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**6. INFORMATION ON THE QL GROUP.... cont'd**


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**6.7 Future Plans of the Group**

The QL Group is committed to continuing expansion of its existing operations and activities as well as diversifying into new areas.

QL Group considers the following as the thrust to its future plans:-

i) Continuing Expansion and Up-grading of Product Range and Group production facilities

The QL Group is consistently seeking to introduce new and/or improved surimi-based products. This is in line with its corporate objective to expand its product range further and to keep abreast with the latest production technology.

The Management believes that there is a large existing surimi and surimi-based product market in Singapore, Japan, Korea and other countries in the Asia-Pacific region. The QL Group plans to further exploit these potential export markets.

QL Food will be undertaking an expansion programme to construct a new factory cum warehouse with cold room facilities for the manufacturing of surimi-based products. Construction will begin in year 2000.

In addition, the Group intends to achieve further synergies in its activities, through its subsidiary QLKI, by venturing into fish snack manufacturing which will utilise the surimi produced by QL Foods.

The QL Group's layer operations will increase its layer production capacity through increasing its layer population. The costs will be partly financed by internally generated funds.

The integrated livestock activities division is also looking into the possibility of expanding its layer farming operations to other parts of the country

QL Feedmills has a new warehouse/office cum feedmill in Kota Kinabalu. Previously, the company rents its warehouse for storage of its feed ingredients. The new warehouse will offer office space, a weigh bridge and bulk feeding facilities.

ii) Potential Business Investments

The Group is constantly looking out for investments opportunities whose activities are synergistic to the activities of the Group.

The Group has currently invested in a CPO mill in Tawau, Sabah. It has identified this segment as an opportunity to participate in the main stream of Malaysian's Golden Crop by alleviating the acute shortage of CPO mill in the Tawau region.

The QL Group also sees the potential of further oil palm related activities such as backward integration towards increasing its own oil palm acreage and the possibility of setting up its own palm kernel mill.

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**6. INFORMATION ON THE QL GROUP.... *cont'd***

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iii) Strengthening the Various Support Functions

Enhancing the Group as a cohesive unit through its well-established distribution arms is an on-going exercise. The Group views the continuing and strengthening of its inventory control, purchasing and storage functions as synergistic activities which will add further support to the Group's distribution activities. To this end, therefore the Group plans to invest further in computerising its various support functions and also to engage in the development of warehouse for storage and distribution of feed-meal raw materials.

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**7. DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND AUDIT COMMITTEE**

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i) Directors

**TENGGU ZAINAL RASHID BIN TENGGU MAHMOOD**, aged 60, is the Chairman of the QL Group, having been appointed on 3 January 2000. He has been actively involved in business over the last 35 years in the fields of trading, transportation (shipping, land, air) and insurance. He started his business career with the Harper Gilfillan Group (a diversified British organisation) in the early 1960's and retired recently as the Group Managing Director of Harper Wira Sdn Bhd. He is currently 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. Tengku Zainal Rashid holds a M.B.A. from Syracuse University, USA.

Apart from managing various companies, Tengku Zainal Rashid is also actively involved in the affairs of maritime related organisations.

He was the Chairman of the International Shipowners Association of Malaysia for twelve(12) years and 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, Tengku Zainal Rashid is also an active participant in the affairs of Chambers of Commerce. He is currently the Vice-President of the Malaysian International Chamber of Commerce and Industry and an Exco Member of the National Chamber of Commerce and Industry of Malaysia. At the Asean level, he was the past Chairman of the Transport and Communication Committee of the Asean Chambers of Commerce and Industry.

Tengku Zainal Rashid is the Hon. Consul for Norway of Port Klang/Port Dickson and he also sits on the Board of the Norway-Malaysian Business Council.

**CHIA SONG KUN**, aged 50, a founder member of QL Group, was appointed as the managing director of QL Feed on 22 June, 1987. He is overall in charge of the Group's operations, corporate finance and tax planning. He was appointed to the Board of QL on 3 January 2000.

He graduated with a Bachelor of Science (Honours) degree majoring in Mathematics from University of Malaya in 1972 and has also obtained a Master degree in Business Administration in 1988 from the same university.

He started his career in 1973 as a tutor in the University of Malaya and subsequently joined Institut Teknologi Mara, Shah Alam, as a lecturer where he served for 11 years until 1984.

He incorporated CBG (currently, one of QL Group's substantial shareholders) in 1984 to commence the business of distributing fishmeal and other feed-meal raw materials.

Together with the help of his family members, he has successfully nurtured, developed and transformed the QL Group into a diversified agricultural based group with an annual turnover of more than RM400 million.

He is also a founder member and a non-executive director of Inti Universal Holdings Bhd, a company listed on the KLSE. The Company is one of the leading private colleges in Malaysia. He is also a non-executive director of Eita Holdings Sdn Bhd, a group of companies which is involved in the trading of electrical, information technology and business automation products. In addition, he has been actively involved in the Klang Chinese Chamber of Commerce and Industry where he heads the Commerce Committee since early 1999.

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**7. DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND AUDIT COMMITTEE.... cont'd**

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**CHIA SEONG POW**, aged 44, was appointed as the Executive Director of QL 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 the QL Group. He joined CBG as Marketing Director in 1984. Mr Chia Seong Pow has more than 15 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 purchasing and importation of feed raw materials, besides that he is also in charge of new business developments. He is also a non-executive director of the Eita Holdings Sdn Bhd group of companies which is involved in the trading of electrical, information technology and business automation products.

A majority of the Group's new expansion programmes were initiated by Mr Chia Seong Pow. These included the setting up of the Kota Kinabalu branch and the surimi manufacturing operation.

**CHIA SEONG FATT**, aged 44, was appointed to the Board of QL as an Executive Director 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 of Malaya.

In 1984, he graduated from University of Malaya with a Master degree in Business Administration. Subsequently, 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 Second Board of the KLSE.

In 1991, he was appointed as Managing Director of TLT, a subsidiary of QL to take charge of its operations in Tawau. In January 1996 he was appointed an Executive Director of QL Feed in charge of layer farm and CPO milling operations.

**CHIA SONG KOOI**, Executive Director, aged 40, was appointed to the Board of QL as an Executive Director 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 Board of the KLSE) as a marketing executive for agro-chemical products and eventually headed the Product and Market Development Division in 1986. He joined QL Feed as an executive director on 21 September 1988. He has 11 years experience farm management and in trading of raw materials for farm use. He is currently is the Secretary General of Sabah Livestock Poultry Association. He is overall in charge of the Group's Kota Kinabalu and Kuching operations.

**CHIA SONG SWA**, aged 40, was appointed as a director of QL Feed in 22 June 1989 and subsequently as an Executive Director of QL on 3 January 2000. He holds a degree in Chemistry and Statistics from the University of Campbell. He started his career at Genting Berhad, a company listed on the KLSE as a Management Trainee in 1984 and served for 2 years. In 1987 he joined QL as a sales executive. At present, he is an executive director in charge of sales and logistics function at QL Feed as a result of his 12 years experience in feed raw material distribution. He has helped the company to establish a very strong distribution network.

**CHIA MAK HOOI**, aged 34, was appointed a non-executive Director of QL on 3 January 2000. He graduated from Arizona State University with a degree in Accounting and Finance in 1988. He began his career with a local audit firm in Los Angeles for 1 year. Subsequently he joined Concept Enterprises Inc. USA as an Assistant Accountant for 2 years.

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**7. DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND AUDIT COMMITTEE.... cont'd**


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After returning from the USA in 1991, with his exposure in USA, he joined QL Feed as a Finance Manager in charge of accounts, tax and audit planning and corporate financial management and liaised with bankers for banking facilities. In 1996, he was appointed as a Director of QL Feed. Currently he is the Finance Director of the EITA Holdings Sdn Bhd group of companies which is involved in the trading of electrical, information technology and business automation products.

**MOHD RIZAL BIN RAMLEE**, aged 29, was appointed a non-executive director of QL on 3 January 2000. He obtained his Certificate of Proficiency in General Insurance from Malaysia Institute of Insurance in 1991. From 1992 to 1993, he was a sub-editor with Ensimal (M) Sdn Bhd which was involved in publication before joining R&R Consult as a trainee executive. He left R&R Consult which was engaged in financial consultancy in 1996 as a financial executive to join MarketingPac Sdn Bhd as an executive director. MarketingPac Sdn Bhd is principally involved in the business of marketing and distribution of building materials and related products. He is presently also a director of Fella Contract Sdn Bhd, a subsidiary of Fella Holdings Berhad (a furniture manufacturer) and an executive director of Horizon Canggih Sdn Bhd.

ii) Senior Management

The management of the QL Group will be headed by Mr Chia Song Kun and he is assisted by a pool of well qualified executive directors, senior managers, executives and engineers with extensive experience in their respective areas of operation, such as corporate finance, distribution, production, administration, quality assurance and technical. The details of the key management personnel are as follows:-

**CHIA SONG KANG**, aged 48, was appointed as an executive director of SHH in 1987. He has more than 20 years experience in fishmeal manufacturing and in the fishing industry. He has established good relations with the fisherman in Endau and Kuantan area. He has been in charge of the overall operations in SHH since 1987 and has successfully transformed SHH into the largest fishmeal producer in Malaysia.

**CHIA SONG PHUAN**, aged 47, is an executive director of SCH. He is overall in charge of Group's Hutan Melintang fishmeal factory operation. With his 20 years fishing industry related experience and 5 year experience in fishmeal manufacturing, he has established a good relationship with the local fisherman in Perak and Selangor areas. SCH is now one of the leading fishmeal producers in Malaysia. With his experience in the fishing industry, he has helped the Group to set-up QL Food's surimi plant in 1994 and was appointed a director in QL Food in the same year.

**LIU SIN**, aged 52, was appointed as Executive Director of TLT and TLP in 1985. He is in charge of the plantation and manufacturing business in TLT.

He obtained a Diploma in Agriculture from Universiti Pertanian Malaysia in 1970 and worked as a Rubber Instructor in the Rubber Research Institute of Malaysia (R.R.I.M). and later obtained the B.Sc (Crop Science) and M.Sc (Weed Science) from Louisiana State University under the In-service Training programme of R.R.I.M. in 1978. He served as a Senior Research Officer in R.R.I.M. until his appointment in TLT.

His experience in plantations began in 1983 when the subsidiary company of TLT started the cocoa planting. The cocoa estate is still maintained until today. Recently, the company also diversified to another plantation crop, ie. oil palm.

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**7. DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND AUDIT COMMITTEE.... cont'd**

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**KHOO NG HIONG**, aged 40, obtained his B.Sc (Eng) (Hon) from London University and associateship in aeronautical engineering from the Imperial College of Science, Technology and Medicine, London University in 1985. He has worked with the Kuala Lumpur Kepong (KL Kepong) Group (listed on the KLSE) for over 8 years. He obtained his steam engineer certificate of competency in 1991 and left KL-Kepong in 1995 as a mill manager and joined Lai Fook Kim Corporation Sdn Bhd as group engineer overseeing the overall engineering activities in the group. These activities included the overall operation of a old palm oil mill and the construction of a new palm oil mill. He was also the visiting engineer for the Sandakan Renaissance Hotel and a 14 storey office block in Sandakan town.

He left the Lai Fook Kim group after one and a half years and joined Grorich Sdn Bhd as an Industrial Manager to head the industrial division as the company was diversifying its business from trading into manufacturing. He helped to set up a new brick factory in Kota Kinabalu before resigning to join TLP in 1 February 1997 to take charge of the design, construction and the eventual commissioning of a new palm oil mill.

**CHIA CHE KENG**, aged 37, is the Production Director/Manager of SHH. He graduated from Tunku Abdul Rahman College with a Diploma in Mechanical Engineering in 1986. He joined the company in 1987 and is responsible for the overall production, quality control and maintenance activities at the SHH factory. He has assisted Mr Chia Song Kang in the development of SHH.

**YAP BENG YEAN**, aged 40, is the Group Accountant and is overall in charge of the Group's accounts, tax and audit planning, as well as credit control and administration. He joined QL Feed in November, 1996. He has been a fellow member of The Chartered Association of Certified Accountants, United Kingdom since 1995. He also obtained his Diploma in Financial Accounting from Tunku Abdul Rahman College in 1984. Prior to joining QL Feed, he was an audit manager with Hew and Tan, Public Accountants (affiliated to Moores Rowland International) from 1994 to November, 1996 and an audit manager with Gibson Appleby, Chartered Accountants, United Kingdom from 1989 to 1993.

**WONG YUET LAI**, Administrative and Finance Manager (Kota Kinabalu), aged 35, holds a Bachelor of Science (Human Development Studies) from University Putra Malaysia (1988). She joined QL Feed (Kota Kinabalu branch) in 1992 as administrative executive responsible for personnel, administration and finance and was promoted to the current position in 1997. Prior to joining QL Feed, she was involved in products promotion and later as purchasing and planning executive with Bristol Myers Squibb Sdn Bhd responsible for the purchasing and production planning.

**DR NG SIEW THIAM**, aged 40 is an executive director of BM since 1996. He was appointed to the board of BM to set up its new layer farm and will be responsible for its operations. Dr Ng is a veterinarian by profession, having graduated as a doctor of Veterinary Medicine in 1987 from Universiti Putra Malaysia. Dr Ng is a member of various veterinary associations and has worked as a private veterinary practitioner as well as a consulting veterinarian for Heng Feng Industries Sdn Bhd and for Gold Coin Sarawak .

**YAPP TUN TSHING**, Farm Manager (QLL), aged 34, is a Diploma holder of Veterinary Science from Taiwan ROC (1986). He joined QLL in 1996 as Farm Manager, being responsible for the overall farm operations in Papar, Sabah. Mr Yapp has 6 years of experience in the operation of a breeder farm where his responsibilities include management of parent stocks (chicken) and hatchery units.

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**7. DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND AUDIT COMMITTEE.... cont'd**


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**CHEAH JUW TECK**, aged 30, obtained his degree in Food Technology from University of Putra Malaysia in 1993. Prior to joining the QL Group in 1994, he was involved in quality control in S & P Foods Bhd (a company listed on the KLSE) as a quality control executive. In 1994, he joined the QL Group as operations manager to set up the surimi and surimi-based products business and subsequently was appointed a Director in 1997.

**CHEW BOON KEE**, aged 39, was appointed the Managing Director of PVG in 1998. He was previously with the Mallinckrodt Group of Companies. He also spent 7 years with Diethelm Sdn Bhd as Division Manager, a position reporting to the Chairman. He obtained his Bachelor of Science degree from Purdue University, USA in 1983.

iii) Employees

The Group presently has a total of 524 staff under its employment. The management of the Group enjoys a good relationship with its employees

The employee are not members of any unions.

iv) Audit Committee

QL has set up an Audit Committee on 15 January 2000 which comprises the following Board members:-

Directors	Designation	Directorship held
Tengku Zainal Rashid Bin Tengku Mahmood	Chairman	Independent Non-executive director
Chia Song Kun	Member	Managing Director
Mohd Rizal Bin Ramlee	Member	Independent Non-executive director

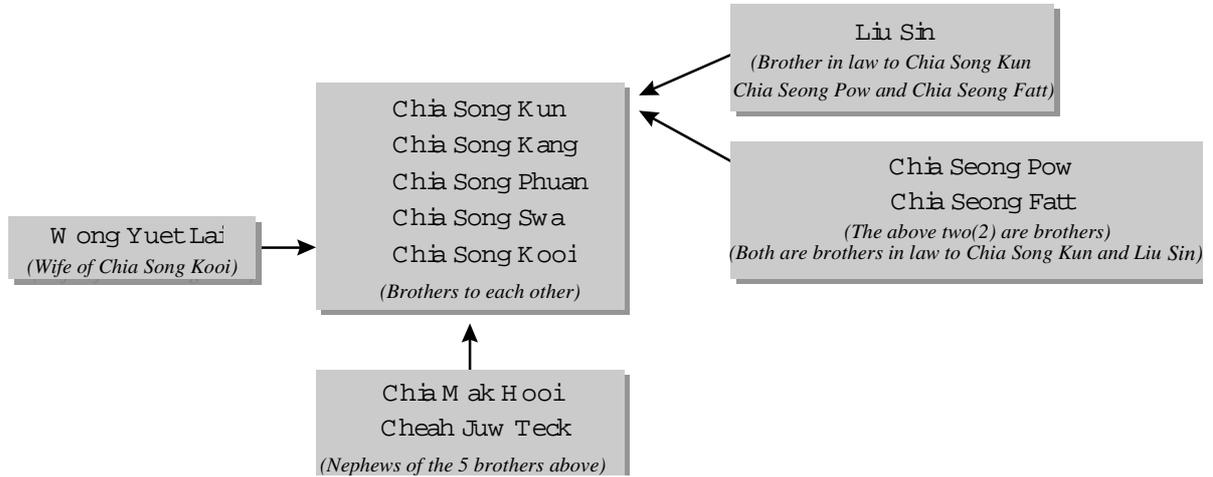
The main functions of the Audit Committee include the following:-

- ☐ to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the companies within the Group;
- ☐ to oversee all matters relating to external audit including the review of audit plan and audit report;
- ☐ to oversee the internal audit department including the evaluation of the standards of internal control and financial reporting;
- ☐ to review statutory financial statements; and
- ☐ undertake such other responsibilities as may be agreed to by the committee and the Board.

**7. DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND AUDIT COMMITTEE.... cont'd**

v) Family Relationship

None of the Directors and Senior Management of the Group are related to each other save as shown in the diagram below:-



## 8. INDUSTRY OVERVIEW

### i) The Malaysian Economy

The Malaysian economy recovered in 1999 from the severe impact of the regional financial crisis which caused the economy to contract by 7.5% in 1998. Real GDP contracted by 1.3% in the first quarter of the year before recovering to positive growth in the second quarter of about 4.1%. The recovery subsequently strengthened and real GDP growth is expected to accelerate to about 7.2% during the second half of 1999, against 1.4% in the first half. For 1999, real GDP growth is expected to reach 4.3% .

The recovery of the Malaysian economy is expected to sustain in the year 2000. Barring any major downside risks which could affect the world economy, Malaysia's real GDP may expand at a higher rate of 5% in the year 2000.

(Source: *Economic Report 1999/2000*)

### ii) The Fisheries Industry

The fisheries industry is relevant to the QL Group as the Group produces fishmeal, surimi and surimi based products for which fish is the major raw material.

The industry comprises marine capture fisheries, aquaculture and downstream processing. In 1995, marine capture and aquaculture produced 1.3 million tonnes of fish valued at RM3.2 billion or about 1.5% of the national GDP. The bulk of the production, approximately 90%, was from marine capture. Fish production statistics and projections are set out below.

Year	Marine ('000 tonnes)	Aquaculture ('000 tonnes)
1990	951.3	52.3
1995	1,108.4	132.7
1996	1,126.6	109.8
1997	1,168.9	107.8
2000 (forecast)	1,254.0	312
2005 (forecast)	1,330.0	468

(Source : *Malaysia Agricultural Directory & Index 1999/2000*)

According to the *Economic Report 1999/2000*, fish landings are expected to increase by 0.8% to 1.22 million tonnes for 1999, as compared to 1.21 million tonnes in 1998. Aquaculture is expected to yield 138,236 tonnes, a growth of 3.9% over the previous year. Several measures have been taken by the fisheries department to increase the capacity of the fisheries industry. These include construction of more artificial breeding places, issuing more fishing licenses, improving technology. For aquaculture, suitable areas are being identified for aquaculture ponds, more breeding ponds and management guidelines have been issued to breeders to expand this industry.

### ***Downstream Activities***

Among the downstream activities identified by the Fisheries Department as having growth potential are fish processing and marketing of fishery products. These activities are already being carried out by the QL Group.

## 8. INDUSTRY OVERVIEW.... cont'd

Marketing of fishery products provides attractive opportunities as consumption of per capita is expected to grow. According to the *Malaysia Agricultural Directory and Index*, consumption per capita for fish in 1995 was 42kg. This is projected to grow to 47kg in 2000 and 53 kg in 2005. In line with this, QL is taking steps to directly market its surimi-based products to the retail market and to increase the product range of its surimi based products.

### iii) The Livestock Industry

The livestock industry is relevant to the QL Group as it produces fishmeal and distributes feed-meal raw materials which are used to produce feed-meal for the breeding of livestock. In addition the Group is also involved in layer farming.

In Malaysia, the increase in affluence in the country has increased the demand for meat and with this the production of livestock products. From 1990 to 1997, the production of beef, broiler meat, eggs and milk in Peninsular Malaysia showed consistent growth as set out in the table below:-

Year	Beef (tonnes)	Mutton (tonnes)	Pork (tonnes)	Broiler (tonnes)	Eggs (million)	Milk (million litres)
1990	12,244	658	197,301	348,500	5,029	26
1991	12,704	672	202,823	391,000	5,030	27
1992	13,338	658	222,373	497,295	5,780	28
1993	13,663	607	231,140	560,729	5,688	29
1994	13,527	616	249,478	594,373	5,921	31
1995	15,395	530	249,623	631,356	6,145	32
1996	16,717	558	249,089	665,449	6,346	33
1997	18,153	587	251,580	701,383	6,553	35

(Source : *The Malaysia Agricultural Directory and Index 1999/2000, Economic Report 1999/2000* )

According to the *Economic Report 1999/2000*, the production of livestock in 1999 suffered a 3.5% drop from the previous year due to a drop in swine production and lower production of broilers. However the production of beef and mutton increased by 8.5% and 5.2% respectively.

The estimated per capita consumption of livestock products in Peninsular Malaysia for 1990-2000 is set out below:-

Year	Beef (kg)	Mutton (kg)	Pork (kg)	Broiler (kg)	Eggs (No of eggs per person)	Milk (kg)
1983	2.0	0.4	26.0	12.7	218	42
1990	3.5	0.5	29.6	20.3	311	39
1991	3.8	0.5	30.0	22.0	297	55
1992	3.9	0.6	30.7	28.3	339	52
1995	4.78	0.67	30.47	33.87	336	53
1996	5.03	0.68	29.95	34.50	340	54
1997 *	5.29	0.70	29.44	35.15	344	55
1998 *	5.44	0.70	28.94	35.07	340	54
2000 *	6.15	0.74	27.99	37.10	355	57

\* Estimate/Forecast figures

(Source : *The Malaysia Agricultural Directory and Index 1999/2000, Economic Report 1999/2000* )

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**8. INDUSTRY OVERVIEW.... cont'd**

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From the tables, it is expected that both the production and consumption of livestock products will continue to grow. This will help sustain the demand for the QL Group's products such as fishmeal, feed-meal raw materials, feed supplements and animal health food as well as for the Group's layer farm products.

iv) The Palm Oil Industry

Value added for palm oil is expected to increase by 19.5% to RM5,369 million in 1999 as compared to the previous year of RM4,494 million, due to increased CPO production. CPO production is expected to increase by 19.4% or 9.93 million tonnes in 1999. This is a partly the result of matured planted hectarage in Sabah and Sarawak increasing by 150,000 and 130,000 hectares respective and higher yielding fresh fruit bunches. The average yield of fresh fruit bunches could increase by 25.2% to 20 tonnes per hectare in 1999. CPO production increased by 23.4% for the first 9 months of 1999 to 7.61 million tonnes as compared to the corresponding period in 1998. The estimated production for 1999 is 9.93 million tonnes, an estimated increase of 19.4% over 1998.

The total area planted with oil palm increased from 3.078 million hectares to 3.338 million hectares, an increase of 8.4%. Matured oil palm is estimated at 2.607 million hectares in 1999 an increase of 0.4% only.

## 9. FINANCIAL INFORMATION

### 9.1 Profit Record

The following table sets out the proforma consolidated results of the QL Group based on the audited accounts for the past five(5) financial years ended 31 March 1995 to 1999 and the six(6) months period ended 30 September 1999 on the assumption that the Acquisition of QL Feed has been in effect throughout the period under review. The proforma consolidated results are presented for illustration purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report.

Year ended	31.3.1995 (RM'000)	31.3.1996 (RM'000)	31.3.1997 (RM'000)	31.3.1998 (RM'000)	31.3.1999 (RM'000)	6 months ended 30.9.1999 (RM'000)
Turnover	128,039	216,997	256,613	279,024	402,746	199,015
Profit before taxation	4,844	8,434	12,375	12,660	14,101	9,445
Taxation	(1,272)	(2,277)	(2,794)	(2,950)	(1,007)	(2,176)
Profit after taxation	3,572	6,157	9,581	9,710	13,094	7,269
Minority interest	(561)	(723)	(1,256)	(1,249)	(3,037)	(1,651)
Profit after taxation and minority interests	3,011	5,434	8,325	8,461	10,057	5,618
Extraordinary items	\$(599)	-	-	-	-	-
Profit after taxation, minority interests and extraordinary items	2,412	5,434	8,325	8,461	10,057	5,618
Issued and paid-up share capital*	29,665	29,665	29,665	29,665	29,665	29,665
Gross EPS (sen) ^	13.70	25.17	35.95	37.20	36.83	48.80**
Net EPS (sen)	10.15	18.32	28.06	28.52	33.90	37.88**

#### Notes:-

The proforma consolidated results are presented for illustration purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 10 of this prospectus.

\* Assumed issued and paid-up pursuant to the Acquisition of QL Feed

\*\* Annualised

# Extraordinary item arising from loss on disposal of long leasehold estate.

^ Based on profit before tax after minority interests

1. The substantial increase in turnover and operating profit before tax from 1995 onwards was mainly attributable to the increase in volume of business and the increase in prices of the feed-meal products during this period. Additional contributions were received from new operations such as layer farming, surimi and surimi based products manufacturing.
2. The increase in turnover in 1998 is largely due to increase in selling prices of raw feed-meal products and the commencement of operations from a new subsidiary. In 1999, turnover increased substantially primarily because of the commencement of operations of the Group's CPO mill in Tawau and the commencement of operations by its new layer farm under BM.

## 9. FINANCIAL INFORMATION.... *cont'd*

### 9.2 Working Capital, Borrowings and Contingent Liabilities

The Directors are of the opinion that, after taking into account the cashflow projections and the banking facilities available, the Group will have adequate working capital for its foreseeable requirements.

As at 31 January 2000 (being the last practicable date on which such amounts could be calculated prior to the printing of this Prospectus), the total borrowings of the Company amounted to RM94.66 million. These borrowings consist of RM6.13 million in overdraft and RM70.52 million in bills payable incurred in the course of trade related activities and RM18.01 million in term loans for the purchase and construction of fixed assets.

As at 31 January 2000 (being the last practicable date prior to the printing of this Prospectus), the Group did not have any material contingent liabilities, loan capital outstanding or created but not issued or mortgages or charges.

### 9.3 Consolidated Profit Estimate and Forecast

Barring any unforeseen circumstances, the Directors forecast that the consolidated profit before taxation and consolidated profit after taxation of the QL Group for the years ending 31 March 2000 and 2001 will be as follows:-

	ESTIMATE		ESTIMATE	FORECAST
	Pre-acquisition period from 1.4.1999 to 31.12.1999 (RM'000)	Post acquisition period from 1.1.2000 to 31.3.2000 (RM'000)	Year ending 31.3.2000* (RM'000)	Year ending 31.3.2001 (RM'000)
Profit before taxation and extraordinary items but after minority interest	10,972	3,657	14,629	20,145
Taxation	(2,054)	(685)	(2,739)	(4,344)
Consolidated profit after taxation and minority interests but before extraordinary items	8,918	2,972	11,890	15,801
No. of ordinary shares in issue ('000)	40,000	40,000	40,000	40,000
Gross EPS (sen)	**36.57	**36.57	36.57	50.36
Net EPS (sen)	**29.73	**29.73	29.73	39.50
Gross PE multiple based on the price of RM2.50 per share (times)	6.84	6.84	6.84	4.96
Net PE multiple based on the price of RM2.50 per share (times)	8.41	8.41	8.41	6.33

\* Estimate for the full financial year ending 31 March 2000 inclusive of pre-acquisition profit, shown for illustrative purposes only

\*\* Annualised

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**9. FINANCIAL INFORMATION.... cont'd**


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The principal bases and assumptions upon which the proforma consolidated profit estimate and forecast has been made are as follows:-

1. There will be no material changes in the present legislation or government regulations, rates and duties, levies and taxes which will adversely affect the operations of the QL Group or the markets in which it operates.
2. There will be no major industrial disputes of any abnormal circumstances which will adversely affect the QL Group's operations or sales at the forecast level or disrupt its planned operations, its suppliers or its customers.
3. There will be no significant changes in the political, economic and market conditions which will adversely affect the activities of the QL Group and the demand saleability and pricing of its products and services or the markets in which it operates.
4. Existing financing facilities will remain available to the QL Group and interest rates will not change significantly from those presently prevailing. In addition, the QL Group will be able to obtain financing facility at the present prevailing rates.
5. There will be no material changes in the QL Group's current management and existing accounting, management and operation policies.
6. There will be no material changes in the principal activities, composition and structure of the QL Group.
7. There will be no material changes in the availability and costs of raw materials normally used by the QL Group.
8. There will be no unusual unfavourable conditions such as extreme weather conditions affecting the QL Group's principal activities of producing marine-based manufacturing products, livestock products and other agricultural products.
9. There will be no major capital and revenue cost items variations that are beyond the control of the QL Group.
10. The inflation rate will not change materially from its current level. The exchange rates assumed for the purpose of the profit estimate and forecast are not materially different from the rates as follows:-
 

US Dollar	USD 1 : RM3.80
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11. Capital expenditure programme will be implemented and incurred on schedule with no material changes in the costs and prices of contracts. There will be no material additions of fixed assets other than those planned.
12. The proforma consolidated profit estimate and forecast as shown above have been prepared as if the QL Group has been in existence throughout the year. However, the proposed restructuring exercise of the QL Group which involved the following transactions will only be fully completed by end March 2000.
  - Revaluation of landed properties and buildings by independent professional valuers resulting in a revaluation surplus of RM11,689,980.

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**9. FINANCIAL INFORMATION.... cont'd**


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- Acquisition of 4,100,000 ordinary shares of RM1.00 each in QL Feedingstuffs Sdn Bhd (“QL Feed”); representing 100% equity interest in QL Feed for a total consideration of RM43,607,569 (after incorporating the effective interest of QL’s share of the revaluation reserves of RM9,256,569) to be satisfied by the issue of 29,665,013 new ordinary shares of RM1.00 each of QL at an issue price of RM1.47 per share which was completed in December 1999.
- Rights Issue of 4,174,985 new ordinary shares of RM1.00 each of QL at an issue price of RM1.20 per share. The Rights Issue was completed in January 2000.
- Public Issue of 6,160,000 new ordinary shares of RM1.00 each and Offer for Sale of 1,433,000 ordinary shares of RM1.00 each of QL at an issue/offer price of RM2.50 per share which will be completed by end March 2000.
- The proposed listing expenses estimated at RM1,500,000 will be set off against the share premium account.

13. The proceeds from the Rights Issue and Public Issue is expected to be received by end March 2000 and the proceeds will be utilised as follows:-

	<b>RM'000</b>
Proceeds from Rights Issue	5,010
Proceeds from Public Issue	15,400
	<b>20,410</b>
Utilisation:-	
▪ Repayment of term loans	(7,991)
▪ Repayment of short term bank borrowings	(1,921)
▪ Estimated Listing expenses	(1,500)
Retained as working capital	<b>8,998</b>

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**9. FINANCIAL INFORMATION.... cont'd**

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**9.4 Reporting Accountant's Letter on the Consolidated Profit Estimate and Forecast**  
(Prepared for inclusion in this Prospectus)

The Board of Directors  
QL Resources Bhd  
No. 5 Lorong Bukit Kuda  
Off Jalan Batu Tiga Lama  
41300 Klang  
Selangor Darul Ehsan

Our Ref : A3/DHSL/JLMF/WBC/YAU (1)

31 January 2000

Dear Sirs

**REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED  
PROFIT ESTIMATE AND FORECAST FOR THE YEARS ENDING 31 MARCH 2000  
AND 2001**

We have reviewed the accounting policies and calculations for the Proforma Consolidated Profit Estimate and Forecast of QL Resources Berhad ("QL") and its subsidiary companies (hereinafter referred to as "QL Group") for which the Directors are solely responsible, for the years ending 31 March 2000 and 31 March 2001, as set out in the Prospectus dated 11 February 2000 in connection with the Public Issue of 6,160,000 new ordinary shares of RM1.00 each in QL at an issue price of RM2.50 per ordinary share and the Offer for Sale of 1,433,000 ordinary shares of RM1.00 each in QL at an offer price of RM2.50 per ordinary share and the listing and quotation of the entire issued and paid-up share capital of QL on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the Proforma Consolidated Profit Estimate and Forecast, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors as set out in the Prospectus and are presented on a basis consistent with the accounting policies normally adopted by the QL Group.

Yours faithfully

**KPMG**  
(No AF: 0758)  
Public Accountants

**LIM HUN SOON @ DAVID LIM**  
Partner  
Approval Number: 1514/5/00(J)

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**9. FINANCIAL INFORMATION.... cont'd**


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**9.5 Dividend Forecast**

As the Directors expect the listing of QL to be completed towards the end of the financial year ending 31 March 2000, the Directors forecast that a dividend will be declared for the financial year ending 31 March 2001 being the first full financial year subsequent to listing. Based on the consolidated profit estimate and forecast for the financial year ending 31 March 2000 and 2001 and assuming that the current basis for calculating taxation and the rates of taxation remain unchanged, the Directors of QL anticipate that they will be in a position to propose a gross dividend of 10% based on the share capital of RM40,000,000 for the year ending 31 March 2001.

It will be the policy of the Directors in recommending dividends to allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for the future growth of the Group.

The intended appropriation of the estimated and forecasted consolidated profit for the years ending 31 March 2000 and 2001 will be as follows:-

	<b>Estimate 31.3.2000 (RM'000)</b>	<b>Forecast 31.3.2001 (RM'000)</b>
Profit before taxation after minority interests	14,629	20,145
Less : Taxation	(2,739)	(4,344)
Profit after taxation after minority interest	11,890	15,801
less: Pre-acquisition profits	(8,918)	-
Post acquisition profit after taxation and minority interests for the year	2,972	15,801
Less : Proposed dividend	-	2,880
Retained profit for the year	2,972	12,921
Gross dividend yield (%)	-	4.00
Net dividend cover (times)	-	5.49

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**9. FINANCIAL INFORMATION.... cont'd**


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**9.6 Proforma Consolidated Balance Sheets of QL Group**  
 (Prepared for inclusion in this Prospectus)

The Proforma Balance Sheets set out below have been prepared on a cumulative basis and are provided for illustrative purposes only to show the effects on the audited balance sheet of QL as at 30 September 1999 assuming the Restructuring and Listing Scheme was completed on the same date.

	Audited balance sheet at 30.9.1999 RM'000	Proforma consolidated balance sheet after Stage 1 RM'000	Proforma consolidated balance sheet after Stage 2 RM'000	Proforma consolidated balance sheet after Stage 3 RM'000
Fixed assets	-	80,030	80,030	80,030
Investments	-	1,002	1,002	1,002
Deferred expenditure	7	240	240	240
<b>Current assets</b>				
- Stocks	-	30,557	30,557	30,557
- Debtors	-	75,175	75,175	75,175
- Deposits, Cash and bank balances	*	5,473	25,883	14,471
	*	111,205	131,615	120,203
<b>Current liabilities</b>				
- Other current liabilities	7	31,951	31,951	31,951
- Term loans	-	3,628	3,628	3,628
- Bank borrowings	-	71,724	71,724	69,803
	7	107,303	107,303	105,382
Net Current Assets/(Liabilities)	(7)	3,902	24,312	14,821
	*	85,174	105,584	96,093
<b>Financed by:-</b>				
Share capital	*	29,665	40,000	40,000
Share premium	-	13,943	24,018	22,518
Reserve on consolidation	-	5,693	5,693	5,693
Shareholders' funds	*	49,301	69,711	68,211
Minority interests	-	16,524	16,524	16,524
Other creditors	-	3,871	3,871	3,871
Term loans	-	15,478	15,478	7,487
	*	85,174	105,584	96,093
(Net Liabilities)/NTA per share (RM)	(3,500)	1.65	1.74	1.70**

\* The current assets consist of cash in hand of RM2 and the share capital represents paid-up share capital of RM2 comprising 2 ordinary shares of RM1.00 each

\*\* The Group Proforma Consolidated Balance Sheet after Stage 3 as prepared above does not take into account dividend of RM5 million in respect of the period ended 30 September 1999 which was declared on 6 January 2000 for which approval has been received from the SC.

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**9. FINANCIAL INFORMATION.... cont'd**


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**NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS OF QL RESOURCES BERHAD AND ITS SUBSIDIARY COMPANIES AS AT 30 SEPTEMBER 1999**

1. The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes only and are based on the audited accounts of the QL Group as at 30 September 1999.
2. The Proforma Consolidated Balance Sheets have been prepared on accounting policies and bases consistent with those previously adopted in the preparation of the audited accounts of the QL Group of companies.
3. The Proforma Consolidated Balance Sheets incorporated the following transactions as though they were effected on 30 September 1999:-

***Stage 1***

- Proposed acquisition of the entire issued and paid-up share capital of QL Feed by QL comprising 4,100,000 ordinary shares of RM1.00 each for a total consideration of RM43,607,569 (after incorporation the effective interest of QL's share of revaluation reserves of RM9,256,569) to be satisfied by an issue of 29,665,013 new ordinary shares of RM1.00 each of QL at an issue price of RM1.47 per share.
- Proposed revaluation of QL Feed and its subsidiary companies' land and buildings resulting in a revaluation surplus of RM11,689,980.

Revaluation of Land Buildings	Gross Revaluation Reserve RM'000	Effective Interests of QL RM'000	Minority Interests RM'000
QL Feed	963	963	-
Sin Chip Huat Fishmeal Sdn Bhd	684	667	17
Sin Hong Heng Fishmeal Sdn Bhd	883	550	333
QL Foods Sdn Bhd	124	121	3
QL Properties Sdn Bhd	366	366	-
QL Realty Sdn Bhd	(205)	(205)	-
Chingsan Development Sdn Bhd	(248)	(248)	-
Natural Oscar Sdn Bhd	(194)	(194)	-
Tong Len Trading Sdn Bhd	2,996	2,060	936
Tong Len Plantations Sdn Bhd	(843)	(522)	(321)
Bergakau Development Sdn Bhd	245	169	76
Tong Her Marine Products Sdn Bhd	15	10	5
Adequate Triumph Sdn Bhd	2,054	1,413	641
QL Feedmills Sdn Bhd	1,427	1,427	-
QL Layer Farm Sdn Bhd	994	994	-
Banjaran Mentari Sdn Bhd	229	172	57
Tophill Corporation Sdn Bhd	1,031	709	322
Bukit Wang Sdn Bhd	1,169	804	365
<b>TOTAL</b>	<b>11,690</b>	<b>9,256</b>	<b>2,434</b>

***Stage 2***

Rights Issue of 4,174,985 new ordinary shares of RM1.00 each at an issue price of RM1.20 and Public Issue of 6,160,000 new ordinary shares of RM1.00 each at an issue price of RM2.50.

## 9. FINANCIAL INFORMATION.... cont'd

### Stage 3

The proceeds from the Proposed Public Issue are expected to be received by March 2000 and the proceeds will be utilised as follows:-

	<b>Amount RM'000</b>
Proceeds from Rights Issue	5,010
Proceeds from Public Issue	15,400
	20,410
Utilisation:-	
▪ Repayment of term loans	(7,991)
▪ Repayment of short term bank borrowings	(1,921)
▪ Estimated listing expenses	(1,500)
Retained as working capital	8,998

#### 4. Share Capital

	<b>RM'000</b>
Issued and fully paid:-	
▪ Balance as at 30 September 1999	*
▪ 29,665,013 new ordinary shares at an issue price of RM1.47 per share issued for the acquisition of QL Feed and its subsidiary companies	29,665
▪ Rights Issue of 4,174,985 new ordinary shares at an issue price of RM1.20 per ordinary share	4,175
▪ Public Issue of 6,160,000 new ordinary shares at an issue price of RM2.50 per ordinary share	6,160
<b>TOTAL</b>	<b>40,000</b>

\* This represents 2 ordinary shares of RM1.00 each.

#### 5. Share Premium

	<b>RM'000</b>
29,665,013 new ordinary shares at an issue price of RM1.47 per share issued for the acquisition of QL Feed and its subsidiary companies	13,943
Rights Issue of 4,174,985 new ordinary shares at an issue price of RM1.20 per new ordinary share	835
Public Issue of 6,160,000 new ordinary shares at an issue price of RM2.50 per ordinary share	9,240
	24,018
Less: estimated listing expenses	(1,500)
<b>TOTAL</b>	<b>22,518</b>

#### 6. Reserve on Consolidation

	<b>RM'000</b>
Net tangible assets of QL Feed and its subsidiary companies as at 30 September 1999	49,301
Purchase consideration to be satisfied by the issuance of 29,665,013 new ordinary shares at RM1.47 per ordinary share	43,608
<b>TOTAL</b>	<b>5,693</b>

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**9. FINANCIAL INFORMATION.... cont'd**

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**9.7 Reporting Accountant's Letter on the Proforma Consolidated Balance Sheets**  
(Prepared for inclusion in this Prospectus)

The Board of Directors  
QL Resources Berhad  
No.5, Lorong Bukit Kuda  
Off Jalan Batu Tiga Lama  
41300 Klang  
Selangor Darul Ehsan

Our Ref : A3/DHSL/JLMF/WBC/YAU (2)

31 January 2000

**REPORTING ACCOUNTANT'S LETTER ON THE PROFORMA CONSOLIDATED  
BALANCE SHEETS OF QL RESOURCES BERHAD AND ITS SUBSIDIARY  
COMPANIES**

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of QL Resources Berhad ("QL") and its subsidiary companies (hereinafter referred to as "QL Group") as at 30 September 1999, for which the Directors are solely responsible, together with the notes thereon as set out in the Prospectus dated 11 February 2000 in connection with the Public Issue of 6,160,000 new ordinary shares of RM1.00 each in QL at an issue price of RM2.50 per ordinary share and the Offer for Sale of 1,433,000 ordinary shares of RM1.00 each in QL at an offer price of RM2.50 per ordinary share and the listing and quotation for the entire issued and paid-up share capital of QL on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the abovementioned Proforma Consolidated Balance Sheets, together with the notes thereon, are presented on a basis consistent with the accounting policies normally adopted by QL Group and are in a form suitable for inclusion in the abovementioned Prospectus.

Yours faithfully

**KPMG**  
(No AF: 0758)  
Public Accountants

**LIM HUN SOON @ DAVID LIM**  
Partner  
Approval Number: 1514/5/00(J)

