

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

### PROPOSED BONUS ISSUE

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#### 1. INTRODUCTION

On behalf of the Board of Directors of QL (“**Board**”), Affin Hwang Investment Bank Berhad (“**Affin Hwang IB**”) wishes to announce that the Company proposes to undertake a proposed bonus issue of up to 811,219,129 new ordinary shares in QL (“**QL Share(s)**”) (“**Bonus Share(s)**”) on the basis of 1 Bonus Share for every 2 existing QL Shares held on an entitlement date to be determined and announced later (“**Entitlement Date**”) (“**Proposed Bonus Issue**”).

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 to be issued

The Proposed Bonus Issue will entail the issuance of up to 811,219,129 Bonus Shares on the basis of 1 Bonus Share for every 2 existing QL Shares held by the shareholders of QL whose names appear in the Record of Depositors of the Company at the close of business on the Entitlement Date (“**Entitled Shareholders**”).

The basis of 1 Bonus Share for every 2 existing QL Shares was determined after taking into consideration, amongst others, the following:

- (i) the potential adjustments to the share price of QL Shares arising from the Proposed Bonus Issue; and
- (ii) the enlarged number of QL Shares after the Proposed Bonus Issue.

The Entitlement Date will be determined and announced at a later date after all the relevant approvals for the Proposed Bonus Issue have been obtained.

As at 15 June 2020, being the latest practicable date (“**LPD**”) prior to this announcement, the issued share capital of the Company is RM620,025,358 comprising 1,622,438,259 QL Shares. Upon completion of the Proposed Bonus Issue, the issued share capital of the Company will remain at RM620,025,358 while the number of issued shares will increase to up to 2,433,657,388 QL Shares.

Fractional entitlements arising from the Proposed Bonus Issue, if any, will be disregarded, and/or dealt with by the Board in such manner as it may in its absolute discretion deem fit or expedient and in the best interest of the Company.

The Proposed Bonus Issue will not be implemented on a staggered basis.

There will be an adjustment to the market price of QL Shares listed and quoted on the Main Market of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) pursuant to the Proposed Bonus Issue. For illustrative purposes, based on the 5-day volume weighted average price (“**VWAP**”) of QL Shares up to and including the LPD of RM9.17, the theoretical ex-bonus share price (“**TEBP**”) of QL Shares is RM6.11.

Further, pursuant to Paragraph 6.30(1A) of the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**"), the share price adjusted for the Proposed Bonus Issue shall not be less than RM0.50 based on the daily VWAP of QL Shares during the 3-month period before the application date. For illustrative purposes, based on the daily VWAP of QL Shares during the 3-month period up to and including the LPD which ranged between RM6.86 and RM9.89, the TEBP of QL Shares ranged between RM4.57 and RM6.59. Accordingly, the Board confirms that the Proposed Bonus Issue is and will be in compliance with Paragraph 6.30(1A) of the Listing Requirements.

## **2.2 No capitalisation of reserves**

The Bonus Shares in respect of the Proposed Bonus Issue will be issued as fully paid, at nil consideration and without capitalisation of the Company's reserves.

For the avoidance of doubt, the Proposed Bonus Issue will increase the number of QL Shares but will not increase the value of the share capital of QL.

## **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 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 date precedes the date of allotment of the Bonus Shares.

As QL Shares are prescribed securities under Section 14(5) of the Security Industry (Central Depositories) Act 1991, the Bonus Shares will be credited directly into the respective central depository system accounts of the Entitled Shareholders and no physical share certificates will be issued.

## **2.4 Listing of and quotation for the Bonus Shares**

An application will be made to Bursa Securities for the listing of and quotation for up to 811,219,129 Bonus Shares to be issued, pursuant to the Proposed Bonus Issue, on the Main Market of Bursa Securities.

Upon obtaining all the necessary approvals, the Bonus Shares will be listed and quoted on the Main Market of Bursa Securities on the next market day after the Entitlement Date. The notices of allotment for the Bonus Shares will be issued and despatched to the Entitled Shareholders no later than 4 market days after the date of listing and quotation for the Bonus Shares, or such other period as may be prescribed by Bursa Securities.

## **3. RATIONALE FOR THE PROPOSED BONUS ISSUE**

The Proposed Bonus Issue serves to reward the existing shareholders of the Company for their loyalty and continued support to QL and its subsidiaries ("**QL Group**" or "**Group**") and in conjunction to QL's 20 years of listing.

After due consideration of the various options available, the Board is of the view that the Proposed Bonus Issue is an appropriate avenue for the Company to reward its shareholders as the Proposed Bonus Issue:

- (i) will enable the existing shareholders to have greater participation in the equity of the Company in terms of the number of QL Shares held, whilst maintaining their percentage of equity interest; and
- (ii) is expected to enhance the marketability and trading liquidity of QL Shares on the Main Market of Bursa Securities, thereby providing opportunity for greater participation from a broader range of investors.

#### 4. EFFECTS OF THE PROPOSED BONUS ISSUE

##### 4.1 Issued share capital

For illustrative purposes, the pro forma effects of the Proposed Bonus Issue on the issued share capital of the Company as at the LPD, are as follows:

	No. of QL Shares	RM
Issued share capital as at the LPD	1,622,438,259	620,025,358
QL Shares to be issued pursuant to the Proposed Bonus Issue	811,219,129	-
<b>Enlarged issued share capital after the Proposed Bonus Issue</b>	<b>2,433,657,388</b>	<b>620,025,358</b>

##### 4.2 Net Assets (“NA”), NA per QL Share and gearing

For illustrative purposes, the pro forma effects of the Proposed Bonus Issue on the NA, NA per QL Share and gearing of the QL Group based on the latest audited consolidated financial statements of QL as at 31 March 2019 are as follows:

	Audited as at 31 March 2019 RM'000	(I) Adjusted for subsequent event RM'000	(II) After (I) and the Proposed Bonus Issue RM'000
<b>Group Level</b>			
Share capital	620,025	620,025	620,025
Translation reserves	(93,231)	(93,231)	(93,231)
Hedging reserve	(3,406)	(3,406)	(3,406)
Retained earnings	1,411,654	<sup>(i)</sup> 1,338,644	<sup>(ii)</sup> 1,338,544
<b>Shareholders' funds/ NA</b>	<b>1,935,042</b>	<b>1,862,032</b>	<b>1,861,932</b>
No. of QL Shares in issue ('000)	1,622,438	1,622,438	<sup>(iii)</sup> 2,433,657
<b>NA per QL Share (RM'000)</b>	<b>1.19</b>	<b>1.15</b>	<b>0.77</b>
Total borrowings (RM'000)	1,186,651	1,186,651	1,186,651
<b>Gross gearing ratio (times)</b>	<b>0.61</b>	<b>0.64</b>	<b>0.64</b>

Notes:

- (i) After adjusting for the payment of final single-tier dividend of 4.50 sen per QL Share which was declared on 30 May 2019 for the financial year ended 31 March 2019 and paid on 20 September 2019, amounting to approximately RM73.01 million.
- (ii) After deducting the estimated expenses in relation to the Proposed Bonus Issue of approximately RM100,000.
- (iii) After issuance of 811,219,129 Bonus Shares pursuant to the Proposed Bonus Issue.

#### **4.3 Earnings and earnings per Share (“EPS”)**

The Proposed Bonus Issue is not expected to have any effect on the earnings of QL Group for the financial year ending 31 March 2021. However, as a result of the increase in the number of QL Shares in issue arising from the Proposed Bonus Issue, there will be a corresponding dilution in the EPS of the QL Group for the financial year ending 31 March 2021.

#### **4.4 Substantial shareholders’ shareholdings**

The Proposed Bonus Issue will not have any effect on the percentage of shareholdings of the substantial shareholders of QL as the Bonus Shares will be allotted on a pro-rata basis to all shareholders of the Company. 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, the Company does not have any other convertible securities.

### **5. APPROVALS REQUIRED**

The Proposed Bonus Issue is subject to the approvals being obtained from the following:

- (i) Bursa Securities for the listing of and quotation for up to 811,219,129 Bonus Shares to be issued, pursuant to the Proposed Bonus Issue, on the Main Market of Bursa Securities;
- (ii) the shareholders of QL at the forthcoming annual general meeting to be convened; and
- (iii) any other relevant authorities, if required.

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

### **6. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

None of the Directors, major shareholders of the Company and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Bonus Issue, apart from their respective entitlements to the Bonus Shares as shareholders of QL, to which all other Entitled Shareholders are similarly entitled.

### **7. DIRECTORS’ STATEMENT**

The Board, after having considered all aspects of the Proposed Bonus Issue, including but not limited to the rationale and effects of the Proposed Bonus Issue, is of the opinion that the Proposed Bonus Issue is in the best interest of the Company and its shareholders.

### **8. ADVISER**

Affin Hwang IB has been appointed as the Principal Adviser for the Proposed Bonus Issue.

**9. APPLICATION TO THE RELEVANT AUTHORITIES**

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

**10. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Bonus Issue is expected to be completed by the fourth quarter of 2020.

This announcement is dated 29 June 2020.