market capitalisation increased 15.7% from RM12.22 billion to RM14.14 billion as at 31 March 2023, outperforming the FBM KLCI performance which slid 11.2%. Living up to our name, Quan Li and philosophy of sharing value with all, QL has proposed a final single tier interim dividend of 3.50 sen per share to be approved by shareholders at our upcoming Annual General Meeting. This is in addition to the 3.50 sen per share dividend paid on 29 March 2023. Upon approval, the total dividend payout would amount to RM170.36 million, representing a 49.1% payout ratio, the highest payout to-date.

CORPORATE GOVERNANCE

QL is built on integrity. Our word is our bond; we do what we say. There is a zero-tolerance stance on bribery and corruption.

The Board sets the direction for QL, with our core values of win-win, innovation, integrity and teamwork as the cornerstone. This is enhanced by the personality and culture that have been nurtured throughout the operations.

Regular evaluations of the skills, competencies, and qualifications of the Board and management assure that the interests of stakeholders are upheld. Responsibilities are assigned based on respective scopes governed by terms of reference. This streamlined approach supports QL in paying close attention to identified key metrics to enable us in making good on our mission and purpose. In this spirit, the Board committees were restructured to more efficiently carry out its respective ambit based on members' expertise.

To ensure suitability of appointed or elected directors, we formalised our Directors' Fit and Proper Policy, in accordance with Bursa Malaysia's requirements beginning 1 July 2022. This policy can be read from our website.

Our Board comprises six executive directors and seven independent non-executive directors, of which five are women. This translates to 39% female representation, above the 30% mandate.

In our annual review with reference to the Malaysian Code on Corporate Governance (MCCG), I am pleased to share that we have made progress and now apply 43 out of the total 48 MCCG recommendations compared to last year. Remaining deviances and measures to address them are explained in our CG Report, available for reading at <https://ql.com.my/corporate-governance/>.

The Board has also engaged independent experts to conduct an externally facilitated evaluation of the Board's effectiveness which is scheduled for completion in FY2024.

More details about our CG practices can be read on pages 94 - 102.

PROSPECTS

The uncertain global economy is anticipated to linger. The drawn-out Russia-Ukraine geopolitical conflict continues to cast a long shadow on the world economy in particular on energy and agriculture-related goods.

Input prices are expected to remain high in light of sustained inflation and increasingly extreme weather, which affects agricultural productivity.

The situation experienced thus far shows the importance of food security and producing food locally. Food is a fundamental physiological need as highlighted by Maslow.

As a food producer, delivering nutritious food, in particular affordable protein for the masses is a matter of national duty. QL shoulders this role by ensuring our operations are efficient and sustainable regardless of economic and market pressures.

As we deal in staple foods and the world population grows, barring unforeseen circumstances, the prospects for QL remain positive as we execute and advance on our strategy.

ACKNOWLEDGEMENTS AND APPRECIATION

Our philosophy of creating value for all, is deeply ingrained in QL's DNA and motivates us to continue delivering growth and shared value for stakeholders. This is complemented by our emphasis on sustainability. We hold ourselves accountable in our actions.

We recognise the effort it took to get where we are today. Our three-pronged strategy of regional replication, value chain strengthening, and downstream integration has expanded to strengthening core competencies over the years. This evidence of the team's management and execution capability is reflected in our price-to-earnings ratio, signifying investors' confidence. We will rise to the challenge of driving sustainable value creation and keep working hard to deliver on our mission.

On behalf of the Board of Directors, I record a deep appreciation to all stakeholders for their faith and trust in QL. We are grateful for the continued loyalty and support. In addition, I want to express my heartfelt gratitude to fellow Board members, Management, and all employees for your internalisation of and dedication to *Quan Li*.

GROUP MANAGING DIRECTOR'S REVIEW

MR. CHIA SONG KOOI

Group Managing Director

QL EMERGED FROM THE STORM OF FY2022 WITH THE WINDS IN OUR SAILS. OUR HONED STRATEGY OF INVESTING IN STRATEGIC BUSINESS GROWTH OPPORTUNITIES AND STRENGTHENING CORE COMPETENCIES HELPED QL TO NOT JUST WEATHER THE STORM BUT RETURN A POSITIVE PERFORMANCE IN A CHALLENGING YEAR. STAYING TRUE TO OUR STRATEGIC VISION AND WORKING COHESIVELY ENABLED QL TO DRIVE SUSTAINABLE VALUE CREATION.

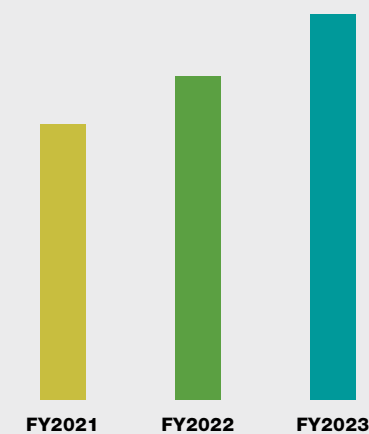
Entering FY2023, the global landscape was unsettled by geopolitical conflicts and China's approach to COVID-19, which had significant ramifications for the supply chain. The impact was felt as energy prices surged and commodity prices too followed. Growing concerns about inflationary pressures prompted interest rate hikes as a measure to manage consumer prices. The weakened purchasing power eventually drove down consumer sentiment and subsequently affected demand for goods and supplies. These interrelated forces created a tough business environment that required adaptability and careful navigation.

Such a landscape also has a far-reaching impact on the global food environment. The supply chain which was recovering from disruptions caused by COVID-19 lockdowns faced a new challenge in energy costs and high commodity prices due to the Russia-Ukraine conflict, and these ate away at food security. As an agro-food producer, QL is committed to ensuring uninterrupted operations, to effectively supply nutritious and affordable food to meet the changing needs of customers.

Our steadfast focus enabled QL to turn in a 19.2% year-on-year (YoY) revenue increase to RM6.24 billion. By focusing on expanding our business and enhancing our core competencies, the people within QL stood as a unit, leveraging teamwork to overcome challenges and deliver a record PBT of RM480.83 million and profit after tax and minority interests (PATAMI) of RM346.82 million.

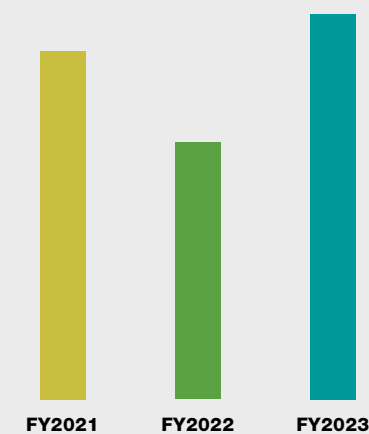
2023 Revenue
RM6,242.64
million

4,378.80 5,236.05 6,242.64



2023 PBT
RM480.83
million

432.56 321.21 480.83



FY2023 witnessed pent up demand benefitting Marine Products Manufacturing (MPM), Integrated Livestock Farming (ILF) and Convenience Store Chain (CVS). Sales volumes recovered and unit price rose as the transition into endemicity boosted productivity and consumer demand. On the other hand, Palm Oil and Clean Energy (POCE) experienced a difficult year, with slightly lower YoY revenue. However, the strong contributions from MPM, ILF and CVS helped balance the downward pressure on revenue exerted by POCE.

We also saw labour regulation changes in the form of a new minimum wage and reduction in maximum weekly working hours coming into effect during FY2023. This added to the weakening consumer sentiment which was straining margins especially when operating costs also rose higher.

Our four business pillars positioned us to navigate through challenges and seize opportunities. Overall efficiency initiatives alongside government cost subsidy to aid the tight egg supply situation helped normalise profitability margins. Together with the robust demand for surimi and surimi-based products, this guided QL towards double digit revenue growth and strong profitability recovery. The CVS expansion has progressed according to plan and now positioned this business pillar as a substantial contributor going forward.

QL remained resolute in our promise of delivering sustainable value to stakeholders. Our resilience and perseverance in our mission to create nourishing products from agro resources has established us as a trusted food producer. QL is the largest fishmeal producer and the FamilyMart master franchisee in Malaysia, the preferred poultry egg producer in the three countries of our operations, the largest surimi producer in Southeast Asia as well as the top 10 surimi-based products producer in the world.

Further analysis about our business performance and operational outlook can be read in the Business Review on pages 18 - 25.

STRATEGY



PROGRESSING STRATEGIC THRUSTS TO DRIVE SUSTAINABLE SHARED VALUE

QL's strategy advances us towards our vision of being the preferred global agro-based enterprise. Our continuous focus on innovation is the foundation for the "purple ocean" strategy where we create value for stakeholders by introducing blue ocean products and solutions into the red ocean.

To continue driving sustainable value creation, QL's strategy utilises a multi-capital management approach when managing the capital flows, exercising

due care especially in regards to natural and manufactured capitals. Our goal is to provide nourishing food to consumers.

The strategy is distilled into two components, Strategic Business Growth and Strengthening Core Competencies to broaden organisational growth and enhance operational efficiencies in consideration of risk and opportunities surrounding QL's business.

STRATEGIC BUSINESS GROWTH

Not one to rest on our laurels, QL strives to achieve continuous growth via regional replication, value chain strengthening and downstream integration.

These growth drivers are implemented with the guidance of the Conserve, Continue, Core Focus and Cultivate. Coined as the 4C approach, the strategic tool determines how resources are allocated and invested to maximise business growth. Initiatives were carefully deliberated, cascaded, and project milestones put in place to ensure success.

During the financial year, QL invested RM240.1 million or 3.9% of revenue into strategic business growth opportunities.

Regional Replication

Identify areas of growth opportunities across operating locations to replicate core activities and value chains.

Strengthening Value Chain

Strengthen and build competitive advantages via upward and downward integration.

Downstream Integration

Increase sales channels by establishing QL as a consumer food company.



Sustainably Enhancing Performance

QL strives to create a positive impact on the economy, environment and society.

Integrating Technology

Adopt digitalisation, automation & information systems for enhanced efficiency.

Empowering Talent

Attract and retain talent through employee development & wellbeing initiatives.

Enhance Branding & Product Innovation

Position QL as a trusted agro-food producer with certifications attesting to food quality & safety.

STRENGTHENING CORE COMPETENCIES

QL broadened the strategy enablers with the inclusion of Enhance Branding & Product Innovation into the existing Sustainably Enhancing Performance, Integrating Technology and Empowering Talents in this component. These four facilitate our business objectives.

A detailed breakdown of our investment in these enablers can be read in the economic value generated and distributed table on page 45.

4C APPROACH

Conserve	Continue	Core Focus	Cultivate
<ul style="list-style-type: none"> All purse seine fishing vessels operational Enhance branding of MPM products Continue R&D by QL PCOE; optimise farming operations Restructure palm oil activities 	<ul style="list-style-type: none"> Grow regional raw materials trading Refine aquaculture business model to improve performance for long term scalability 	<ul style="list-style-type: none"> Expand surimi-based products manufacturing in high potential markets Continue innovation and brand building exercise for food products Enlarge CVS' reach to northern region and east coast of Peninsular Malaysia Extend Clean Energy offerings beyond solar, biomass and water treatment solutions 	<ul style="list-style-type: none"> Explore and develop new retail related business through M&A Expand convenient RTE food, leveraging QL Kitchen's capabilities and through M&A

- Continuous biosecurity audits across all farms
- Focus on operational safety & health, with external audits and certifications
- Increase use of renewable energy, monitor water usage and alternative water sources at operating sites
- Data-driven decision-making in a timely manner
- Digitalised audit monitoring system at operating sites to assess and evaluate effectiveness of control measures & areas for improvement
- Utilise digital platforms to increase customer reach
- Knowledge transfer between business units to accelerate the improvement initiatives
- Foster professional and personal development through merit-based career progression and upskilling
- Succession planning with healthy talent pipeline for business continuity
- Continue human rights and forced labour awareness and compliance efforts to ensure a conducive work environment
- Purple ocean strategy through continuous innovation of products and services to meet customers' needs and stay ahead of competition
- Strengthen sales and marketing efforts as well as widen customer network
- Crisis management plan in preparation to respond to situations
- Comply and maintain multiple food quality and safety standards

NC

Natural Capital

- Negative impacts on the environment due to operations, especially our impact on climate change
- Scarcity of natural resources may impact our operations

MC

Manufactured Capital

- Unable to build competitive advantage due to inefficiency and technology obsolescence
- Disease outbreak disrupting production output and quality
- Compromised cyber security leading to business disruptions & data breaches
- Higher input costs driven by inflation and uncertain economic environment

IC

Intellectual Capital

- Inferior products & safety issues that affect goodwill and brand reputation
- Loss of market share due to slow adaptation to market trends & disruptions
- Unable to establish product differentiation caused by increased competition
- Non-compliance with regulations impacting our license to operate

HC

Human Capital

- Changes to labour law
- Lack of talent pool to support sustainable business growth
- Non-compliance to labour regulations requirements and human rights violations
- High turnover of employees
- Workplace accidents that could result in injuries or fatalities

SC

Social Capital

- Reputational damage amongst the community
- Loss of goodwill arising from diminished trust in products and brand
- Negative consumer perception and impact of processed or unhealthy food
- Inability to supply food to support national food security
- Potential lawsuits and damages

FC

Financial Capital

- Forex, interest rates and credit risks
- High financing cost arising from interest rate hikes
- Fiscal policies (tax, incentives, etc)
- Share price not reflective of the intrinsic value of the company

RISKS

OPPORTUNITIES

- Utilise technology for efficient use of natural resources such as renewable energy and alternative water sources
- Clean energy business pillar with the competency to build & implement environmental solutions internally & externally
- R&D to enhance food safety, quality and nutrition
- Integrating digitalisation, automation & technology to optimise production and resource allocation efficiency
- Enhance data collection and insights for improved decision making
- Identify & tap new markets to capture growth opportunities
- Continuous innovation to deliver value to customers
- Meet the needs of consumers by offering enhanced customer experience, increased customer touchpoints & innovative products
- Strengthen marketing and branding to develop brand visibility & awareness
- Preservation and enhancement of safety and health precautions to prevent occupational illnesses or injuries
- Attract, develop and retain talent via workplace policy and practice improvements
- A continuous pipeline of talents via strategic partnerships
- Contribute to the community through strategic and targeted initiatives
- Continuous engagement and communication with stakeholders
- Enhanced and more transparent external communications
- Effective financial management strategies to capitalise on growth opportunities

VALUE CREATION BUSINESS MODEL

CAPITAL INPUTS

NC Natural

- 1,896,580 GJ energy consumed
- 3,042,140 m³ water consumed
- 4,844 pieces of additional solar panels installed
- Total of 3,000 mangrove seedlings planted to-date

MC Manufactured

- More than 30 operating entities
- Operating in 3 countries
- New second central kitchen
- Innovative renewable energy and environmental solutions

IC Intellectual

- Quality and halal certified products
- Best practices and 10 food safety and quality certifications
- QL Poultry Centre of Excellence

HC Human

- An inclusive and diverse workforce of over 14,600 employees across 4 business pillars
- Nurture and upskill employees through training and development programmes
- Internal human rights due diligence audits completed for 3 business units
- Achieved ISO45001 certification in QL Poultry Farm

SC Social

- Open communication channels and dialogues between QL and stakeholders, ensuring a mutually beneficial relationship
- Distributed RM835,662 of net profit to support the community at large

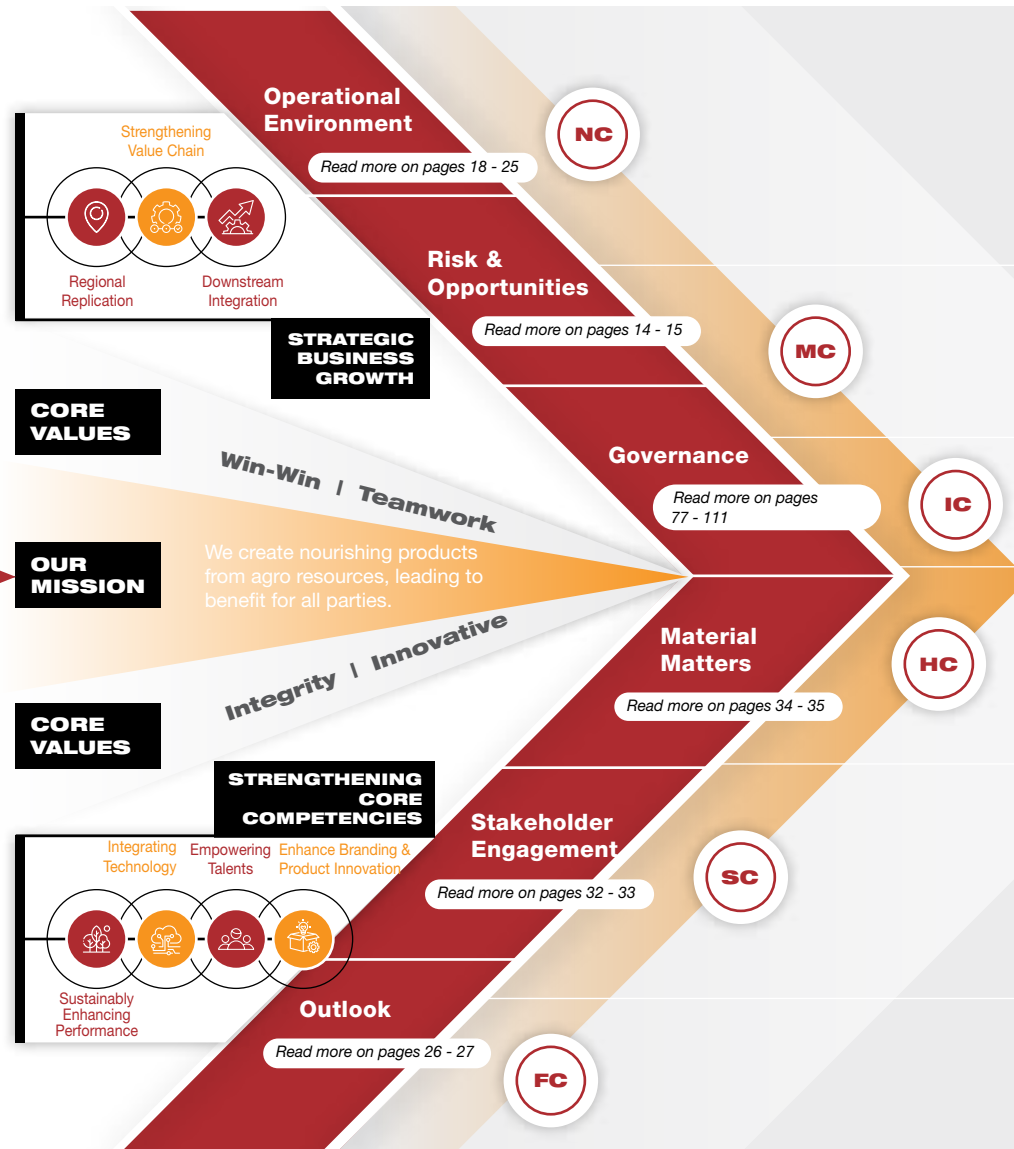
FC Financial

- Total equity: RM2.71 billion
- Total borrowings: RM1.36 billion

OUTPUTS

UNSDGs

Integrated Livestock Farming (ILF)



- QL exercises responsible consumption to ensure sustainable long-term value creation
- 841,905.85 GJ Renewable Energy Generated (FY2022: 320,742.54 GJ)*
 - 25,153.67 tCO₂e GHG Emissions Avoided (FY2022: 26,234.23 tCO₂e)*
 - 17.2% GHG Emission Intensity Reduction (FY2022: 4.2% increase)*
 - 569.89 m³/RM Mil Revenue of Water Withdrawal Intensity (4.3% reduction; FY2022: 595.49 m³/RM Mil Revenue)*
 - 6,754 m³ Rainwater Harvested (FY2022: 4,033 m³)*
 - Recycled over 191,600 tonnes of non-hazardous waste recycled (FY2022: 175,500 tonnes)**
 - Diverted 95.3% of non-hazardous waste from landfills (FY2022: 97.5%)*
 - Composted 93.7% of chicken manure to organic fertiliser (FY2022: 95.3%)*
 - Planted 2,000 mangrove seedlings with a 99% survival rate (FY2022: 1,000)

- QL develops, implements and utilises automation, technology and best practices to continuously produce safe, quality and nourishing sources of protein
- RM6.24 billion revenue (FY2022: RM5.24 billion)
 - 2.40 billion eggs (FY2022: 2.45 billion)
 - 153,000 metric tonnes of fish (FY2022: 137,000 metric tonnes**)
 - 19.82 million broilers (FY2022: 18.72 million)
 - Over 1,000 quality halal certified products (FY2022: Over 700)

- QL's business growth, brand and trusted reputation are attributable to its deep pool of knowledge, experience, and robust systems
- Over 10 accepted and trusted brands (FY2022: 10 brands)
 - Holds Halal and international certifications
 - Export to more than 10 countries (FY2022: 10 countries)
 - Developed poultry academy framework

- An established personal and career development path complements a safe conducive working environment to nurture an inclusive and competent workforce
- RM571.12 million paid in salaries and wages (FY2022: RM465.41 million)
 - 219,491 upskilling and training hours (FY2022: 136,008)
 - 373 employees underwent Leaders Enhancement and Development (LEAD) Programme (FY2022: 354)
 - Introduced differentiated learning approaches to 62 participants of the Accelerated Learning Process Programme
 - Established and rolled out Safety Leadership Training Programme to all people and line managers with 165 participants completing the programme
 - Commenced internal human rights due diligence audits

- QL builds and maintains its relationship with stakeholders across operational locations playing its part in socio-economic development via its Corporate Philanthropy
- Enhanced the livelihoods of 924 fishermen through the FFAS (FY2022: 914)
 - Impacted over 11,900 lives via over RM835,600 invested in Corporate Philanthropy initiatives (FY2022: 13,200 lives; RM980,000)
 - 8,102 locals employed at our operation sites (FY2022: 10,800)
 - 3,433 suppliers signed QL's Suppliers and Business Associates Code of Business Ethics
 - 188 internships for workplace exposure provided
 - 53 more Orang Asli trained for employability (FY2022: 90)
 - 207 kindergarten children from low-income and indigenous families that attend government schools in rural areas provided with daily protein requirements for six months

- Produce uninterrupted long-term shareholder value by optimising financial resources including equity and debt
- Resilient business performance, PATAMI: RM346.82 million (FY2022: RM217.35 million)
 - Total proposed dividend payment: RM170.36 million (FY2022: RM85.18 million)
 - Cumulative shareholder return since listing in year 2000: 12,700% ROI (FY2022: 10,900%)
 - Total finance cost: RM64.48 million (FY2022: RM51.72 million)

OUTCOMES

Produced 1.20 billion standard protein servings ¹ (FY2022: 1.20 billion)	Produced 19.50 million meals for Malaysians ² (FY2022: 16.67 million)	99% score of "Fair to Excellent" for QL Eggs and QL Mushroom brand in Consumer Satisfaction Survey	Improved to 3-star ESG Grading Band per FTSE Russell ESG Ratings Methodology	Improved to "BBB" MSCI ESG rating (FY2022: "BB")
--	---	--	--	--

OUR VISION To be the preferred global agro-based enterprise.

Note:

* Information pertains to subsidiaries reported within the Sustainability Statement

** Restated with revised calculation

¹ Based on average protein serving of 26g (recommended average daily protein intake by USDA Dietary Guidelines), computed using production volume for MPM and ILF businesses.

² Based on average 2,000 calories per meal per day (recommended daily calories intake by the Ministry of Health Malaysia), computed using CVS meal production.

BUSINESS REVIEW

BUSINESS PILLAR

01 MARINE PRODUCTS MANUFACTURING (MPM)



MPM has been a longstanding anchor of QL's business, generating quality products through deep sea fishing, aquaculture farming, surimi, surimi-based products and convenient wholesome seafood snacks.

We uphold our brand promise of safe and quality food by subjecting our processes to external audits for certifications. MPM's downstream activities meet international standards including Hazard Analysis and Critical Control Point (HACCP) certification, Malaysian Good Agricultural Practice (MyGAP), US Federal Department of Agriculture and EU regulations where applicable, as well as halal certification.



OUR VALUE CHAIN

- Aquaculture farming
- Deep sea fishing
- Fishmeal production
- Surimi production
- Surimi-based products manufacturing
- Seafood snacks production

MPM ASSETS
9
operating entities

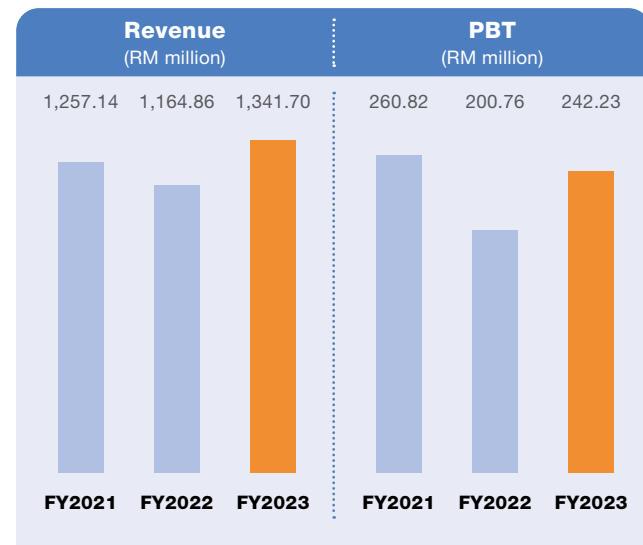
KEY DEVELOPMENTS

- Completed new labour quarters in **Kulai, Johor**
- Conversion of warehouse into a **new production line in Kulai, Johor** is near completion
- Acquisition of **86 hectares in Hutan Melintang** is nearing completion
- New plant being developed in **Indonesia**

Financial Performance

The MPM business pillar performance recovered, with YoY revenue rising 15.2% to RM1.34 billion and PBT increasing in tandem by 20.7% to RM242.23 million.

The return of normal operations especially the full resumption of our entire fishing fleet translated to business volume recovery. At the same time, the improved selling prices helped to marginally offset the higher production costs and normalised margin.



Operational Review

Rays of sunshine broke through the clouds that casted shadows on MPM in our last financial year.

In FY2023, MPM's fishing fleet of 29 purse seine vessels equipped with advanced technology of radar and sonar, saw full operations during the fishing season. This business activity has sailed through the tough operating environment brought about by the pandemic to resume revenue contribution. Its performance was nonetheless weighed down by higher fuel cost.

Aquaculture activities yielded moderate results in FY2023 as the strong momentum in the first half was hampered by lacklustre grow-out and hatchery performance in the subsequent half.

Expansion of our surimi-based production in Indonesia and Johor are progressing well, with completion anticipated in FY2024 as targeted. Upon commission, the Indonesian business unit will add 25,000 metric tonnes annually to QL's surimi-based production capacity. At the same time, the conversion of a vacant warehouse into a surimi-based production line in Kulai, Johor is on track to increase annual production capacity by about another 7,000 metric tonnes.

These two new plants will employ automated machineries similar to our other MPM plants, to improve efficiency and productivity.

Taking care of our workers and ensuring suitable accommodation for them, we built new labour quarters. The recently completed labour quarters in Kulai, Johor can now house about 380 workers. Additionally, work is underway on the construction of a labour quarter in Hutan Melintang, Perak.

The acquisition of 86 hectares of land adjacent to our current site in Hutan Melintang is almost completed, after stalling during the pandemic. This strategic land acquisition will facilitate a seamless expansion of our MPM capacity in the near future.

Increasing our use of renewable energy, we installed more solar panels at the Hutan Melintang plant, which generated additional 0.37 MWp solar power to the existing 9.28 MWp output.

Challenges

The high energy prices anticipated in our FY2022 outlook became a reality and posed a challenge to MPM's performance as fuel required to operate our fishing fleet became inflated.

The improved demand and prices for surimi of 1H FY2023 met with the headwinds of weaker demand and price pressure as supply competition from other countries, in particular India and Russia, intensified in 2H.

This business pillar also felt the impact of the changes in labour regulations which was compounded by the increase in the other input costs from higher fuel, electricity and ingredients.

Outlook

The World Meteorological Organization updated that the El Niño phenomenon is developing, bringing along with it increased heat or rainfall in different parts of the world. Fish landing fortunes will be largely dependent on the weather and climate patterns and this in turn will have an effect on raw material costs on the various business activities in MPM.

Fishmeal demand and prices are expected to perform better, attributable to aquaculture activities and Peru's supply ability. The fish landing experienced thus far heralds a possibly good year and this will be a boon.

Likewise, we anticipate demand for surimi and surimi-based products to be stable. The price for surimi is on a downward trend due to competition from countries such as Russia and India. However, the lower prices work in favour of our surimi-based segment.

Overall, the MPM business pillar will face higher operational costs from labour and fuel prices with the added pressure from the electricity surcharge which came into effect in January 2023 in Malaysia. Barring additional factors, the overall outlook for MPM is positive for FY2024.

BUSINESS PILLAR

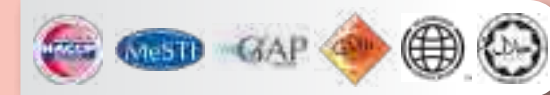
02 INTEGRATED LIVESTOCK FARMING (ILF)



The ILF operations encompass the entire value chain comprising animal feed raw material trading, commercial feed milling, layer farming and broiler integration with entities across Malaysia, Indonesia and Vietnam.

Aligned with QL's mission of producing nourishing products, ILF primarily focuses on eggs and broilers which are reliable and affordable sources of natural protein. QL places utmost importance on ensuring the safety and quality of all our products. This is achieved through the adoption of technology, consistently monitoring and maintaining optimum farm conditions, quality nutrition for layers and broilers, and strict biosecurity controls.

Attesting to the quality of ILF outputs, our processes and safety measures have been recognised and acknowledged by third parties. In addition, Jabatan Kemajuan Islam Malaysia has also certified that our products comply with and are permissible under Islamic law.



OUR VALUE CHAIN

- Animal feed raw material trade
- Commercial feed milling
- Layer farming
- Broiler integration (eggs, broiler chickens, Day Old Chicks (DOCs))

ILF ASSETS
14
operating entities

KEY DEVELOPMENTS

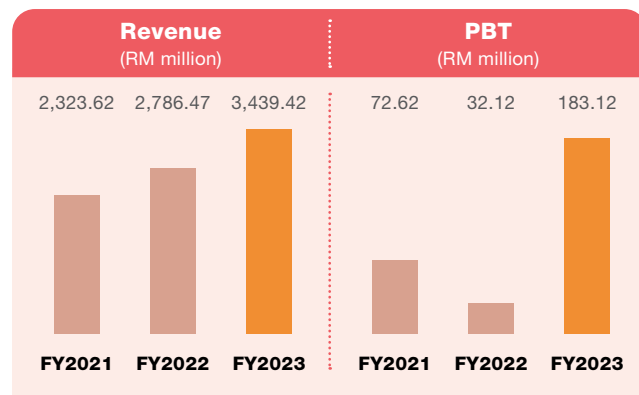
- Pajam farm obtained **ISO 45001 certification**
- 52 biosecurity** audits across 20 farms
- Enhanced biosecurity measures with the implementation of **quality assurance programme, audit monitoring system and poultry academy framework**
- 4,620 pieces of solar panels installed** at the **QL Ansan Poultry Farms**, capable of generating about **2,380 kWp**

Financial Performance

The ILF business pillar delivered a remarkable YoY growth, with revenue reaching RM3.44 billion, reflecting a substantial increase of 23.4%, mainly due to the increase in unit price.

The revenue increase also translated well into PBT, which soared 470.1% to RM183.12 million; nevertheless, when taken on a three-year FY2021 to FY2023 performance analysis, it showed that the business recovered after a huge dip.

Improved efficiency and productivity from farming operations and better egg prices from our overseas unit, higher sales of QL branded eggs, and cost subsidy came together to push profitability upwards. This was kept in check by the increasingly inflationary environment and high feed raw material prices which presented ILF with high input costs, as well as financing expenses.



Operational Review

Eggs and broilers are excellent sources of protein, an essential nutrient for the proper functioning of the body and to support overall strength.

6.56 million eggs per day (epd) with 10.40 million layers (FY2022: 6.75 million epd with 9.88 million layers)

19.82 million broilers per annum (FY2022: 18.72 million broilers per annum)

49.39 million day old chicks (DOCs) (FY2022: 41.69 million DOCs)

Persevering through a very tough preceding year, this business division started FY2023 on an improved note which sustained until consumer sentiment turned cautious towards the end of the financial year. ILF's rebound in performance is testament to our commitment and effective strategies in capturing market opportunities.

ILF exceeded the expectations set out in FY2022's Integrated Annual Report even while faced with high commodity prices. Improvement in sales channel, efforts poured into the marketing of QL branded eggs alongside better farm productivity contributed to the positive performance.

We enhanced our Farm Management System, which included the use of sensors to monitor farm environment to obtain richer data. The data are then analysed for proactive measures to be taken, and thus improve farm performance. QL has piloted the harnessing of data at two farms through the use of technology and automation for improved efficiency. This technology adoption is being progressively rolled out at other farms.

At the same time, we amplified biosecurity and Occupational Safety and Health measures to ensure continuous farm operations.

Our continuous sustainability efforts saw our Pajam farm receiving ISO 45001 certification while another 4,620 pieces of solar panel were added at QL Ansan Poultry Farms, to reduce dependency on electricity from grid, and thereby improving our GHG emissions avoidance.

Challenges

The record high prices of feed raw material of corn and soybean meal receded from the March-April peaks in July 2022 when the Black Sea Grain Initiative was inked to help stabilise food prices worldwide. This provided some measure of relief although the prices remained elevated, almost double that of pre-pandemic. As a result, input costs remained high.

The reopening of economies heralded an influx of demand, which unfortunately supply could not meet due to geopolitical conflicts impeding exports of energy and critical agriculture supplies such as fertiliser and grain from the countries

involved. Consequently, prices rose rapidly and central banks implemented countermeasures to cool inflation. Financing costs grew as a result and demand fell as consumers cut back on purchases as purchasing power diminished.

Outlook

The commodities market is expected to remain volatile primarily driven by uncertainties arising from changing weather patterns, Russia-Ukraine geopolitical tensions and the inflationary environment.

The weaker ringgit against the US dollar will offset any potential gains from lower commodity prices. This will have a cascading effect on our layer and broiler production cost.

Labour regulations may exacerbate the situation, leading to higher input costs in the coming year.

The prices of eggs and chicken in Malaysia will possibly be floated, to be determined by the supply-demand situation and without a price ceiling implementation by the government. The current supply of layer chicks is still lagging and will potentially cause the tight egg supply scenario to continue into the second half of FY2024.

We are confident of delivering sustained production to meet the egg and broiler needs of the nation through farming excellence. Taken against a record year, we are hopeful for a good FY2024.

BUSINESS PILLAR

03 PALM OIL AND CLEAN ENERGY (POCE)



The business segments in POCE include palm oil activities and clean energy (CE) engineering comprising bioenergy, solar energy, and water treatment.

Acting as a catalyst to climate change responsibility, CE empowers businesses to embrace environmental solutions which either harness solar energy or convert byproducts into valuable energy sources. Furthermore, QL's palm oil activities also offer milling services to smallholders, in addition to estate holding and Indonesian Sustainable Palm Oil (ISPO) certification.

OUR VALUE CHAIN

- Oil palm plantation
- Crude Palm Oil (CPO) milling
- Water treatment solutions
- Bioenergy and solar energy solutions

POCE ASSETS
6
operating entities

KEY DEVELOPMENTS

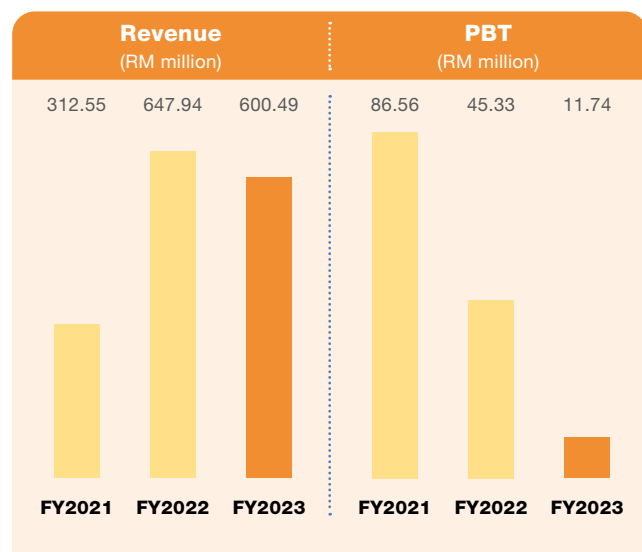
337 green energy solutions projects with **13.40 MWp renewable energy generation capacity** installed for customers

4 wastewater treatment plants with the capacity to treat **0.3 million m³ wastewater** installed for businesses

Financial Performance

POCE saw a decline in performance with both revenue and PBT decreasing by 7.3% to RM600.49 million and 74.1% to RM11.74 million respectively.

The positive contribution from the pick-up in CE project rollouts was offset by the poor revenue contribution from the palm oil activities. The PBT was severely affected by the decline in CPO prices, high agriculture input cost and the high raw material cost for CE projects.



Operational Review

Palm oil activities slowed in FY2023 with a drop in Fresh Fruit Bunch (FFB) produced and processed, which was compounded by low Oil Extraction Rates (OER); factors arising from a prolonged wet season, low yield from old trees in the Sabah region, and stiff competition for FFB from other millers.

During the year, the partial disposal process initiated in relation to Sabah Palm Oil Mill 2 in FY2022 has been concluded. 158 acres (64 hectares) of oil palm estate has been sold with a disposal gain recognised in FY2023. The remaining assets (Mill 2) will be gradually divested at the right price.

QL's estate holding remains close to 16,000 hectares with slightly over half, at 9,000 hectares cultivated while the remainder is left following, in line with sustainable land management.

Clean energy business activities conducted through Boilermech Holdings Berhad reported moderate project progress throughout FY2023. Project rollouts accelerated after Movement Control Order was lifted. During the year, we completed 337 solar solution projects as well as four wastewater treatment solutions. Translating into measurable terms, the projects have a combined capacity of treating 300 megalitres of wastewater and generating 13.40 MWp in renewable energy.

Detailed insights into Boilermech's performance review can be read in their 2022/2023 Annual Report at the following link: www.boilermech.com



Challenges

The POCE business pillar faced a very tough period as indicated in our FY2022 Integrated Annual Report. Lower year-on-year CPO prices, low FFB productivity and low OER due to wet weather conditions collectively contributed to a poor performance.

With an old tree profile, yield in the Sabah region was low. Competition for smallholders' FFB was also fierce. In view of the low economic viability, operations of Mill 2 in Sabah were suspended.

While Boilermech made notable strides, several external factors impacted the overall results. High raw material costs and unfavourable foreign exchange sapped the overall performance of POCE.

Outlook

CPO prices are expected to trend further downwards, but the incoming hot weather pattern (El Niño) might affect the yield and heat the prices.

Over at the CE front, the order book remains robust, generating a steady stream of revenue but the margin is anticipated to be stable as the main raw material price trends down. This, however, might be affected if the US dollar continues to strengthen.

The outlook for POCE is projected to be negative.

BUSINESS PILLAR

04 CONVENIENCE STORE CHAIN (CVS)



The FamilyMart convenience store chain is a direct-to-consumer channel that offers a wide range of wholesome ready-to-eat (RTE) and easily prepared meals tailored to meet the demands of busy modern lifestyle.

Rooted in the *konbini* concept, FamilyMart has significantly widened QL's downstream activities. Since its introduction in 2016, FamilyMart has expanded to include FamilyMart Mini (FM Mini), "Food Superstore" concept store, as well as FamiCafé. Supporting these stores are FamilyMart's own central kitchens which are certified halal by Jabatan Kemajuan Islam Malaysia (JAKIM).

OUR VALUE CHAIN

FamilyMart stores, FamilyMart Food Superstores, FM Mini and FamiCafé
Central kitchens

KEY DEVELOPMENTS

Second central kitchen received **halal certification** in **December 2022**

Over **200 halal certified products** available at FamilyMart stores

Introduced FamiCafé to provide more convenience to customers

Introduced **self-service kiosks** in stores

Continued the **Orang Asli Training programme**; **53 Orang Asli** equipped with skills for employment

CVS ASSETS

357
FamilyMart stores
(as at 31 March 2023)

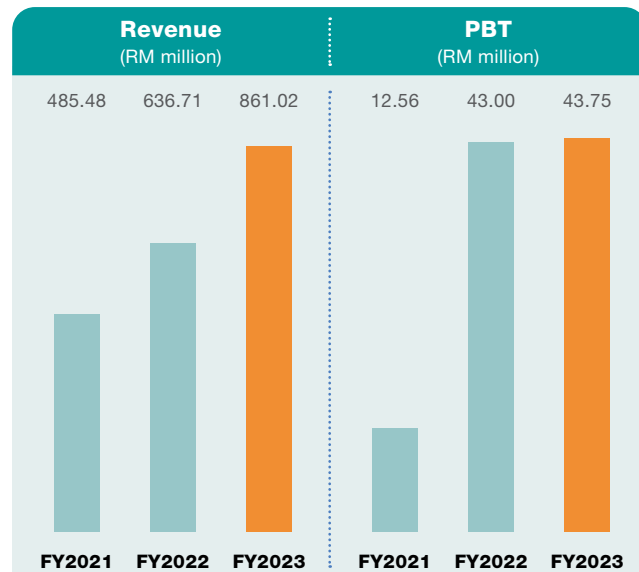
70
FM Mini

16
FamiCafé

2
central kitchens

Financial Performance

In FY2023, the revenue for CVS increased 35.2% to RM861.02 million while PBT grew marginally at 1.7% to RM43.75 million. The sales momentum from the first half was dampened by economic uncertainties, affecting demand and pushing down average sales per store. Additionally, the fourth quarter saw new labour regulations which drove up costs.



*CVS only started reporting as a separate business pillar in FY2022 after surpassing the 10% threshold prescribed in MFRS 8.13 for Operation Segment reporting

Operational Review

CVS relentlessly pursues innovative touchpoints to improve convenience and meet customers' evolving needs. This is done through the introduction of various formats, including a drive-through concept store, FamilyMart Food Superstore and FM Mini, which complement the existing FamilyMart stores.

Drawing on technology integration, FamilyMart introduced self-service kiosks in its stores. It also helped reduce the burden on in-store staff, especially during peak hours.

Building upon this achievement, QL introduced FamiCafé as the next evolution for the stores, serving exclusive café food and drinks in a minimalist ambience to further enhance customers' experience.

CVS demonstrates resilience, continuing to grow even in the face of challenging consumer sentiment stemming from inflationary pressure. Notably, 76 outlets were added into the fold during the year.

Catering to the outlet growth, the second central kitchen was commissioned during the financial year with several production lines producing wholesome meals. The second central kitchen received halal certification in December 2022.

Being a food producing company, we are keenly aware of the cost of production and therefore, seek to reduce food waste

where possible and otherwise, optimise food as a resource in a circular approach. FamilyMart offers discount on select food items after 4pm. We also revitalised the expired food collection programme with enhanced Internet of Things (IoT) for vermiculture purposes.

Challenges

The inflationary environment has had a direct impact on the cost of living, resulting in a notable increase. As a result, spending power deteriorated and consumer demand trended downwards in the second half of our financial year.

CVS experienced high turnover in the workforce as the labour market improved, and there was stiffer competition for talents. It also faced difficulties recruiting local talents. New hires in turn increased the need for new employee onboarding. Together with the shortage of staff, maintaining the expected quality of service was a challenge.

The imposition of the Imbalance Cost Pass-Through by the national utility company in December 2022 led to a surge in energy expenditure.

These combined factors have created additional obstacles for businesses, necessitating an even more agile management and strategic decision-making to manoeuvre the expected service level and economic landscape.

Outlook

With the reopening of economies post pandemic, CVS has set course to have a total of 600 FamilyMart stores by FY2027.

Drawing on our data, we stopped selling alcohol at all FamilyMart stores nationwide since March 2023 as the contribution from this beverage to CVS is minimal. We expect upside from this move as it provides greater assurance to the majority of our CVS customers and paves the way for our expansion.

We are actively pursuing opportunities to extend our reach into the northern and east coast regions of Peninsular Malaysia. At the same time, we are also identifying suitable locations for FM Mini expansion, which utilises automation and are lower in overheads.

The FamiCafé concept will be integrated into existing stores and we target to achieve 50 FamiCafé stores in FY2024. The FamiCafé in Menara U, Shah Alam in Selangor is the first convenience store café in Malaysia to receive halal certification.

The weak consumer purchasing power will pose a challenge to achieve better margins. With the strategic addition of more stores, we target to generate better economies of scale and average daily sales, helping to mitigate the impact of higher input costs.

CVS is expected to yield a neutral to positive performance in FY2024.

GROUP OUTLOOK

KEY HIGHLIGHT



OPPORTUNITIES ABOUND FOR A PRODUCER SUCH AS QL, WHICH HARNESSES AGRO RESOURCES TO CREATE NOURISHING FOOD AND OPERATES IN THE ECONOMIC GROWTH CORRIDOR OF THE WORLD.

QL IS ACTIVELY SCALING UP OUR SUSTAINABILITY ACTION PLAN, RECOGNISING THE SIGNIFICANCE OF NATURAL CAPITAL IN PRODUCING NUTRITIOUS AND AFFORDABLE FOOD FOR THE MASSES.

The year 2023 is shaping up to be a year of uncertainty as forecasted by economists.

The International Monetary Fund (IMF) titled their world economic outlook published in April as “a rocky recovery”. The recent financial sector turmoil, stubbornly high inflation, ongoing effects of geopolitical conflicts and the lingering impact of three years of COVID-19 have taken a toll on economies around the world. While prices of energy and food have eased, underlying pressures are persisting. This created a landscape that will test the resilience and game plan of businesses.

There are bright spots to consider. Asia will contribute about 70% of the global growth in 2023, powered by the two most populous countries, China and India. The three countries where QL operates in, Indonesia, Vietnam and Malaysia have a projected share of 7.2% of global growth.

On the local front, Bank Negara Malaysia has projected moderate growth for 2023 in response to a slower global economy. Malaysia’s economy will be largely dependent on domestic demand and the labour market. Headline inflation is expected to hover between 2.8% to 3.8% this year while the green shoots of recovery in the labour market continue to sprout.

Agro-related activities such as ours are sensitive to commodity price movements. The Black Sea Grain Initiative helped remediate the shortage of commodity supply and moderate commodity prices, including corn and soybean meal which are essential ingredients in animal feed. After a 13% increase in 2022, agricultural prices are projected to decline 5% in 2023, but still remain above pre-pandemic levels according to World Bank. The prices will continue this gradual decline if there are no unforeseen major disruptions; however, this will be offset by a weaker ringgit.

It is thus no surprise that food security has gained limelight as a national priority. Malaysia is ranked 41st on the Global Security Food Index (GSFI) with a reliance on imports for essential food products. In terms of sustainability and adaption, Malaysia ranks lower, at 57th spot out of 113 countries. The total food deficit recorded by our nation since 2000 is RM310.5 billion as reported by the Department of Statistics Malaysia.

Malaysians, especially the middle class, are increasingly demanding higher quality food products, often fulfilled through food imports. As the country continues to rely on food imports, the exchange rate plays a major factor in ensuring food security.

Favourable export prices for overseas buyers will stimulate demand for QL’s products. At the same time, tighter cost management will enable QL to reign in input costs and contribute meaningfully to Malaysia’s food security agenda.

In aiming towards contributing to national food security, QL always watchfully monitors developments of weather patterns. After three years of La Nina, hints of El Nino have begun to emerge, with hot and dry weather expected to affect agriculture activities. QL is not immune to it as this weather can possibly have a positive impact on fish landing.

QL vigilantly keeps a careful eye on the ever-shifting horizon, exercising risk management and strategic decision making to navigate market changes in a timely manner. Uncertainties within the market will be carefully manoeuvred to deliver on our mission for the benefit of all.

Through it all, we will be guided by our strategy, 4C approach and governance to be cautiously optimistic that we can deliver another year of growth in FY2024 despite challenges of the economic environment.