

QL RESOURCES BERHAD (“QL” OR THE “COMPANY”)

PROPOSED BONUS ISSUE OF 374,408,829 NEW ORDINARY SHARES IN QL (“BONUS SHARE(S)”) ON THE BASIS OF THREE (3) BONUS SHARES FOR EVERY TEN (10) EXISTING ORDINARY SHARES HELD IN QL (“QL SHARE(S)” OR “SHARE(S)”) ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“PROPOSED BONUS ISSUE”)

1. INTRODUCTION

On behalf of the Board of Directors of QL (“**Board**”), RHB Investment Bank Berhad (“**RHB Investment Bank**”) wishes to announce that the Company proposes to undertake a bonus issue of 374,408,829 Bonus Shares on the basis of three (3) Bonus Shares for every ten (10) existing QL Shares held on an entitlement date to be determined and announced later (“**Entitlement Date**”).

Further details on the Proposed Bonus Issue are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED BONUS ISSUE

2.1 Basis and number of Bonus Shares

The Proposed Bonus Issue will entail an issuance of 374,408,829 Bonus Shares on the basis of three (3) Bonus Shares for every ten (10) existing QL Shares held by the entitled shareholders of the Company as at the close of business on the Entitlement Date.

The Bonus Shares are based on the share capital of the Company as at 27 February 2017, being the latest practicable date prior to this announcement (“**LPD**”), of RM312,007,358 comprising 1,248,029,430 QL Shares. The share capital of the Company will increase to RM405,609,565 comprising 1,622,438,259 QL Shares upon the completion of the Proposed Bonus Issue.

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

For illustration purposes, based on the five (5)-day volume weighted average market price of QL Shares up to and including the LPD of RM4.51, the theoretical ex-bonus share price of QL Shares is RM3.47.

2.2 Capitalisation of reserves

The Proposed Bonus Issue shall be wholly capitalised from the Company’s share premium account.

Based on the Company’s latest audited financial statement for the financial year ended (“**FYE**”) 31 March 2016 and the latest unaudited results for the 9-month financial period ended (“**FPE**”) 31 December 2016, the Company’s share premium balance are as follows:-

Company level	Audited As at 31 March 2016 (RM'000)	Unaudited As at 31 December 2016 (RM'000)
Share premium	308,018	308,018
Less:-		
- Amount to be capitalised for the Proposed Bonus Issue	(93,602)	(93,602)
Balance after the Proposed Bonus Issue	214,416	214,416

The Board confirms that the Company has adequate reserves available for the capitalisation of the Bonus Shares and such reserves are unimpaired by losses on a consolidated basis, based on the latest audited consolidated financial statements of the Company for the FYE 31 March 2016 and its latest unaudited quarterly results for the FPE 31 December 2016. The Proposed Bonus Issue will not be implemented in stages over a period of time.

2.3 Ranking of the Bonus Shares

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

2.4 Listing of and quotation for the Bonus Shares

An application will be made for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**").

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED BONUS ISSUE

Founded in 1987, QL will be celebrating its 30th anniversary. In conjunction thereto, the Company intends to undertake the Proposed Bonus Issue to reward the existing shareholders of the Company for their continuing support and loyalty. The Proposed Bonus Issue enables the existing shareholders to have greater participation in the equity of the Company in terms of the increased number of shares held, whilst maintaining their percentage of equity interest. Further, the Proposed Bonus Issue will potentially improve the liquidity and marketability of QL Shares on Bursa Securities.

4. EFFECTS OF THE PROPOSED BONUS ISSUE

4.1 Share capital

For illustrative purposes, the pro forma effects of the Proposed Bonus Issue on the share capital of QL are as follows:-

	No. of Shares	RM
Total number of issued Shares and the share capital as at the LPD	1,248,029,430	312,007,358
<i>To be issued pursuant to the Proposed Bonus Issue</i>	<i>374,408,829</i>	<i>93,602,207</i>
Enlarged share capital	1,622,438,259	405,609,565

4.2 Net assets (“NA”) per Share and gearing

Based on the audited consolidated financial statements of QL as at 31 March 2016, the pro forma effects of the Proposed Bonus Issue on the NA per Share and gearing of QL and its subsidiaries (“QL Group” or the “Group”) are as illustrated below:-

	Audited as at 31 March 2016 (RM'000)	Adjustment for subsequent events (RM'000)	Pro forma I After the Proposed Bonus Issue (RM'000)
Share capital	312,007	312,007	390,009
Share premium	308,018	308,018	⁽²⁾ 214,336
Translation reserve	(35,084)	(35,084)	(35,084)
Hedging reserve	(2,028)	(2,028)	(2,028)
Retained earnings	1,008,740	⁽¹⁾ 918,258	918,258
Shareholders' equity / NA	1,591,653	1,501,171	1,501,091
Non-controlling interest	79,241	79,241	79,241
Total equity	1,670,894	1,580,412	1,580,332
No. of Shares issued ('000)	1,248,029	1,248,029	1,622,438
NA per Share (RM)	1.28	1.20	0.93
Total borrowings	773,535	773,535	773,535
Gearing (times)	0.46	0.49	0.49

Notes:-

(1) After adjusting for the following:-

- (i) Dividend paid on 15 September 2016 pursuant to the final single tier dividend of 4.25 sen per QL Share, totaling approximately RM53.0 million in respect of the FYE 31 March 2016.
- (ii) Dividend payable on 14 April 2017 pursuant to the special single tier dividend of 3 sen per QL Share, totaling approximately RM37.4 million in respect of the FYE 31 March 2017.

(2) After deducting the estimated expenses of RM80,000 relating to the Proposed Bonus Issue.

4.3 Earnings and earnings per share (“EPS”)

The Proposed Bonus Issue is not expected to have any material effect on the earnings of QL Group for the FYE 31 March 2018. However, there will be a corresponding dilution in the EPS of QL Group as a result of the increase in the number of shares issued pursuant to the Proposed Bonus Issue.

4.4 Substantial shareholders’ shareholdings

The Proposed Bonus Issue will not have any effect on the percentage shareholdings of the substantial shareholders of QL. However, the number of QL Shares held by each substantial shareholder will increase proportionately as a result of the Proposed Bonus Issue.

4.5 Convertible securities

As at the LPD, there are no options, warrants or convertible securities issued by the Company.

5. APPROVALS REQUIRED

The Proposed Bonus Issue is conditional upon the following approvals being obtained:-

- (i) Bursa Securities, for the listing of and quotation for the Bonus Shares to be issued pursuant to the Proposed Bonus Issue;
- (ii) the shareholders of QL, for the Proposed Bonus Issue at an extraordinary general meeting to be convened; and
- (iii) any other relevant authorities and parties, if required.

The Proposed Bonus Issue is not conditional upon any other corporate exercise/scheme undertaken or to be undertaken by the Company.

6. INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM

None of the Directors and major shareholders of the Company and persons connected to them has any interest, whether direct or indirect, in the Proposed Bonus Issue save for their respective entitlements as shareholders of the Company under the Proposed Bonus Issue, which are also available to all other shareholders of the Company.

7. BOARD’S RECOMMENDATION

The Board, having considered all aspects of the Proposed Bonus Issue, is of the opinion that the Proposed Bonus Issue is in the best interest of the Company.

8. ADVISER

RHB Investment Bank has been appointed by the Company to act as the Adviser for the Proposed Bonus Issue.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Board expects the Proposed Bonus Issue to be completed in the third quarter of 2017.

10. APPLICATION TO RELEVANT AUTHORITIES

Barring any unforeseen circumstances, the application to Bursa Securities for the Proposed Bonus Issue is expected to be submitted within two (2) months from the date of this announcement.

This announcement is dated 28 February 2017.