

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Shareholders should rely on their own evaluation to assess the merits and risks of the Proposed Acquisition (as defined herein). Bursa Malaysia Securities Berhad 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.



HUA YANG BERHAD

(Company No. 44094-M)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-

PROPOSED ACQUISITION OF 66,889,940 ORDINARY SHARES IN MAGNA PRIMA BERHAD ("MPB"), REPRESENTING APPROXIMATELY 20.12% OF THE EQUITY INTEREST IN MPB FOR A TOTAL CONSIDERATION OF RM123,746,389 TO BE SATISFIED VIA CASH ("PROPOSED ACQUISITION")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



AmInvestment Bank

AmInvestment Bank Berhad

(Company No. 23742-V)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") of the Company to be held at the Head Office of the Company at 4th Floor, C-21, Jalan Medan Selayang 1, Medan Selayang, 68100 Batu Caves, Selangor Darul Ehsan on Thursday, 8 June 2017 at 10:00 a.m. or at any adjournment thereof, together with the Form of Proxy are enclosed in this Circular.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and to vote on his/her behalf. The Form of Proxy must be lodged at the Registered Office of Hua Yang Berhad at C-21, Jalan Medan Selayang 1, Medan Selayang, 68100 Batu Caves, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time stipulated for holding the EGM as indicated below or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	:	Tuesday, 6 June 2017 at 10:00 a.m.
Date and time of the EGM	:	Thursday, 8 June 2017 at 10:00 a.m.

This Circular is dated 24 May 2017

DEFINITIONS

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

Act	:	Companies Act, 2016, as amended from time to time and any re-enactment thereof
AmlInvestment Bank	:	AmlInvestment Bank Berhad (Company No. 23742-V)
Board	:	The Board of Directors of HYB
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
CDS	:	Central depository system
Circular	:	This circular dated 24 May 2017 in relation to the Proposed Acquisition
Completion Date	:	The date falling two (2) weeks after all the conditions precedent as set out in the MPB SSA being satisfied, or such other date as may be agreed upon between PPSB and the Vendors
DBT	:	Direct business transaction
EGM	:	Extraordinary General Meeting
EPS	:	Earnings per share
First Acquisition	:	The acquisition of 36,000,000 MPB Shares by PPSB for a purchase consideration of RM66,600,000 via an off-market DBT as announced on 25 January 2017
FRSB	:	Fantastic Realty Sdn Bhd (Company No. 683236-M)
FYE	:	Financial year(s) ended / ending, as the case may be
GDC	:	Gross development cost
GDV	:	Gross development value
Government	:	Government of Malaysia
HYB or Company	:	Hua Yang Berhad (Company No. 44094-M)
HYB Group or Group	:	Collectively, HYB and its subsidiaries
HYB Share(s) or Share(s)	:	Ordinary share(s) in the share capital HYB
KS Hong	:	Kok Sew Hong
KS Hwa	:	Kok Siew Hwa
LKM	:	Lee Kok Meng
LPD	:	12 May 2017, being the latest practicable date prior to the printing of this Circular
LSS	:	Lee Shu Shun

DEFINITIONS (Cont'd)

Market Day	:	A day between Monday and Friday (inclusive) which is not a public holiday and when Bursa Securities is opened for trading in securities
MPB	:	Magna Prima Berhad (Company No. 369519-P)
MPB Group	:	Collectively, MPB and its subsidiaries
MPB Sale Shares	:	66,889,940 MPB Shares held by the Vendors, representing approximately 20.12% of the equity interest of MPB, which is the subject matter of the Proposed Acquisition
MPB Shares	:	Ordinary share(s) in the share capital of MPB
MPB SSA	:	Conditional share sale agreement dated 19 April 2017 entered into between PPSB and the Vendors for the purpose of the acquisition of the MPB Sale Shares by PPSB from the Vendors
MMLR	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
NA	:	Net assets
NBV	:	Net book value
PAT	:	Profit after tax
PBT	:	Profit before tax
PPSB	:	Prisma Pelangi Sdn Bhd (Company No. 228268-A), a wholly owned subsidiary of HYB
Proposed Acquisition	:	The proposed acquisition of the MPB Sale Shares by PPSB from the Vendors for the Purchase Consideration
Purchase Consideration	:	The total purchase consideration of RM123,746,389 or RM1.85 per MPB Sale Share payable by HYB to the Vendors pursuant to the Proposed Acquisition
P/B	:	Price-to-book multiple
RM and sen	:	Ringgit Malaysia and sen, respectively
Rules	:	Rules on Takeover, Mergers, and Compulsory Acquisitions issued by the Securities Commission Malaysia
Rules of Bursa Securities	:	Rules of Bursa Malaysia Securities Berhad
Shareholders	:	Registered holders of the HYB Shares
USD	:	United States Dollars
Vendors	:	Collectively, FRSB, LSS, LKM, YFT, KS Hong and KS Hwa
VWAP	:	Volume-weighted average market price
YFT	:	Yap Fatt Tai

DEFINITIONS (Cont'd)

Unless specifically referred to, words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall include the feminine and neuter genders and vice versa. Any references to persons shall include corporations, unless otherwise specified.

All references to “you” in this Circular are to the Shareholders.

Any reference to time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Any discrepancy in the tables between the amounts listed and the totals in this Circular are due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that HYB Group’s plans and objectives will be achieved.

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HUA YANG BERHAD

(Company No. 44094-M)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

C-21, Jalan Medan Selayang 1,
Medan Selayang,
68100 Batu Caves,
Selangor Darul Ehsan

24 May 2017

Board of Directors

Tan Sri Dato' Seri Dr. Ting Chew Peh (*Chairman / Independent Non-Executive Director*)

Ho Wen Yan (*Chief Executive Officer / Executive Director*)

Dato' Tan Bing Hua (*Senior Independent Non-Executive Director*)

Ho Mook Leong (*Non-Independent Non-Executive Director*)

Chew Po Sim (*Non-Independent Non-Executive Director*)

Chew Hoe Soon (*Non-Independent Non-Executive Director*)

Dato' Wan Azahari Bin Yom Ahmad (*Independent Non-Executive Director*)

To: The Shareholders of Hua Yang Berhad

Dear Sir / Madam,

PROPOSED ACQUISITION

1. INTRODUCTION

On 25 January 2017, the Company announced the First Acquisition, the details of which are further set out in Appendix I.

On 19 April 2017, AmlInvestment Bank had, on behalf of the Board announced that PPSB had, on 19 April 2017 entered into the MPB SSA with the Vendors for the Proposed Acquisition, which entails the acquisition of 66,889,940 MPB Sale Shares, representing approximately 20.12% of the equity interest in MPB for a total cash consideration of RM123,746,389 or RM1.85 per MPB Sale Share.

As further highlighted in Section 7, pursuant to Paragraph 10.12(2)(b) of the MMLR, the Proposed Acquisition is to be aggregated with the First Acquisition in view that both transactions involve the acquisition of securities in one particular corporation, i.e. MPB within a period of twelve (12) months.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT DETAILS OF THE PROPOSED ACQUISITION AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Proposed Acquisition

The Proposed Acquisition entails the Vendors agreeing to sell and PPSB, agreeing to purchase the MPB Sale Shares for a total consideration of RM123,746,389 or RM1.85 per MPB Sale Share to be satisfied entirely in cash.

The MPB Sale Shares are sold (i) free from any claims, liens, charges, assignments and other encumbrances and with full legal and beneficial title; and (ii) with all rights attaching thereto with effect from the Completion Date.

Based on MPB's share capital of 332,427,440 MPB Shares (excluding treasury shares) as at the LPD, the Company's shareholdings in MPB (held through PPSB) as at the LPD is approximately 10.83%. Upon completion of the Proposed Acquisition, the Company's shareholdings in MPB (held through PPSB) is envisaged to increase to approximately 30.95%.

On a fully diluted basis (assuming all outstanding 164,621,970 warrants of MPB as at the LPD are fully converted before the Completion Date), the Company's shareholdings in MPB (held through PPSB) after the Proposed Acquisition will be approximately 20.70%.

2.1.1 Basis and justification of arriving at the Purchase Consideration

The Purchase Consideration was arrived at on a willing-buyer, willing-seller basis. The justification for the Purchase Consideration took into consideration, amongst others, the following:-

- (i) the unaudited NA per share of MPB Group as at 31 December 2016 (being the latest publicly available financial results prior to the execution of the MPB SSA) of RM1.82 taking into consideration, *inter alia*, approximately 89% of MPB Group's total assets comprise of real estates (comprising investment properties, land held for property development and inventories). In this respect, it should be noted that:-
 - (a) MPB had revalued its investment properties, which made up approximately 58% of the total value of MPB Group's real estates, in the FYE 31 December 2016; and
 - (b) Inventories, which made up approximately 35% of the total value of MPB Group's real estates, are recognised at cost, which are lower than the assets' net realisable values.

For the avoidance of doubt, it should be noted that the inventories of MPB Group comprise of (i) developed properties held for sale and (ii) properties under development which include, *inter alia*, the development land in Shah Alam held under Magna Ecocity Sdn Bhd, further details of which are as set out in Appendix III of this Circular.

For information purposes, the audited NA per share of MPB Group as at 31 December 2016 is RM1.82.

- (ii) the Purchase Consideration represents a premium of approximately 21.71%, 19.35%, 16.35% and 25.00% to the five (5)-day, one (1)-month, three (3)-months, and six (6)-months VWAP of MPB Shares up to the latest practicable date of announcement of the Proposed Acquisition on 12 April 2017, of RM1.52, RM1.55, RM1.59 and RM1.48 respectively.

For information purposes, the Purchase Consideration represents a premium of approximately 26.71%, 22.51%, 17.08% and 24.16% to the five (5)-day, one (1)-month, three (3)-months, and six (6)-months VWAP of MPB Shares up to the LPD of RM1.46, RM1.51, RM1.58 and RM1.49 respectively;

- (iii) evaluation undertaken by the management of the Company on the estimated GDV and GDC of the material lands held by MPB based on the management's assessment on the best use of the respective lands; and
- (iv) the implied P/B of the Purchase Consideration vis-à-vis companies listed on Bursa Securities which are comparable to MPB ("**Comparable Companies**"), as further detailed below:-

Company⁽¹⁾	Market capitalisation as at the LPD (RM' mil)	P/B (times)
Tahps Group Berhad	524.0	1.08
Ibraco Berhad	417.0	1.30
I-Berhad	628.2	0.72
Tambun Indah Land Berhad	658.9	1.22
Low		0.72
High		1.30
Average		1.08

(Source: Bloomberg)

Note:-

(1) Based on property development companies listed on Bursa Securities with market capitalisation ranging from RM400.0million to RM700.0million.

As depicted above, the implied P/B of the Proposed Acquisition of 1.02 times (based on the Purchase Consideration and audited NA of MPB Group as at 31 December 2016) is comparable to the average P/B of the Comparable Companies of 1.08 times and within the range of P/B of Comparable Companies of 0.72 to 1.30 times.

2.1.2 Mode of settlement of Purchase Consideration and source of funding

The Purchase Consideration is to be settled fully in cash and is expected to be funded via bank borrowings and internally generated funds. At this juncture, HYB expects to fund the Purchase Consideration via 30% internally generated funds and 70% from bank borrowings.

2.1.3 Breakdown and details of Vendors

Vendors	No. of MPB Sale Shares	Purchase Consideration (RM)	Percentage of MPB Sale Shares (%)
FRSB	23,468,940	43,417,539	35.09
LSS	15,194,400	28,109,640	22.72
LKM	8,452,000	15,636,200	12.64
YFT	8,221,300	15,209,405	12.29
KS Hong	6,317,200	11,686,820	9.44
KS Hwa	5,236,100	9,686,785	7.82
Total	66,889,940	123,746,389	100.00

2.1.4 Salient terms of the MPB SSA

The salient terms of the MPB SSA are as follows:-

2.1.4.1 Conditions Precedent

The Proposed Acquisition is conditional upon the passing at a general meeting of the Company of resolution approving the Proposed Acquisition and authorising the directors of the Company to take all steps necessary to complete the MPB SSA.

2.1.4.2 Completion

Completion of the MPB SSA shall take place on a date falling two (2) weeks from the satisfaction of the conditions precedent or such other date as may be mutually agreed in writing between PPSB and the Vendors.

2.1.4.3 Termination

If the conditions precedent are not fulfilled by the date falling the expiry of six (6) months from the date of the MPB SSA or such later date as the parties may agree in writing, the MPB SSA shall terminate and all obligations and liabilities of the parties thereunder shall cease to have effect and none of the parties shall have any claim against the other for costs, damages, compensation or otherwise, save for antecedent breaches.

In the event that:-

- (i) PPSB fails for any reason whatsoever to pay the full Purchase Consideration, or materially breach any provision of the MPB SSA on the part of PPSB to perform or any warranty provided therein, the Vendors shall be entitled (by notice in writing served on PPSB) to collectively terminate the MPB SSA and thereafter each party shall be released from any obligation to further perform the MPB SSA and no party shall have any claim against the other under it, save for any claim arising from any antecedent breach.

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- (ii) any of the Vendors shall fail for any reason whatsoever to transfer their relevant MPB Sale Shares to PPSB in accordance with the MPB SSA, or materially breach any provision of the MPB SSA on the part of the relevant Vendor to perform or any warranty provided therein, PPSB shall be entitled (by notice in writing served on the Vendors) to terminate the MPB SSA and the Vendors shall jointly and severally indemnify and hold harmless PPSB from and against and in respect of any loss, damage, liability, claim, cost or expense that PPSB shall have incurred, suffered or sustained as a result of such breach and thereafter, each party shall be released from any obligation to further perform the MPB SSA and no party shall have any claim against the other under it, save for any claim arising from any antecedent breach.

2.1.4.4 DBT

On the Completion Date, the Vendors shall cause the Vendors' stockbrokers to transfer all the MPB Sale Shares to PPSB's CDS account by way of a DBT, provided that the DBT may be effected in compliance with the Rules of Bursa Securities without the parties agreeing to any variation in the Purchase Consideration, the Parties shall do all those things respectively required of them as described above.

In the event the Purchase Consideration of the MPB Sale Shares is 15% or more above or below the VWAP of MPB Shares on the market day preceding the date of the DBT, then each party shall cause their respective stockbroker to apply for the approval of Bursa Securities to the transaction as required under the Rules of Bursa Securities.

In the event that the DBT may not be effected without contravening the Rules of Bursa Securities, the parties shall take all relevant and necessary steps and use their best endeavours to facilitate completion of the MPB SSA in the manner contemplated in the MPB SSA, the intention of the parties being to agree in good faith a workable mechanism to ensure completion of the MPB SSA in compliance with Rules of Bursa Securities, failing which the MPB SSA shall terminate and all obligations and liabilities of the parties thereunder shall cease to have effect and none of the parties shall have any claim against the other for costs, damages, compensation or otherwise, save for antecedent breaches.

Each of the Vendors and PPSB shall comply and respectively cause and shall submit and/or cause to be submitted to Bursa Securities all applications (if applicable), documents and information required to be submitted in connection with the sale and purchase of the MPB Sale Shares under the Rules of Bursa Securities within the time periods prescribed thereunder.

2.2 Liabilities to be assumed by HYB

Save for the potential borrowings to be procured to fund the Purchase Consideration, there are no other liabilities, contingent liabilities or guarantees to be assumed by the Company arising from the Proposed Acquisition.

2.3 Additional financial commitments

The Board does not foresee any other material financial commitments required in relation to the Proposed Acquisition.

2.4 Implications on the Rules

Upon completion of the Proposed Acquisition, the Company's shareholdings in MPB (held through PPSB) will not exceed 33% and accordingly, the Proposed Acquisition will not give rise to any consequences relating to a mandatory general offer under the Rules.

2.5 Information on MPB

MPB was incorporated in Malaysia on 5 December 1995 and listed on the Main Market of Bursa Securities on 16 January 1997.

MPB Group is principally involved in property development, civil engineering and building construction, manufacturing and trading of ready-mixed concrete and property management services.

MPB Group's landbank are predominantly located in Jalan Ampang, Kuala Lumpur, Petaling Jaya, Shah Alam and Mentakab, Pahang. Based on the NBV of the lands as reported in MPB's annual report for the FYE 31 December 2016, the aggregate value of the lands is approximately RM580.0 million.

MPB Group's current on-going development projects include Magna Eco-City, a mixed development comprising shop offices, shopping complexes, serviced apartments in Seksyen 15, Shah Alam, Desa Mentari, a commercial development at Old Klang Road, Kuala Lumpur, the Boulevard Business Park ("**BBP**"), a mixed development comprising shop offices, serviced apartments, and a retail mall at Jalan Kuching, Kuala Lumpur. The shopping mall in BBP is held by MPB Group as an investment property with an estimated value of approximately RM143.6 million.

Amongst the notable development projects completed by MBP Group include The Istana in Melbourne, Australia (GDV of Australian Dollar 210 million), The Avare condominium @ KLCC (GDV of RM321 million), One Sierra in Selayang (GDV of RM198 million), Seri Jalil in Bandar Bukit Jalil (GDV of RM126 million) and Alam D'16 in Shah Alam (GDV of RM75 million).

Based on MPB Group's restated financial statements for the FYE 31 December 2015, MPB Group achieved a PAT of RM408.5 million (of which RM210.2 million was attributable to fair value gain on investment properties) and a NA (attributable to owners of the company) of RM549.0 million. For the FYE 31 December 2016, the audited PAT and NA (attributable to owners of the company) of MPB Group was RM46.2 million and RM602.6 million respectively.

Further details on MPB Group and its landbank are set out in Appendix II and Appendix III of this Circular respectively.

3. RATIONALE FOR THE PROPOSED ACQUISITION

As at the LPD, the total landbank of HYB Group is approximately 600.0 acres, which is inclusive of approximately 35.0 acres of landbank located within Klang Valley. Whilst the Company endeavors to identify potential new landbank, the Proposed Acquisition forms part of HYB's objectives of investing in companies which hold landbank in strategic locations which are easily accessible and surrounded by ready amenities.

As further detailed in Appendix III, MPB Group currently holds several parcels of development lands in strategic locations such as Jalan Ampang, Kuala Lumpur, Jalan Gasing, Petaling Jaya as well as Seksyen 15, Shah Alam, amongst others.

After the First Acquisition, MPB become an associate of HYB and HYB's equity interest in MPB (held through PPSB) will be accounted for using the equity method in HYB's financial statements in accordance with the Malaysian Financial Reporting Standards ("MFRS").

Under the equity method of accounting, HYB will be able to recognise its proportionate share of MPB Group's future profit (under 'share of results of associates') which is envisaged to arise from the development of the landbank highlighted above as well as MPB's existing development projects and investment properties.

Accordingly, after taking into consideration the development potential of the landbank which are strategically located in the Klang Valley, HYB views the Proposed Acquisition as an opportunity to further participate in the future development of such landbank and further increase the Company's share of MPB Group's future profit which in turn is expected to be earnings-accretive to the Group.

In addition, the Proposed Acquisition may also create an avenue for the Company to explore potential collaboration / joint venture opportunities with MPB for acquisition of landbank as well as undertaking of development projects in the future. In the event that such collaboration materialises, the pooling of, *inter alia*, financial resources, technical expertise and market insights with an established joint venture partner is envisaged to facilitate HYB to further strengthen its market presence.

4. RISK FACTORS IN RELATION TO THE PROPOSED ACQUISITION

4.1 Non-completion of the Proposed Acquisition

There is a possibility that the Proposed Acquisition may not be completed due to failure in fulfilling the conditions precedent as set out in the MPB SSA.

Notwithstanding the above, the Board will take reasonable steps to ensure that the conditions precedent are met within the stipulated timeframe and that every effort is made to obtain all necessary approvals in order to complete the Proposed Acquisition in a timely manner.

4.2 Investment risk

Although the Proposed Acquisition is expected to contribute positively to the earnings of HYB Group, there is no guarantee that the anticipated benefits from the Proposed Acquisition as set out in Section 3 will be realised.

Nevertheless, the Board has exercised due care in considering the potential risks and benefits associated with the Proposed Acquisition and the Board believes that the Proposed Acquisition will be value accretive and synergistic to HYB Group, after taking into consideration, *inter alia*, the development potential and prospects of MPB's landbank.

4.3 Financial and operating policies of MPB

Notwithstanding HYB will emerge as the single largest shareholder of MPB upon the completion of the Proposed Acquisition, the Company will not have the power to govern the financial and operating policies of MPB Group, hence there is a possibility that MPB's future business plans / direction may not align with the Company's investment objectives.

Nonetheless, as announced by MPB on 13 February 2017, MPB has appointed Mr. Ho Wen Yan, Chief Executive Officer of HYB, as an Executive Director of MPB. Such appointment is intended to ensure that HYB has a representative on the board of directors of MPB to keep abreast with MPB's business development, deliberate on its key policies / strategies and to safeguard the Group's interest in MPB.

Subject to further discussion with MPB, it is the intention of the Company to appoint additional representative(s) to the board of directors of MPB after completion of the Proposed Acquisition.

4.4 Interest rate risk

The Company intends to finance the Purchase Consideration via bank borrowings and/or internally generated funds. The Company could potentially be exposed to fluctuations in interest rates on such borrowings obtained, leading to higher borrowing costs which may adversely affect the Group's business operations and financial performance as well as its ability to service future loan repayment obligations.

4.5 Risks inherent in property development

As MPB Group is principally involved in property development activities, the Proposed Acquisition is subject to risks inherent in the Malaysian property development industry of which the Group is already involved in. As such, the Group is not expected to be exposed to new business risks as a result of the Proposed Acquisition.

The inherent risks of the property development industry include, amongst others, adverse changes in real estate market prices, changes in demand for types of residential, commercial and industrial properties, competition from other property developers, changes in economic, social and political conditions, delay in completion of property development projects against the scheduled completion, performance of third party sub-contractors, labour and material supply shortages, fluctuations in the prices of building materials and costs of labour charges, increase in real property gains tax and goods and services tax as well as changes in property tax assessments and other statutory charges. Any changes in such conditions may affect the business operations and financial performance of MPB Group.

Nonetheless, such risks will be addressed as part of MPB Group's ordinary course of business.

4.6 Conflict of interest

As highlighted in Section 4.3 above, MPB had on 13 February 2017 appointed Mr. Ho Wen Yan, Chief Executive Officer of HYB, as an Executive Director of MPB ("**Common Directorships**"). In this respect, in view that both HYB and MPB are involved in the same industry, i.e. property development, the Common Directorships held by Mr. Ho in both companies may give rise to potential conflicts of interest.

Notwithstanding the above, as explained in Section 4.3, the appointment of Mr. Ho onto the board of MPB is intended to facilitate HYB in keeping abreast with the business development of MPB and to safeguard the Company's interest in MPB. Further, it should be noted that Mr. Ho's interest in MPB is held through PPSB, a wholly owned subsidiary of HYB. Mr. Ho and persons connected to him do not hold any direct shareholdings interest in MPB.

In addition, it should be noted that pursuant to the Act, any director must at all times exercise his powers for proper purpose and in good faith and in the best interest of the company(ies) in which he is a director.

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4.7 Competition risk

Both HYB Group and MPB Group are involved in the property development industry and following the completion of the Proposed Acquisition, HYB will hold approximately 30.95% in MPB. Accordingly, there may be instances where HYB and MPB will be in competition, for example, in bidding or acquiring landbank, proximity between HYB and MPB's landbank / projects, as well as timing and similarity of product offerings between HYB Group and MPB Group.

It should be noted that one of the rationale of the Proposed Acquisition (as highlighted under Section 3) is to create an avenue for both entities to collaborate and explore joint opportunities in the property development sector taking into consideration the expertise and strength of HYB Group and MPB Group which is expected to be value accretive to both groups. Further, the key management and board of directors of HYB Group and MPB Group will separately make operational as well as strategic decisions in the best interests of the respective listed entity.

5. OVERVIEW AND PROSPECTS OF THE PROPOSED ACQUISITION

Information in Sections 5.1 and 5.2 have been extracted from the most recent available government publications and other publicly available sources.

5.1 Overview and prospects of the Malaysian economy

The Malaysian economy grew 4.5% during the fourth quarter of 2016 (Q3 2016: 4.3%) supported by domestic activities and favourable net exports. On the supply side, all sectors except agriculture recorded positive growth. The services and manufacturing sectors, with a share of 77.6% continued to lead the growth. For 2016, the Malaysian economy registered a growth rate of 4.2% (2015: 5%).

The ringgit eased against most major and regional currencies except the Japanese Yen (6.3%) and the Korean Won (1.1%). Similarly, most major and regional currencies softened against the USD during the quarter amid the outcome of the US Presidential Election. In addition, the strengthening of the USD following the US Federal Reserve's interest rate hike and the US protectionism policy stance affected the ringgit and other major and regional currencies. Furthermore, speculative activity in non-deliverable forward (NDF) market during the quarter affected the ringgit as well. During the last quarter of 2016, the ringgit depreciated 7.6% against the USD and in the range of 1.6% and 5.6% against other major and regional currencies.

The Malaysian economy is expected to grow between 4% – 5% in 2017, led mainly by domestic economic activities. Despite better global growth prospects, external challenges are expected to prevail. Hence, growth momentum will be contributed by domestic demand, particularly private consumption following stable labour market and wage growth. Despite increasing commodity prices, inflation is expected to remain manageable. On the supply side, growth will be driven by the expansion in all sectors particularly the services and manufacturing sectors.

(Source: Malaysian Economy Fourth Quarter 2016, Ministry of Finance)

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5.2 Overview and outlook of the Malaysian property market

During the first half of 2016, the construction of residential subsector grew 10.4% supported by steady growth in incoming supply at 13.1% to 816,174 units (January – June 2015: 13.5%; 10.3%; 721,730 units). Klang Valley, accounting for 26.2%, continued to contribute the most of the incoming supply mainly due to increasing affordable housing schemes (January – June 2015: 25.6%). However, during the period, new approvals declined significantly by 32% to 44,389 units as developers are clearing unsold properties, while buyers are more cautious amid increasing uncertainties in the global environment (January – June 2015: -2.1%; 65,231 units). Likewise, housing starts declined 16.8% to 60,378 units (January – June 2015: 15%; 72,545 units). Of which, terrace houses and condominiums/apartments accounted for 43.6% (26,324 units) and 29.9% (18,070 units), respectively, while low-end houses 11% (6,617 units). The take-up rate for residential units was lower at 25.6% in the first half of 2016 largely reflecting softer demand for high-end units (January – June 2015: 29.8%).

During the first half of 2016, a total of 102,096 residential properties valued at RM32.7 billion were transacted, accounting for 62.4% of total property transactions (January – June 2015: 119,446 transactions; RM36.5 billion; 64.1%). Residential properties transacted in Kuala Lumpur recorded a marked contraction of 20.1%, followed by Selangor (-14.1%), Pulau Pinang (-13.5%), and Johor (-10.9%). The softening of the transaction was partly due to the buyers' cautious sentiment and measures to contain the accelerating house prices. The residential overhang increased 63.1% to 13,438 units with a total value of RM7.6 billion during the first half of 2016 (January – June 2015: -24.1%; 8,238 units; RM2.7 billion) with Johor accounting for the highest overhang units at 21.1% (2015: 23.3%).

Malaysia House Price Index (MHPI) continues to moderate reflecting implementation of various measures to contain spiralling prices. The MHPI stood at 235.4 points (at base year 2000) during the second quarter of 2016, increasing 5.3%, the lowest since the fourth quarter of 2009 (Q2 2015: 223.5 points; 7.5%). All states recorded a positive growth except Kelantan (-0.2%) and Sabah (-0.6%). Johor registered the highest increase of 7%, followed by Kuala Lumpur (6.9%), Selangor (6.6%), Kedah (6.5%) and Negeri Sembilan (6.2%). The average all-house price increased to RM326,241 in the second quarter of 2016 relative to RM309,705 for the corresponding period in 2015, with detached houses recording the highest increase at 6.5%, followed by high rise units (6%) and terrace houses (5.7%).

The residential subsector is projected to expand in 2017 driven by affordable housing programmes, particularly 1Malaysia Civil Servants Housing. Meanwhile, the non-residential subsector is expected to benefit the mixed commercial development mainly in the Klang Valley, Johor and Pahang.

(Source: Economic Report 2016/2017, Ministry of Finance)

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5.3 Prospects of MPB Group

MPB currently holds several development lands in strategic locations such as Jalan Ampang, Kuala Lumpur, Jalan Gasing, Petaling Jaya as well as Seksyen 15, Shah Alam.

Based on publicly available sources, the land in Jalan Ampang is a 2.62 acre freehold land with a development approval for offices, a hotel and/or serviced apartments with a plot ratio of 1:12. The land is strategically located with a frontage onto Jalan Ampang; the Petronas Twin Towers is approximately 400 meters to the west of the land, whilst the intersection of Jalan Sultan Ismail is 300 meters to the east. Properties enclaved within the vicinity are predominantly commercial developments with a good mix of financial institutions, corporate companies, shopping complexes, hotels, high end condominiums as well as educational institutions. The future development of the land will be easily accessible via an extensive rail network (the rail network stations located within proximity include Bukit Nanas Monorail station, Dang Wangi RapidKL LRT station, KLCC RapidKL LRT station and Ampang Park RapidKL LRT station) as well as public transportation services in the form of buses and taxis. Accordingly, the development to be undertaken on the land is expected to be attractive to major financial institutions and multinational corporations (for commercial components) as well as the upmarket segment for residential component.

The Magna Eco-City development in Shah Alam is located on a 20 acre parcel with an estimated GDV of RM1.4 billion that encompasses shop offices, shopping complexes and serviced apartments. The project has a wide frontage of almost half a kilometre facing Persiaran Selangor (which forms the main access road for Seksyen 15 and Seksyen 16, two established commercial and industrial hubs in Shah Alam) and it is also visible from the Federal Highway. The development has direct access to the Federal Highway and easy accessibility to other expressways such as the North Klang Valley Expressway (NKVE), North-South Centre Link (ELITE), Shah Alam Expressway (KESAS), Leburaya Damansara Puchong (LDP) and the Guthrie Corridor Expressway. In addition, the development is also located in proximity to public amenities such as KTM stations, a hospital, hotel, educational institutions and stadium.

In view of the above, the Company envisages that the established location of the lands will augur well for the prospects and demand for the properties to be developed.

Further, MPB is also in the midst of acquiring a piece of leasehold land in Seksyen 13, Shah Alam measuring approximately 5.25 acres ("**Seksyen 13 Land**") for a purchase consideration of RM43.0 million. The transaction has been approved by MPB's shareholders and it is yet to be completed as at the LPD.

The Seksyen 13 Land entails a proposed development of three (3) blocks of 15-storey residential apartments and five (5) shops with an estimated GDV of RM220.8 million. The project is estimated to be completed by 2019 and it is strategically located within Seksyen 13, Shah Alam adjacent to Raja Tun Uda Shah Alam Library and opposite the Kelab Golf Sutan Abdul Aziz Shah where it is easily accessible from Kuala Lumpur through Federal Highway and to other major expressways such as NKVE and ELITE. The proposed development is envisaged to have good prospects taking into consideration that the existing residential developments in the vicinity of the land comprise only landed properties. Accordingly, it is expected to enhance the immediate and future revenue stream of MPB Group.

After taking into consideration the strategic location and development potential of MPB's landbank as well as its existing development projects and investment properties, the Company is optimistic on the future financial performance of MPB Group.

(Source: Management of HYB)

6. EFFECTS OF THE PROPOSED ACQUISITION

6.1 Share capital

The Proposed Acquisition is not expected to have any effect on the share capital of HYB as no new HYB Shares will be issued pursuant thereto.

6.2 Substantial shareholders' shareholdings

The Proposed Acquisition is not expected to have any effect on the substantial shareholders' shareholdings of HYB as no new HYB Shares will be issued pursuant thereto.

6.3 Earnings and EPS

The effects of the Proposed Acquisition on the earnings and EPS of the Group for the FYE 31 March 2018 will be dependent on the timing of completion of the Proposed Acquisition as well as the level of earnings of MPB Group thereafter.

Strictly for illustration purposes, the proforma effects of the Proposed Acquisition on the earnings and EPS of the Group for the FYE 31 March 2017 is illustrated below:-

	HYB Group (unaudited FYE 31 March 2017) (A) (RM'000)	Share of results of MPB⁽¹⁾⁽²⁾ (B) (RM'000)	Proforma earnings and EPS for the FYE 31 March 2017 (A) + (B) (RM'000)
PAT	60,739	10,839	71,578
EPS⁽²⁾ (sen)	17.26	3.08	20.34

Notes:-

- (1) Based on HYB's 30.95% stake held in MPB upon completion of the Proposed Acquisition and MPB Group's audited PAT of RM46.2 million for the FYE 31 December 2016.
- (2) After deducting estimated interest expense arising from the Proposed Acquisition of approximately RM3.5 million on the basis that 70% of the Purchase Consideration is funded via bank borrowings and an assumed interest rate of 4.00%.
- (3) Based on the number of HYB Shares as at the LPD of 352,000,000 Shares.

Nevertheless, the Proposed Acquisition is expected to contribute positively to the future earnings and EPS of the Group for the ensuing financial years arising from the development of MPB's existing and future landbank and the resulting earnings contribution from MPB as an associate of HYB.

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6.4 NA and gearing

The Proposed Acquisition is not expected to have any material effect on the NA of the Group for the FYE 31 March 2018. However, it is expected to enhance the NA and NA per share of the Group in the future in view of the potential future profit contribution from MPB.

The Purchase Consideration is to be satisfied by internally generated funds and/or bank borrowings.

Based on the audited consolidated financial statements of HYB as at 31 March 2016, and 70% of the Purchase Consideration is funded via bank borrowings, the Proposed Acquisition will result in HYB's gearing increasing from 0.41 times to 0.58 times as follows:-

	Audited as at 31 March 2016	After subsequent events	After the Proposed Acquisition
	(RM'000)	(RM'000)	(RM'000)
Share capital	264,000	⁽¹⁾ 352,000	352,000
Retained earnings	277,625	⁽²⁾ 182,485	182,585
Shareholders' funds / NA	541,625	534,485	534,485
Borrowings	220,745	220,745	307,367
Gearing ratio (times)	0.41	0.41	0.58

Notes:-

- (1) After adjusting for the bonus issue of 88,000,000 HYB Shares that was completed on 13 October 2016 ("**Bonus Issue**").
- (2) After adjusting for the estimated expenses of RM100,000 in relation to the Bonus Issue and the interim dividend amounting to RM7,040,000 paid to shareholders of HYB on 17 April 2017.

7. HIGHEST PERCENTAGE RATIOS APPLICABLE

The highest percentage ratio applicable to the Proposed Acquisition as per Paragraph 10.02(g) of the MMLR is 22.85%, calculated based on the Purchase Consideration compared to HYB Group's audited NA for the FYE 31 March 2016.

For information purposes, pursuant to Paragraph 10.12(2)(b) of the MMLR, the Proposed Acquisition is to be aggregated with the First Acquisition in view that both transactions involve the acquisition of securities in MPB within a period of twelve (12) months. Accordingly, the highest percentage ratio applicable after aggregating both the First Acquisition and Proposed Acquisition is 35.14% ("**Aggregated Percentage Ratio**"), calculated based on the aggregate value of the consideration for the First Acquisition and the Purchase Consideration compared to HYB Group's audited NA for the FYE 31 March 2016.

For the avoidance of doubt, pursuant to Paragraph 2.1(b), Practice Note 14 of the MMLR, notwithstanding that the Aggregated Percentage Ratio is above 25%, shareholders' approval is required only for the Proposed Acquisition (as set out in Section 8 below).

Please refer to Appendix I for further details on the First Acquisition.

8. APPROVALS REQUIRED

The Proposed Acquisition is subject to the following approvals being obtained:-

- (i) Shareholders' approval at the EGM to be convened; and
- (ii) any other relevant parties/authorities, if required.

For information purposes, AmInvestment Bank had, on behalf of the Board, submitted a waiver application to Bursa Securities from having to comply with the requirements pursuant to Paragraph 10.04(2)(a) of the MMLR ("**Waiver Application**") which states that a valuation must be conducted on all material real estate for acquisition of a property development or property investment corporation. The Waiver Application was approved by Bursa Securities on 5 May 2017.

The Waiver Application was submitted after taking into consideration, amongst others, that HYB does not have access to the detailed information of MPB's real estates required to undertake a valuation which complies with the Asset Valuation Guidelines issued by the Securities Commission Malaysia.

9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the directors, major shareholders and/or persons connected with them has any interest, either direct or indirect, in the Proposed Acquisition.

For information purposes, after the completion of the First Acquisition, HYB had on 13 February 2017, nominated Mr. Ho Wen Yan as an executive director in MPB. Nonetheless, Mr. Ho is not an interested party to the Proposed Acquisition as he and persons connected to him do not hold any direct or indirect shareholdings in MPB (save for those held via PPSB).

10. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposed Acquisition and after careful deliberation, is of the opinion that the Proposed Acquisition is in the best interests of the Company.

Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed by the second (2nd) quarter of the calendar year 2017.

The tentative timeline in relation to the implementation of the Proposed Acquisition are as follows:-

Date	Events
8 June 2017	EGM for the Proposed Acquisition
Mid / End June 2017	Completion of the Proposed Acquisition

12. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Acquisition and as disclosed below, there are no other corporate exercises or proposals which have been announced by the Company and are pending completion as at the LPD.

On 5 May 2017, Yoon Lian Realty Sdn Bhd, a wholly owned subsidiary of HYB, had entered into a conditional sale and purchase agreement with Bumi Semarak Development Sdn Bhd for the purpose of acquiring a parcel of land of approximately 3.8 acres, located at H.S.(D) 204382, PT245009, Mukim Hulu Kinta, Daerah Kinta, Perak Darul Ridzuan for a total cash consideration of RM15,313,005. The proposal is still pending completion as at the LPD.

13. EGM

The EGM, the Notice of which is enclosed with this Circular, will be held at Head Office of the Company at 4th Floor, C-21, Jalan Medan Selayang 1, Medan Selayang, 68100 Batu Caves, Selangor Darul Ehsan on Thursday, 8 June 2017 at 10:00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolution, with or without any modifications, to give effect to the Proposed Acquisition.

If you are unable to attend and vote in person at the EGM, you may complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein as soon as possible, so as to arrive at the registered office of the Company not later than forty-eight (48) hours before the time set for holding the EGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

14. FURTHER INFORMATION

You are advised to refer to the enclosed appendices for further information.

Yours faithfully
For and on behalf of the Board
HUA YANG BERHAD

TAN SRI DATO' SERI DR. TING CHEW PEH
Chairman / Independent Non-Executive Director

APPENDIX I – INFORMATION ON THE FIRST ACQUISITION

1. Details of the First Acquisition

On 25 January 2017, the Company announced that PPSB had acquired 36,000,000 MPB Shares, representing approximately 10.84% (based on the share capital of MPB as at 23 January 2017, being the latest practicable date of the First Acquisition) of the equity interest in MPB for a purchase consideration of RM66,600,000 or RM1.85 per MPB Share via an off-market DBT.

1.1 Basis and justification of arriving at the purchase consideration for the First Acquisition

The Purchase Consideration of RM1.85 per MPB Share was arrived at on a willing buyer-willing seller basis after taking into consideration HYB's evaluation on MPB's landbank and development potentials on such landbank.

1.2 Source of funding and mode of satisfaction

The purchase consideration of RM66,600,000 was funded through internally generated funds and settled fully in cash.

1.3 Information on the vendors of the First Acquisition

The details of the vendors in relation to the First Acquisition are as follows:-

Vendors	No. of MPB Shares	Purchase consideration (RM)
Chun Yee Ying	18,626,000	34,458,100
Chun Mei Ngor	17,374,000	32,141,900
Total	36,000,000	66,600,000

2. Approvals required

The First Acquisition is not subject to the approval of the Company's shareholders.

Save for the above, the details of the subject matter of the First Acquisition, namely MPB and the rationale of the First Acquisition, are the same as the Proposed Acquisition as disclosed in this Circular.

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APPENDIX II – INFORMATION ON MPB

1. INFORMATION ON MPB

1.1 SHARE CAPITAL

The share capital of MPB is RM83,678,235 (excluding share premium and capital redemption reserve pursuant to Section 618(2) of the Act) comprising 334,712,940 MPB Shares.

On 2 September 2015, MPB had allotted 166,444,970 5-year warrants which were listed on the Main Market of Bursa Securities on 10 September 2015 (“**Warrants 2015/2020**”). As at the LPD, 164,621,970 Warrants 2015/2020 remain unexercised. Each Warrants 2015/2020 entitles the registered holder to subscribe for one (1) new MPB Share by 4 September 2020 at an exercise price of RM0.90.

1.2 SUBSTANTIAL SHAREHOLDERS

The shareholders of MPB and their direct and indirect shareholdings in MPB as at the LPD are as follows:-

Name	Nationality / Country of incorporation	Direct		Indirect	
		No. of MPB Shares	% ⁽¹⁾	No. of MPB Shares	% ⁽¹⁾
FRSB ⁽²⁾	Malaysia	68,561,824	20.63	-	-
Datuk Wira Rahadian Mahmud bin Mohammad Khalil	Malaysian	21,400,000	6.44	-	-
Lee Hing Lee	Malaysian	-	-	⁽³⁾ 83,631,824	25.16
Lee Siong Hai	Malaysian	216,900	0.07	⁽⁴⁾ 68,561,824	20.62
PPSB	Malaysia	36,000,000	10.83	-	-
Hua Yang	Malaysia	-	-	⁽⁵⁾ 36,000,000	10.83
Heng Holdings Sdn Bhd	Malaysia	-	-	⁽⁶⁾ 36,000,000	10.83
Ho Wen Yan	Malaysian	-	-	⁽⁷⁾ 36,000,000	10.83
Ho Min Yi	Malaysian	-	-	⁽⁷⁾ 36,000,000	10.83
Ho Wen Han	Singaporean	-	-	⁽⁷⁾ 36,000,000	10.83
Ho Wen Fan	Malaysian	-	-	⁽⁷⁾ 36,000,000	10.83
Chew Po Sim	Malaysian	-	-	⁽⁷⁾ 36,000,000	10.83

(Source: MPB's annual report for the FYE 31 December 2016 and announcements on Bursa Securities up to the LPD)

Notes:-

- (1) Based on the share capital of MPB as at the LPD of 332,427,440 MPB Shares (excluding 2,285,500 treasury shares).
- (2) FRSB is one the Vendors for the Proposed Acquisition. The shareholdings of FRSB will decrease to approximately 13.56% after completion of the Proposed Acquisition.
- (3) Deemed interested by virtue of his substantial shareholding in FRSB and Top Fresh Foods (M) Sdn Bhd pursuant to Section 8 of the Act.
- (4) Deemed interested by virtue of his substantial shareholding in FRSB pursuant to Section 8 of the Act.
- (5) Deemed interested by virtue of its interest in PPSB, which is a wholly-owned subsidiary of the Company, pursuant to Section 8 of the Act.

APPENDIX II – INFORMATION ON MPB (Cont'd)

- (6) Deemed interested by virtue of its substantial shareholding in HYB, which in turn holds 100% equity interest in PPSB pursuant to Section 8 of the Act.
- (7) Deemed interested by virtue of his/her substantial shareholding in Heng Holdings Sdn Bhd which is the major shareholder of HYB, which in turn holds 100% equity interest in PPSB pursuant to Section 8 of the Act.

1.3 DIRECTORS

The directors of MPB and their direct and indirect shareholdings in MPB as at the LPD are as follows:-

Name	Nationality	Designation	Direct		Indirect	
			No. of MPB Shares	% ⁽¹⁾	No. of MPB Shares	% ⁽¹⁾
Tan Sri Datuk Adzmi bin Abdul Wahab	Malaysian	Independent Non-Executive Director, Chairman	-	-	-	-
Datuk Wira Rahadian Mahmud bin Mohammad Khalil	Malaysian	Group Managing Director	21,400,000	6.44	-	-
Cheong Choi Yoon	Malaysian	Independent Non-Executive Director	-	-	-	-
Sazali bin Saad	Malaysian	Independent Non-Executive Director	-	-	-	-
Chang Chee Kok	Malaysian	Non-Independent Non-Executive Director	-	-	-	-
Ho Wen Yan	Malaysian	Executive Director	-	-	⁽²⁾ 36,000,000	10.83

(Source: MPB's annual report for the FYE 31 December 2016 and announcements on Bursa Securities up to the LPD)

Notes:-

- (1) Based on the share capital of MPB as at the LPD of 332,427,440 MPB shares (excluding 2,285,500 treasury shares).
- (2) Deemed interested by virtue of his substantial shareholding in Heng Holdings Sdn Bhd which is the major shareholder of HYB, which in turn holds 100% equity interest in PPSB pursuant to Section 8 of the Act.

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APPENDIX II – INFORMATION ON MPB (Cont'd)

1.4 SUBSIDIARIES

Please refer below for a list of MPB's subsidiaries and principal activities:-

No.	Name of company	Country of incorporation	Principal activities	Effective equity interest (2016) %
1	Dunia Epik Sdn. Bhd.	Malaysia	Civil engineering and building construction	100
2	Magna Prima Construction Sdn. Bhd.	Malaysia	Civil engineering and building construction	100
3	Magna Prima Development Sdn. Bhd.	Malaysia	Property development and provision of management services	100
4	Magna Shah Alam Sdn. Bhd.	Malaysia	Property development	100
5	Kontrakmal 1 (M) Sdn. Bhd.	Malaysia	Dormant	100
6	Crossborder Team (M) Sdn. Bhd.	Malaysia	Property development	100
7	Everhall (M) Sdn. Bhd.	Malaysia	Property investment	100
8	33 Sentral Park Sdn. Bhd.	Malaysia	Property development	100
9	Twinicon (M) Sdn. Bhd.	Malaysia	Property development	100
10	Winicon (M) Sdn. Bhd.	Malaysia	Property development and provision of management services	100
11	Magna Mix Sdn. Bhd.	Malaysia	Manufacturing and trading in ready mixed concrete	100
12	Prima Awan (M) Sdn. Bhd.	Malaysia	Property management	100
13	Pembinaan Contamaju-Infocast Sdn. Bhd.	Malaysia	Civil engineering and building construction	100
14	Magna City Shah Alam Sdn. Bhd.	Malaysia	Dormant	100
15	Magna City Development Sdn. Bhd.	Malaysia	Property development	100
16	Permata Juang (M) Sdn. Bhd.	Malaysia	Property development	100
17	Monetary Icon (M) Sdn. Bhd.	Malaysia	Property development	100
18	Magna Prima Australia Pty. Ltd.	Australia	Property development	100
19	Pavilion Uptrend Sdn. Bhd.	Malaysia	Property development	70

APPENDIX II – INFORMATION ON MPB (Cont'd)

No.	Name of company	Country of incorporation	Principal activities	Effective equity interest (2016) %
	Subsidiary of Dunia Epik Sdn. Bhd.			
1	Magna Park (Mentakab) Sdn. Bhd.	Malaysia	Civil engineering and building construction	100
	Subsidiaries of Magna Prima Development Sdn. Bhd.			
2	Magna Park Sdn. Bhd.	Malaysia	Investment holding and property development	91
3	Magna Ecocity Sdn. Bhd.	Malaysia	Property development	70
	Subsidiary of Magna Prima Construction Sdn. Bhd.			
4	MPrima (Shah Alam) Sdn. Bhd.	Malaysia	Construction and project management	100
	Subsidiary of Magna Park Sdn. Bhd.			
5	Embassy Court Sdn. Bhd	Malaysia	Property development	100
6	Amanabina Sdn. Bhd.	Malaysia	Property development and project management services	100
	Subsidiary of Winicon (M) Sdn. Bhd.			
7	Ibsul Development (Sel) Sdn. Bhd.	Malaysia	Property development and property investment	100

(Source: MPB's annual report for the FYE 31 December 2016)

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1.5 FINANCIAL INFORMATION

A summary of the historical audited financial information of MPB Group for the past three (3) FYEs 31 December 2014, 2015 and 2016 is as follows:-

	FYE 31 December		
	2014 (RM'000)	2015 (Restated) (RM'000)	2016 (RM'000)
Revenue	142,553	795,510	142,730
PBT	(7,023)	493,662	72,097
PAT	(15,015)	408,477	46,215
Gross EPS (sen)	11.40	97.50	16.92
Net EPS (sen) - Basic	(4.10)	122.71	14.49
Share capital	83,222	83,222	83,222
Shareholders' funds	142,131	548,973	602,622
Total borrowings	503,328	268,337	235,648
No. of shares outstanding ('000)	332,890	332,890	332,890
NA per share (RM)	0.43	1.65	1.82
Current ratio (times)	1.12	1.80	1.60
Gearing ratio (times)	3.39	0.49	0.39

Commentary (by the Company's management taking into consideration MPB's annual reports)

FYE 31 December 2014

Notwithstanding the increase in revenue, MPB Group recorded a loss after tax of RM15.0 million in the FYE 31 December 2014 mainly due to the significant increase in finance costs of RM9.5 million (attributable to interest expense of bridging loan and term loans) as well as an increase in impairment loss of trade receivables and provision for liquidated and ascertained damages amounting to RM4.5 million and RM3.8 million respectively.

FYE 31 December 2015

The notably large PBT in the FYE 31 December 2015 was driven by the significant increase in revenue of RM653.0 million / 458% which was mainly attributable to (i) the completion of the shop office units at BBP as well as The Istana, Melbourne as well as (ii) fair value gain on investment properties of RM210.2 million.

For information purposes, revenue from property development was recognised by MPB Group using the 'completion method' whereby it is recognised when significant risks and rewards of ownership have been transferred to the buyers.

FYE 31 December 2016

MPB Group's revenue and PBT decreased by RM652.8 million / 82% and RM421.6 million / 85% respectively in the FYE 31 December 2016 due mainly to lower recognition of revenue.

For information purposes, in the FYE 31 December 2016, MPB recognised revenue based on the 'percentage of completion method' in accordance with MFRS 15 vis-à-vis the 'completion method' in the previous financial year.

APPENDIX II – INFORMATION ON MPB (Cont'd)

1.5.1 ACCOUNTING POLICIES AND AUDIT QUALIFICATION

For the past three (3) FYEs 31 December 2014, 31 December 2015 and 31 December 2016 under review:-

- (i) there are no accounting policies adopted by MPB which are peculiar to MPB due to the nature of its business or the industry in which it is involved in; and
- (ii) MPB's external auditors had not issued any audit qualification on its financial statements.

1.5.2 SEGMENTAL INFORMATION

1.5.2.1 Business Segment

MPB Group's revenue is predominantly derived from property development which made up approximately 93%, 99% and 100% of its total revenue for the FYEs 31 December 2014, 2015 and 2016 respectively.

1.5.2.2 Geographical Segment

	FYE 31 December					
	2014		2015 (restated)		2016	
	(RM' mil)		(RM' mil)		(RM' mil)	
	Malaysia	Australia	Malaysia	Australia	Malaysia	Australia
Revenue	142.5	-	290.9	504.6	91.6	51.1
PBT / (Loss Before Tax)	(0.9)	(6.0)	364.7	129.0	67.3	4.8

1.6 MATERIAL COMMITMENT AND CONTINGENT LIABILITIES

Based on MPB's annual report for the FYE 31 December 2016, details of MPB Group's contingent liabilities are as follows:-

	RM'000
Utilised portion of corporate guarantees given to financial institutions for:-	
(i) facilities granted to subsidiary companies (secured on assets of subsidiary companies)	235,648
(ii) trade payables of subsidiary companies for credit facilities granted to subsidiary companies (unsecured)	

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1.7 MATERIAL LITIGATION

Based on MPB's annual report for the FYE 31 December 2016 and announcements on Bursa Securities up to the LPD, the pending material litigation of MPB Group are as follows:-

(i) **High Shah Alam High Court Civil Suit No: 22NCVC-93-02/2015: Ibsul Development (SEL) Sdn Bhd vs Perbadanan Kemajuan Negeri Selangor**

On 19 May 2015, Ibsul Development (SEL) Sdn. Bhd. ("**Ibsul**") filed an action against Perbadanan Kemajuan Negeri Selangor ("**PKNS**") at the High Court of Shah Alam via Writ Summons of Claim. The three main claims by Ibsul were for:-

- (a) Declaration on unlawfully termination of the SPA dated 5 August 2009;
- (b) Order for specific performance to complete the SPA; and
- (c) To obtain an injunction to restrain PKNS from dealing with land of Plot B.

PKNS had replied with their Defence on 1 June 2015.

On 9 July 2015, Ibsul had filed for Discovery Application at High Court against PKNS and Land Office by compelling PKNS to produce minutes and other related documentations on the re-consideration on the purchase price of Plot B land.

On 17 August 2015, the learned Judge had allowed the Discovery Application in so far as the documents, emails and correspondences are concerned. However, the Judge did not allow the disclosure of the minutes.

On 9 November 2015, mediation had been adjourned by the request of PKNS to further obtain an instruction from the State Government of Selangor to enter into a Joint Venture Agreement ("**JV Agreement**") with Ibsul, the discussion of the proposal on an out of court settlement by way of JV Agreement was held on 18 November 2015. However, Ibsul is not agreeable to the proposed terms of the said JV Agreement and instructed its solicitors to proceed with a trial.

The High Court Judge has fixed full trial from 26 January 2016 to 28 January 2016 and further trial is to be continued on 7 April 2016, 8 April 2016 and 18 April 2016.

On 30 June 2016 the High Court had awarded Judgment in favour of PKNS by dismissing Ibsul's application on Specific Performance to complete on the purchase of the said land. In light to the above, Ibsul had instructed its solicitors to file an application of Appeal in Court of Appeal against the decision of the High Court Judge. Moreover at interim Ibsul had also requested its solicitors to file an Injunction on PKNS to restrain them from disposing the said land pending the decision of the Appeal.

On 13 December 2016 after hearing the Appeal, the Court of Appeal had dismissed Ibsul's claim and upheld the decision of High Court as valid, thereof ordered Ibsul to surrender their land and PKNS to refund back the purchase price. At the meantime, Ibsul has decided to proceed the matter further to Federal Court by instructing their solicitors to file the leave application.

1.8 MATERIAL CONTRACTS

Based on MPB's announcements on Bursa Securities, save as disclosed below, MPB Group has not entered into any material contracts, not being contracts entered into in the ordinary course of business, within the past two (2) years immediately preceding the date of this Circular:-

- (i) Conditional sale and purchase agreement dated 9 June 2016 entered into between Magna City Shah Alam Sdn Bhd, a wholly owned subsidiary of MPB and Regalia Raintree Sdn Bhd in respect of the acquisition of a piece of leasehold land in Seksyen 13, Bandar Shah Alam measuring approximately 5.25 acres for a total purchase consideration of RM43.0 million. The transaction has been approved by the shareholders of MPB and is yet to be completed as at the LPD.

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APPENDIX III – INFORMATION ON MPB'S LANDBANK

Details on MPB Group's development lands⁽¹⁾, as extracted from MPB's annual report for the FYE 31 December 2016 are set out in the table below:-

Registered owner	Location	Description and existing use	Tenure	Land area (square feet)	NBV (RM' 000)	Classification in the statement of financial position
Magna Ecocity Sdn Bhd	H.S.(D) 16667, Lot PT12, Seksyen 15, Bandar Shah Alam, District of Petaling, Selangor Darul Ehsan	Development land	Leasehold (Expiring on 27 September 2083)	871,200	125,750,524	Inventories
33 Sentral Park Sdn Bhd	H.S (D) 16678 PT320, Mukim Kuala Lumpur, Daerah Petaling Negeri, Selangor Darul Ehsan. H.S (D) 16679 PT321, Mukim Kuala Lumpur, Daerah Petaling Negeri, Selangor Darul Ehsan.	Development land	Freehold	302,996	65,036,604	Land held for property development
Twinion Sdn Bhd	Lot 124 - 128, GRN Nos. 4628 - 4632, Section 44, Town and District of KL, Negeri Wilayah Persekutuan.	Investment property	Freehold	113,963	382,000,000	Investment properties (freehold land)
Magna Park (Mentakab) Sdn Bhd	H.S.(D) 10059-10060, 10065-10066, 10094-10099, 10112-10113, 10115-10147, 10149-10154, Mukim Mentakab, Daerah Temerloh, Pahang Darul Makmur.	Investment property	Leasehold (Expiring on 13 June 2090)	481,620	7,519,000	Investment properties (leasehold land)

Note:-

⁽¹⁾ As highlighted in Section 5 of this Circular, Magna City Shah Alam Sdn Bhd, a wholly owned subsidiary of MPB, is in the midst of acquiring the Seksyen 13 Land for a purchase consideration of RM43.0 million. The transaction has been approved by MPB's shareholders and it is yet to be completed as at the LPD.

Based on MPB's circular dated 7 September 2016, the summary details of the Seksyen 13 Land is set out below:-

Location	:	Lot 737, Seksyen 13, Bandar Shah Alam, District of Petaling, Selangor Darul Ehsan
Tenure	:	Leasehold (99 years expiring on 29 May 2102)
Land area	:	21,250 square metres (approx. 5.25 acres)
Category of land use	:	Building
Express conditions	:	Bangunan Kediaman
Existing and proposed use	:	Currently, the Seksyen 13 Land is a vacant land and is proposed to be developed into a residential development, details of which are further set out in Section 5.3 of this Circular

1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board who collectively and individually accept full responsibility for the completeness and accuracy of the information contained in this Circular 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 other facts contained in this Circular, the omission of which would make any statement in this Circular false or misleading.

All information relating to MPB Group has been obtained from publicly available information / documents. The sole responsibility of the Board is restricted to ensure that such information relating to MPB Group has been accurately reproduced in the Circular.

2. CONSENTS AND CONFLICT OF INTEREST**2.1 Consents**

AmInvestment Bank, being the Principal Adviser for the Proposed Acquisition, has, prior to the issue of this Circular, given and not subsequently withdrawn its written consent for the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

2.2 Conflict of interest**2.2.1 AmInvestment Bank**

AmInvestment Bank and/or its related and associated companies ("**AmBank Group**") form a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. AmBank Group's securities business is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

In the ordinary course of their businesses, any member of AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other clients, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of HYB Group.

As at the LPD, AmBank Group has extended certain credit facilities amounting to approximately RM68.2 million to HYB Group, comprising bank guarantees and letter of credit ("**Credit Facilities**"). The said Credit Facilities represent less than 1% compared to the total audited loans, advances and financing of AMMB Holdings Berhad (being the holding company of AmBank Group) as at 31 March 2016.

Notwithstanding the above, AmInvestment Bank is of the opinion that its role as the Adviser for the Proposed Acquisition does not give rise to a conflict of interest situation in view that the Credit Facilities have been extended by AmBank Group in the ordinary course of its banking business and the terms and conditions of such facilities are not material in comparison with the total audited loans, advances and financing of AmBank Group as at 31 March 2016.

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APPENDIX IV - FURTHER INFORMATION (Cont'd)

3. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of the HYB Shares traded on Bursa Securities for the past twelve (12) months are as follows:-

	High (RM)	Low (RM)
2016		
May	1.38	1.33
June	1.34	1.30
July	1.39	1.29
August	1.41	1.33
September	1.43	1.26
October	1.42	1.21
November	1.23	1.08
December	1.15	1.05
2017		
January	1.12	1.05
February	1.21	1.08
March	1.16	1.09
April	1.14	1.06

Last transacted market price on 18 April 2017, being the last Market Day immediately prior to the announcement of the Proposed Acquisition RM1.07

Last transacted market price on the LPD RM1.07

(Source: Bloomberg)

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any other material commitments, save for the Proposed Acquisition, or contingent liabilities incurred or known to be incurred by the Group that has not been provided for, which upon becoming enforceable, may have a material impact on the financial position or business of the Group.

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5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office of HYB at C-21, Jalan Medan Selayang, 68100, Batu Caves, Selangor Darul Ehsan during normal business hours from Monday to Friday (except public holidays) following the date of this Circular up to and including the date of the EGM:-

- (i) the constitution of HYB;
- (ii) the audited consolidated financial statements of HYB Group for the past two (2) FYEs 31 March 2015 and 31 March 2016;
- (iii) the unaudited consolidated financial statements of HYB Group for the twelve (12)-month period ended 31 March 2017;
- (iv) the audited financial statements of MPB for the past two (2) FYEs 31 December 2015 and 31 December 2016;
- (v) the letter of consent referred to in Section 2 above; and
- (vi) the MPB SSA.

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HUA YANG BERHAD

(Company No. 44094-M)

(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“EGM”) of Hua Yang Berhad (“HYB” or the “Company”) will be convened at the Head Office of the Company at 4th Floor, C-21, Jalan Medan Selayang 1, Medan Selayang, 68100 Batu Caves, Selangor Darul Ehsan on Thursday, 8 June 2017 at 10:00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolution with or without any modifications:-

ORDINARY RESOLUTION 1

PROPOSED ACQUISITION OF 66,889,940 ORDINARY SHARES IN MAGNA PRIMA BERHAD (“MPB”) REPRESENTING APPROXIMATELY 20.12% OF THE EQUITY INTEREST IN MPB BY PRISMA PELANGI SDN BHD (“PPSB”) FROM FANTASTIC REALTY SDN BHD, LEE SHU SHUN, LEE KOK MENG, YAP FATT THAI, KOK SEW HONG AND KOK SIEW HWA (COLLECTIVELY THE “VENDORS”) FOR A TOTAL CONSIDERATION OF RM123,746,389.00

THAT subject to the approvals of all relevant authorities or parties being obtained, where required, approval be and is hereby given to PPSB to acquire 66,889,940 ordinary shares in MPB, representing approximately 20.12% of the equity interest in MPB from the Vendors, for a purchase consideration of RM123,746,389.00, to be fully settled in cash, subject to and upon such terms and conditions as set out in the conditional share sale agreement entered into between PPSB and the Vendors dated 19 April 2017 (“MPB SSA”) (“**Proposed MPB Acquisition**”);

AND THAT the Board of Directors of the Company (“**Board**”) and PPSB be and is hereby authorised and empowered to give full effect to the Proposed Acquisition and the MPB SSA with full power to deal with all matters incidental, ancillary to and/or relating thereto, to take all such steps and to execute and deliver and/or cause to be executed and delivered in relation to the MPB SSA, and all such other agreements, deeds, arrangements, undertakings, indemnities, transfers, extensions, assignments, confirmations, declarations and/or guarantees to or with any party or parties, and to do all such acts, things and matters as it may deem fit, necessary and/or expedient or in the best interests of HYB and PPSB and/or appropriate in order to implement, finalise and give full effect to the Proposed Acquisition under the terms and conditions of the MPB SSA, with full powers to negotiate, approve, agree and assent to any conditions, revaluations, modifications, variations and/or amendments as may be required by any relevant authorities and/or as the Board deem fit, appropriate and in the best interest of HYB and PPSB.

BY ORDER OF THE BOARD

LEONG OI WAH (MAICSA 7023802)

TAN HWAI LUN (MIA 24085)

LAM CHO WAI (MIA 37324)

Company Secretaries

Selangor Darul Ehsan

24 May 2017

Notes:-

1. *Only members whose name appear in the Record of Depositors as at 31 May 2017 will be entitled to attend and vote at this Extraordinary General Meeting or appoint a proxy/proxies or in the case of a corporation, a duly authorised representative to attend and to vote in his/her stead.*
2. *A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint a proxy/proxies who may but need not be a member/members of the Company to attend and vote in his/her stead.*
3. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
4. *Where a member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act, 1991 ("**SICDA**"), it may appoint up to two (2) proxies in respect of each securities account it may hold with ordinary shares of the Company standing to the credit of the said securities account.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or, if the appointor is a Corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised. The instrument appointing a proxy must be deposited at the Registered Office of the Company at C-21, Jalan Medan Selayang 1, Medan Selayang, 68100 Batu Caves, Selangor Darul Ehsan at least forty-eight (48) hours before the time appointed for the Extraordinary General Meeting or any adjournment thereof.*

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 24 May 2017.



HUA YANG BERHAD

(Company No. 44094-M)
(Incorporated in Malaysia under the Companies Act, 1965)

PROXY FORM

*I/We..... Company No./NRIC No.
(new).....(old).....
of..... being a member of **HUA YANG BERHAD**
hereby appoint Mr/Ms..... of NRIC No.
(new)..... (old)..... or failing
whom..... NRIC No. (new)..... (old)
..... or failing whom the Chairman of the meetings as *my/*our proxies to vote
for *me/*us and on *my/*our behalf at the Extraordinary General Meeting of the Company to be convened
at the Head Office of the Company at 4th Floor, C-21, Jalan Medan Selayang 1, Medan Selayang, 68100
Batu Caves, Selangor Darul Ehsan on Thursday, 8 June 2017 at 10:00 a.m., or any adjournment thereof.

*My/*Our proxy(ies) is/are to vote as indicated below:-

ORDINARY RESOLUTION	FOR	AGAINST
Proposed Acquisition		

(Please indicate with (X) how you wish your vote to be casted. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.)

Dated thisday of2017

Number of shares held	CDS Account No.

.....
[Signature(s) / Common Seal of Shareholder(s)]
[*Delete if not applicable]

For appointment of two proxies, percentage of shareholdings to be represented by proxies:		
	No. of shares	Percentage
1 st proxy		
2 nd proxy		
Total		100%

Notes:-

- Only members whose name appear in the Record of Depositors as at 31 May 2017 will be entitled to attend and vote at this Extraordinary General Meeting or appoint a proxy/proxies or in the case of a corporation, a duly authorised representative to attend and to vote in his/her stead.
- A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint a proxy/proxies who may but need not be a member/members of the Company to attend and vote in his/her stead.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
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- The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or, if the appointor is a Corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised. The instrument appointing a proxy must be deposited at the Registered Office of the Company at C-21, Jalan Medan Selayang 1, Medan Selayang, 68100 Batu Caves, Selangor Darul Ehsan at least forty-eight (48) hours before the time appointed for the Extraordinary General Meeting or any adjournment thereof.

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Fold this flap for sealing

Then fold here

AFFIX
STAMP

HUA YANG BERHAD
(Company No. 44094-M)
C-21, Jalan Medan Selayang 1
Medan Selayang
68100 Batu Caves
Selangor Darul Ehsan
Malaysia

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