

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Bursa Malaysia Securities Berhad ("**Bursa Securities**") has not perused the content of this Circular relating to the Proposed Bonus Issue and Proposed Renewal of Share Buy Back Authority (as defined herein) prior to its issuance as it is an Exempt Circular pursuant to Practice Note 18 of the Main Market Listing Requirements of Bursa Securities.

Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



QL RESOURCES BERHAD

(Company No. 428915-X)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PART A

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

PART B

PROPOSED RENEWAL OF SHARE BUY BACK AUTHORITY AND PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Adviser for Part A



RHB Investment Bank Berhad

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

The Proposals (as defined herein) will be tabled as special business at the Company's 20th Annual General Meeting ("**AGM**") to be held at Saujana Ballroom, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Friday, 25 August 2017 at 10.00 a.m. The notice of AGM together with the Form of Proxy is set out in the Company's annual report 2017 which is despatched together with this Circular.

The Form of Proxy must be completed and lodged at the Registered Office of the Company at No. 16A, Jalan Astaka U8/83, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan, not less than 48 hours before the time stipulated for holding the AGM as indicated below. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy: Wednesday, 23 August 2017 at 10.00 a.m.

Date and time of the AGM.....: Friday, 25 August 2017 at 10.00 a.m.

This Circular is dated 28 July 2017

DEFINITIONS

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

| | |
|--------------------------|---|
| “Act” | : The Companies Act, 2016, and any amendments from time to time |
| “AGM” | : Annual General Meeting |
| “Board” | : The Board of Directors of QL |
| “Bonus Share(s)” | : 374,408,829 new QL Shares to be issued pursuant to the Proposed Bonus Issue |
| “Bursa Depository” | : Bursa Malaysia Depository Sdn. Bhd. (Company No. 165570-W) |
| “Bursa Securities” | : Bursa Malaysia Securities Berhad (Company No. 635998-W) |
| “CBG” | : CBG Holdings Sdn. Bhd. (Company No. 116910-V) |
| “Circular” | : This circular to the shareholders of QL dated 28 July 2017 |
| “Director(s)” | : Has the meaning given in Section 2(1) of the Capital Markets and Services Act, 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a Director of QL, its subsidiary, holding company or associated companies or a chief executive of QL, its subsidiary, holding company or associated companies |
| “Endau Group” | : QL Endau Marine Products Sdn. Bhd. (Company No. 16212-D) and its subsidiaries, collectively |
| “Entitlement Date” | : The date as at the close of business (to be determined and announced later by the Board) on which shareholders of QL must be registered as a member and whose names appear in the Record of Depositors in order to participate in the Proposed Bonus Issue |
| “EPS” | : Earnings per share |
| “Farsathy” | : Farsathy Holdings Sdn. Bhd. (Company No. 61787-X) |
| “FYE” | : Financial year(s) ended/ending, as the case may be |
| “Interested Director(s)” | : The interested Directors being Dr. Chia Song Kun, Mr. Chia Seong Fatt, Mr. Chia Song Kooi, Mr. Chia Song Swa, Mr. Chia Mak Hooi, Mr. Cheah Juw Teck and Mr. Chia Lik Khai |
| “Listing Requirements” | : The Main Market Listing Requirements of Bursa Securities |
| “LPD” | : 30 June 2017, being the latest practicable date prior to the printing of this Circular |
| “Major Shareholder(s)” | : A person who (includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon) has an interest or interests in one or more voting shares in the Company (or any other corporation which is its subsidiary or holding company) and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:- (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the Company; or |

DEFINITIONS (Cont'd)

- (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the Company where such person is the largest shareholder of the Company.

For the purpose of this definition, "interest in shares" has the meaning given in Section 8 of the Act.

"Market Day(s)" : Any day(s) between Monday to Friday (inclusive), excluding public holidays, and a day on which Bursa Securities is open for trading of securities

"NA" : Net assets

"Person(s) Connected" : In relation to a Director or Major Shareholder, means such person who falls under any one of the following categories:-

- (a) a family¹ member;
- (b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the director, major shareholder, management team member, or a family member of the director, major shareholder or management team member, is the sole beneficiary;
- (c) a partner² of the director, major shareholder, management team member, or a partner of a person connected with that director, major shareholder or management team member;
- (d) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the director, major shareholder or management team member;
- (e) a person in accordance with whose directions, instructions or wishes the director, major shareholder, or management team member is accustomed or is under an obligation, whether formal or informal, to act;
- (f) a body corporate or its directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the director, major shareholder or management team member;
- (g) a body corporate or its directors whose directions, instructions or wishes the director, major shareholder or management team member is accustomed or under an obligation, whether formal or informal, to act;
- (h) a body corporate in which the director, major shareholder, or management team member, or persons connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate; or
- (i) a body corporate which is a related corporation.

1 Means the Director or Major Shareholder's spouse, parent, child (including adopted and stepchild), brother, sister and the spouse of the Director or Major Shareholder's child, brother or sister

2 In relation to a director, major shareholder, or a person connected with the director or major shareholder, means a person with whom the director, major shareholder or person connected with the director or major shareholder, is in or proposes to enter into partnership with. "Partnership" for this purpose refers to a "partnership" as defined in section 3 of the Partnership Act 1961 or "limited liability partnership" as defined in section 2 of the Limited Liability Partnerships Act 2012, as the case may be; or a person with whom the director, major shareholder or person connected with a director or major shareholder has entered or proposes to enter into a joint venture, whether incorporated or not.

DEFINITIONS (Cont'd)

| | | |
|--|---|---|
| “Proposed Bonus Issue” | : | Proposed bonus issue of 374,408,829 Bonus Shares on the basis of 3 Bonus Shares for every 10 existing QL Shares held on the Entitlement Date |
| “Proposed Renewal of RRPT Mandate” | : | Proposed renewal of shareholders’ mandate for RRPT |
| “Proposed Renewal of Share Buy Back Authority” | : | Proposed renewal for the Company to purchase its own Shares of up to 10% of the total number of issued shares |
| “Proposed Share Buy Back” | : | Proposed purchase by the Company of its own shares in accordance with Section 127 of the Act and the requirements of Bursa Securities and/or any other relevant authority |
| “QL” or the “Company” | : | QL Resources Berhad (Company No. 428915-X) |
| “QL Farms Group” | : | QL Farms Sdn. Bhd. (Company No. 133226-P) and its subsidiaries, collectively |
| “QL Group” or the “Group” | : | QL and its subsidiaries, collectively |
| “QL Share(s)” or “Share(s)” | : | Ordinary share(s) in QL |
| “Record of Depositors” | : | A record of depositors established by Bursa Depository under the Rules of Bursa Depository, as amended from time to time |
| “Related Party/Parties” | : | A director, major shareholder or person connected with such Director or Major Shareholder |
| “RHB Investment Bank” or the “Adviser” | : | RHB Investment Bank Berhad (Company No. 19663-P) |
| “RM” and “sen” | : | Ringgit Malaysia and sen, respectively |
| “RRPT” | : | A related party transaction which is recurrent, of a revenue or trading nature and which is necessary for day-to-day operations of a listed issuer or its subsidiaries |
| “RT” | : | Ruby Technique Sdn. Bhd. (Company No. 405683-X) |
| “Rules” | : | The Rules on Take-overs, Mergers and Compulsory Acquisitions, 2016, including any amendments that may be made from time to time |
| “SC” | : | Securities Commission Malaysia |
| “Treasury Share(s)” | : | Shares that are purchased by the Company under Section 127(5) of the Act, unless held in treasury, shall be deemed to be cancelled immediately on purchase |
| “VWAP” | : | Volume weighted average market price |

DEFINITIONS (Cont'd)

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

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

Throughout this Circular, for ease of reading, certain figures have been rounded.

[The rest of this page has been intentionally left blank]

TABLE OF CONTENTS

PAGE**LETTER TO THE SHAREHOLDERS OF QL CONTAINING:-****PART A: PROPOSED BONUS ISSUE**

| | | |
|-----|--|---|
| 1. | INTRODUCTION | 1 |
| 2. | DETAILS OF THE PROPOSED BONUS ISSUE | 2 |
| 3. | RATIONALE AND JUSTIFICATION FOR THE PROPOSED BONUS ISSUE..... | 3 |
| 4. | EFFECTS OF THE PROPOSED BONUS ISSUE | 4 |
| 5. | HISTORICAL SHARE PRICES | 5 |
| 6. | APPROVALS REQUIRED / OBTAINED | 6 |
| 7. | INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM..... | 6 |
| 8. | ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION | 6 |
| 9. | CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION | 7 |
| 10. | DIRECTORS' RECOMMENDATION..... | 7 |
| 11. | AGM..... | 7 |
| 12. | FURTHER INFORMATION | 7 |

PART B: PROPOSED RENEWAL OF SHARE BUY BACK AUTHORITY AND PROPOSED RENEWAL OF RRPT MANDATE

| | | |
|----|---|----|
| 1. | INTRODUCTION | 8 |
| 2. | DETAILS OF THE PROPOSED RENEWAL OF SHARE BUY BACK AUTHORITY AND PROPOSED RENEWAL OF RRPT MANDATE..... | 9 |
| 3. | RATIONALE OF THE PROPOSED RENEWAL OF SHARE BUY BACK AUTHORITY AND PROPOSED RENEWAL OF RRPT MANDATE | 21 |
| 4. | FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY BACK AUTHORITY AND PROPOSED RENEWAL OF RRPT MANDATE | 22 |
| 5. | CONDITIONS TO THE PROPOSED RENEWAL OF SHARE BUY BACK AUTHORITY AND PROPOSED RENEWAL OF RRPT MANDATE..... | 22 |
| 6. | DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS..... | 23 |
| 7. | DIRECTORS' RECOMMENDATION..... | 25 |
| 8. | AGM..... | 25 |
| 9. | FURTHER INFORMATION..... | 25 |

APPENDIX

| | | |
|----|---------------------------|----|
| I. | FURTHER INFORMATION | 26 |
|----|---------------------------|----|

PART A

PROPOSED BONUS ISSUE



QL RESOURCES BERHAD

(Company No. 428915-X)
(Incorporated in Malaysia)

Registered Office:

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

28 July 2017

Board of Directors:-

| | |
|--|--|
| YM Tengku Dato' Zainal Rashid bin Tengku Mahmood | <i>(Chairman / Independent Non-Executive Director)</i> |
| Chia Song Kun | <i>(Group Managing Director)</i> |
| Chia Song Kooi | <i>(Deputy Group Managing Director)</i> |
| Chia Seong Pow | <i>(Executive Director)</i> |
| Chia Seong Fatt | <i>(Executive Director)</i> |
| Chia Song Swa | <i>(Executive Director)</i> |
| Chia Mak Hooi | <i>(Executive Director)</i> |
| Cheah Juw Teck | <i>(Executive Director)</i> |
| Chia Lik Khai | <i>(Executive Director)</i> |
| Chieng Ing Huong, Eddy | <i>(Senior Independent Non-Executive Director)</i> |
| Tan Bun Poo, Robert | <i>(Independent Non-Executive Director)</i> |
| Prof. Datin Paduka Dr Aini binti Ideris | <i>(Independent Non-Executive Director)</i> |

To: The shareholders of QL Resources Berhad

Dear Sir / Madam,

PROPOSED BONUS ISSUE

1. INTRODUCTION

On 28 February 2017, RHB Investment Bank had, on behalf of the Board, announced that the Company proposes to undertake a bonus issue of 374,408,829 Bonus Shares on the basis of 3 Bonus Shares for every 10 existing QL Shares held on the entitlement date to be determined and announced later.

On 9 May 2017, on behalf of the Board, RHB Investment Bank announced that Bursa Securities had vide its letter dated 9 May 2017, approved the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities, subject to the conditions set out in **Section 6, Part A** of this Circular.

On 18 May 2017, on behalf of the Board, RHB Investment Bank announced that Bursa Securities had vide its letter dated 17 May 2017, resolved to grant an extension of time from 30 May 2017 to 31 July 2017 to QL for the issuance of the Circular in relation to the Proposed Bonus Issue.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS ON THE PROPOSED BONUS ISSUE AND TO SEEK YOUR APPROVAL ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED BONUS ISSUE TO BE TABLED AT THE FORTHCOMING AGM. THE NOTICE OF THE FORTHCOMING AGM TOGETHER WITH THE FORM OF PROXY ARE SET OUT IN THE COMPANY'S ANNUAL REPORT 2017.

SHAREHOLDERS OF QL ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED BONUS ISSUE TO BE TABLED AT THE FORTHCOMING AGM.

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 to be credited as fully paid-up on the basis of 3 Bonus Shares for every 10 existing QL Shares held by the entitled shareholders of the Company as at the close of business on the Entitlement Date.

As at the LPD, the total number of issued shares of the Company is 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, the theoretical ex-bonus share price of QL Shares are:-

- (i) RM3.78, based on the 5-day VWAP of QL Shares up to and including the LPD of RM4.91; and
- (ii) RM3.70, based on the 3-month VWAP of QL Shares up to and including the LPD of RM4.81.

2.2 Capitalisation of reserves

The Proposed Bonus Issue shall be wholly capitalised from the Company's share premium balance at RM0.25 per Bonus Share, being the reference to the par value of QL Share immediately before the effective date of the Act, pursuant to Section 618(7) of the Act.

Based on the Company's latest audited financial statements for the FYE 31 March 2017, the Company's share premium balance* is as follows:-

| Company level | Audited as at 31 March 2017 (RM) |
|---|--|
| Share premium balance* | 308,018,000 |
| <i>Less:-</i> | |
| - Amount to be capitalised for the Proposed Bonus Issue | (93,602,207) |
| Balance after the Proposed Bonus Issue | 214,415,793 |
| | |

Note:-

* Under the no par value regime of the Act which came into effect on 31 January 2017, the concept of share premium will no longer be applicable and any amount standing to the credit of the Company's share premium account shall be consolidated as part of its share capital. However, the Act provides that the Company may use its share premium balance to fully pay up the Bonus Shares within a 24-month period from 31 January 2017.

The Board confirms that the implementation of the Proposed Bonus Issue (vide the capitalisation of the share premium balance of the Company) will be in full compliance with the Act and Practice Note 1/2017 issued by the Companies Commission of Malaysia on 8 February 2017 for the purposes of subsections 618(3) and (4) of the Act. The Board also 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 2017. 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 will, upon allotment and issuance, rank *pari passu* in all respects with the existing QL Shares, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid where the entitlement precedes the allotment and issuance of such Bonus Shares.

2.4 Listing of and quotation for the Bonus Shares

QL had received the approval from Bursa Securities for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities via its letter dated 9 May 2017, subject to the conditions as stated under **Section 6, Part A** of this Circular. The Bonus Shares will be listed and quoted on the Main Market of Bursa Securities on the next Market Day following the Entitlement Date.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED BONUS ISSUE

Founded in 1987, QL will be celebrating its 30th anniversary this year. 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 |
|---|----------------------|--------------------|
| Share capital as at the LPD | 1,248,029,430 | * 620,025,358 |
| To be issued pursuant to the Proposed Bonus Issue | 374,408,829 | 93,602,207 |
| Enlarged share capital | 1,622,438,259 | 526,423,151 |

Note:-

* Pursuant to Section 618(2) of the Act, the amount standing to the credit of QL's share premium balance ("**Share Premium**") of RM308,018,000 as at 31 March 2017 became part of QL's share capital. For the Proposed Bonus Issue, the Company may utilise the Share Premium in the manner as allowed for under the transitional provisions of the Act within 24 months from 31 January 2017.

4.2 NA per Share and gearing

Based on the audited consolidated financial statements of QL as at 31 March 2017, the pro forma effects of the Proposed Bonus Issue on the NA per Share and gearing of QL Group are as illustrated below:-

| | Audited as at 31 March 2017 (RM'000) | Pro forma I After the Proposed Bonus Issue (RM'000) |
|----------------------------------|--|--|
| Share capital ⁽¹⁾ | 620,025 | 526,423 |
| Exchange translation reserve | 16,405 | 16,405 |
| Hedging reserve | (2,303) | (2,303) |
| Retained profits | 1,114,179 | ⁽²⁾ 1,114,099 |
| Shareholders' equity / NA | 1,748,306 | 1,654,624 |
| Non-controlling interest | 93,305 | 93,305 |
| Total equity | 1,841,611 | 1,747,929 |
| No. of Shares issued ('000) | 1,248,030 | 1,622,438 |
| NA per Share (RM) | 1.40 | 1.02 |
| Total borrowings | 923,787 | 923,787 |
| Gearing (times) | 0.50 | 0.53 |

Notes:-

(1) The Share Premium had become part of QL's share capital pursuant to Section 618(2) of the Act. For the Proposed Bonus Issue, the Company may utilise the Share Premium of RM308,018,000 as at 31 March 2017 in the manner as allowed for under the transitional provisions of the Act within 24 months from 31 January 2017.

(2) After deducting the total estimated expenses of RM80,000.

4.3 Earnings and EPS

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

The monthly highest and lowest transacted market prices of QL Shares for the past 12 months from July 2016 to June 2017 are as follows:-

| | High RM | Low RM |
|-------------|------------|-----------|
| 2016 | | |
| July | 4.47 | 4.35 |
| August | 4.46 | 4.33 |
| September | 4.45 | 4.17 |
| October | 4.52 | 4.40 |
| November | 4.50 | 4.28 |
| December | 4.43 | 4.29 |
| 2017 | | |
| January | 4.43 | 4.29 |
| February | 4.56 | 4.26 |
| March | 4.73 | 4.48 |
| April | 4.80 | 4.53 |
| May | 5.00 | 4.74 |
| June | 4.99 | 4.75 |

The last transacted price of QL Shares on 27 February 2017 (being the date prior to the announcement of the Proposed Bonus Issue) was RM4.45.

The last transacted price of QL Shares on 24 July 2017 (being the latest date prior to the printing of this Circular) was RM4.91.

(Source: Bloomberg)

6. APPROVALS REQUIRED / OBTAINED

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

- (i) Bursa Securities, for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities;

Bursa Securities had vide its letter dated 9 May 2017, granted its approval in relation to the Proposed Bonus Issue subject to the following conditions:-

| No. | Conditions | Status of compliance |
|-----|--|----------------------|
| 1. | QL and RHB Investment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Bonus Issue; | Noted |
| 2. | QL and RHB Investment Bank to inform Bursa Securities upon the completion of the Proposed Bonus Issue; | To be complied |
| 3. | QL to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Bonus Issue is completed; and | To be complied |
| 4. | QL and RHB Investment Bank are required to make the relevant announcements pursuant to Paragraphs 6.35(2)(a) & (b) and 6.35(4) of the Listing Requirements. | To be complied |

- (ii) the shareholders of QL, for the Proposed Bonus Issue at the forthcoming AGM; and

- (iii) any other relevant authorities and/or parties, if required.

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

7. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, Major Shareholders and/or Persons Connected with them has any interest, whether direct or indirect, in the Proposed Bonus Issue apart from their respective entitlement under the Proposed Bonus Issue, which are also available to all other shareholders of the Company.

8. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

The tentative timetable for the implementation of the Proposed Bonus Issue is set out below:-

| Month | Event |
|--------------------|--|
| 25 August 2017 | <ul style="list-style-type: none">Convening of AGM to obtain the approval of shareholders of QL for the Proposed Bonus Issue |
| End of August 2017 | <ul style="list-style-type: none">Announcement of the Entitlement Date for the Proposed Bonus Issue |
| Mid September 2017 | <ul style="list-style-type: none">Entitlement DateListing of and quotation for the Bonus Shares on the Main Market of Bursa Securities and the completion of the Proposed Bonus Issue |

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

9. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Bonus Issue (which is the subject matter of this Circular), the Board confirms that there are no other outstanding corporate exercises that have been announced by the Company, but not yet completed as at the LPD.

10. DIRECTORS' 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.

As such, the Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Bonus Issue to be tabled at the forthcoming AGM of the Company.

11. AGM

The 20th AGM will be held at Saujana Ballroom, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Friday, 25 August 2017 at 10.00 a.m. or any adjournment thereof for the purpose of considering and if thought fit, passing the resolutions as set out in the Notice of AGM in the Company's annual report 2017, which is dispatched together with this Circular.

If you are unable to attend and vote in person at the AGM, please complete, sign and return the Form of Proxy enclosed in the Company's annual report 2017 to the Registered Office of the Company at No. 16A, Jalan Astaka U8/83, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan so as to arrive not later than 48 hours before the time fixed for holding the AGM. The Form of Proxy should be completed strictly in accordance with the instruction contained therein. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

12. FURTHER INFORMATION

Shareholders are advised to refer to **Appendix I** as set out in this Circular for further information.

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

TENGGU DATO' ZAINAL RASHID BIN TENGGU MAHMOOD
Chairman / Independent Non-Executive Director

PART B

**PROPOSED RENEWAL OF SHARE BUY BACK AUTHORITY AND PROPOSED
RENEWAL OF RRPT MANDATE**



QL RESOURCES BERHAD

(Company No. 428915-X)
(Incorporated in Malaysia)

Registered Office:-
No. 16A, Jalan Astaka U8/83
Bukit Jelutong
40150 Shah Alam
Selangor Darul Ehsan

28 July 2017

Board of Directors:-

| | |
|--|--|
| YM Tengku Dato' Zainal Rashid bin Tengku Mahmood | <i>(Chairman / Independent Non-Executive Director)</i> |
| Chia Song Kun | <i>(Group Managing Director)</i> |
| Chia Song Kooi | <i>(Deputy Group Managing Director)</i> |
| Chia Seong Pow | <i>(Executive Director)</i> |
| Chia Seong Fatt | <i>(Executive Director)</i> |
| Chia Song Swa | <i>(Executive Director)</i> |
| Chia Mak Hooi | <i>(Executive Director)</i> |
| Cheah Juw Teck | <i>(Executive Director)</i> |
| Chia Lik Khai | <i>(Executive Director)</i> |
| Chieng Ing Huong, Eddy | <i>(Senior Independent Non-Executive Director)</i> |
| Tan Bun Poo, Robert | <i>(Independent Non-Executive Director)</i> |
| Prof. Datin Paduka Dr Aini binti Ideris | <i>(Independent Non-Executive Director)</i> |

To: The shareholders of QL Resources Berhad

Dear Sir / Madam,

PROPOSED RENEWAL OF SHARE BUY BACK AUTHORITY AND PROPOSED RENEWAL OF RRPT MANDATE

1. INTRODUCTION

At the AGM held on 25 August 2016, the Company had obtained shareholders' mandate on the Proposed Renewal of Share Buy Back Authority and Proposed Renewal of RRPT Mandate. The aforesaid mandate will expire at the conclusion of the forthcoming AGM which will be held on Friday, 25 August 2017 unless renewal is obtained.

On 7 July 2017, the Board had announced the Company's intention to seek shareholders' approval on the Proposed Renewal of Share Buy Back Authority and Proposed Renewal of RRPT Mandate.

The purpose of this Circular is to provide you with the details and information of the Proposed Renewal of Share Buy Back Authority and Proposed Renewal of RRPT Mandate, to set out the recommendation made by the Board and to seek your approval for the resolution pertaining to the Proposed Renewal of Share Buy Back Authority and Proposed Renewal of RRPT Mandate to be tabled at the Company's forthcoming AGM or any adjournment thereof.

2. DETAILS OF THE PROPOSED RENEWAL OF SHARE BUY BACK AUTHORITY AND PROPOSED RENEWAL OF RRPT MANDATE

2.1 Proposed Renewal of Share Buy Back Authority

The Board seeks your approval to purchase up to 10% of QL's total number of issued shares at the point of purchase on Bursa Securities through the Company's appointed stockbroker(s).

The Proposed Renewal of Share Buy Back Authority will allow the Board to exercise the power to purchase QL's own Shares at any time within the mandate period using internally generated funds of the Company and/or borrowings. The actual number of Shares to be purchased, the total amount of funds to be utilised as well as the timing of the Proposed Share Buy Back will depend on, amongst others, market conditions, the availability of the retained profits and the financial resources available to QL Group as well as Bursa Securities' requirement to maintain the minimum shareholding spread and minimum share capital.

The mandate for the Proposed Share Buy Back will be effective immediately upon the passing of the ordinary resolution pertaining to the Proposed Renewal of Share Buy Back Authority at the forthcoming AGM, and will be in force until:-

- (i) the conclusion of the next AGM of the Company at which time the authority shall lapse unless by ordinary resolution passed at that general meeting, the authority is renewed either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next AGM after that date is required by law to be held; and
- (iii) revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first.

The maximum amount of funds to be allocated for the Proposed Share Buy Back shall not exceed the retained profits of the Company. The retained profits of the Company based on the audited financial statements for the year ended 31 March 2017 is RM224,793,784. Whereas the retained profits of the Company based on its unaudited management account as at 30 June 2017 is RM224,611,945.

The Proposed Share Buy Back is likely to reduce the working capital and cash flow of the Company, the quantum of which depends on the purchase price and the actual number of Shares purchased. However, the Proposed Share Buy Back is not expected to have a material effect on the working capital and cash flow of QL Group.

Pursuant to the Listing Requirements, the Proposed Share Buy Back shall be executed at purchase prices not exceeding 15% above the 5-day VWAP of the Shares immediately before the purchase.

The Treasury Shares arising from the Proposed Share Buy Back can be resold at:-

- (a) a price not less than the 5-day VWAP of the Shares immediately before the resale; or
- (b) a discounted price of not more than 5% to the 5-day VWAP of the Shares immediately before the resale provided that:-
 - (i) the resale takes place not earlier than 30 days from the date of purchase; and
 - (ii) the resale price is not less than the cost of purchase of the shares being resold.

The aforesaid Treasury Shares shall not be entitled to any of the rights attached to the existing Shares of the Company as to voting, dividends and participation in other distribution or otherwise, are suspended and shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including, without limiting the generality of the Company's Constitution or the Listing Requirements on substantial shareholdings, takeovers, notices, the requisitioning of meetings, the quorum for meetings and the result of a vote on a resolution at a meeting.

Notwithstanding the above, the Company may:-

- (a) cancel the Shares so purchased;
- (b) retain the Shares so purchased as Treasury Shares; or
- (c) combination of (a) and (b).

Where such shares are held as Treasury Shares, the Company may:-

- (a) distribute the shares as dividends to shareholders, such dividends to be known as "share dividends";
- (b) resell the shares or any of the shares in accordance with the relevant rules of the Bursa Securities;
- (c) transfer the shares, or any of the shares for the purposes of or under an employees' share scheme;
- (d) transfer the shares, or any of the shares as purchase consideration;
- (e) cancel the shares or any of the shares; or
- (f) sell, transfer or otherwise use the shares for such other purposes as the Companies Commission Malaysia may by order prescribe.

The decision of the Board on the above options will be made at appropriate time. An immediate announcement will be made to Bursa Securities as and when any purchase, cancellation and/or resale of Shares are executed.

2.1.1 Risk Assessment of the Proposed Share Buy Back

The Proposed Share Buy Back, if implemented will reduce the financial resources of the Group and may result in the Group foregoing better investment opportunities that may emerge in the future or, at the least, deprive the Company and the Group of interest income that can be derived from the funds realised for the Proposed Share Buy Back.

The Proposed Share Buy Back may also result in a lower amount of cash reserves available for dividends to be declared to shareholders as funds are utilised to purchase Shares. In the event that the Proposed Share Buy Back is funded by bank borrowings, the Company's net cash flow may decline to the extent of the interest costs associated with such borrowings. However, if the Company decides to utilise bank borrowings to finance the Proposed Share Buy Back, it will ensure that it has sufficient financial capability to repay the bank borrowings and interest expense as well as to ensure that the bank borrowings will not have a material impact on the cash flows or earnings of the Company.

Nevertheless, the abovementioned disadvantages shall be mitigated by the prospect that the financial resources of the Group may increase, if the Treasury Shares are resold at prices higher than the purchase price.

2.1.2 Directors' and Major Shareholders' shareholdings

Based on the Register of Directors' Shareholdings and the Register of Major Shareholders as at the LPD, the number of Shares held by the Directors and Major Shareholders of QL respectively are as follows:-

| Name/Company | Number of Shares held as at the LPD ⁽¹⁾ | | | | After the Proposed Share Buy Back ⁽²⁾⁽³⁾ | | | |
|---|--|-------|----------------------|-------|---|-------|----------------------|-------|
| | Number of Shares ('000) | | | | Number of Shares ('000) | | | |
| | Direct | % | Indirect | % | Direct | % | Indirect | % |
| Major Shareholders | | | | | | | | |
| CBG | 525,042 | 42.07 | - | - | 525,042 | 46.74 | - | - |
| Farsathy | 150,735 | 12.08 | - | - | 150,735 | 13.42 | - | - |
| Directors | | | | | | | | |
| Tengku Dato' Zainal Rashid bin Tengku Mahmood | 3,870 | 0.31 | - | - | 3,870 | 0.34 | - | - |
| Chia Song Kun | 675 | 0.05 | 536,287 ^a | 42.97 | 675 | 0.06 | 536,287 ^a | 47.75 |
| Chia Seong Pow | 2,200 | 0.18 | 154,323 ^b | 12.37 | 2,200 | 0.20 | 154,323 ^b | 13.74 |
| Chia Song Kooi | 870 | 0.07 | 528,644 ^c | 42.36 | 870 | 0.08 | 528,644 ^c | 47.06 |
| Chia Seong Fatt | 486 | 0.04 | 155,652 ^d | 12.23 | 486 | 0.04 | 155,652 ^d | 13.59 |
| Chia Song Swa | 567 | 0.05 | 527,303 ^e | 42.25 | 567 | 0.05 | 527,303 ^e | 46.95 |
| Chia Mak Hooi | 2,286 | 0.18 | 529,318 ^e | 42.41 | 2,286 | 0.19 | 529,318 ^e | 47.12 |
| Cheah Juw Teck | 2,308 | 0.18 | 7,320 ^f | 0.59 | 2,308 | 0.18 | 7,320 ^f | 0.65 |
| Chia Lik Khai | 1,028 | 0.08 | 146 ^g | 0.01 | 1,028 | 0.09 | 146 ^g | 0.01 |

Notes:-

- (1) The percentage shareholding is calculated based on 1,248,029,430 Shares in circulation.
 - (2) The percentage shareholding is calculated based on 1,123,226,487 Shares in circulation assuming a maximum of 124,802,943 Shares are purchased and cancelled pursuant to the Proposed Share Buy Back and that the Shares are purchased from shareholders other than QL's Major Shareholders.
 - (3) In the event an obligation to undertake a mandatory offer arise resulting from the Proposed Share Buy Back, the related majority shareholder shall make the necessary application to the SC to seek an exemption from the mandatory offer obligation. For information purposes, QL does not intend to undertake the Proposed Share Buy Back such that it will trigger any obligation to undertake a mandatory offer pursuant to the Rules.
- a Deemed interest via his and his spouse's interests in CBG, Attractive Features Sdn. Bhd., his and his spouse's indirect interest in RT as well as his spouse's, children's and their spouse's interests in QL.
- b Deemed interest via his and his spouse's beneficial interests in Farsathy, his and his spouse's indirect interest in RT and his spouse's, children's and their spouse's interests in QL.
- c Deemed interest via his interest in CBG, his indirect interest in RT and his spouse's interest in QL.
- d Deemed interest via his and his spouse's beneficial interests in Farsathy, his and his spouse's indirect interests in RT and his children's interests in QL.
- e Deemed interest via his and his father's interest in CBG, his and his father's indirect interests in RT and his father's and spouse's interests in QL.
- f Deemed interest via his parents' and spouse's interests in QL.
- g Deemed interest via his spouse's interests in QL.

2.1.3 Public Shareholding Spread

As at the LPD, the public shareholding spread of the Company is 40.35%. The public shareholding spread is expected to be reduced to 33.73% assuming the Proposed Share Buy Back is implemented in full and all the Shares so purchased are cancelled. However, the Company will ensure that the public shareholding spread of at least 25% is maintained.

2.1.4 Implication on the Rules

QL does not intend to exercise the Proposed Share Buy Back such that it will trigger any obligation to undertake a mandatory offer pursuant to the Rules. However, in the event an obligation to undertake a mandatory offer is to arise with respect to any parties resulting from the Proposed Share Buy Back, the relevant parties shall make the necessary application to the Securities Commission for an exemption to undertake a mandatory offer pursuant to the Rules.

2.1.5 Purchases of the Company's Shares, resale of Treasury Shares and cancellation of shares in the previous 12 months

The Company has not purchased its own Shares in the preceding 12 months from 1 July 2016 up to the LPD. Hence, there is no resale or cancellation of Treasury Shares as to date.

2.1.6 Share price

QL's monthly highest and lowest share prices of for the past twelve (12) months to June 2017 are as follows:-

| | High RM | Low RM |
|-------------|------------|-----------|
| 2016 | | |
| July | 4.47 | 4.35 |
| August | 4.46 | 4.33 |
| September | 4.45 | 4.17 |
| October | 4.52 | 4.40 |
| November | 4.50 | 4.28 |
| December | 4.43 | 4.29 |
| 2017 | | |
| January | 4.43 | 4.29 |
| February | 4.56 | 4.26 |
| March | 4.73 | 4.48 |
| April | 4.80 | 4.53 |
| May | 5.00 | 4.74 |
| June | 4.99 | 4.75 |

(Source: Bloomberg)

The last transacted price of QL Shares on 24 July 2017 (being the latest date prior to the printing of this Circular) was RM4.91.

2.2 Proposed Renewal of RRPT Mandate

2.2.1 Introduction

QL is an investment holding company whilst the principal activity of its Group are distribution of animal feed, raw materials and food grain, layer and broiler farming, poultry breeding, manufacturing of poultry and livestock feed, farm products, deep sea fishing, property holding, manufacturing of surimi and surimi-based products, manufacturing and sales of frozen “halal” food products, processing and sale of frozen seafood, aqua-farming, manufacturing and trading of fishmeal and food products, trading of feed supplements, animal health food and agricultural products, oil palm plantation and crude palm oil milling, production and supply of biologically digested feeding raw materials, development and marketing of “palm pelletising” system, provision of management services, feed milling, producing and selling organic fertilizer, sale of subsidised diesel to fishermen, trading of goods, provision of chicken parts processing services, coastal fish trawling, operating a palm pellet and biogas plants, manufacturing of wood pellet, supply of biomass, hatching and aqua culturing of prawn, shrimps and fishes, engaged in the business of breeding, genetic selection and hatchery operation for the production of aquatic species, operating and franchising of convenient or retail stores as well as operating of central kitchen.

Under Part E, Chapter 10.09 of the Listing Requirements, the listed issuer may seek shareholders’ mandate in respect of such transactions subject to the following:-

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholders’ mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders’ mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09 (1) of the Listing Requirements;
- (c) issuing of circular to shareholders;
- (d) in a meeting to obtain shareholder mandate, the relevant related party must comply with the following requirements:-
 - (i) a related party with any interest, direct or indirect (“**interested related party**”), must not vote on the resolution in respect of the RRPT;
 - (ii) an interested related party who is a director or major shareholder, must ensure that persons connected with them abstain from voting on the resolution in respect of the RRPT; and
 - (iii) where the interested related party is a person connected with a director or major shareholder, such director or major shareholder must not vote on the resolution in respect of the RRPT.

- (e) the Company immediately announces to Bursa Securities when the actual value of RRPT entered into by the Company, exceeds the estimated value of the RRPT disclosed in the circular by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement

In this respect, any authority conferred by the Proposed Renewal of RRPT Mandate will take effect from the date of passing of the ordinary resolution at the forthcoming AGM and shall only continue to be in force until:-

- (a) the conclusion of the next AGM of the Company, at which such mandate will lapse, unless by a resolution passed at a general meeting, the authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting, whichever is the earliest.

2.2.2 Classes of Related Parties

The Proposed Renewal of RRPT Mandate will apply to the following Related Parties:-

- (i) Green Breeder Sdn. Bhd. ("**GB**") is a company involved in livestock breeding. The directors are Dr. Ng Siew Thiam ("**Dr. Ng**") and his spouse, Chew Ching Kwang. Dr Ng and his spouse are the major shareholders of GB by virtue of their interests in May Hoo Trading Sdn. Bhd., which holds 87.5% in GB. Dr. Ng is a Director of QL Livestock Farming Sdn. Bhd. ("**QLLF**") and QL AgroResources Sdn. Bhd. ("**QLAR**"). Dr. Ng and his spouse combined shareholding in QLAR is 5%. QLAR is 95% owned by QL and the holding company of QLLF.
- (ii) C-Care Enterprise Sdn. Bhd. ("**C-Care**") is a retail shop. Mr. Chia Soon Hooi and his spouse are directors and shareholders of C-Care. Mr. Chia Soon Hooi is the son of Mr. Chia Teow Guan and the brother of Mr. Chia Mak Hooi. Mr. Chia Teow Guan is a director of QL Foods Sdn. Bhd. ("**QL Foods**") and member of the Chia Family whereas Mr. Chia Mak Hooi is a director and major shareholder of QL.
- (iii) Fusipim Sdn. Bhd. ("**Fusipim**") is a company involved in food processing and distribution. The directors and shareholders of Fusipim are Madam Chia Kah Chuan and her spouse Mr. Eng Seng Poo. Madam Chia Kah Chuan is a member of the Chia Family.
- (iv) Mr. Cheah Joo Kiang had established a sole proprietorship under the name Cheah Joo Kiang Enterprise, which is engaged in the trading of fish ball. Mr. Cheah Joo Kiang is the son of Mr. Cheah Yaw Song and the brother of Mr. Cheah Juw Teck. Mr. Cheah Yaw Song and Mr. Cheah Juw Teck are directors of QL Foods and shareholders of QL.
- (v) Sin Teow Fatt Trading Co. is a partnership involved in fish wholesale and it is owned by Mr. Chia Teow Guan, Mr. Chia Song Pou, Mr. Cheah Yaw Song and Mr. Chia Song Phuan, who are also directors of QL Foods and members of the Chia Family.

- (vi) Keang Huat Trading Sdn. Bhd. (“**KH**”) is a trading company of all kinds of hardware, marine engines and fishing equipment and a major shareholder (10.88%) of QL Endau Marine Products Sdn. Bhd. (“**QLEMP**”). Mr Sim Chin Swee is a director and shareholder in both KH and QLEMP. QLEMP is 70.59% owned by QL.
- (vii) Perikanan Sri Tanjung Sdn. Bhd. (“**PST**”) is into deep sea fishing, diesel and transportation services. Mr. Lim Kwan Cheang @ Lim Kwan Cheng, Mr. Sim Chin Swee, Mr. Heng Hup Peng, Mr. Heng Chai Khoon, Mr. Chua Lee Guan and Mr. Loh Yoo Ming are major shareholders of PST. They are also shareholders of QLEMP holding 10.09% in total. Mr. Sim Chin Swee and Mr. Heng Hup Peng are directors of PST and Endau Group.
- (viii) Timurikan Trengganu Marine Products Sdn. Bhd. (“**TTMP**”) is a company engaged in the business as marine products manufacturing, trading of edible fishes, frozen fishes and other aquatic animals. Mr. Lim Kwan Cheang @ Lim Kwan Cheng, Mr. Sim Chin Swee, Mr. Heng Hup Peng, Mr. Heng Chai Khoon, Mr. Chua Lee Guan and Mr. Loh Yoo Ming are major shareholders of TTMP. They are also shareholders of QLEMP holding 10.09% in total. Mr. Sim Chin Swee and Mr. Heng Hup Peng are directors of TTMP and Endau Group.
- (ix) Success Portfolio Sdn. Bhd. (“**SP**”) is a company engaged in livestock farming which Dr. Ng has interest. Dr. Ng is a director and shareholder of QLAR, a 95% owned subsidiary of QL and the holding company of QLLF. SP is 75% owned by RT which in turn is 77.67% and 22.33% owned by CBG and Farsathy respectively. CBG and Farsathy are the major shareholders of QL.
- (x) M.B. Agriculture (Sabah) Sdn. Bhd. is engaged in livestock farming and is wholly-owned by RT which in turn is 77.67% and 22.33% owned by CBG and Farsathy respectively. CBG and Farsathy are the major shareholders of QL.
- (xi) M.B. Agriculture (Sandakan) Sdn. Bhd. (“**MB (Sandakan)**”) is engaged in livestock farming and is 90% owned by RT which in turn is 77.67% and 22.33% owned by CBG and Farsathy respectively. CBG and Farsathy are the major shareholders of QL. Mr. Liu Sin is a director and shareholder of MB (Sandakan) as well as director of QL Farms Group and a shareholder of QL.
- (xii) Arena Dijaya Sdn. Bhd. (“**Arena**”) is engaged in livestock farming and is 90% owned by RT which in turn is 77.67% and 22.33% owned by CBG and Farsathy respectively. CBG and Farsathy are the major shareholders of QL. Mr. Liu Sin is a director and shareholder of Arena as well as director of QL Farms Group and a shareholder of QL.
- (xiii) E Koon Plastics Trading (“**E Koon**”) is a sole proprietorship engaged in wholesale of household utensils and cutlery, crockery, glassware, chinaware and pottery, wholesale of other construction materials, hardware, plumbing and heating equipment and supplies N.E.C., retail sale of construction materials, hardware, paints and glass, wholesale of plastic materials in primary forms. E Koon is owned by Ms. Eng Siew Yong. She is the daughter-in-law and sister-in-law of Mr. Cheah Yaw Song and Mr. Cheah Juw Teck respectively, who are directors of QL Foods and QL Fishmeal Sdn. Bhd. as well as shareholders of QL.

- (xiv) Highglobal Properties Sdn. Bhd. (“**HP**”) is an investment holding company and an associate of MB (Sandakan), of which Farsathy is the ultimate holding company. Mr. Chia Seong Fatt is the director of QL Plantation Sdn. Bhd. (“**QLP**”), HP and Farsathy. He has deemed interest in HP by virtue of his beneficial interests in Farsathy.
- (xv) Hai Hong Fishery Sdn. Bhd. (“**HHF**”) is engaged in trading in fish, all types of fishery and seafood products. Mr Heng Hup Peng is a director and shareholder in both HHF and QLEMP.
- (xvi) Perikanan Hap Huat Sdn. Bhd. (“**PHH**”) is engaged in manufacturing, wholesaler, trade of edible fishes and other aquatic animal, post process of aquatic products and rendering of transportation services. Mr. Heng Hup Peng and Mr. Sim Chin Swee are the directors and shareholders of PHH. They are also the directors and shareholders of QLEMP.
- (xvii) Total Icon Sdn. Bhd. (“**TI**”) is a company principally engaged in plantation business. Mr. Chia Seong Fatt, Mr. Chia Lik Khai and Mr. Chia Seong Pow are major shareholders of TI with a total shareholding of 40% in TI. Mr. Chia Seong Fatt and Mr. Chia Lik Khai are directors of QLP. Mr. Chia Seong Fatt and Mr. Chia Seong Pow are brothers and they are also directors and major shareholders of QL. Mr. Chia Lik Khai is also the director and shareholder of QL.

2.2.3 Relationships of Persons Connected as set out in Section 2.2.2 above to QL’s Interested Directors and/or interested Major Shareholders

| Name of Persons Connected | Interested Directors and/or interested Major Shareholders | Nature of relationship with Interested Directors and/or interested Major Shareholders |
|--|--|--|
| Chia Song Kang Chia Song Pou Chia Song Swa Chia Song Kooi Cheah Yaw Song Chia Song Phuan Chia Teow Guan Chia Cheong Soong Chia Kah Chuan <i>(collectively referred to as “Chia Family”)</i> | Chia Song Kun | Siblings |
| Chia Suan Hooi Chia Siang Eng Chia Chong Lang Chia Bak Lang | Chia Seong Pow and Chia Seong Fatt | Siblings |
| Liu Sin | Chia Song Kun, Chia Seong Pow and Chia Seong Fatt | Brother-in-law |

| Name of Persons Connected | Interested Directors and/or interested Major Shareholders | Nature of relationship with Interested Directors and/or interested Major Shareholders | |
|---------------------------|---|---|-------------------------------------|
| Chia Bak Lang | Chia Song Kun | Spouse | |
| Koh Kwee Choo | Chia Seong Pow | Spouse | |
| Sim Ahi Yok | Chia Seong Fatt | Spouse | |
| Chia Teow Guan | Chia Mak Hooi | Father | |
| Chia Soon Hooi | Chia Mak Hooi | Brother | |
| Cheah Joo Kiang | Cheah Juw Teck | Brother | |
| Cheah Yaw Song | Cheah Juw Teck | Father | |
| Eng Siew Yong | Cheah Juw Teck | Sister-in-law | |
| Chia Song Kun | } CBG | Director and shareholder | |
| Chia Song Kang | | Director and shareholder | |
| Chia Song Pou | | Director and shareholder | |
| Chia Song Swa | | Director and shareholder | |
| Chia Song Kooi | | Director and shareholder | |
| Cheah Yaw Song | | Director and shareholder | |
| Chia Song Phuan | | Director and shareholder | |
| Chia Teow Guan | | Director and shareholder | |
| Chia Mak Hooi | | Director and shareholder | |
| Chia Bak Lang | | Shareholder | |
| Chia Cheong Soong | | Shareholder | |
| Chia Seong Pow | | } Farsathy^ | Director and beneficial shareholder |
| Chia Suan Hooi | | | Director and beneficial shareholder |
| Chia Seong Fatt | | | Director and beneficial shareholder |
| Chia Chong Lang | Beneficial shareholder | | |
| Sim Ahi Yok | Beneficial shareholder | | |
| Chia Chw Pew | Beneficial shareholder | | |
| Koh Kwee Choo | Beneficial shareholder | | |
| Chia Chew Seng | Beneficial shareholder | | |
| Chia Chiew Yang | Beneficial shareholder | | |
| Chia Chew Ngee | Beneficial shareholder | | |

^ The entire shareholdings in Farsathy was held by TMF Trustees Malaysia Berhad ("TMF"), a trust company registered under the Trust Companies Act, 1949 on trust for the beneficiaries of a family trust. Although TMF has an interest in the voting rights of Farsathy, it does not have economic or beneficial interest in the said voting rights, and as such interest is held solely for the benefits of the beneficiaries under the family trust.

2.2.4 Nature of RRPT and Estimated Value

| No. | Nature of Transaction | Related Parties | Estimated Value from the date of the forthcoming AGM to the next AGM * (RM'000) | Mandate obtained from last year's AGM (RM'000) | Actual transacted value for the period from 26 August 2016 to 30 June 2017 (RM'000) |
|-----|--|--|---|--|---|
| 1. | Sale of animal feed by QL Livestock Farming Sdn. Bhd. (" QLLF ") | Green Breeder Sdn. Bhd. | 24,000 | 24,000 | 24,163 |
| 2. | Sale of animal feed by QLLF | Success Portfolio Sdn. Bhd. | 6,000 | 6,000 | 2,862 |
| 3. | Purchase of raw fish by QL Foods Sdn. Bhd. (" QL Foods ") | Sin Teow Fatt Trading Co. | 800 | 800 | 547 |
| 4. | Sale of surimi, surimi-based & flour-based product and frozen fish by QL Group | Fusipim Sdn. Bhd. | 4,100 | 3,500 | 1,553 |
| 5. | Sale of surimi-based product by QL Foods | Cheah Joo Kiang Enterprise | 4,300 | 4,260 | 3,300 |
| 6. | Purchase of spare parts by Endau Group | Keang Huat Trading Sdn. Bhd. | 6,000 | 5,000 | 4,295 |
| 7. | Trading of fish by Endau Group | Perikanan Sri Tanjung Sdn. Bhd. | 1,500 | 1,500 | 869 |
| 8. | Trading of fish by Endau Group | Timurikan Trengganu Marine Products Sdn. Bhd. | 1,500 | 1,500 | 129 |
| 9. | Sale of animal feed and lubricant by QL Agrofood Sdn. Bhd. | M.B. Agriculture (Sabah) Sdn. Bhd. | 20,000 | 20,000 | 15,402 |
| 10. | Sale of surimi-based product by QL Foods | C-Care Enterprise Sdn. Bhd. | 1,500 | 1,200 | 1,064 |
| 11. | Sale of animal feed by QL Tawau Feedmill Sdn. Bhd. (" QLTF ") | Arena Dijaya Sdn. Bhd. | 5,000 | 6,000 | 2,117 |
| 12. | Purchase of packing material by QL Farms Group | | 20 | 40 | 5 |
| 13. | Sales of animal feed by QLTF | M.B. Agriculture (Sandakan) Sdn. Bhd. (" MB (Sandakan) ") | 7,000 | 7,000 | 5,233 |
| 14. | Purchase of fresh fruit bunch and ERP fertilizer by QL Plantation Sdn. Bhd. (" QLP ") | | 1,700 | 1,240 | 914 |

| No. | Nature of Transaction | Related Parties | Estimated Value from the date of the forthcoming AGM to the next AGM * (RM'000) | Mandate obtained from last year's AGM (RM'000) | Actual transacted value for the period from 26 August 2016 to 30 June 2017 (RM'000) |
|-----|--|---------------------------------|---|--|---|
| 15. | Purchase of raw material and packing material as well as sale of chicken part, egg and sundries and sale of broiler, meat/frozen food and organic fertilizer by QL Farms Group | MB (Sandakan) | 600 | 600 | 346 |
| 16. | Purchase of packing material by QL Group | E Koon Plastics Trading | 2,600 | 2,570 | 1,399 |
| 17. | Trading of fish by Endau Group | Perikanan Hap Huat Sdn. Bhd. | 100 | 100 | 25 |
| 18. | Purchase of fish by Endau Group | Hai Hong Fishery Sdn. Bhd. | 600 | 600 | 325 |
| 19. | Purchase of fresh fruit bunch by QLP | Highglobal Properties Sdn. Bhd. | 500 | 200 | 188 |
| 20. | Sale of organic fertilizer by QL Farms Group | | 80 | 60 | 29 |
| 21. | Purchase of fresh fruit bunch by QLP | Total Icon Sdn. Bhd. | 300 | 100 | 128 |
| 22. | Sale of organic fertilizer by QL Farms Group | | 40 | 40 | 8 |
| 23. | Sale of surimi-based product by QL Lian Hoe Sdn. Bhd. | Riclee Food Trading | - | 75 | 38 |
| 24. | Sale of surimi-based/chilled/frozen product by QL Figo Foods Sdn. Bhd. | | - | 400 | 295 |

Note:-

* The new estimated value is based on the Management's estimate which takes into account the transacted amount for the financial year ended 31 March 2017 as well as the changing economic and competitive environment. Announcement will be made accordingly if the actual value exceeds the estimated value by 10% or more.

2.2.5 Amount due and owing by Related Parties

There was no amount due and owing by Related Parties which exceeded the credit term at the end of the financial year ended 31 March 2017.

Late payment charges rate of 0.75% per month will be imposed on the Related Parties if the amount due and owing by them exceeded the credit term.

2.2.6 Review and disclosure procedures for RRPT

The Board will ensure that the methods or procedures adopted for pricing in the RRPT are consistent with the usual business practices and standards currently adopted by the Group in transactions with non-related parties. The Board will also ensure that the RRPT are conducted on an arms-length and on normal commercial terms taking into account prevailing market conditions and are not detrimental to the minority shareholders.

At least 2 other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.

In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be based on prevailing market rates/prices that are agreed upon under similar commercial terms for transactions with third parties, business practices and policies and on terms which are generally in line with industry norms in order to ensure that the RRPT is not detrimental to the Company or the Group.

The Company maintains quarterly report of all RRPT. This list is circulated to members of the Audit Committee and the Board on quarterly basis for review and deliberation, where necessary. All members of the Board and/or Audit Committee who are directly or indirectly interested in any of the RRPT shall declare their interest in such transaction and abstain from deliberations and voting in respect of the RRPT.

There is no specific threshold for approval of the RRPT as all related party transactions will be subject to periodic reviews by the Audit Committee to ensure that they have been transacted on arm's length basis and on commercial terms not detrimental to the Group. Proper disclosures will be made in the Company's annual report in respect of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year. Further, the Company has engaged its outsourced internal audit function to review the RRPT as part of their job scope. Additionally, our Audit Committee shall have the right to access the information on the related parties concerned and is entitled to the services of independent advisers, if required, in the discharge of their duties in reviewing the RRPT.

2.2.7 Audit Committee Statement

The Audit Committee of the Company has reviewed the procedures as stipulated under Section 2.2.6 above on quarterly basis and is of the opinion that the said procedures are satisfactory to ensure that the RRPT are carried out on terms not more favourable to the Related Parties than those generally available to the public and are not detrimental to the interests of the minority shareholders.

Further, the Audit Committee is of the opinion that the Company has in place adequate procedures and processes to monitor, track and identify RRPT in a timely and orderly manner.

3. RATIONALE OF THE PROPOSED RENEWAL OF SHARE BUY BACK AUTHORITY AND PROPOSED RENEWAL OF RRPT MANDATE

3.1 Rationale for the Proposed Renewal of Share Buy Back Authority

The rationale for and the benefits of the Proposed Share Buy Back if exercised are as follows:-

- (a) as a possible measure to assist towards stabilising the supply and demand for QL's Shares on Bursa Securities which in turn is expected to foster investors' confidence;
- (b) if the purchased Shares are subsequently cancelled, this may increase the consolidated EPS of QL Group, which may have a positive impact on QL's share price;
- (c) if the Treasury Shares are sold at prices higher than the purchase prices, potential gains may be realised and consequently increase QL's working capital and NA; and
- (d) as a mechanism to reward shareholders in the event that the Treasury Shares are distributed as share dividend.

The Proposed Share Buy Back is not expected to cause any potential material disadvantage to the Company and its shareholders as it will be exercised only after in-depth consideration of the financial resources of the QL Group and of the consequential impact on its shareholders' interest. The Board will be mindful on the Company and its shareholders' interest in exercising the Proposed Share Buy Back.

3.2 Rationale and benefit of the Proposed Renewal of RRPT Mandate

The Proposed Renewal of RRPT Mandate will enhance our Group's ability to pursue business opportunities which are time-sensitive in nature, and will eliminate the need to announce and convene separate general meetings on each occasion to seek shareholders' prior approval for the relevant company in our Group to enter into such transactions.

This will substantially reduce the expenses associated with the convening of general meetings on an ad-hoc basis, improve administrative efficiency considerably, and allow manpower resources and time to be channeled towards attaining other corporate objectives.

The RRPT involved are in the ordinary course of business and most are based on long term business relationships which had been established before QL went public on 30 March 2000.

The Related Parties are both reputable customers and reliable suppliers of raw materials and goods to our Group. Further, the raw materials and goods provided by the related parties are priced competitively and all transactions between our Group and the Related Parties are carried out on an arms' length basis and on terms not more favourable to the Related Parties than those generally available to the public.

4. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY BACK AUTHORITY AND PROPOSED RENEWAL OF RRPT MANDATE

The financial effects of the Proposed Share Buy Back are as follows:-

4.1 Share Capital

The effects of the Proposed Share Buy Back on the total number of issued shares of the Company are set out in the table below.

| Description | No. of Shares | RM |
|---|-----------------------|---------------------|
| Total number of issued shares as at LPD | 1,248,029,430 | 312,007,358 |
| <i>Less: Maximum number of Shares that may be purchased and cancelled pursuant to the Proposed Share Buy Back</i> | <i>(124,802,943)*</i> | <i>(31,200,736)</i> |
| Resultant total number of issued shares | 1,123,226,487 | 280,806,622 |

Note:-

* For illustration purposes and assuming all shares purchased are cancelled. Notwithstanding the above, the Proposed Share Buy Back will not have any effect on the total number of issued shares of the Company if the Shares so purchased are retained as treasury shares and subsequently re-sold and/or distributed to the shareholders.

4.2 NA

The Proposed Share Buy Back is likely to reduce the NA per share of the Company and the Group if the purchase price exceeds the audited NA per share of the Group at the time of purchase, and will increase the NA per share of the Group if the purchase price is less than the audited NA per share of the Group at the time of purchase.

For Shares so purchased which are retained as Treasury Shares, the NA of the Group will increase upon the resale of these shares, assuming that a gain has been realised. Nevertheless, the quantum of the increase in NA will depend on the actual selling price of the Treasury Shares and the number of the said shares being resold.

4.3 Earnings

The EPS of the Group may increase depending on the number of Shares purchased and purchase prices of the Shares. Similarly, based on the assumption that the Shares so purchased are treated as treasury shares, the extent of the effect on the earnings of the Group will depend on the actual selling price, the number of Treasury Shares resold and the effective gain or interest savings arising.

The Proposed Renewal of RRPT Mandate will not have any material financial effects on QL Group.

5. CONDITIONS TO THE PROPOSED RENEWAL OF SHARE BUY BACK AUTHORITY AND PROPOSED RENEWAL OF RRPT MANDATE

The Proposed Renewal of Share Buy Back Authority and Proposed Renewal of RRPT Mandate are conditional upon approval being obtained from the shareholders of the Company at the forthcoming AGM and the approval of the Proposed Renewal of Share Buy Back Authority and Proposed Renewal of RRPT Mandate is subject to annual renewal.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of the other Directors and/or Major Shareholders of QL or any Person Connected with them have any direct or indirect interest in the Proposed Renewal of Share Buy Back Authority and Proposed Renewal of RRPT Mandate:-

6.1 Proposed Share Buy Back Authority

Save for the proportionate increase in the percentage of shareholding and/or voting rights of shareholders of the Company as a result of the Proposed Share Buy Back, none of the Directors and/or Major Shareholders of the Company and/or Person Connected with them have any interest, either direct or indirect, in the Proposed Share Buy Back or resale of Treasury Shares.

6.2 Proposed Renewal of RRPT Mandate

Save as disclosed below, none of our other directors and/or Major Shareholders and Person Connected with them in QL are interested in the Proposed Renewal of RRPT Mandate.

The direct and indirect interests of the Interested Directors and/or Major Shareholders and Persons Connected with them in QL as at the LPD are as follows:-

| Name/Company | Number of Shares ('000) | | | |
|----------------------------------|-------------------------|------------------|----------------------|------------------|
| | Direct | % ⁽¹⁾ | Indirect | % ⁽¹⁾ |
| <u>Major Shareholders</u> | | | | |
| CBG | 525,042 | 42.07 | - | - |
| Farsathy | 150,735 | 12.08 | - | - |
| <u>Directors</u> | | | | |
| Chia Song Kun | 675 | 0.05 | 536,287 ^a | 42.97 |
| Chia Seong Pow | 2,200 | 0.18 | 154,323 ^b | 12.37 |
| Chia Song Kooi | 870 | 0.07 | 528,644 ^c | 42.36 |
| Chia Seong Fatt | 486 | 0.04 | 155,652 ^d | 12.23 |
| Chia Song Swa | 567 | 0.05 | 527,303 ^c | 42.25 |
| Chia Mak Hooi | 2,286 | 0.18 | 529,318 ^e | 42.41 |
| Cheah Juw Teck | 2,308 | 0.18 | 7,320 ^f | 0.59 |
| Chia Lik Khai | 1,028 | 0.08 | 146 ^g | 0.01 |
| <u>Persons Connected</u> | | | | |
| Liu Sin | 8,204 | 0.66 | 5,859 ^g | 0.47 |
| Chia Siang Eng | 5,859 | 0.47 | 8,204 ^g | 0.66 |
| Cheah Yaw Song | 5,460 | 0.44 | 529,372 ^h | 42.42 |
| Chia Song Phuan | 5,154 | 0.41 | 526,203 ⁱ | 42.16 |
| Chia Song Pou | 4,293 | 0.34 | 526,203 ⁱ | 42.16 |
| Chia Cheong Soong | - | - | 526,203 ⁱ | 42.16 |
| Chia Song Kang | 3,168 | 0.25 | 526,203 ⁱ | 42.16 |

| Name/Company | Number of Shares ('000) | | | |
|-----------------|-------------------------|------------------|----------------------|------------------|
| | Direct | % ⁽¹⁾ | Indirect | % ⁽¹⁾ |
| Chia Teow Guan | 2,749 | 0.22 | 528,489 ^j | 42.35 |
| Chia Kah Chuan | 1,695 | 0.14 | - | - |
| Chia Suan Hooi | 1,129 | 0.09 | 151,896 ^k | 12.17 |
| Chia Chong Lang | 315 | 0.03 | - | - |
| Chia Bak Lang | 3,931 | 0.31 | 533,031 ^a | 42.71 |
| Koh Kwee Choo | 1,800 | 0.14 | 154,723 ^b | 12.40 |
| Chia Soon Hooi | 793 | 0.06 | 2,749 ^l | 0.22 |
| Cheah Joo Kiang | 46 | 0.00 | 5,460 ^l | 0.44 |
| Eng Siew Yong | 1,222 | 0.10 | - | - |
| Chia Chw Pew | 319 | 0.03 | 1,129 ^l | 0.09 |
| Chia Chew Seng | 607 | 0.05 | 1,129 ^l | 0.09 |
| Chia Chew Ngee | 178 | 0.01 | 1,129 ^l | 0.09 |
| Chia Chiew Yang | 265 | 0.02 | 1,129 ^l | 0.09 |
| Sim Ahi Yok | - | - | 153,138 ^d | 12.27 |

Notes:-

- (1) The percentage shareholding is calculated based on 1,248,029,430 Shares in circulation.
- a Deemed interest via his/her and his/her spouse's interests in CBG, Attractive Features Sdn. Bhd. and his/her and his/her spouse's indirect interests in RT as well as his/her spouse's, children's and their spouse's interests in QL.
- b Deemed interest via his/her and his/her spouse's beneficial interests in Farsathy, his/her and his/her spouse's indirect interests in RT and his/her spouse's, children's and their spouse's interests in QL.
- c Deemed interest via his interests in CBG, his indirect interest in RT and his spouse's interest in QL.
- d Deemed interest via his/her and his/her spouse's beneficial interests in Farsathy, his/her and his/her spouse's indirect interests in RT and his/her children's interests in QL.
- e Deemed interest via his and his father's interests in CBG, his and his father's indirect interests in RT and his father's and spouse's interests in QL.
- f Deemed interest via his parents' and spouse's interests in QL.
- g Deemed interest via their spouse's interests in QL.
- h Deemed interest via of his interests in CBG, his indirect interests in RT as well as his son's and spouse's interests in QL.
- i Deemed interest via his interests in CBG and indirect interests in RT.
- j Deemed interest via his interests in CBG, his indirect interests in RT and son's interests in QL.
- k Deemed interest via his beneficial interests in Farsathy and indirect interests in RT.
- l Deemed interest via their father's interests in QL.

The Interested Directors, interested Major Shareholders and interested Persons Connected with them as mentioned under Section 2.2.2 above will abstain from voting in respect of his/her direct or indirect shareholdings on the resolution pertaining to the Proposed Renewal of RRPT Mandate at the AGM. Our Interested Directors have and will continue to abstain from board deliberation on relevant transactions that they are interested in.

The Interested Directors and/or Major Shareholders will undertake to ensure that the Person Connected with them will abstain from voting on the resolution approving the transactions on the resolution pertaining to the Proposed Renewal of RRPT Mandate at the forthcoming AGM.

7. DIRECTORS' RECOMMENDATION

7.1 Proposed Renewal of Share Buy Back Authority

The Directors, having considered all aspects of the Proposed Renewal of Share Buy Back Authority, are of the opinion that the said proposal is in the best interest of the Company and its shareholders. Accordingly, they recommend that you vote in favour of the resolutions to be tabled at the forthcoming AGM.

7.2 Proposed Renewal of RRPT Mandate

Our Directors (except the Interested Directors), having considered all aspects of the Proposed Renewal of RRPT Mandate, are of the opinion that it is in the best interest of the Company.

Other than the Interested Directors who are interested in the Proposed Renewal of RRPT Mandate and have refrained from making any recommendations in respect of this resolution, our Directors recommend that you vote in favour of the resolutions pertaining to the Proposed Renewal of RRPT Mandate to be tabled at our forthcoming AGM.

8. AGM

The 20th AGM will be held at Saujana Ballroom, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Friday, 25 August 2017 at 10.00 a.m. or any adjournment thereof for the purpose of considering and if thought fit, passing the resolutions as set out in the Notice of AGM in the Company's annual report 2017, which is dispatched together with this Circular.

If you wish to appoint a proxy to attend the AGM, you must complete the Form of Proxy enclosed with the Company's annual report 2017 in accordance with the instructions printed thereon. The Form of Proxy must be deposited at the Company's registered office at No. 16A, Jalan Astaka U8/83, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan not later than 48 hours before the time fixed for the AGM or any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person should you subsequently decide to do so.

9. FURTHER INFORMATION

Shareholders are requested to refer to the attached **Appendix I** for further information.

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

TENGGU DATO' ZAINAL RASHID BIN TENGGU MAHMOOD
Chairman / Independent Non-Executive Director

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. CONSENTS

RHB Investment Bank, being the Adviser for the Proposed Bonus Issue (as set out in Part A of this Circular), has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATIONS OF CONFLICT OF INTERESTS

RHB Investment Bank, being the Adviser for the Proposed Bonus Issue (as set out in Part A of this Circular), confirms that there are no equity or financial relationship with QL, except as at the LPD, RHB Bank Berhad, the holding company of RHB Investment Bank and its related companies ("**RHB Banking Group**") had, in its ordinary course of business, extended various credit and financing facilities with a combined limit of up to an aggregate amount of approximately RM60.80 million to QL Group ("**Credit Facilities**").

RHB Investment Bank has given its written confirmation that there is no situation of conflict of interest that exists in relation to its role as the Adviser to QL for the Proposed Bonus Issue on the basis that:-

- (a) the Credit Facilities was granted on an arm's length basis and not material when compared to the RHB Banking Group's audited consolidated loans, advances and financing as at 31 December 2016;
- (b) the facilities have been provided by RHB Banking Group in the ordinary course of business and are not conditional upon RHB Investment Bank being appointed as the Adviser for the Proposed Bonus Issue or upon any other proposal(s) being undertaken by any entity(ies) within the RHB Banking Group. Further, RHB Investment Bank's appointment as the Adviser to QL is in the ordinary course of its business as a licensed investment bank and RHB Investment Bank does not receive or derive any financial interest or benefit save for the professional fees received for its appointment as the Adviser for the Proposed Bonus Issue;
- (c) the Company has no representative on the board of RHB Investment Bank. Further, the RHB Banking Group has no representative on the board of QL;
- (d) the corporate finance division of RHB Investment Bank is required under its investment banking license to comply with strict policies and guidelines issued by the Securities Commission Malaysia, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, among others, Chinese wall policies, clear segregation between dealing, lending and advisory activities and the formation of an independent committee to review its business operations; and
- (e) the conduct of the RHB Banking Group's business is regulated strictly by the Financial Services Act, 2013, the Capital Markets and Services Act 2007 and RHB Banking Group's own internal controls and checks including segregation of reporting structures, in that its activities are monitored and reviewed by independent parties and committees.

FURTHER INFORMATION (Cont'd)

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, neither QL nor any of its subsidiaries is engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Directors of QL have no knowledge of any proceedings, pending or threatened against the Company or its subsidiaries or of any facts likely to give rise to any proceedings which may materially or adversely affect the financial position or business of QL Group.

5. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

(i) Material Commitments

Save as disclosed below, as at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group which upon becoming enforceable may have a material impact on our financial results/position of our Group:-

| | RM'000 |
|---|----------------|
| Capital commitments:- | |
| <i>Property, plant and equipment</i> | |
| - Authorised but not contracted for | 190,609 |
| - Contracted but not provided for in the financial statements | 25,105 |
| Total | 215,714 |

(ii) Contingent Liabilities

As at the LPD, the Board is not aware of any other contingent liabilities incurred or known to be incurred by the Group which upon becoming enforceable may have a material impact on the financial results or position of the Group.

6. MATERIAL CONTRACTS

Neither our Company nor any of our subsidiaries have entered into any contract which are or may be material (not being contracts entered into in the ordinary course of our Group's business) during 2 years immediately before the date of this Circular.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company at No. 16A, Jalan Astaka U8/83, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan, during normal business hours (except public holidays) from the date of this Circular up to and including the date of the AGM:-

- (i) The Constitution of QL;
- (ii) The audited consolidated financial statements of QL for the past 2 FYEs 31 March 2016 and 31 March 2017; and
- (iii) Letters of consent and declaration of conflict of interest referred to in **Section 2** and **Section 3** of this **Appendix I**.