

THIS CIRCULAR TO SHAREHOLDERS OF HUA YANG BERHAD (“HYB” OR THE “COMPANY”) 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, solicitor, accountant, bank manager or other professional adviser immediately.

Bursa Malaysia Securities Berhad (“**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. Bursa Securities has not perused the contents of this Circular in relation to the Proposed Exemption (as defined herein).

The Securities Commission Malaysia (“**SC**”) had on 4 August 2022 notified that it has no further comments to the contents of the Circular and independent advice letter (“**IAL**”) for the Proposed Exemption (as defined herein). However, such notification shall not be taken to suggest that the SC agrees with the recommendation of the independent adviser or assumes responsibility for the correctness of any statements made or opinions or reports expressed in the Circular and IAL. The SC is not responsible for the contents of this Circular, does not represent that this Circular is accurate or complete and disclaims any liability for any loss arising from, or due to, your reliance on this Circular.



Your dreams, made affordable

HUA YANG BERHAD

Registration No. 197801007059 (44094-M)

(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-

PART A

- I. PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 88,000,000 NEW ORDINARY SHARES IN HYB (“HYB SHARE(S)” OR “SHARE(S)”) (“RIGHTS SHARE(S)”) ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 4 EXISTING HYB SHARES HELD, TOGETHER WITH UP TO 88,000,000 FREE DETACHABLE WARRANTS IN HYB (“WARRANT(S)”) ON THE BASIS OF 1 WARRANT FOR EVERY 1 RIGHTS SHARE SUBSCRIBED BY THE ENTITLED SHAREHOLDERS AT AN ISSUE PRICE AND ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER (“PROPOSED RIGHTS ISSUE WITH WARRANTS”); AND**
- II. PROPOSED EXEMPTION UNDER SUBPARAGRAPH 4.08(1)(B) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS TO HENG HOLDINGS SDN BHD AND PERSONS ACTING IN CONCERT WITH IT, FROM THE OBLIGATION TO UNDERTAKE A MANDATORY OFFER FOR THE REMAINING HYB SHARES AND WARRANTS NOT ALREADY OWNED BY THEM PURSUANT TO THE PROPOSED RIGHTS ISSUE WITH WARRANTS (“PROPOSED EXEMPTION”)**

PART B

INDEPENDENT ADVICE LETTER FROM MAINSTREET ADVISERS SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF HYB IN RELATION TO THE PROPOSED EXEMPTION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

UOB Kay Hian

UOB Kay Hian Securities (M) Sdn Bhd

(Registration No. 199001003423 (194990-K))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser

MainStreet

MainStreet Advisers Sdn Bhd

(Registration No. 200701032292 (790320-P))

The extraordinary general meeting (“**EGM**”) of HYB will be held at the Head Office of the Company at 4th Floor, C-21 Jalan Medan Selayang 1, Medan Selayang, 68100 Batu Caves, Selangor at the specified date and time as set out below, or immediately after the conclusion or adjournment (as the case may be) of the 43rd annual general meeting (“**AGM**”) of HYB, which will be held at the same venue and on the same day at 10.30 a.m., whichever is later, or at any adjournment thereof. The Notice of EGM and the Proxy Form are enclosed in this Circular.

A member of HYB who is entitled to attend, participate, speak and vote at the EGM, is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/her behalf. In such event, the instrument appointing a proxy must be deposited not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof, at the registered office of HYB at C-21, Jalan Medan Selayang 1, Medan Selayang 68100 Batu Caves, Selangor. The lodging of the Proxy Form shall not preclude you from attending, participating, speaking and voting at the EGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form

: Sunday, 28 August 2022 at 11.30 a.m.

Date and time of the EGM

: Tuesday, 30 August 2022 at 11.30 a.m., or immediately after the conclusion or adjournment (as the case may be) of the 43rd AGM of HYB, which will be held at the same venue and on the same day at 10.30 a.m.

This Circular is dated 12 August 2022

DEFINITIONS

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

“Act”	: The Companies Act 2016 and all regulations made thereunder
“Additional Undertaking”	: The irrevocable undertaking provided by HHSB, vide its letter dated 30 June 2022, to subscribe for additional unsubscribed Rights Shares not taken up by the Entitled Shareholders and/or their renouncee(s) under the Proposed Rights Issue with Warrants, subject always that the aggregate amount subscribed by HHSB under the Entitlement Undertaking and Additional Undertaking shall amount to at least RM7.0 million, in the manner as set out in Section 2.6, Part A of this Circular
“Board”	: The Board of Directors of HYB
“Bursa Depository”	: Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
“Bursa Securities”	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
“Circular”	: This circular dated 12 August 2022 in relation to the Proposals
“CMSA”	: Capital Markets and Services Act 2007
“Code”	: Malaysian Code on Take-Overs and Mergers 2016 as amended from time to time
“COVID-19”	: Coronavirus disease 2019
“Deed Poll”	: The deed poll constituting the Warrants to be executed by HYB
“Depositories Act”	: Securities Industry (Central Depositories) Act 1991
“Director(s)”	: The directors of HYB and shall have the meaning given in section 2(1) of the Act and section 2(1) of the CMSA
“EGM”	: Extraordinary general meeting of HYB
“Entitled Shareholder(s)”	: The shareholder(s) of HYB whose names appear in the Record of Depositors of HYB on the Entitlement Date
“Entitlement Date”	: A date to be determined and announced by the Board, on which the names of the Entitled Shareholders must appear in the Record of Depositors of HYB as at 5.00 p.m. in order to be entitled to the Rights Shares pursuant to the Proposed Rights Issue with Warrants
“Entitlement Undertaking(s)”	: The irrevocable and unconditional undertaking provided by the Undertaking Shareholders, vide their letters dated 30 June 2022, to subscribe in full for their respective entitlements under the Proposed Rights Issue with Warrants based on their shareholdings as at the Entitlement Date
“EPS”	: Earnings per Share
“FYE”	: Financial year ended/ending
“GDV”	: Gross development value

DEFINITIONS (Cont'd)

“HHSB”	:	Heng Holdings Sdn Bhd (Registration No. 198001002852 (56636-T))
“HYB” or the “Company”	:	Hua Yang Berhad (Registration No. 197801007059 (44094-M))
“HYB Group” or the “Group”	:	Collectively, HYB and its subsidiaries
“HYB Share(s) or Share(s)”	:	Ordinary share(s) in HYB
“Interested Director(s)”	:	Collectively, Ho Wen Yan, Chew Po Sim, Ho Wen Fan and Chew Hoe Soon
“Interested Shareholder(s)”	Major	Collectively, HHSB, Ho Wen Yan, Chew Po Sim, Ho Wen Fan, Ho Wen Han and Ho Min Yi
“LAT”	:	Loss after tax
“LBT”	:	Loss before tax
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities
“LPD”	:	5 August 2022, being the latest practicable date prior to the printing and despatch of this Circular
“MainStreet” or “Independent Adviser”	:	MainStreet Advisers Sdn Bhd (Registration No. 200701032292 (790320-P))
“Mandatory Offer”	:	The obligation of HHSB and its PACs under paragraph 4.01(a) of the Rules to undertake a mandatory take-over offer for the remaining HYB Shares and Warrants not already owned by them pursuant to the Proposed Rights Issue with Warrants
“Market Day(s)”	:	Any day(s) from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities
“Maximum Scenario”	:	Assuming all of the Entitled Shareholders fully subscribe for their respective entitlements under the Proposed Rights Issue with Warrants
“MCO(s)”	:	Movement Control Order(s) pursuant to the Prevention and Control of Infectious Disease Act 1988 and the Police Act 1967
“Minimum Scenario”	:	Assuming the Proposed Rights Issue with Warrants will be undertaken on the Minimum Subscription Level (i.e. only the Undertaking Shareholders subscribe for the Rights Shares pursuant to the undertakings and none of the other Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue with Warrants) and assuming HHSB will be entitled for the Additional Undertaking
“Minimum Subscription Level”	:	Minimum subscription level of 39,339,998 Rights Shares based on the indicative issue price of RM0.18 per Rights Share and the aggregate amount subscribed under the Entitlement Undertakings and Additional Undertaking, as set out in Section 2.6, Part A of this Circular
“NA”	:	Net assets attributable to the owners of HYB

DEFINITIONS (Cont'd)

“PAC(s)”	:	The persons acting in concert with HHSB pursuant to sections 216(2) and 216(3) of the CMSA as at the LPD, namely Ho Wen Yan, Chew Po Sim, Ho Wen Fan, Ho Wen Han, Ho Min Yi, Chew Hoe Soon and Quah Peng Hwa
“PAT”	:	Profit after tax
“PBT”	:	Profit before tax
“Proposals”	:	Collectively, the Proposed Rights Issue with Warrants and Proposed Exemption
“Proposed Exemption”	:	Proposed exemption under subparagraph 4.08(1)(b) of the Rules to HHSB and the PACs from the obligation to undertake the Mandatory Offer for the remaining HYB Shares and Warrants not already held by them pursuant to the Proposed Rights Issue with Warrants
“Proposed Rights Issue with Warrants”	:	Proposed renounceable rights issue of up to 88,000,000 Rights Shares on the basis of 1 Rights Share for every 4 existing HYB Shares held, together with up to 88,000,000 Warrants on the basis of 1 Warrant for every 1 Rights Share subscribed by the Entitled Shareholders on the Entitlement Date
“Record of Depositors”	:	A record of depositors established by Bursa Depository under the Rules of Bursa Depository
“Rights Share(s)”	:	Up to 88,000,000 new HYB Share(s) to be issued pursuant to the Proposed Rights Issue with Warrants
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“Rules”	:	Rules on Take-overs, Mergers and Compulsory Acquisitions
“Rules of Bursa Depository”	:	The Rules of Bursa Depository as issued pursuant to the Depositories Act
“SC”	:	Securities Commission Malaysia
“TERP”	:	Theoretical ex-rights price
“Undertaking Letter(s)”	:	The irrevocable undertakings dated 30 June 2022 provided by HHSB and Ho Wen Yan in respect of the Entitlement Undertakings and Additional Undertaking
“Undertaking Shareholder(s)”	:	Collectively, HHSB and Ho Wen Yan
“UOBKH” or the “Principal Adviser”	:	UOB Kay Hian Securities (M) Sdn Bhd (Registration No. 199001003423 (194990-K))
“VWAP”	:	Volume weighted average market price
“Warrant(s)”	:	Up to 88,000,000 free detachable warrants in HYB to be issued pursuant to the Proposed Rights Issue with Warrants

All references to “we”, “us”, “our” and “ourselves” are made to HYB, or where the context requires, shall include our subsidiaries.

All references to “you” in this Circular are made to shareholders who are entitled to attend, participate, speak and vote at the EGM.

DEFINITIONS (Cont'd)

Unless specifically referred to, words denoting incorporating the singular shall, where applicable include the plural and vice versa and words denoting 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 to a time of day and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted.

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PART B**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF HYB IN RELATION TO THE PROPOSED EXEMPTION****APPENDICES**

- I. INDICATIVE SALIENT TERMS OF THE WARRANTS
- II. FURTHER INFORMATION
- III. ADDITIONAL INFORMATION

NOTICE OF EGM**ENCLOSED****PROXY FORM****ENCLOSED**

EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposals. Shareholders are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in arriving at a decision on the Proposals before voting at the EGM.

Key information	Description	Reference to Part A of the Circular												
Summary	<p><u>Proposed Rights Issue with Warrants</u></p> <ul style="list-style-type: none"> - The Proposed Rights Issue with Warrants entails an issuance of up to 88,000,000 Rights Shares on the basis of 1 Rights Share for every 4 existing HYB Shares held, together with up to 88,000,000 free detachable Warrants on the basis of 1 Warrant for every 1 Rights Share subscribed by our Entitled Shareholders on the Entitlement Date. - The Proposed Rights Issue with Warrants will be undertaken on the Minimum Subscription Level, based on the undertakings dated 30 June 2022 procured from the Undertaking Shareholders, whereby:- <ul style="list-style-type: none"> (i) Undertaking Shareholders have irrevocably undertaken to subscribe for their respective entitlements under the Proposed Rights Issue with Warrants, amounting to an aggregate of 28,473,433 Rights Shares:- <table border="1" data-bbox="434 1010 1216 1283"> <thead> <tr> <th data-bbox="434 1010 652 1099">Undertaking Shareholders</th> <th data-bbox="652 1010 834 1099">No. of HYB Shares held as at LPD</th> <th data-bbox="834 1010 1216 1099">Entitlement Undertakings</th> </tr> </thead> <tbody> <tr> <td data-bbox="434 1099 652 1205">HHSB</td> <td data-bbox="652 1099 834 1205">112,089,294</td> <td data-bbox="834 1099 1216 1205">28,022,323 Rights Shares ("HHSB Entitlement Undertaking")</td> </tr> <tr> <td data-bbox="434 1205 652 1240">Ho Wen Yan</td> <td data-bbox="652 1205 834 1240">1,804,440</td> <td data-bbox="834 1205 1216 1240">451,110 Rights Shares</td> </tr> <tr> <td colspan="2" data-bbox="434 1240 834 1283">Total</td> <td data-bbox="834 1240 1216 1283">28,473,433 Rights Shares</td> </tr> </tbody> </table> (ii) HHSB has undertaken to subscribe for additional unsubscribed Rights Shares not taken up by our other Entitled Shareholders of HYB, if any, via excess rights application, subject always that the aggregate amount subscribed under the HHSB Entitlement Undertaking and Additional Undertaking shall amount to at least RM7.0 million. - As at the LPD, our Company has an issued share capital of RM352,000,000 comprising 352,000,000 HYB Shares. Assuming all Entitled Shareholders and/or their renounee(s) subscribe in full for their respective entitlements under the Proposed Rights Issue with Warrants, up to 88,000,000 Rights Shares together with up to 88,000,000 Warrants will be issued, raising gross proceeds of up to RM15.84 million based on the indicative issue price of RM0.18 per Rights Share. 	Undertaking Shareholders	No. of HYB Shares held as at LPD	Entitlement Undertakings	HHSB	112,089,294	28,022,323 Rights Shares ("HHSB Entitlement Undertaking")	Ho Wen Yan	1,804,440	451,110 Rights Shares	Total		28,473,433 Rights Shares	Section 2
Undertaking Shareholders	No. of HYB Shares held as at LPD	Entitlement Undertakings												
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Ho Wen Yan	1,804,440	451,110 Rights Shares												
Total		28,473,433 Rights Shares												

EXECUTIVE SUMMARY (Cont'd)

Key information	Description	Reference to Part A of the Circular
<p>Summary (cont'd)</p>	<p><u>Proposed Exemption</u></p> <ul style="list-style-type: none"> - As at the LPD, HHSB and the PACs collectively hold 114,698,098 HYB Shares representing approximately 32.58% equity interest in HYB. - In the event of undersubscription by our Entitled Shareholders, HHSB would be obligated to subscribe for additional unsubscribed Rights Shares not taken up by the other Entitled Shareholders via excess rights application, subject always that the aggregate amount subscribed by HHSB under the Entitlement Undertaking and Additional Undertaking shall amount to at least RM7.0 million. - As such, the shareholdings of HHSB and the PACs in HYB are expected to increase from 32.58% to above 33% of the enlarged issued share capital of HYB, triggering the obligation to undertake a Mandatory Offer pursuant to paragraph 4.01(a) of the Rules and section 218(2) of the CMSA. - Hence, an exemption from the obligation for HHSB and the PACs under subparagraph 4.08(1)(b) of the Rules shall be sought from SC, after obtaining the approval for the Proposed Exemption from our non-interested shareholders, by way of poll, at the forthcoming EGM as it is not the intention of HHSB and the PACs to undertake a Mandatory Offer. - The maximum potential holdings of HHSB and the PACs in HYB pursuant to the Proposed Rights Issue with Warrants shall amount to 46.07%. 	<p>Section 3</p>
<p>Basis of determining and justification for the issue price of the Rights Shares</p>	<ul style="list-style-type: none"> - The issue price will be determined and fixed by our Board after taking into consideration, amongst others, the following:- <ul style="list-style-type: none"> (i) the gross proceeds of up to RM15.84 million to be raised from the Proposed Rights Issue with Warrants under the Maximum Scenario, to meet the fund-raising objectives as set out in Section 4, Part A of this Circular; (ii) the prevailing market conditions and market prices of HYB Shares; and (iii) the TERP of HYB Shares, which will be determined based on the 5-day VWAP of HYB Shares immediately preceding the price-fixing date, as well as a suitable discount to the TERP that will encourage the subscription of Rights Shares by our Entitled Shareholders and/or their renounee(s). 	<p>Section 2.2</p>

EXECUTIVE SUMMARY (Cont'd)

Key information	Description	Reference to Part A of the Circular
<p>Basis of determining and justification for the issue price of the Rights Shares (cont'd)</p>	<ul style="list-style-type: none"> - In determining the final issue price of the Rights Shares, the Board will consider a discount of up to 30% to the TERP, taking into consideration a quantum deemed attractive to encourage the subscription of the Rights Shares by our Entitled Shareholders and/or their renouncee(s), as well as the historical volatility and share price movement of HYB Shares. 	
<p>Basis of determining and justification for the exercise price of the Warrants</p>	<ul style="list-style-type: none"> - The exercise price of the Warrants will be determined and announced by the Board at a later date after taking into consideration, amongst others, the following:- <ul style="list-style-type: none"> (i) the Warrants will be issued at no cost to our Entitled Shareholders and/or their renouncee(s) who successfully subscribe for the Rights Shares; (ii) the TERP of HYB Shares, which will be determined based on the 5-day VWAP of HYB Shares immediately preceding the price-fixing date; and (iii) the prevailing market conditions and market prices of HYB Shares. - For illustrative purposes, the indicative exercise price of the Warrants is assumed to be RM0.30 per Warrant, which represents a premium of approximately 56.09% to the TERP of HYB Shares of RM0.1922 computed based on the 5-day VWAP of HYB Shares up to and including the LPD of RM0.1953. - Based on the indicative exercise price of RM0.30 per Warrant, the total gross proceeds to be raised from the exercise of Warrants under the Maximum Scenario will amount to up to RM26.40 million. 	<p>Section 2.3</p>
<p>Rationale</p>	<p><u>Proposed Rights Issue with Warrants</u></p> <ul style="list-style-type: none"> - To strengthen the financial position and capital base of our Company, by reducing our gearing level and increasing our NA thereby providing greater financial flexibility, as illustrated in Section 7.2, Part A of this Circular. - To enable the issuance of new HYB Shares without diluting our shareholders' equity interest, based on the assumption that all Entitled Shareholders subscribe in full for their respective entitlements under the Proposed Rights Issue with Warrants. - To provide our Entitled Shareholders with an opportunity to participate in an equity offering in our Company on a pro rata basis and ultimately, participate in the prospects and future growth of the Group by subscribing to the Rights Shares. 	<p>Section 5.1</p>

EXECUTIVE SUMMARY (Cont'd)

Key information	Description	Reference to Part A of the Circular																								
Rationale (cont'd)	<p><u>Proposed Exemption</u></p> <p>- To relieve HHSB and the PACs from the obligation to undertake a Mandatory Offer under the Rules due to the increase in their interests in the voting shares of the Company, as a result of the undertakings as set out in Section 2.6, Part A of this Circular. It should be noted that it is not the intention of HHSB and the PACs to undertake the Mandatory Offer or to privatise HYB via the Proposed Rights Issue with Warrants.</p>	Section 5.2																								
Utilisation of proceeds	<table border="1"> <thead> <tr> <th data-bbox="435 667 667 824"></th> <th data-bbox="667 667 927 824">Timeframe for utilisation from completion of the Proposed Rights Issue with Warrants</th> <th data-bbox="927 667 1070 824">Minimum Scenario RM'000</th> <th data-bbox="1070 667 1214 824">Maximum Scenario RM'000</th> </tr> </thead> <tbody> <tr> <td data-bbox="435 824 667 891">Repayment of bank borrowings</td> <td data-bbox="667 824 927 891">Within 12 months</td> <td data-bbox="927 824 1070 891">2,000</td> <td data-bbox="1070 824 1214 891">4,000</td> </tr> <tr> <td data-bbox="435 891 667 1010">Acquisition of a new landbank, joint venture and investments</td> <td data-bbox="667 891 927 1010">Within 6 months</td> <td data-bbox="927 891 1070 1010">1,350</td> <td data-bbox="1070 891 1214 1010">1,350</td> </tr> <tr> <td data-bbox="435 1010 667 1048">Working capital</td> <td data-bbox="667 1010 927 1048">Within 12 months</td> <td data-bbox="927 1010 1070 1048">3,276</td> <td data-bbox="1070 1010 1214 1048">10,035</td> </tr> <tr> <td data-bbox="435 1048 667 1167">Estimated expenses in relation to the Proposals</td> <td data-bbox="667 1048 927 1167">Within 1 month</td> <td data-bbox="927 1048 1070 1167">455</td> <td data-bbox="1070 1048 1214 1167">455</td> </tr> <tr> <td colspan="2" data-bbox="435 1167 927 1211">Total</td> <td data-bbox="927 1167 1070 1211">7,081</td> <td data-bbox="1070 1167 1214 1211">15,840</td> </tr> </tbody> </table>		Timeframe for utilisation from completion of the Proposed Rights Issue with Warrants	Minimum Scenario RM'000	Maximum Scenario RM'000	Repayment of bank borrowings	Within 12 months	2,000	4,000	Acquisition of a new landbank, joint venture and investments	Within 6 months	1,350	1,350	Working capital	Within 12 months	3,276	10,035	Estimated expenses in relation to the Proposals	Within 1 month	455	455	Total		7,081	15,840	Section 4
	Timeframe for utilisation from completion of the Proposed Rights Issue with Warrants	Minimum Scenario RM'000	Maximum Scenario RM'000																							
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Estimated expenses in relation to the Proposals	Within 1 month	455	455																							
Total		7,081	15,840																							
Approvals required/obtained	<p>The Proposals are subject to the following approvals being obtained:-</p> <p>(i) Bursa Securities, for the following:-</p> <p>(a) admission to the Official List of Bursa Securities and the listing of up to 88,000,000 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants; and</p> <p>(b) listing and quotation of up to 88,000,000 new Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants; and</p> <p>(c) listing and quotation of up to 88,000,000 new HYB Shares to be issued pursuant to the exercise of Warrants,</p> <p>the approval of which has been obtained vide Bursa Securities' letter dated 14 July 2022;</p> <p>(ii) our shareholders' approval for the Proposals at the forthcoming EGM;</p>	Section 9																								

EXECUTIVE SUMMARY (Cont'd)

Key information	Description	Reference to Part A of the Circular
Approvals required/obtained (cont'd)	<p>(iii) the SC for the Proposed Exemption. The application will be submitted to the SC after the approval of our shareholders for the Proposals have been obtained at the forthcoming EGM; and</p> <p>(iv) any other relevant authorities and/or parties, if required.</p>	
Conditionality	<ul style="list-style-type: none"> - The Proposed Rights Issue with Warrants and the Proposed Exemption are inter-conditional upon each other. - The Proposals are not conditional upon any other proposals undertaken or to be undertaken by our Company. - For the avoidance of doubt, in the event the Proposals are not approved by our shareholders at the forthcoming EGM and/or the SC does not approve the Proposed Exemption, the Proposed Rights Issue with Warrants will not be implemented. 	Section 9
Interests of Directors, major shareholders, chief executive and/or persons connected with them	<ul style="list-style-type: none"> - None of the Directors, major shareholders and chief executive of our Company and/or persons connected with them have any interest, whether direct and/or indirect, in the Proposals, save for the followings:- <ul style="list-style-type: none"> (i) HHSB, being a major shareholder of HYB, and an Undertaking Shareholder pursuant to the Proposed Rights Issue with Warrants; (ii) Ho Wen Yan, the Chief Executive Officer/Executive Director, being a major shareholder of HYB and an Undertaking Shareholder pursuant to the Proposed Rights Issue with Warrants, is also a director and substantial shareholder of HHSB, and one of the PACs; (iii) Chew Po Sim, the Non-Independent Non-Executive Director and a major shareholder of HYB, is also a director and substantial shareholder of HHSB, and one of the PACs; (iv) Ho Wen Fan, the Alternate Director to Chew Po Sim and a major shareholder of HYB, is also a director and substantial shareholder of HHSB, and one of the PACs; (v) Ho Wen Han and Ho Min Yi, who are the major shareholders of HYB, are also directors and substantial shareholders of HHSB, and are PACs; and (vi) Chew Hoe Soon, the Non-Independent Non-Executive Director of HYB, is the brother of Chew Po Sim, and one of the PACs. Further, Quah Peng Hwa, who is the spouse of Chew Hoe Soon, is also deemed a PAC given the relationship with Chew Po Sim. 	Section 10

EXECUTIVE SUMMARY (Cont'd)

Key information	Description	Reference to Part A of the Circular
Interests of Directors, major shareholders, chief executive and/or persons connected with them (cont'd)	<ul style="list-style-type: none">- The Interested Directors have abstained and will continue to abstain from Board deliberation and voting on the Proposals.- The Interested Directors and the Interested Major Shareholders will also abstain from voting and will also ensure that the persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in our Company, if any, on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.	
Boards' recommendation	The Board (save for the Interested Directors), having considered all aspects of the Proposals, including but not limited to the rationale for the Proposals, the effects of the Proposed Rights Issue with Warrants as well as the proposed utilisation of proceeds to be raised from the Proposed Rights Issue with Warrants, is of the opinion that the Proposals are in the best interests of our Company. Accordingly, the Board (save for the Interested Directors) recommends that you VOTE IN FAVOUR of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.	Section 13

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PART A

CIRCULAR TO THE SHAREHOLDERS OF HYB IN RELATION TO THE PROPOSALS

Registered office

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

12 August 2022

Board of Directors

Tan Sri Dato' Seri Dr. Ting Chew Peh (*Chairman/Independent Non-Executive Director*)
Ho Wen Yan (*Executive Director/Chief Executive Officer*)
Dato' Tan Bing Hua (*Senior Independent Non-Executive Director*)
Chew Po Sim (*Non-Independent Non-Executive Director*)
Chew Hoe Soon (*Non-Independent Non-Executive Director*)
Y.A.M. Tengku Dato' Rahimah Binti Al-Marhum Sultan Mahmud (*Independent Non-Executive Director*)
Ho Wen Fan (*Alternate Director to Chew Po Sim*)

To the shareholders of HYB

Dear Sir/Madam,

I. PROPOSED RIGHTS ISSUE WITH WARRANTS; AND

II. PROPOSED EXEMPTION

1. INTRODUCTION

On 10 June 2022, UOBKH had, on behalf of our Board, announced that we proposed to undertake the following:-

- (a) a renounceable rights issue of up to 88,000,000 Rights Shares on the basis of 1 Rights Share for every 4 existing HYB Shares held, together with up to 88,000,000 free detachable Warrants on the basis of 1 Warrant for every 1 Rights Share subscribed by our Entitled Shareholders at an issue price and Entitlement Date to be determined and announced later.

The Proposed Rights Issue with Warrants will be undertaken on the Minimum Subscription Level, based on the following undertakings provided by the Undertaking Shareholders, further details of which are set out in **Section 2.6, Part A** of this Circular:-

- (i) HHSB has provided its Entitlement Undertaking to subscribe for its entitlement under the Proposed Rights Issue with Warrants (amounting to 28,022,323 Rights Shares), as well as an Additional Undertaking, subject always that the aggregate amount subscribed under the Entitlement Undertaking and Additional Undertaking shall amount to at least RM7.0 million;
- (ii) Ho Wen Yan has provided his Entitlement Undertaking to subscribe for his entitlement under the Proposed Rights Issue with Warrants (amounting to 451,110 Rights Shares); and

- (b) an exemption under subparagraph 4.08(1)(b) of the Rules to HHSB and the PACs, from the obligation to undertake the Mandatory Offer for the remaining HYB Shares and Warrants not already owned by them pursuant to the Proposed Rights Issue with Warrants.

On 10 June 2022, the Board had appointed MainStreet as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of HYB in relation to the Proposed Exemption.

Further, on 14 July 2022, UOBKH had, on behalf of our Board, announced that Bursa Securities had vide its letter dated 14 July 2022, resolved to approve the following, subject to the conditions as disclosed in **Section 9, Part A** of this Circular:-

- (a) admission to the Official List of Bursa Securities and the listing of up to 88,000,000 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants;
- (b) listing and quotation of up to 88,000,000 new Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants; and
- (c) listing and quotation of up to 88,000,000 new HYB Shares to be issued pursuant to the exercise of Warrants.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. PROPOSED RIGHTS ISSUE WITH WARRANTS

2.1 Basis and number of Rights Shares and Warrants to be issued

The Proposed Rights Issue with Warrants entails an issuance of up to 88,000,000 Rights Shares on the basis of 1 Rights Share for every 4 existing HYB Shares held, together with up to 88,000,000 free detachable Warrants on the basis of 1 Warrant for every 1 Rights Share subscribed by our Entitled Shareholders on the Entitlement Date.

As at the LPD, our Company has an issued share capital of RM352,000,000 comprising 352,000,000 HYB Shares. As such, up to 88,000,000 Rights Shares together with up to 88,000,000 Warrants will be issued pursuant to the Proposed Rights Issue with Warrants.

The Proposed Rights Issue with Warrants will be undertaken on the Minimum Subscription Level, based on the quantum of undertakings procured from the Undertaking Shareholders, details of which are set out in **Section 2.6, Part A** of this Circular.

Assuming all Entitled Shareholders and/or their renounee(s) subscribe in full for their respective entitlements under the Proposed Rights Issue with Warrants, up to 88,000,000 Rights Shares together with up to 88,000,000 Warrants will be issued, raising gross proceeds of up to RM15.84 million to be utilised in the manner set out in **Section 4, Part A** of this Circular.

Notwithstanding the above, the actual number of Rights Shares and Warrants to be issued pursuant to the Proposed Rights Issue with Warrants will depend on the actual number of Rights Shares subscribed by our Entitled Shareholders.

The Rights Shares and Warrants will be provisionally allotted and issued to our Entitled Shareholders. The Entitlement Date shall be determined by our Board after obtaining all approvals for the Proposals. In determining shareholders' entitlements under the Proposed Rights Issue with Warrants, fractional entitlements of the Rights Shares and Warrants, if any, will be disregarded and dealt with in such manner as our Board in its absolute discretion deems fit and expedient, in the best interest of our Company.

The Warrants are attached to the Rights Shares without any cost and will be issued only to our Entitled Shareholders and/or their renounee(s) who subscribe for their entitled number of Rights Shares. The Warrants will be immediately detached from the Rights Shares upon issuance and will be separately traded on the Main Market of Bursa Securities. The Warrants will be issued in registered form and constituted by a Deed Poll. Please refer to the **Appendix I** of this Circular for the indicative salient terms of the Warrants.

The Proposed Rights Issue with Warrants is renounceable in full or in part. Accordingly, our Entitled Shareholders can subscribe for and/or renounce their entitlements to the Rights Shares together with the Warrants in full or in part. For avoidance of doubt, the Rights Shares and the Warrants are not separately renounceable. Only Entitled Shareholders and/or their renounee(s) who successfully subscribe for the Rights Shares will be entitled to the Warrants. As such, the Entitled Shareholders who renounce all of their Rights Share entitlements shall be deemed to have renounced all the accompanying entitlements to the Warrants to be issued together with the Rights Shares. If the Entitled Shareholders accept only part of their Rights Share entitlements, they shall be entitled to the Warrants in proportion to their acceptance of their Rights Share entitlements.

The remaining Rights Shares which are unsubscribed, not taken up or not validly taken up shall be made available for excess applications by our other Entitled Shareholders and/or their renounee(s). Our Board intends to allocate the excess Rights Shares in a fair and equitable manner, on a basis to be determined by our Board and announced later by our Company.

The Proposed Rights Issue with Warrants will not be implemented in stages.

2.2 Basis of determining and justification for the issue price of the Rights Shares

The issue price will be determined and fixed by our Board after taking into consideration, amongst others, the following:-

- (i) the gross proceeds of up to RM15.84 million to be raised from the Proposed Rights Issue with Warrants under the Maximum Scenario, to meet the fund-raising objectives as set out in **Section 4, Part A** of this Circular;
- (ii) the prevailing market conditions and market prices of HYB Shares; and
- (iii) the TERP of HYB Shares, which will be determined based on the 5-day VWAP of HYB Shares immediately preceding the price-fixing date, as well as a suitable discount to the TERP that will encourage the subscription of Rights Shares by our Entitled Shareholders and/or their renounee(s).

In determining the final issue price of the Rights Shares, our Board will consider a discount of up to 30% to the TERP, taking into consideration a quantum deemed attractive to encourage the subscription of the Rights Shares by our Entitled Shareholders and/or their renounee(s), as well as the historical volatility and share price movement of HYB Shares.

For illustrative purposes only, the indicative issue price of the Rights Shares is assumed to be RM0.18 per Rights Share, which represents a discount of approximately 6.35% to the TERP of HYB Shares of RM0.1922, computed based on the 5-day VWAP of HYB Shares up to and including the LPD of RM0.1953.

2.3 Basis of determining and justification for the exercise price of the Warrants

The Warrants attached to the Rights Shares will be issued at no cost to our Entitled Shareholders and/or their renounee(s) who subscribe for the Rights Shares.

The exercise price of the Warrants will be determined and announced by our Board at a later date after the receipt of relevant approvals but before the announcement of the Entitlement Date after taking into consideration, amongst others, the following:-

- (i) the Warrants will be issued at no cost to our Entitled Shareholders and/or their renounee(s) who successfully subscribe for the Rights Shares;
- (ii) the TERP of HYB Shares, which will be determined based on the 5-day VWAP of HYB Shares immediately preceding the price-fixing date; and
- (iii) the prevailing market conditions and market prices of HYB Shares.

In any event, it is the intention of the Board to fix the exercise price of the Warrants at a premium to the TERP of HYB Shares. In any event, the exercise price shall not be lower than the TERP of HYB Shares determined based on the 5-day VWAP of HYB Shares immediately preceding the price-fixing date, given that the Warrants are issued at no cost, and are exercisable into new HYB Shares over the 5-year tenure.

For illustrative purposes, the indicative exercise price of the Warrants is assumed to be RM0.30 per Warrant, which represents a premium of approximately 56.09% to the TERP of HYB Shares of RM0.1922, computed based on the 5-day VWAP of HYB Shares up to and including the LPD of RM0.1953.

Based on the indicative exercise price of RM0.30 per Warrant, the total gross proceeds to be raised from the exercise of Warrants under the Maximum Scenario will amount to up to RM26.40 million.

2.4 Ranking of the Rights Shares and new HYB Shares to be issued arising from the exercise of the Warrants

The Rights Shares shall, upon allotment and issuance, rank equally in all respects with the existing HYB Shares, save and except that the Rights Shares shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Rights Shares.

The new HYB Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issuance, rank equally in all respects with the existing HYB Shares, save and except that the new HYB Shares to be issued arising from the exercise of the Warrants shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of such new HYB Shares.

2.5 Listing of and quotation for the Rights Shares, Warrants and new HYB Shares to be issued arising from the exercise of the Warrants

Bursa Securities had, vide its letter dated 14 July 2022, approved the admission of the Warrants to the Official List of Bursa Securities as well as the listing of and quotation for the Rights Shares, Warrants and the new HYB Shares to be issued arising from the exercise of the Warrants, on the Main Market of Bursa Securities.

2.6 Minimum Subscription Level and undertakings

The Proposed Rights Issue with Warrants will be undertaken on the Minimum Subscription Level, which will be based on the undertakings procured from the following Undertaking Shareholders:-

- (i) The Entitlement Undertakings from the Undertaking Shareholders vide their Undertaking Letters dated 30 June 2022, where they have irrevocably undertaken to subscribe for their respective entitlements under the Proposed Rights Issue with Warrants, amounting to an aggregate of 28,473,433 Rights Shares:-

Undertaking Shareholders	No. of HYB Shares held as at LPD	Entitlement Undertakings
HHSB	112,089,294	28,022,323 Rights Shares ("HHSB Entitlement Undertaking")
Ho Wen Yan	1,804,440	451,110 Rights Shares
Total		28,473,433 Rights Shares

- (ii) The Additional Undertaking from HHSB vide its Undertaking Letter dated 30 June 2022, where HHSB has undertaken to subscribe for additional unsubscribed Rights Shares not taken up by our other Entitled Shareholders, if any, via excess rights application, subject always that the aggregate amount subscribed under the HHSB Entitlement Undertaking and Additional Undertaking shall amount to at least RM7.0 million.

The Additional Undertaking will only crystalize in the event there are Rights Shares not taken up by the Entitled Shareholders and/or their renounee(s).

Based on the indicative issue price of RM0.18 per Rights Share, the details of the Entitlement Undertaking and Additional Undertaking under the Minimum Scenario are set out below:-

Undertaking Shareholders	Existing direct shareholdings in HYB as at the LPD		Entitlement Undertakings		Additional Undertaking		Total Entitlement Undertakings and Additional Undertaking (i.e Minimum Subscription Level)			Free Warrants pursuant to Entitlement Undertakings and Additional Undertaking
	No. of Shares	⁽¹⁾ (%)	No. of Shares	⁽²⁾ (%)	No. of Shares	⁽²⁾ (%)	No. of Shares	⁽²⁾ (%)	⁽³⁾ (RM)	No. of Warrants
HHSB	112,089,294	31.84	28,022,323	71.23	⁽³⁾ 10,866,565	27.62	38,888,888	98.85	⁽⁴⁾ 7,000,000	38,888,888
Ho Wen Yan	1,804,440	0.51	451,110	1.15	-	-	451,110	1.15	81,200	451,110
Total	113,893,734	32.35	28,473,433	72.38	10,866,565	27.62	39,339,998	100.00	7,081,200	39,339,998

Notes:-

- (1) *Based on the existing issued share capital comprising 352,000,000 Shares.*
- (2) *Based on up to 39,339,998 Rights Shares to be issued under the Minimum Scenario pursuant to the Proposed Rights Issue with Warrants.*
- (3) *The Additional Undertaking is computed based on the assumption that the aggregate amount subscribed under the HHSB Entitlement Undertaking and Additional Undertaking shall amount to at least RM7.0 million, based on the indicative issue price of RM0.18 per Rights Share.*
- (4) *Based on the indicative issue price of RM0.18 per Rights Share. Should the actual issue price be higher or lower than RM0.18 per Rights Share, the total number of Rights Shares pursuant to the Additional Undertaking will be adjusted correspondingly, such that the aggregate amount subscribed under the HHSB Entitlement Undertaking and Additional Undertaking shall amount to at least RM7.0 million.*

Pursuant to the undertakings, the Undertaking Shareholders have:-

- (a) irrevocably and unconditionally undertaken to subscribe in full for their entitlements and Additional Undertaking under the Proposed Rights Issue with Warrants calculated based on their shareholdings as at the date of the respective undertakings;
- (b) confirmed that they will not acquire, dispose or transfer any HYB Shares prior to the completion of the Proposed Rights Issue with Warrants; and
- (c) confirmed that they have sufficient financial resources and have obtained all approvals and authorisations necessary to pay for and to take up their respective entitlements and Additional Undertaking at any issue price that may be determined by our Company.

The undertakings provided by the Undertaking Shareholders reflect their commitment and confidence in growing the Group's business and driving the financial performance of the Group further. UOBKH has also verified that the Undertaking Shareholders have sufficient financial resources to take up the number of Rights Shares as specified in the undertakings.

Further details on the Undertaking Shareholders' shareholdings upon completion of the Proposed Rights Issue with Warrants pursuant to the Entitlement Undertakings and Additional Undertaking are set out in **Section 7.3, Part A** of this Circular.

As the Proposed Rights Issue with Warrants will be undertaken on a Minimum Subscription Level pursuant to the Entitlement Undertakings and Additional Undertaking, we will not procure any underwriting arrangements for the remaining Rights Shares not taken up by our other Entitled Shareholders and/or their renounee(s) pursuant to the Proposed Rights Issue with Warrants.

Further, it is not the intention of HHSB and its PACs to undertake a Mandatory Offer as a result of the Proposed Rights Issue with Warrants. In this regard, an exemption from the obligation of HHSB and the PACs to undertake a Mandatory Offer shall be sought from SC, after obtaining the approval for the Proposed Exemption from the non-interested shareholders of the Company, by way of poll, at the forthcoming EGM. Further details of the Proposed Exemption are set out in **Section 3, Part A** of this Circular.

For information purposes, in the event that the non-interested shareholders of the Company and/or the SC do not approve the Proposed Exemption, the Proposed Rights Issue with Warrants will not be implemented as the Proposals are inter-conditional.

Pursuant to paragraph 6.18(4) of the Listing Requirements, where the Minimum Subscription Level is not achieved, the implementation of Proposed Rights Issue with Warrants must be terminated and all consideration received must be immediately returned to all subscribers. As such, in the event the Minimum Subscription Level is not achieved by reason of the failure to fulfil the obligations under the Undertakings or for any reason, HYB will not proceed with the implementation of the Proposed Rights Issue with Warrants, and all subscription monies received pursuant to the Proposed Rights Issue with Warrants will be returned without interest as soon as practicable to the Entitled Shareholders and/or their renouncee(s) who have subscribed for their entitlements.

Pursuant to paragraph 8.02(1) of the Listing Requirements, we must ensure that at least 25% of the total listed HYB Shares (excluding treasury shares, if any) are in the hands of a minimum number of 1,000 public shareholders holding not less than 100 HYB Shares each. As at 29 July 2022, the public shareholding spread of HYB is at 67.02% comprising 6,211 shareholders. Based on the Minimum Scenario, the public shareholding spread of HYB after the Proposed Right Issue with Warrants will be 60.28% comprising 6,211 shareholders.

2.7 Other fund-raising exercises in the past 12 months

Save as disclosed below, the Company has not undertaken any fund-raising exercises in the past 12 months prior to the announcement of the Proposals:-

Issuance of unrated perpetual Islamic medium term notes of up to RM500.0 million in nominal value based on the Shariah principle of Musharakah (“Perpetual Sukuk Musharakah Programme”)

On 20 August 2021, the Company completed the issuance of the first tranche of Perpetual Sukuk Musharakah of RM5.00 million in nominal value, under its Perpetual Sukuk Musharakah Programme – first tranche, with non-cancellable period of 3 years and initial periodic distribution rate of 6.50% per annum. As at the LPD, the proceeds raised from the first tranche have been fully utilised towards the redemption of the Group’s existing term loan as well as working capital purposes.

3. PROPOSED EXEMPTION

As at the LPD, HHSB and the PACs collectively hold 114,698,098 HYB Shares representing approximately 32.58% equity interest in HYB.

In the event of undersubscription by our Entitled Shareholders, HHSB would be obligated to subscribe for additional unsubscribed Rights Shares not taken up by the other Entitled Shareholders via excess rights application, subject always that the aggregate amount subscribed by HHSB under the Entitlement Undertaking and Additional Undertaking shall amount to at least RM7.0 million.

As such, the shareholdings of HHSB and the PACs in HYB are expected to increase from 32.58% to 39.36% of the enlarged issued share capital of HYB under the Minimum Scenario, triggering the obligation to undertake a Mandatory Offer pursuant to paragraph 4.01(a) of the Rules and section 218(2) of the CMSA. Hence, an exemption from the obligation for HHSB and the PACs under subparagraph 4.08(1)(b) of the Rules shall be sought from SC, after obtaining the approval for the Proposed Exemption from our non-interested shareholders, by way of poll, at the forthcoming EGM as it is not the intention of HHSB and the PACs to undertake a Mandatory Offer.

For avoidance of doubt, the Proposed Exemption is only sought for the subscription of Rights Shares pursuant to the Entitlement Undertakings and Additional Undertaking of the Undertaking Shareholders pursuant to subparagraph 4.08(1)(b) of the Rules.

Accordingly, an application will be submitted to the SC after the approval of our non-interested shareholders for the Proposed Exemption has been obtained at the forthcoming EGM. In the event our non-interested shareholders and the SC do not approve the Proposed Exemption, the Proposed Rights Issue with Warrants will not be implemented as the Proposed Exemption and the Proposed Rights Issue with Warrants are inter-conditional.

3.1 Maximum potential holdings of HHSB and the PACs in HYB based on the Minimum Scenario

HHSB has, vide its Entitlement Undertaking and Additional Undertaking, irrevocably undertaken to subscribe for its entitlement under the Proposed Rights Issue with Warrants, as well as for additional unsubscribed Rights Shares not taken up by the other Entitled Shareholders of HYB, if any, via excess rights application, subject always that the aggregate amount subscribed under the HHSB Entitlement Undertaking and Additional Undertaking shall amount to at least RM7.0 million.

In this regard, based on the Minimum Scenario, the maximum potential holdings of HHSB and the PACs in HYB upon completion of the Proposed Rights Issue with Warrants is illustrated below, based on the following assumptions:-

- (a) only the Undertaking Shareholders subscribe for their respective Rights Shares entitlements pursuant to the Entitlement Undertakings, and none of the other Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue with Warrants; and
- (b) HHSB elects to subscribe for the remaining unsubscribed Rights Shares not taken up by the other Entitled Shareholders, amounting to an aggregate of 48,660,002 Rights Shares.

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Undertaking Shareholders and PACs	Designation and family relationship	Shareholdings as at the LPD				No. of Rights Shares subscribed	Pro forma shareholdings			
		Direct		Indirect			Direct		Indirect	
		No. of Shares	⁽³⁾ (%)	No. of Shares	⁽³⁾ (%)		No. of Shares	⁽⁴⁾ (%)	No. of Shares	⁽⁴⁾ (%)
HHSB	• Major Shareholder of HYB	112,089,294	31.84	-	-	87,548,890	199,638,184	45.37	-	-
Chew Po Sim	• Non-Independent Non-Executive Director of HYB • Director and substantial shareholder of HHSB • Mother of Ho Wen Yan, Ho Wen Han, Ho Min Yi and Ho Wen Fan • Sister of Chew Hoe Soon	-	-	⁽¹⁾ 112,089,294	31.84	-	-	-	⁽¹⁾ 199,638,184	45.37
Ho Min Yi	• Daughter of Chew Po Sim • Director and substantial shareholder of HHSB	-	-	⁽¹⁾ 112,089,294	31.84	-	-	-	⁽¹⁾ 199,638,184	45.37
Ho Wen Yan	• Chief Executive Officer/Executive Director of HYB • Director and substantial shareholder of HHSB • Son of Chew Po Sim	1,804,440	0.51	⁽¹⁾ 112,089,294	31.84	451,110	2,255,550	0.51	⁽¹⁾ 199,638,184	45.37
Ho Wen Han	• Son of Chew Po Sim • Director and substantial shareholder of HHSB	-	-	⁽¹⁾ 112,089,294	31.84	-	-	-	⁽¹⁾ 199,638,184	45.37
Ho Wen Fan	• Alternate Director to Chew Po Sim in HYB • Director and substantial shareholder of HHSB • Son of Chew Po Sim	-	-	⁽¹⁾ 112,089,294	31.84	-	-	-	⁽¹⁾ 199,638,184	45.37
Chew Hoe Soon	• Non-Independent Non-Executive Director of HYB • Brother of Chew Po Sim	393,554	0.11	⁽²⁾ 809,920	0.23	-	393,554	0.09	⁽²⁾ 809,920	0.18
Quah Peng Hwa	• Wife of Chew Hoe Soon	410,810	0.12	-	-	-	410,810	0.09	-	-
		114,698,098	32.58			88,000,000	202,698,098	46.07		

Notes:-

- (1) *Deemed interest by virtue of his/her shareholdings in HHSB pursuant to section 8 of the Act.*
- (2) *Deemed interest by virtue of the shareholdings of his spouse and children pursuant to section 59 of the Act.*
- (3) *Based on the existing issued share capital comprising 352,000,000 Shares.*
- (4) *Based on the enlarged issued share capital comprising 440,000,000 Shares after the Proposed Rights Issue with Warrants.*

Based on the shareholdings table above, the maximum potential holdings of HHSB and the PACs in HYB pursuant to the Proposed Rights Issue with Warrants shall amount to 46.07%. Assuming the full exercise of the Warrants held by HHSB and the PACs (and no other shareholder exercises the Warrants), the shareholdings of HHSB and the PACs in HYB will increase to approximately 55.05%.

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3.2 Dealings in HYB Shares by HHSB and the PACs

HHSB and the PACs have declared and confirmed that they have not acquired any direct or indirect interest in any HYB Shares during the past 6 months prior to the announcement of the Proposals.

HHSB and the PACs, vide their direct shareholdings in HYB, will be entitled to subscribe for their respective entitlements under the Proposed Rights Issue with Warrants. In this regard:-

- (a) HHSB will subscribe for its respective entitlement and additional Rights Shares under the Proposed Rights Issue with Warrants pursuant to its undertaking;
- (b) Ho Wen Yan will subscribe for his respective entitlement under the Proposed Rights Issue with Warrants pursuant to his undertaking; and
- (c) Chew Hoe Soon and Quah Peng Hwa may subscribe for their respective entitlements under the Proposed Rights Issue with Warrants, amounting to 98,388 Rights Shares and 102,702 Rights Shares, respectively.

For the avoidance of doubt, Ho Wen Yan, Chew Hoe Soon and Quah Peng Hwa do not intend to subscribe for additional unsubscribed Rights Shares not taken up by the other Entitled Shareholders via excess rights application.

4. UTILISATION OF PROCEEDS

Based on the indicative issue price of RM0.18 per Rights Share, the gross proceeds to be raised from the Proposed Rights Issue with Warrants will be utilised in the following manner:-

	Timeframe for utilisation from completion of the Proposed Rights Issue with Warrants	Minimum Scenario		Maximum Scenario	
		(RM'000)	(%)	(RM'000)	(%)
Repayment of bank borrowings ⁽¹⁾	Within 12 months	2,000	28.2	4,000	25.3
Acquisition of a new landbank, joint venture and investments ⁽²⁾	Within 6 months	1,350	19.1	1,350	8.5
Working capital ⁽³⁾	Within 12 months	3,276	46.3	10,035	63.3
Estimated expenses in relation to the Proposals ⁽⁴⁾	Within 1 month	455	6.4	455	2.9
Total		7,081	100.0	15,840	100.0

Notes:-

(1) Repayment of bank borrowings

As at 29 July 2022, the total borrowings of HYB Group (comprising of term loans, building loans, revolving loans, sukuk, bank overdrafts and cash line facility) stood at approximately RM249.67 million, out of which approximately RM192.45 million are long term borrowings and RM57.22 million are short term borrowings.

The Company has earmarked up to RM4.00 million of the proceeds for the partial repayment of its existing bank facilities, in the manner set out as follows:-

Facility	Bank	Amount outstanding as at 29 July 2022 (RM'000)	Proposed repayment (RM'000)	Interest rate (% per annum)	Purpose of borrowing
Revolving credit	OCBC Bank (Malaysia) Berhad	6,000	4,000	Cost of funds [^] ("COF") +1.5% Note:- [^] COF represents the bank's cost of funds	Working capital

For illustrative purposes, the repayment of the facilities set out in the table above is expected to result in interest savings of approximately RM0.15 million per annum. However, the actual interest savings may vary depending on the applicable interest rates. Further, the repayment of bank borrowings is also expected to improve HYB's gearing levels, from 0.59 times as at 31 March 2022 to 0.57 times (based on the Minimum Scenario) and 0.56 times (based on the Maximum Scenario), as set out in **Section 7.2** of this Circular.

(2) Acquisition of new landbank, joint venture and investments

HYB intends to expand its landbank at strategic areas that are in key urban hotspots, such as the Klang Valley, Johor and Perak to spearhead the Group's continued growth. As at 29 July 2022, the Group's existing landbank comprises approximately 393 acres in key regions (such as Perak, Johor, Klang Valley, Negeri Sembilan and Mainland Penang), details of which are set out below:-

Description and existing use	Location	Tenure	Land area (acres)	Remaining land for development (acres)	Year of commencement of development
Development land approved for mixed development	Geran 231624 Lot 5024 Mukim Senai, Daerah Kulajaya and Geran 95306 Lot 2742 Mukim Pulai, Daerah Johor Bahru, Johor Darul Takzim	Freehold	134.47	17.46	2011
Development land approved for mixed development	H.S.(D) 45670 PTB 10964, H.S.(D) 79521 PTB 10965, H.S.(D) 496784 PTB 13738, H.S.(D) 124896 PTB 13739, H.S.(D) 116405 PTB 13721, H.S.(D) 116406 PTB 13722, Geran 24543 Lot 9917 Bandar and Daerah of Johor Bahru	Freehold	1.08	1.08	N/A
Development land approved for mixed development	Lot 6022-6029, H.S.(D) 279-286, Mukim Plentong, Daerah Johor Bahru, Johor	Freehold	73.16	57.23	2017
Homestead agriculture lot and development land approved for residential development	Lot No. 8892, 8909, 8912-8922, 9594, 9694, 9697-9710 Mukim Seremban, Daerah Seremban, Negeri Sembilan Darul Khusus	Freehold	17.65	17.65	N/A

Description and existing use	Location	Tenure	Land area (acres)	Remaining land for development (acres)	Year of commencement of development
Development land approved for mixed development	PN 321352 PT 83316, PN 321353 PT 83317, PN 321354 PT 83318, PN 321355 PT 83319, PN 95921 Lot 110502, PN 95922 Lot 110503, PN 95923 Lot 110506 Mukim Petaling, Daerah Petaling, Selangor Darul Ehsan	Leasehold (Expiring Dec 2110)	26.81	26.81	N/A
Development land approved for mixed development	Lot 42298 (PT 88782 & PT 88783) and H.S.(D) 154349 (PT 74041), Mukim Pekan Kampung Sungai Tangkas and H.S.(D) 131583 (PT 68248) and H.S.(D) 131584 (PT 68249), Mukim Kajang, District of Ulu Langat, Selangor Darul Ehsan	Freehold	19.76	19.76	N/A
Development land approved for mixed development	Lot 12670 (PT 1347) Mukim Bota, Daerah Tengah, Perak Darul Ridzuan	Leasehold (Expiring April 2103)	739	214.48	2001
Development land approved for commercial development	Lot 11329 (PT 2062- PT 2409, PT 2699-PT 2713 & PT 2715) Mukim Bota, Daerah Tengah, Perak Darul Ridzuan	Leasehold (Expiring 7 April 2102)	38	2	2001
Development land approved for commercial development	54 lots of commercial title, Lot 105147 – 105200 Mukim Hulu Kinta, Daerah Kinta, Perak Darul Ridzuan	Leasehold (Expiring 23 December 2080)	2	2	N/A
Development land approved for commercial development	Geran 173564, 173583, 173584 & PN 73938 (Lot 397470, 397469, 8670 & 102133) Mukim Hulu Kinta, Perak Darul Ridzuan	Freehold except Lot 102133 (Expiring 23 December 2105)	7.21	7.21	N/A
Development land approved for commercial development	52 lots of commercial title, Lot 105837 – 105888 Mukim Hulu Kinta, Daerah Kinta, Perak Darul Ridzuan	Leasehold (Expiring 23 December 2080)	2	2	N/A
Development land approved for residential development	Lot 320213 & 320214 (Geran 72080 & 72079), Mukim Hulu Kinta, Daerah Kinta, Perak Darul Ridzuan	Freehold	3.7	2.39	2012
Development land approved for mixed development	H.S.(D) 204382 PT 245009 Mukim Hulu Kinta, Daerah Kinta, Perak Darul Ridzuan	Freehold	3.8	3.8	N/A
Development land approved for mixed development	Geran 171330, Lot 10263, Seksyen 4 Bandar Bukit Mertajam, Pulau Pinang	Freehold	4.90	2.45	2020

Description and existing use	Location	Tenure	Land area (acres)	Remaining land for development (acres)	Year of commencement of development
Development land approved for mixed development	Lot 20328 & 20329, Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang	Freehold	9.50	9.50	N/A
Development land approved for mixed development	Lot 10414-10416, Mukim 6, Daerah Seberang Perai Tengah, Pulau Pinang	Freehold	6.78	2.46	2016
Agriculture land	Geran Mukim 1173, Lot 4439, Mukim Dengkil, Tempat Sungai Merab, Daerah Sepang, Selangor Darul Ehsan	Freehold	5.14	5.14	N/A
			1,094.96	393.42	

Note:-

N/A Not applicable.

As such, HYB has allocated up to RM1.35 million of the proceeds towards acquisition of new landbank for future property development activities. The proceeds may be channelled towards payment of upfront deposits for the acquisition of land, pre-development feasibility expenses and cost, as well as payments to the relevant authorities in relation of the property development activities with any balance/shortfall financed through the Group's internally generated funds and/or bank borrowings. The tentative timeline in respect of the acquisition of landbank, based on the assumption that the land has been identified upon completion of the Proposed Rights Issue with Warrants, is set out as follows:-

Up to 2 months	<ul style="list-style-type: none"> - Identification of the parcel of land - Engagement of advisers (such a solicitors, third-party valuers and consultants) to conduct the necessary due diligence, valuation and pre-development feasibility studies on the parcel of land - Negotiations on the purchase consideration and terms and conditions of purchase with the vendor
Up to 2 months	<ul style="list-style-type: none"> - Completion of due diligence and pre-development feasibility studies - Finalisation of the terms and execution of the sale and purchase agreement with the vendor - Payment of the upfront deposit for the acquisition
Up to 2 months	<ul style="list-style-type: none"> - Funding obtained from financial institutions (if required) for the balance consideration amount for the acquisition - Fulfilment of conditions precedent of the sale and purchase agreement, and payment of the balance purchase consideration - Transfer of ownership of the land to the HYB Group - Completion of the land acquisition

In the event the Group is unable to identify suitable landbank in the abovementioned strategic areas, the Group will be actively sourcing for suitable potential investments via joint venture, collaborative arrangements, business agreements and/or acquisitions of businesses or investments in the property development segment. The proceeds of up to RM1.35 million will alternatively be allocated towards financing any such viable investments within 6 months from the completion of the Proposed Rights Issue with Warrants. Such utilisation of proceeds may allow the Group to capitalise on investment opportunities which may generate positive returns to the Group in the future.

The tentative timeline in respect of the potential investments is set out as follows:-

After the completion of the Proposed Rights Issue with Warrants	- Identification of the investments and/or potential joint venture or collaborative business arrangements
Up to 3 months	- Negotiations and finalisation of the terms and conditions with the vendor/potential joint venture or collaborative business partners - HYB to conduct due diligence and feasibility studies on the investment
Up to 3 months	- Completion of due diligence and feasibility studies - Finalisation of the terms and execution of the necessary investment or business agreements - HYB to channel the proceeds towards its investment

The Company will make the necessary announcements in accordance to the Listing Requirements, as and when the Group has entered into any agreement in relation to the acquisition of new landbank and/or joint ventures, collaborative arrangements, business agreements and/or acquisitions of businesses or investments as set out above. In the event such transactions require shareholders' approval and/or other regulatory approval, the Company will obtain the necessary approval(s) to implement the said transactions.

(3) Working capital

The Company intends to utilise up to RM10.04 million of the proceeds to support the Group's working capital requirements. The proceeds are expected to be channelled towards payment to suppliers, securing building materials, general administrative and daily operational expenses such as staff-related costs, utilities, statutory payments and other overhead expenditures. The breakdown of such proceeds has not been determined at this juncture, and will be dependent on the operating and funding requirements at the time of utilisation.

Notwithstanding that, and on the best estimate basis, the percentage of the allocation to each component of the working capital are as follows:-

	Estimated allocation of proceeds (%)
Payment to suppliers and securing building materials	80.0
General administrative and daily operational expenses	20.0

(4) Estimated expenses in relation to the Proposals

The proceeds earmarked for estimated expenses in relation to the Proposals will be utilised as set out below:-

	(RM'000)
Professional fees	350
Regulatory fees	85
Other incidental expenses in relation to the Proposals	20
Total	455

Pending the utilisation of proceeds from the Proposed Rights Issue with Warrants for the above purposes, the proceeds would be placed as deposits with licensed financial institutions or short-term money market instruments. Any interest income earned from such deposits or instruments will be used as working capital of HYB Group.

The gross proceeds to be raised from the exercise of the Warrants is dependent on the total number of Warrants exercised during the tenure of the Warrants. As such, the exact amount to be raised from the exercise of the Warrants is not determinable at this juncture. For illustrative purposes, the gross proceeds to be raised upon the full exercise of the Warrants based on the indicative exercise price of RM0.30 per Warrant is set out below:-

	Minimum Scenario	Maximum Scenario
No. of Warrants	39,339,998	88,000,000
Total gross proceeds raised assuming all outstanding Warrants are exercised (RM)	11,801,999	26,400,000

Such gross proceeds to be raised from the exercise of Warrants will be utilised as additional working capital to finance our Group's day to day operations. The proceeds may be channelled towards, amongst others, payment to suppliers, general administrative and daily operational expenses such as staff-related costs, utilities, statutory payments and other overhead expenditures.

5. RATIONALE AND JUSTIFICATION FOR THE PROPOSALS

5.1 Proposed Rights Issue with Warrants

Our Board is of the view that the Proposed Rights Issue with Warrants is the most appropriate avenue to raise the necessary funding for the Group as set out in **Section 4, Part A** of this Circular after taking into consideration the following:-

- (i) the Proposed Rights Issue with Warrants will strengthen the financial position and capital base of our Company, by reducing our gearing level and increasing our NA thereby providing greater financial flexibility, as illustrated in **Section 7.2, Part A** of this Circular;
- (ii) the Proposed Rights Issue with Warrants will enable the issuance of new HYB Shares without diluting our shareholders' equity interest, based on the assumption that all Entitled Shareholders subscribe in full for their respective entitlements under the Proposed Rights Issue with Warrants; and
- (iii) the Proposed Rights Issue with Warrants will provide our Entitled Shareholders with an opportunity to participate in an equity offering in our Company on a pro rata basis and ultimately, participate in the prospects and future growth of the Group by subscribing to the Rights Shares.

The Warrants have been attached to the Rights Shares to provide the Entitled Shareholders with additional incentive to subscribe for the Rights Shares. The Warrants will potentially allow the Entitled Shareholders who subscribe for the Rights Shares to benefit from the possible capital appreciation of the Warrants and increase their equity participation in our Company at a predetermined price over the tenure of the Warrants. Our Company would also be able to raise additional proceeds as and when the Warrants are exercised, which will be channelled towards our Group's working capital requirements.

Further details on the historical financial information of HYB Group, the value creation and impact of the Proposed Rights Issue with Warrants as well as the adequacy of the Proposed Rights Issue with Warrants to address the Group's financial concerns are set out in **Appendix III** of this Circular.

5.2 Proposed Exemption

The Proposed Exemption will relieve HHSB and the PACs from the obligation to undertake a Mandatory Offer under the Rules due to the increase in their interests in the voting shares of the Company, as a result of the undertakings as set out in **Section 2.6, Part A** of this Circular. It should be noted that it is not the intention of HHSB and the PACs to undertake the Mandatory Offer or to privatise HYB via the Proposed Rights Issue with Warrants.

We will seek the approval of the non-interested shareholders of the Company for the Proposed Exemption at the forthcoming EGM. We will make an application to the SC for the Proposed Exemption after the approval of non-interested shareholders for the Proposed Exemption has been obtained.

6. INDUSTRY OUTLOOK AND FUTURE PROSPECTS OF HYB GROUP

Our Group is principally involved in the two following business segments:-

- i. Property development segment - business of constructing and developing residential and commercial properties; and
- ii. Concession assets segment - business of collection of rental over the concession periods from assets held under “build, operate and transfer” agreements.

6.1 Overview and outlook of the Malaysian economy

The Malaysian economy was also on the path of recovery in 2021. However, as local COVID-19 cases began to surge in May 2021, the Government had to re-introduce strict nationwide containment measures under the first phase of the National Recovery Plan (NRP) in June 2021. This affected the recovery momentum. Nonetheless, the swift progress of the National COVID-19 Immunisation Programme enabled economic sectors to gradually reopen in the third quarter of the year. Strong exports and continued policy aid for households and businesses also lent support to domestic growth. Overall, the Malaysian economy saw a moderate recovery, with gross domestic product growing by 3.1% in 2021 (2020: -5.6%).

Headline inflation averaged higher at 2.5% (2020:-1.2%). The higher cost due to rising global oil prices and supply chain disruptions led to some upward price pressures for certain categories of consumer goods and services. Nevertheless, underlying inflation remained subdued for the year amid a gradual recovery in demand and weak labour market conditions.

After reducing the Overnight Policy Rate (OPR) by a total of 125 basis points to a historic low of 1.75%, the Monetary Policy Committee (MPC) kept the OPR unchanged in 2021. The committee assessed that in the environment of subdued inflation and limited risks of financial imbalances, the low interest rate environment was needed to continue to provide support to the domestic economic recovery that still faced downside risks mainly due to pandemic uncertainties. In addition, fiscal and financial measures helped ease the burden of households and businesses and thus, supported the economic recovery

(Source: Annual Report 2021, Bank Negara Malaysia)

The domestic economy is expected to improve further this year, with growth projected at 5.3% to 6.3% as announced in March 2022. This is underpinned by stronger domestic demand, continued expansion in external demand, and further improvement in the labour market. Growth would also benefit from the easing of restrictions, reopening of international borders and implementation of investment projects". Nevertheless, risks to Malaysia's growth momentum remain. These include a weaker-than-expected global growth, further escalation of geopolitical conflicts, worsening supply chain disruptions, adverse developments surrounding COVID-19 and heightened financial market volatility.

(Source: Press Release on the Economic and Financial Developments in Malaysia in the First Quarter of 2022 released on 13 May 2022, Bank Negara Malaysia)

6.2 Overview and outlook of the construction industry

The construction sector declined by 5.2% (2020: -19.4%), as the industry faced limitations on operating capacity and the stop-start nature of construction works, due to the movement restrictions. Special trade was the sole subsector with positive growth, supported by end-works from selected commercial and civil engineering projects, as well as implementation of small-scale projects. Meanwhile, construction activities in the residential and non-residential subsectors remained subdued following extended periods of lockdown and reduced operating capacity.

Growth in the construction sector is expected to rebound in 2022 following the reopening of the economy. Ongoing construction activity in large infrastructure projects and implementation of small-scale projects under the 2022 Budget measures will support growth in the civil engineering and special trade subsectors. Meanwhile, the residential subsector will benefit from new housing projects and launches, in tandem with the expected recovery in demand as income and employment prospects improve. Growth in the non-residential subsector is expected to be lifted by both existing and new commercial and industrial projects.

(Source: Outlook and Policy in 2022, Economic & Monetary Review, Bank Negara Malaysia)

6.3 Overview and outlook of the property industry

The property market performance showed a slight improvement in 2021 but has yet to surpass the pre-pandemic level recorded prior to 2020. More than 300,000 transactions worth nearly RM145 billion were recorded, indicating an increase of 1.5% in volume and 21.7% in value compared to last year.

Residential property

There were 198,812 transactions worth RM76.90 billion recorded in 2021, increased by 3.9% in volume and 16.7% in value as compared with 2020. The improvement was supported by the uptrend recorded in WP Kuala Lumpur (4.9%), Selangor (10.7%), Pulau Pinang (16.3%) and Perak (3.2%). Conversely, Johor recorded a decline in market activity by 2.4%.

Selangor contributed the highest volume and value to the national market share, with 24.5% in volume (48,755 transactions) and 34.4% in value (RM26.49 billion). WP Kuala Lumpur recorded 11,129 transactions but ranked the second highest in value at RM9.69 billion, contributing 12.6% market share. Demand continued to focus on terraced houses, formed around 43.0% of the total residential transactions, followed by vacant plots and high-rise units, each with nearly 15% market share. The affordable price range of RM300,000 and below accounted for 55.9% of the total, followed by RM300,001 to RM500,000 (24.6%), RM501,000 – RM1,000,000 (14.8%) and more than RM1,000,000 (4.8%).

Commercial property

The commercial sub-sector saw a better performance in 2021. There were 22,428 transactions worth RM27.94 billion recorded in 2021, increased by 10.7% in volume and 43.1% in value as compared with 2020. The improved market was contributed by the increased activity recorded in most states and the major transactions involving shopping complex and purpose-built office recorded in the review period.

Selangor contributed the highest volume to the national market share, with 26.8% (6,021 transactions), followed by WP Kuala Lumpur with 14.5% (3,251 transactions). In terms of value, WP Kuala Lumpur led the market with 32.0% (RM8.95 billion), followed by Selangor with 25.3% (RM7.06 billion).

2022 Outlook

Bank Negara Malaysia (“BNM”) is expecting economic growth recovery to strengthen in 2022, on similar track with global economic recovery. Despite the external risks arising from the military conflict in Ukraine on international trading, commodity prices and financial markets, BNM anticipated that Malaysia economic recovery will be “driven by expansion in global demand and higher private sector expenditure amid improvements in the labour market and continued targeted policy support.”

The property market is expected to regain its momentum in 2022 though the environment remained challenging. The health of the residential sector is paramount to the overall performance of the property market. As economy is set to be on the right trajectory, the property market performance is expected to be on similar track. The accommodative policies, continuous government support, well execution of all planned measures outlined in Budget 2022 and the proper implementation of strategies and initiatives under RMK12 are expected to support growth in the property sector

(Source: Property Market Report 2021, Valuation & Property Services Department, Ministry of Finance Malaysia)

6.4 Future prospects of HYB Group

The Group’s performance had been impacted by setbacks in the industry as a whole, with multiple MCOs causing construction delays which widely affected the Group’s financial performance, product launches and buyers’ perception. As the country transitions to the endemic stage of the COVID-19 pandemic, the Group will continue maintaining stringent processes for efficient planning and monitoring of construction progress on ongoing development projects, and adopting prudent financial policies in order to maintain a healthy balance sheet with manageable gearing and cash flows.

Whilst the Group has seen an improvement in the 2022 business environment thus far, management views the future prospects of HYB Group to be challenging, affected by the high raw material costs, which have increased between 10% to 30% with steel being the most volatile, as well as labour constraints caused by the pandemic overhang and geopolitical conflict. Notwithstanding this, the property development market has seen a pick-up in volume of residential transactions since the last quarter of 2021, due to the HOC (Home Ownership Campaign) 2020-2021, which has continued on to the first quarter of 2022.

Management’s near-term strategy will be to focus on the development of new affordable housing, particularly for mid-market homes, catering to the needs of all Malaysians and meeting current and future housing demands.

The Group's key developments for the year include, amongst others, the township development in ELEMENCE at Taman Denai Alam, Johor, integrated university township in Bandar U, Seri Iskandar, Perak, as well as serviced apartments comprising residential and commercial units in Aston Acacia, Bukit Mertajam, with a total estimated GDV of approximately RM2.10 billion. Details of the ongoing phases for the abovementioned developments are set out below:-

Project name and type	Description	Commencement date / Expected completion date	% of completion as at 29 July 2022	Estimated GDV (RM'mil)
ELEMENCE, Taman Denai Alam, Johor	Township development on 73.2-acre freehold land, comprising:-			
	- Phase 1P2 – 46 units of residential	December 2019/ November 2022	80%	32.86
	- Phase 2 – 52 units of residential	November 2019/ September 2022	18%	24.33
	- Phase 5P1 – 18 units of commercial	June 2022/ May 2024	85%	17.31
Bandar U, Seri Iskandar, Perak	Integrated 777-acre university township comprising:-			
	- Sakura P2 – 82 units of residential	July 2020/ August 2022	97%	16.61
	- Sakura P3 – 82 units of residential	January 2021/ December 2022	73%	17.65
	- Sakura P4 – 82 units of residential	December 2020/ November 2022	79%	21.00
	- Sakura P5 – 82 units of residential	March 2021/ February 2023	51%	17.86
	- Centaurea P1 – 92 units of residential	November 2021/ October 2023	13%	23.00
	- Centaurea P2 – 84 units of residential	April 2022/ March 2024	8%	21.00
Aston Acacia, Bukit Mertajam, Mainland Penang	Modern tropical architecture development comprising:-			
	- P1 – 311 units of residential / 38 units of commercial	December 2020/ May 2024	20%	157.50

Overall, management is cautiously optimistic regarding the property market's prospects and anticipates property sales growth will accelerate as the economy grows, coupled with incentives and packages offered by developers in the market to entice homebuyers during soft market conditions. Management will also continue to focus on strengthening its balance sheet, while simultaneously exploring expansion opportunities. In this regard, the Proposed Rights Issue with Warrants is also expected to contribute positively to the Group's financial position, enabling the Group to channel the proceeds towards working capital to ensure funding is ready to be deployed in an efficient manner to smoothen the progress on the ongoing property development projects. In particular, the proceeds are expected to be channeled towards payment to suppliers and securing building materials required for abovementioned ongoing property development projects.

7. EFFECTS OF THE PROPOSALS

The Proposed Exemption, on a standalone basis, will not have any effect on the Company's issued share capital NA, NA per Share, gearing, substantial shareholders' shareholdings, earning and EPS.

The pro forma effects of the Proposed Rights Issue with Warrants on the Group's issued share capital, NA, gearing, substantial shareholders' shareholdings and earnings and EPS are as follows:-

7.1 Issued share capital

The effects of the Proposed Rights Issue with Warrants are set out to the following scenarios:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares	(RM)	No. of Shares	(RM)
Issued share capital as at the LPD	352,000,000	352,000,000	352,000,000	352,000,000
Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants	39,339,998	⁽¹⁾ 7,081,200	88,000,000	⁽¹⁾ 15,840,000
	391,339,998	359,081,200	440,000,000	367,840,000
Shares to be issued arising from the full exercise of Warrants	39,339,998	⁽²⁾ 11,801,999	88,000,000	⁽²⁾ 26,400,000
Enlarged issued share capital	430,679,996	370,883,199	528,000,000	394,240,000

Notes:-

- (1) Computed based on the indicative issue price of RM0.18 per Right Share.
(2) Computed based on the indicative exercise price of RM0.30 per Warrant.

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7.2 NA and gearing

For illustration purposes only, the pro forma effects of the Proposed Rights Issue with Warrants on the audited consolidated NA and gearing of the Group as at 31 March 2022 are as follows:-

Minimum Scenario	Audited as at 31 March 2022 (RM'000)	Pro forma I After the Proposed Rights Issue with Warrants (RM'000)	Pro forma II After pro forma I and full exercise of Warrants (RM'000)
Share capital	352,000	⁽¹⁾ 357,901	⁽⁵⁾ 370,883
Warrants reserve	-	⁽²⁾ 1,180	-
Fair value reserves	(9,774)	(9,774)	(9,774)
Translation reserves	(5,345)	(5,345)	(5,345)
Retained earnings	93,491	⁽³⁾ 93,036	93,036
Shareholders' equity/NA	430,372	436,998	448,800
Perpetual sukuk	4,259	4,259	4,259
Non-controlling interests	22,322	22,322	22,322
Total equity	456,953	463,579	475,381
No. of shares in issue ('000)	352,000	391,340	430,680
NA per share (RM)	1.22	1.12	1.04
Total borrowings (RM'000)	253,087	⁽⁴⁾ 251,087	251,087
Gearing ratio (times)	0.59	0.57	0.56

Notes:-

- (1) Computed based on the issuance of 39,339,998 Rights Shares at an indicative issue price of RM0.18 per Rights Share and adjusting for the apportionment of the allocated fair value for 39,339,998 Warrants at RM0.03 per Warrant based on the Trinomial Option Pricing Model as extracted from Bloomberg.
- (2) The Warrants are assumed to have a theoretical fair value of RM0.03 each derived from the Trinomial Option Pricing Model as extracted from Bloomberg.
- (3) After deducting estimated expenses of approximately RM0.46 million in relation to the Proposals.
- (4) After adjusting for the utilisation of proceeds pursuant to the Proposed Rights Issue with Warrants for the partial repayment of bank borrowings amounting to RM2.00 million.
- (5) Computed based on the indicative exercise price of RM0.30 per Warrant and accounting for the reversal of warrants reserve account.

Maximum Scenario	Audited as at 31 March 2022 (RM'000)	Pro forma I After the Proposed Rights Issue with Warrants (RM'000)	Pro forma II After pro forma I and full exercise of Warrants (RM'000)
Share capital	352,000	⁽¹⁾ 365,200	⁽⁵⁾ 394,240
Warrants reserve	-	⁽²⁾ 2,640	-
Fair value reserves	(9,774)	(9,774)	(9,774)
Translation reserves	(5,345)	(5,345)	(5,345)
Retained earnings	93,491	⁽³⁾ 93,036	93,036
Shareholders' equity/NA	430,372	445,757	472,157
Perpetual sukuk	4,259	4,259	4,259
Non-controlling interests	22,322	22,322	22,322
Total equity	456,953	472,338	498,738
No. of shares in issue ('000)	352,000	440,000	528,000
NA per share (RM)	1.22	1.01	0.89
Total borrowings (RM'000)	253,087	⁽⁴⁾ 249,087	249,087
Gearing ratio (times)	0.59	0.56	0.53

Notes:-

- (1) Computed based on the issuance of 88,000,000 Rights Shares at an indicative issue price of RM0.18 per Rights Share, and adjusting for the apportionment of the allocated fair value for 88,000,000 Warrants at RM0.03 per Warrant based on the Trinomial Option Pricing Model as extracted from Bloomberg.
- (2) The Warrants are assumed to have a theoretical fair value of RM0.03 each derived from the Trinomial Option Pricing Model as extracted from Bloomberg.
- (3) After deducting estimated expenses of approximately RM0.46 million in relation to the Proposals.
- (4) After adjusting for the utilisation of proceeds pursuant to the Proposed Rights Issue with Warrants for the partial repayment of bank borrowings amounting to RM4.00 million.
- (5) Computed based on the indicative exercise price of RM0.30 per Warrant and accounting for the reversal of warrants reserve account.

7.3 Substantial shareholdings structure

The pro forma effects of the Proposed Rights Issue with Warrants on the substantial shareholders' shareholdings are as follows:-

Minimum Scenario	Shareholdings as at the LPD				Pro forma I After the Proposed Rights Issue with Warrants				Pro forma II After pro forma I and assuming full exercise of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Substantial shareholders and PACs	No. of Shares	⁽³⁾ (%)	No. of Shares	⁽³⁾ (%)	No. of Shares	⁽⁴⁾ (%)	No. of Shares	⁽⁴⁾ (%)	No. of Shares	⁽⁵⁾ (%)	No. of Shares	⁽⁵⁾ (%)
HHSB	112,089,294	31.84	-	-	150,978,182	38.58	-	-	189,867,070	44.09	-	-
Chew Po Sim	-	-	⁽¹⁾ 112,089,294	31.84	-	-	⁽¹⁾ 150,978,182	38.58	-	-	⁽¹⁾ 189,867,070	44.09
Ho Min Yi	-	-	⁽¹⁾ 112,089,294	31.84	-	-	⁽¹⁾ 150,978,182	38.58	-	-	⁽¹⁾ 189,867,070	44.09
Ho Wen Yan	1,804,440	0.51	⁽¹⁾ 112,089,294	31.84	2,255,550	0.58	⁽¹⁾ 150,978,182	38.58	2,706,660	0.63	⁽¹⁾ 189,867,070	44.09
Ho Wen Han	-	-	⁽¹⁾ 112,089,294	31.84	-	-	⁽¹⁾ 150,978,182	38.58	-	-	⁽¹⁾ 189,867,070	44.09
Ho Wen Fan	-	-	⁽¹⁾ 112,089,294	31.84	-	-	⁽¹⁾ 150,978,182	38.58	-	-	⁽¹⁾ 189,867,070	44.09
Chew Hoe Soon	393,554	0.11	⁽²⁾ 809,920	0.23	393,554	0.10	⁽²⁾ 809,920	0.21	393,554	0.09	⁽²⁾ 809,920	0.19
Quah Peng Hwa	410,810	0.12	-	-	410,810	0.10	-	-	410,810	0.10	-	-
	114,698,098	32.58			154,038,096	39.36			193,378,094	44.91		

Notes:-

- (1) Deemed interest by virtue of his/her shareholdings in HHSB pursuant to section 8 of the Act.
- (2) Deemed interest by virtue of the shareholdings of his spouse and children pursuant to section 59 of the Act.
- (3) Based on the existing issued share capital comprising 352,000,000 Shares.
- (4) Based on the enlarged issued share capital comprising 391,339,998 Shares after the Proposed Rights Issue with Warrants.
- (5) Based on the enlarged issued share capital comprising 430,679,996 Shares assuming the full exercise of Warrants.

Maximum Scenario	Shareholdings as at the LPD				Pro forma I				Pro forma II			
					After the Proposed Rights Issue with Warrants				After pro forma I and assuming full exercise of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Substantial shareholders and PACs	No. of Shares	⁽³⁾ (%)	No. of Shares	⁽³⁾ (%)	No. of Shares	⁽⁴⁾ (%)	No. of Shares	⁽⁴⁾ (%)	No. of Shares	⁽⁵⁾ (%)	No. of Shares	⁽⁵⁾ (%)
HHSB	112,089,294	31.84	-	-	140,111,617	31.84	-	-	168,133,940	31.84	-	-
Chew Po Sim	-	-	⁽¹⁾ 112,089,294	31.84	-	-	⁽¹⁾ 140,111,617	31.84	-	-	⁽¹⁾ 168,133,940	31.84
Ho Min Yi	-	-	⁽¹⁾ 112,089,294	31.84	-	-	⁽¹⁾ 140,111,617	31.84	-	-	⁽¹⁾ 168,133,940	31.84
Ho Wen Yan	1,804,440	0.51	⁽¹⁾ 112,089,294	31.84	2,255,550	0.51	⁽¹⁾ 140,111,617	31.84	2,706,660	0.51	⁽¹⁾ 168,133,940	31.84
Ho Wen Han	-	-	⁽¹⁾ 112,089,294	31.84	-	-	⁽¹⁾ 140,111,617	31.84	-	-	⁽¹⁾ 168,133,940	31.84
Ho Wen Fan	-	-	⁽¹⁾ 112,089,294	31.84	-	-	⁽¹⁾ 140,111,617	31.84	-	-	⁽¹⁾ 168,133,940	31.84
Chew Hoe Soon	393,554	0.11	⁽²⁾ 809,920	0.23	491,942	0.11	⁽²⁾ 1,012,400	0.23	590,330	0.11	⁽²⁾ 1,214,880	0.23
Quah Peng Hwa	410,810	0.12	-	-	513,512	0.12	-	-	616,214	0.12	-	-
	114,698,098	32.58			143,372,621	32.58			172,047,144	32.58		

Notes:-

- (1) Deemed interest by virtue of his/her shareholdings in HHSB pursuant to section 8 of the Act.
- (2) Deemed interest by virtue of the shareholdings of his spouse and children pursuant to section 59 of the Act.
- (3) Based on the existing issued share capital comprising 352,000,000 Shares.
- (4) Based on the enlarged issued share capital comprising 440,000,000 Shares after the Proposed Rights Issue with Warrants.
- (5) Based on the enlarged issued share capital comprising 528,000,000 Shares assuming the full exercise of Warrants.

For shareholders' information, assuming all Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue with Warrants as set out under the Maximum Scenario, there will be no changes to the substantial shareholders' shareholdings save for the increase in the number of shares held pursuant to the subscription of the Rights Shares.

7.4 Earnings and EPS

The Proposed Rights Issue with Warrants, which is expected to be completed in the fourth quarter of 2022, is not expected to have any material effect on the earnings and EPS of the Group for the FYE 31 March 2023. However, there will be a dilution in the EPS of the Group for the FYE 31 March 2023 due to the increase in the number of HYB Shares in issue arising from the Proposed Rights Issue with Warrants.

7.5 Convertible securities

As at the LPD, HYB does not have any convertible securities.

8. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of HYB Shares as traded on Bursa Securities for the past 12 months from August 2021 to July 2022 and up to the LPD are set out below:-

	High RM	Low RM
2021		
August	0.320	0.270
September	0.310	0.265
October	0.310	0.265
November	0.290	0.250
December	0.265	0.250
2022		
January	0.265	0.245
February	0.260	0.245
March	0.255	0.225
April	0.265	0.240
May	0.265	0.240
June	0.260	0.195
July	0.210	0.190
Last transacted market price of HYB Shares as at 9 June 2022 (being the latest trading day prior to the announcement on the Proposals)		0.260
Last transacted market price on 5 August 2022 (being the LPD prior to the printing of this Circular)		0.205

(Source: Bloomberg)

9. APPROVALS REQUIRED/OBTAINED

The Proposals are subject to the following approvals being obtained:-

- (i) Bursa Securities, for the following:-
 - (a) admission to the Official List of Bursa Securities and listing of up to 88,000,000 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants;
 - (b) listing and quotation of up to 88,000,000 new Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants; and
 - (c) listing and quotation of up to 88,000,000 new HYB Shares to be issued pursuant to the exercise of Warrants,

the approval of which has been obtained vide Bursa Securities' letter dated 14 July 2022 subject to the following conditions:-

	Conditions	Status of compliance
a.	HYB and UOBKH must fully comply with the relevant provisions under the Main Market Listing Requirements pertaining to the implementation of the Proposed Rights Issue with Warrants;	To be complied
b.	HYB and UOBKH to inform Bursa Securities upon the completion of the Proposed Rights Issue with Warrants;	To be complied
c.	UOBKH to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue with Warrants is completed;	To be complied
d.	HYB to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable; and	To be complied
e.	payment of outstanding processing fee for the Warrants to be issued, if applicable. In this respect, the Company is required to furnish Bursa Securities a cheque drawn to the order of Bursa Malaysia Securities Berhad for the outstanding listing fee together with a copy of the details of the computation of the amount of fees payable.	To be complied

- (ii) our shareholders' approval for the Proposals at the forthcoming EGM;
- (iii) the SC for the Proposed Exemption. The application will be submitted to the SC after the approval of our shareholders for the Proposals have been obtained at the forthcoming EGM; and
- (iv) any other relevant authorities and/or parties, if required.

The Proposed Rights Issue with Warrants and the Proposed Exemption are inter-conditional upon each other.

The Proposals are not conditional upon any other proposals undertaken or to be undertaken by our Company.

For the avoidance of doubt, in the event the Proposals are not approved by our shareholders at the forthcoming EGM and/or the SC does not approve the Proposed Exemption, the Proposed Rights Issue with Warrants will not be implemented.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders and chief executive of our Company and/or persons connected with them have any interest, whether direct and/or indirect, in the Proposals, save for the following:-

- (i) HHSB, being a major shareholder of HYB, and an Undertaking Shareholder pursuant to the Proposed Rights Issue with Warrants;
- (ii) Ho Wen Yan, the Chief Executive Officer/Executive Director, being a major shareholder of HYB, and an Undertaking Shareholder pursuant to the Proposed Rights Issue with Warrants, is also a director and substantial shareholder of HHSB, and one of the PACs;
- (iii) Chew Po Sim, the Non-Independent Non-Executive Director and a major shareholder of HYB, is also a director and substantial shareholder of HHSB, and one of the PACs;
- (iv) Ho Wen Fan, the Alternate Director to Chew Po Sim and a major shareholder of HYB, is also a director and substantial shareholder of HHSB, and one of the PACs;
- (v) Ho Wen Han and Ho Min Yi, who are the major shareholders of HYB, are also directors and substantial shareholders of HHSB, and are PACs; and
- (vi) Chew Hoe Soon, the Non-Independent Non-Executive Director of HYB, is the brother of Chew Po Sim, and one of the PACs. Further, Quah Peng Hwa, who is the spouse of Chew Hoe Soon, is also deemed a PAC given the relationship with Chew Po Sim.

In view of the above, the Interested Major Shareholders and Interested Directors are deemed interested in the Proposed Exemption. As the Proposed Rights Issue with Warrants and Proposed Exemption are inter-conditional upon each other, the Interested Directors and Interested Major Shareholders are therefore also deemed to be interested in the Proposed Rights Issue with Warrants.

As such, the Interested Directors have abstained and will continue to abstain from Board deliberation and voting on the Proposals. In addition, the Interested Directors and the Interested Major Shareholders will also abstain from voting and will also ensure that the persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in our Company, if any, on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

Save for the above, none of the directors and/or major shareholders of the Company and/or persons connected with them have any interest, either direct or indirect, in the Proposals apart from their respective entitlements under the Proposed Rights Issue with Warrants (including the right to apply for additional Rights Shares under excess Rights Shares application), to which all the shareholders of the Company are similarly entitled.

The direct and indirect shareholdings of the Interested Directors and Interested Major Shareholders in HYB and the PACs as at the LPD are as follows:-

	Designation	Shareholdings as at the LPD			
		Direct		Indirect	
		No. of Shares	⁽³⁾ (%)	No. of Shares	⁽³⁾ (%)
HHSB	Interested Major Shareholder	112,089,294	31.84	-	-
Chew Po Sim	Interested Director, Interested Major Shareholder and PAC	-	-	⁽¹⁾ 112,089,294	31.84
Ho Min Yi	Interested Major Shareholder and PAC	-	-	⁽¹⁾ 112,089,294	31.84
Ho Wen Yan	Interested Director, Interested Major Shareholder and PAC	1,804,440	0.54	⁽¹⁾ 112,089,294	31.84
Ho Wen Han	Interested Major Shareholder and PAC	-	-	⁽¹⁾ 112,089,294	31.84
Ho Wen Fan	Interested Director, Interested Major Shareholder and PAC	-	-	⁽¹⁾ 112,089,294	31.84
Chew Hoe Soon	Interested Director and PAC	393,554	0.11	⁽²⁾ 809,920	0.23
Quah Peng Hwa	PAC	410,810	0.12	-	-

Notes:-

- (1) Deemed interest by virtue of his/her substantial shareholdings in HHSB pursuant to section 8 of the Act.
- (2) Deemed interest by virtue of the shareholdings of his spouse and children pursuant to section 59 of the Act.
- (3) Based on the existing issued share capital comprising 352,000,000 Shares.

11. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to the approvals of the relevant authorities being obtained, the Proposals are expected to be completed by the fourth quarter of 2022. The tentative timetable in relation to the Proposed Rights Issue with Warrants is set out below:-

Date/Month	Events
30 August 2022	<ul style="list-style-type: none"> Convening of EGM to obtain approval for the Proposals
Mid September 2022	<ul style="list-style-type: none"> Approval from SC for the Proposed Exemption Announcement on the Entitlement Date for the Proposed Rights Issue with Warrants
Early October 2022	<ul style="list-style-type: none"> Entitlement Date for the Proposed Rights Issue with Warrants Issuance of abridged prospectus in relation to the Proposed Rights Issue with Warrants
Mid October 2022	<ul style="list-style-type: none"> Closing date of acceptance and applications for the Rights Shares with Warrants
End October 2022	<ul style="list-style-type: none"> Listing of and quotation for the Rights Shares and Warrants on the Main Market of Bursa Securities

12. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals (which are the subject matter of this Circular), there are no other outstanding proposals which have been announced but not yet completed as at the date of this Circular.

13. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for the Interested Directors), having considered all aspects of the Proposals, including but not limited to the rationale for the Proposals, the effects of the Proposed Rights Issue with Warrants as well as the proposed utilisation of proceeds to be raised from the Proposed Rights Issue with Warrants, is of the opinion that the Proposals are in the best interests of our Company. Accordingly, the Board (save for the Interested Directors) recommends that you **VOTE IN FAVOUR** of the resolutions pertaining to the Proposals at the forthcoming EGM.

14. EGM

The EGM of HYB will be at the Head Office of the Company at 4th Floor, C-21 Jalan Medan Selayang 1, Medan Selayang, 68100 Batu Caves, Selangor on Tuesday, 30 August 2022 at 11.30 a.m., or immediately after the conclusion or adjournment (as the case may be) of the 43rd AGM of HYB, which will be held at the same venue and on the same day at 10.30 a.m., whichever is later, or at any adjournment thereof, for the purpose of considering and if though fit, passing with or without modification, the resolutions to give effect to the Proposals.

If you are unable to attend, participate, speak and vote at the EGM, you may appoint a proxy or proxies to attend, participate, speak and vote on your behalf. In such event the instrument appointing a proxy must be deposited not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. The lodging of the Proxy Form shall not preclude you from attending, participating, speaking and voting at the forthcoming EGM should you subsequently wish to do so.

15. FURTHER INFORMATION

Shareholders are advised to refer to the appendices set out in this Circular 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

PART B

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF HYB IN
RELATION TO THE PROPOSED EXEMPTION**

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meanings and expressions as defined in the "Definitions" section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to "we", "us" or "our" in this IAL are references to MainStreet Advisers, being the IA for the Proposals.

This Executive Summary is intended to provide a brief summary of the pertinent information and recommendation as set out in the IAL. You are advised to read and fully understand this IAL, together with the letter from the Board to the shareholders of HYB in relation to the Proposals in Part A of the Circular and the accompanying appendices for other relevant information and not rely solely on this Executive Summary in forming an opinion on the Proposals.

You are also advised to carefully consider the recommendations and other information contained in both letters before voting on the relevant resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of HYB.

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

1. Introduction

On 10 June 2022, UOBKH had, on behalf of our Board, announced that HYB proposed to undertake:

- i. The Proposed Rights Issue with Warrants; and
- ii. The Proposed Exemption.

In the event of under subscription by the Entitled Shareholders, HHSB would be obligated to subscribe for additional unsubscribed Rights Shares not taken up by the other Entitled Shareholders via excess rights application, subject always that the aggregate amount subscribed by HHSB under the Entitlement Undertaking and Additional Undertaking shall amount to at least RM7.0 million.

Pursuant to subparagraphs 4.01(a) and 4.01(b) of the Rules, a mandatory offer shall apply to an acquirer where the acquirer acquires more than 33% of the voting shares or voting rights of the company or the acquirer has triggered an acquisition of more than 2% of the voting shares or voting rights of a company in any period of six (6) months by an acquirer holding over 33% but not more than 50% of the voting shares or voting rights of the company, respectively.

HHSB currently holds 31.84% and collectively with its PACs hold 32.58% of the shareholdings in HYB. Assuming none of the other Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue with Warrants:

- i. the shareholdings of HHSB in HYB would increase from 31.84% to 45.37% of the enlarged issued share capital of HYB under the maximum potential holding scenario; and
- ii. the shareholdings of the HHSB and its PACs in HYB would increase from 32.58% to 46.07% of the enlarged issued share capital of HYB under the maximum potential holding scenario.

Accordingly, there would be a trigger of mandatory offer obligation individually by HHSB and collectively with its PACS upon completion of the Proposed Rights Issue with Warrants pursuant to subparagraph 4.01(a) of the Rules.

As it is not the intention of HHSB and its PACs to undertake the Mandatory Offer, they intend to make an application to the SC to seek SC's approval for the Proposed Exemption subject to the Company obtaining the approval of the non-interested shareholders of HYB for the Proposed Exemption.

EXECUTIVE SUMMARY (Cont'd)

In view of the above, the Board (save for the Interested Directors) had on 10 June 2022, appointed MainStreet to act as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of HYB on the Proposed Exemption pursuant to the subparagraph 4.08(3)(g) of the Rules. Subsequently, on 13 June 2022, MainStreet had declared to the SC, its independence from any conflict of interest or potential conflict of interest in relation to its role as the Independent Adviser for the Proposed Exemption. The SC had, vide its letter dated 16 June 2022, noted MainStreet's declaration of its independence.

The SC had on 4 August 2022 given its notification that it has no further comments to the content of this IAL and such notification shall not be taken to suggest that the SC agrees with the recommendation of the Independent Adviser or assumes responsibility for the correctness of any statements made or opinions or reports expressed in the IAL.

As the Proposed Rights Issue with Warrants and Proposed Exemption are inter-conditional upon one another, our evaluation on the Proposed Rights Issue with Warrants is necessary to provide the non-interested shareholders of HYB with a holistic view of the fairness and reasonableness of the Proposed Exemption. In the event that the non-interested shareholders of HYB or the SC does not approve the Proposed Exemption, the Proposed Rights Issue with Warrants will not be implemented.

The purpose of this IAL is to provide the non-interested shareholders of HYB with an independent evaluation on the fairness and reasonableness of the Proposals together with our recommendation thereon, subject to the scope and limitations of our role and evaluation specified herein, in relation to the Proposals. The non-interested shareholders of HYB should nonetheless rely on their own evaluation of the merits of the Proposals before making a decision on the course of action to be taken.

2. Evaluation of the Proposals

Area of evaluation	MainStreet's comments
Rationale for the Proposals	<p data-bbox="464 1238 1007 1272">(i) Proposed Rights Issue with Warrants</p> <p data-bbox="528 1301 1385 1361">Our comments on the rationale for the Proposed Rights Issue with Warrants are set out below:</p> <p data-bbox="528 1391 1385 1451">(a) Strengthening the financial position and capital base of the HYB Group</p> <p data-bbox="587 1480 1390 1576">The Company expects to raise up to RM15.84 million from the Proposed Rights Issue with Warrants (before any subsequent exercise of the Warrants) under the Maximum Scenario.</p> <p data-bbox="587 1606 1390 1823">The Proposed Rights Issue with Warrants would strengthen the HYB Group's financial position and capital base through reduced gearing level, as well as the improved pro forma NA, which would improve the HYB Group credit rating and debt capacity. This will in turn provide the HYB Group with greater financial flexibility in the event the Group needs to source for additional funds and/or gear up in the future to fund its business expansion.</p>

Area of evaluation	MainStreet's comments
	<p>(b) Potential impact to the cost of capital and gearing level of the Group</p> <p>We have assessed the following pro forma changes in the weighted average cost of capital (“WACC”) and the gearing of the HYB Group based on the Maximum Scenario and alternate scenario involving bank borrowings as detailed below:</p> <ul style="list-style-type: none"> (i) the impact of the issuance of Rights Shares upon completion of the Proposed Rights Issue with Warrants under the Maximum Scenario (“Equity Funding Scenario”); and (ii) assuming the HYB Group uses borrowings to raise up to RM15.84 million, being the maximum proceeds expected from Proposed Rights Issue with Warrants under the Maximum Scenario (“Debt Funding Scenario”). <p>We are of the view that the decision of the Company to raise funds via the Proposed Rights Issue with Warrants is reasonable and in the interest of the Company as opposed to the option of raising fund under the Debt Funding Scenario. The WACC of the Group will be lower at 7.37% under the Equity Funding Scenario compared against 7.39% under the Debt Funding Scenario. The Debt Funding Scenario is expected to increase the gearing of the Company from 0.59 times 0.62 times as well as the interest service commitment of the Company which could financially burden the HYB Group.</p> <p>(c) Providing an opportunity to all Entitled Shareholders to participate in an equity offering in the Company on a pro-rata basis without diluting shareholders equity interest</p> <p>The Proposed Rights Issue with Warrants represents an opportunity for all Entitled Shareholders to further increase their equity participation in the HYB Group’s future growth and prospects on a pro-rata basis as compared to other fund-raising activities that have a dilutive impact to the equity interest of shareholders (provided that all Entitled Shareholders subscribe in full for their respective entitlements). The proceeds from the Proposed Rights Issue with Warrants are expected to contribute positively to the future earnings of the HYB Group, as part of the proceeds will be utilised towards reducing the Group’s borrowings and thereby reducing the Group’s finance cost accordingly. The proceeds will also be utilised for the acquisition of a new landbank, joint venture and investments, which may contribute positively to the earnings of the Group in the future.</p> <p>Entitled Shareholders are able to further increase their equity participation in the Group’s future growth and prospects at a discount of up to 30% to the TERP of HYB Shares based on the 5-days VWAP prior to the price fixing date.</p>

Area of evaluation	MainStreet's comments
	<p>The free Warrants attached to the Rights Shares will provide an added incentive to the Entitled Shareholders to subscribe for the Rights Shares while providing additional funds to the HYB Group, through the exercise of the Warrants. Further, the Warrants will be listed on the Main Market of Bursa Securities, which will allow the Entitled Shareholders to either further increase their equity participation in the HYB Group by exercising the Warrants or monetise the Warrants via disposal in the open market.</p> <p>(ii) Rationale for the Proposed Exemption</p> <p>HHSB and its PACs' collective shareholdings will potentially increase from 32.58% to 46.07% after completion of the Proposed Rights Issue with Warrants under the maximum potential holdings scenario, triggering the obligation to undertake a Mandatory Offer pursuant to subparagraph 4.01(a) of the Rules.</p> <p>As it is not the intention of HHSB and its PACs to undertake any such Mandatory Offer, they intend to make an application for an exemption pursuant to subparagraph 4.08(1)(b) of the Rules.</p> <p>Given that the Proposed Rights Issue with Warrants and the Proposed Exemption are inter-conditional upon one another, the approval of the Proposed Exemption is crucial to ensure the successful implementation of the Proposed Rights Issue with Warrants. If the Proposed Exemption is not approved, the Proposed Rights Issue with Warrants will not be implemented and consequently the Group will need to raise funds via borrowings or other means which will result in higher interest cost.</p> <p>In summary, the Proposed Rights Issue with Warrants has sufficient merits as it would enable the Group to utilise RM7.08 million or RM15.84 million of the proceeds under the Minimum Scenario and Maximum Scenario respectively for the repayment of bank borrowings, the acquisition of a new landbank, joint venture and investments as well as working capital of the Group.</p> <p>The proceeds raised from the subsequent exercise of the Warrants are expected to benefit the Group as additional working capital to finance the Group's day-to-day operations, which include amongst others, payment to suppliers, general administrative and daily operational expenses such as staff-related costs, utilities, statutory payments and other overhead expenditures.</p> <p>Without the Proposed Exemption, HYB would not be able to implement the Proposed Rights Issue with Warrants and accordingly, the Group will have to incur additional interest expense of RM0.91 million per annum based on interest rate of 5.15% on HYB's weighted average interest rate on borrowings as at the LPD.</p> <p>Premised on the above, we are of the view that the rationale for the Proposals is reasonable and justifiable.</p> <p>Please refer to Section 6 of the IAL for further details.</p>

EXECUTIVE SUMMARY (Cont'd)

Area of evaluation	MainStreet's comments
Evaluation of the issue price of the Rights Shares and exercise price of the Warrants	<p>Based on our evaluation, we note that the indicative issue price of RM0.18 per Rights Share represents:</p> <ul style="list-style-type: none"> (i) a discount of 8.16% to the TERP based on the last traded price of HYB Shares as at LPD; (ii) a discount ranging from 6.25% to 26.83% to the TERP based on the five (5)-day, one (1)-month, three (3)-month, six (6)-month and twelve (12)-month VWAPs up to the LPD; and (iii) a discount of RM1.04 or 85.25% to the audited NA per HYB Share as at 31 March 2022 of RM1.22. <p>We are of the view that the abovementioned discounts represented by the indicative issue price are appropriate and reasonable for a rights issue exercise as they serve to increase the pricing attractiveness of the Rights Shares and in turn encourage the Entitled Shareholders to participate in the Proposed Rights Issue with Warrants on a pro-rata basis.</p> <p>We are of the opinion that the above basis of arriving at the final issue price of the Rights Shares to be determined by the Board is justifiable in view of the proposed utilisation of the proceeds arising from the Proposed Rights Issue with Warrants. Furthermore, all shareholders of HYB are entitled to participate in the Proposed Rights Issue with Warrants on the same terms and basis.</p> <p>The exercise price of the Warrants will be determined and announced by the Board at a later date. Based on the indicative exercise price of the Warrants of RM0.30, it represents:</p> <ul style="list-style-type: none"> (i) a premium of 53.06% over the TERP based on the last traded price of HYB Shares as at the LPD; and (ii) a premium ranging from 21.95% to 56.25% over the TERP based on the five (5)-day, one (1)-month, three (3)-month, six (6)-month and twelve (12)-month VWAPs up to the LPD. <p>The Warrants will have a theoretical value of RM0.026. As the Warrants are to be issued for free, the theoretical value of the Warrants adds to the discount of the indicative issue price of the Rights Shares which translate to a total discount of approximately RM0.038 or 19.79% to the TERP of RM0.192, based on five (5)-day VWAP of HYB Shares up to and including the LPD. Further, the subsequent exercise of the Warrants will strengthen the shareholders' funds of HYB. We are of the view that the above basis of arriving at the final exercise price of the Warrants to be determined by the Board is justifiable as the Warrants are to be issued for free to the Entitled Shareholders who successfully subscribe for the Rights Shares.</p> <p>Please refer to Section 7 of the IAL for further details.</p>

Area of evaluation	MainStreet's comments																												
Effects of the Proposals	<p>The Proposed Exemption, on a standalone basis, will not have any effects on the issued share capital, NA, NA per Share, gearing, earnings and EPS of the Group as well as the substantial shareholders' shareholdings in the Company. However, the Proposed Rights Issue with Warrants, which is inter-conditional with the Proposed Exemption, would have an effect on the issued share capital, the NA, NA per Share, gearing, earnings and EPS of the Group and the substantial shareholders' shareholdings in the Company.</p> <p>(i) Issued share capital</p> <p>Upon completion of the Proposed Rights Issue with Warrants, the issued share capital will increase from RM352.00 million comprising 352.00 million HYB Shares as at the LPD to RM359.08 million comprising 391.34 million HYB Shares based on the Minimum Scenario and RM367.84 million comprising 440.00 million HYB Shares based on the Maximum Scenario. Assuming the full exercise of the Warrants, the issued share capital will increase further to RM370.88 million comprising 430.68 million HYB Shares under the Minimum Scenario and RM394.24 million comprising 528.00 million HYB Shares under the Maximum Scenario.</p> <p>(ii) NA and gearing</p> <p>In view of the increase in the number of HYB Shares to be issued pursuant to the Proposed Rights Issue with Warrants and as up to RM4.00 million to be raised is for the partial repayment of the HYB Group's bank borrowings, it will have the following effects on the pro forma consolidated NA, the NA per HYB Share and gearing of the HYB Group:</p> <table border="1" data-bbox="493 1211 1385 1565"> <thead> <tr> <th rowspan="2"></th> <th rowspan="2">Audited as at 31 March 2022</th> <th colspan="2">After the Proposed Rights Issue with Warrants</th> <th colspan="2">Assuming full exercise of Warrants</th> </tr> <tr> <th>Minimum Scenario</th> <th>Maximum Scenario</th> <th>Minimum Scenario</th> <th>Maximum Scenario</th> </tr> </thead> <tbody> <tr> <td>Shareholders' equity/ NA (RM' million)</td> <td>430.37</td> <td>437.00</td> <td>445.76</td> <td>448.80</td> <td>472.16</td> </tr> <tr> <td>NA per Share (RM)</td> <td>1.22</td> <td>1.12</td> <td>1.01</td> <td>1.04</td> <td>0.89</td> </tr> <tr> <td>Gearing ratio (times)</td> <td>0.59</td> <td>0.57</td> <td>0.56</td> <td>0.56</td> <td>0.53</td> </tr> </tbody> </table>		Audited as at 31 March 2022	After the Proposed Rights Issue with Warrants		Assuming full exercise of Warrants		Minimum Scenario	Maximum Scenario	Minimum Scenario	Maximum Scenario	Shareholders' equity/ NA (RM' million)	430.37	437.00	445.76	448.80	472.16	NA per Share (RM)	1.22	1.12	1.01	1.04	0.89	Gearing ratio (times)	0.59	0.57	0.56	0.56	0.53
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Area of evaluation	MainStreet's comments
	<p>(iii) Earnings and EPS</p> <p>The Proposed Rights Issue with Warrants will result in an immediate dilution in the Company's consolidated EPS as a result of the increase in the number of HYB Shares in issue upon completion of the Proposed Rights Issue with Warrants. The extent of immediate dilution of the EPS, if any, is dependent on the actual number of Rights Shares to be issued. Assuming there are no changes to the audited PAT of HYB for FYE 31 March 2022, the audited EPS for FYE 31 March 2022 of 0.43 sen will decrease to 0.39 sen under the Minimum Scenario and 0.35 sen under the Maximum Scenario after the completion of the Proposed Rights Issue with Warrants. The EPS will further decrease to 0.35 sen under the Minimum Scenario and 0.29 sen under the Maximum Scenario assuming full exercise of the Warrants.</p> <p>(iv) Substantial shareholders' shareholdings</p> <p>Under the Minimum Scenario which assumes only the Undertaking Shareholders subscribe for the Rights Shares pursuant to the Undertakings and none of the other Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue with Warrants, the collective shareholdings of HHSB and its PACs in HYB will increase from 32.58% to 44.91% after the exercise of the Warrants.</p> <p>However, under the Maximum Scenario which assumes all of the Entitled Shareholders fully subscribe for their respective entitlements under the Proposed Rights Issue with Warrants, the collective shareholdings of HHSB and its PACs in HYB will remain at 32.58% after the exercise of the Warrants.</p> <p>Premised on the evaluation above, we are of the view that the overall effects of the Proposals are not detrimental to the interest of the non-interested shareholders of HYB.</p> <p>Please refer to Section 8 of the IAL for further details.</p>
<p>Industry outlook and future prospects of the HYB Group</p>	<p>The Malaysian economy is expected to improve further in 2022, underpinned by stronger domestic demand, continued expansion in external demand and improving labour market. Going forward, growth would continue to benefit from the easing of restrictions and reopening of international borders. Furthermore, investment activities are also projected to improve, supported by the realisation of multi-year projects. However, the risks to Malaysia's growth prospects remain. These include a weaker-than-expected global growth, further escalation of geopolitical conflicts, worsening supply chain disruptions, adverse developments surrounding COVID-19 and heightened financial market volatility.</p>

EXECUTIVE SUMMARY (Cont'd)

Area of evaluation	MainStreet's comments
	<p>Some improvements in housing market activity were visible heading into 2022, although the number of unsold houses remained high. Disruptions caused by the pandemic partly contributed to the slower clearance of unsold housing stock. Nonetheless, the high number of unsold houses continues to reflect pre-existing affordability issues. This has worsened since the onset of the pandemic amid some weakening in income. Supply-side adjustments have continued with more housing launches shifting towards lower and mid-price market segments. However, broader reforms to improve housing affordability remain critical to contain the debt burden of households and mitigate risks of future financial hardship. In the commercial real estate (“CRE”) sector, the shift towards flexible working arrangements and accelerated pace of digitalisation arising from the pandemic will continue to transform how physical spaces are utilised. These trends could exacerbate existing oversupply concerns in selected CRE segments such as office and retail spaces. Direct linkages between the CRE sector and financial system are largely contained, thereby substantially mitigating risks to financial stability. However, further progress in resolving excess supply remains important given the high multiplier effects of the construction sector to the broader economy. Large planned incoming supply of office and retail spaces continues to pose risks.</p> <p>Whilst the Group has seen an improvement in the 2022 business environment thus far, the management views the future prospects of HYB Group will be challenging, affected by the high raw material costs, which have increased between 10% to 30% with steel being the most volatile, as well as labour constraints caused by the pandemic overhang and geopolitical conflict. Notwithstanding this, the property development market has seen a pick-up in volume of residential transactions since the last quarter of 2021, due to the HOC (Home Ownership Campaign) 2020-2021, which has continued on to the first quarter of 2022.</p> <p>Overall, the management of HYB is cautiously optimistic of the property market's prospects and anticipates property sales growth to accelerate as the economy grows, coupled with incentives and packages offered by developers in the market to entice homebuyers during soft market conditions.</p> <p>The Ministry of Housing and Local Government and the Ministry of Finance launched the i-Biaya initiative in April 2022, as part of the government's efforts to facilitate housing loans to the M40 and B40 low-income groups. This is in line with the Group's strategy focus, which is on the development of new affordable housing, particularly for mid-market homes, catering to the needs of all Malaysians and meeting current and future housing demands.</p> <p>Notwithstanding the above, the utilisation of the proceeds to be raised from the Proposed Rights Issue with Warrants for the repayment of bank borrowings would also strengthen the Group's financial position and capital base through reduced gearing level, as well as the improved pro forma NA, which would improve the HYB Group's credit rating and debt capacity. This will allow the HYB Group to be in a better financial footing to compete for additional contracts, as well as for any potential investment opportunities which will enhance its competitiveness and expand its market presence.</p> <p>Please refer to Section 9 of the IAL for further details.</p>

Area of evaluation	MainStreet's comments
<p>Implications of the Proposed Exemption</p>	<p>(i) If you vote in favour of the Proposed Exemption</p> <p>(a) The SC would be able to consider the application for the Proposed Exemption. The approval from the SC for the Proposed Exemption would then exempt HHSB and its PACs from the obligation to undertake the Mandatory Offer.</p> <p>(b) Should the Proposed Exemption be approved, the non-interested shareholders of HYB would be waiving their rights to a general offer from HHSB and its PACs at the issue price of the Rights Shares or the highest price paid by them for the HYB Shares in the six (6) months preceding such time when the Mandatory Offer obligation is triggered. HHSB will be able to subscribe for the Rights Shares at the same price as the non-interested shareholders of HYB and increase their shareholdings in HYB without the obligation to undertake the Mandatory Offer. HHSB and its PACs will also be able to gain control of HYB at a discount without a premium being paid to the non-interested shareholders of HYB.</p> <p>If the non-interested shareholders of HYB approved the Proposed Exemption, it does not in any way impede the rights of the Entitled Shareholders and/or their renounees to participate in the Proposed Rights Issue with Warrants on the same terms as all shareholders. However, should the other Entitled Shareholders decide not to subscribe for their entitlements pursuant to the Proposed Rights Issue with Warrants, their percentage shareholdings would be diluted accordingly.</p> <p>(c) The Proposed Exemption will allow the collective shareholdings of HHSB and its PACs in HYB to increase from 32.58% up to the maximum potential shareholdings of 46.07% of the total issued shares of HYB without being required to undertake the Mandatory Offer. Conversely, your collective shareholding could potentially be diluted from approximately 67.42% to approximately 53.93%. You should note that these maximum potential holdings of HHSB and its PACs as indicated above are purely illustrative and may not materialise.</p> <p>(ii) If you vote against the Proposed Exemption</p> <p>(a) The SC would not be able to consider the application by HHSB and its PACs for the Proposed Exemption.</p> <p>(b) The Proposed Rights Issue with Warrants will not be implemented due to their inter-conditionality with the Proposed Exemption. Consequently, HYB will not be able to realise the potential benefits from the Proposed Rights Issue with Warrants. As at the LPD, other than the Proposed Rights Issue with Warrants, the Board has yet to determine other alternatives of fund raising in the event the Proposed Exemption is not approved.</p> <p>Please refer to Section 10 of the IAL for further details.</p>

3. Conclusion and recommendation

You should carefully consider the merits and demerits of the Proposals based on all relevant and pertinent factors including those set out in this IAL as well as those highlighted by your Board in its letter to shareholders of HYB in relation to the Proposals as set out in Part A of the Circular before voting on the ordinary resolution in respect of the Proposed Exemption at the forthcoming EGM.

In arriving at our conclusion and recommendation on the Proposals, we have taken into consideration various factors discussed in this IAL of which the advantages and disadvantages of the Proposals, if granted, are summarised as below:

Advantages	
(i)	The Proposed Rights Issue with Warrants and Proposed Exemption are inter-conditional. As such, voting in favour of the Proposed Exemption facilitates the implementation of the Proposed Rights Issue with Warrants, which will in turn enable the HYB Group to realise the potential advantages arising from the Proposed Rights Issue with Warrants as follows: <ul style="list-style-type: none">(a) strengthen the financial position and capital base of the HYB Group which would result in lower gearing, improved NA base, greater financial flexibility via reduced interest payments, as well as reduced exposure to interest rate fluctuations; and(b) provide an opportunity to you to participate in equity offering in the Company on a pro-rata basis without diluting shareholders' equity interest in HYB (provided that all Entitled Shareholders subscribe in full for their respective entitlement of the Rights Shares). The proceeds from the Proposed Rights Issue with Warrants will be utilised for the acquisition of a new landbank, joint venture and investments, which may contribute positively to the earnings of the HYB Group in the future.
(ii)	You would be able to subscribe for the Rights Shares at the issue price with discount of up to 30% to the TERP and be entitled to free Warrants. The indicative issue price of RM0.18 represents a discount of 8.16% to the TERP based on the closing market price of HYB Shares as at the LPD and discounts ranging from 6.25% to 26.83% to the TERP based on the five (5)-day, one (1)-month, three (3)-month, six (6)-month and twelve (12)-month VWAP of HYB Shares up to the LPD.
(iii)	The free Warrants attached to the Rights Shares will provide an added incentive to you to subscribe for the Rights Shares. Through the exercise of the Warrants, you will be able to further increase their equity participation in HYB while also providing additional funds to the HYB Group for additional working capital to finance the Group's day to day operations. Alternatively, you have the option to monetise their Warrants via disposal in the open market.
(iv)	Pursuant to the Proposed Rights Issue with Warrants, the WACC of the HYB Group will decrease from 7.39% as at the LPD to 7.37% under the Equity Funding Scenario compared against 7.39% under the Debt Funding Scenario.

Disadvantages

- (i) Should you decide not to subscribe for your entitlements pursuant to the Proposed Rights Issue with Warrants, your percentage shareholdings will be diluted accordingly. Depending on the eventual subscription rate of the Rights Shares by you, the collective shareholding of HHSB and its PACs in HYB could potentially increase from approximately 32.58% to approximately 46.07% and conversely, your collective shareholding could potentially be diluted from approximately 67.42% to approximately 53.93%. You should note that these maximum potential holdings of HHSB and its PACs as indicated above are purely illustrative and may not materialise.
- After the issuance of the Rights Shares and assuming full exercise of the Warrants, HHSB and its PACs will hold approximately 55.05% interest in HYB. Therefore, HHSB and its PACs will have statutory control over HYB and as such will be able to determine the outcome of ordinary resolutions which require a simple majority of more than half of the members of a company who are entitled to vote and do vote, whether in person or by proxy (if allowed) at general meetings (unless HHSB and its PACs are required to abstain from voting). Furthermore, HHSB and its PACs will be able to significantly influence the outcome of any special resolution which requires not less than three-fourths of the members of a company as being entitled so to vote in person or by proxy (if allowed) tabled at general meetings (unless HHSB and its PACs are required to abstain from voting).
- (ii) The Proposed Exemption could potentially allow HHSB and its PACs to increase control or obtain control in HYB at the issue price with a discount of up to 30% to the TERP and be entitled to free Warrants.
- (iii) The issuance of additional HYB Shares pursuant to the Proposed Rights Issue with Warrants and the subsequent exercise of the Warrants are expected to result in a dilution to the unaudited NA per HYB Share as at 31 March 2022 from RM1.22 to RM1.04 per HYB Share and RM0.89 per HYB Share under the Minimum Scenario and the Maximum Scenario respectively.

Premised on the factors discussed above and our evaluation of the Proposals based on the information made available to us, we are of the view that the Proposals are **FAIR** and **REASONABLE**.

Accordingly, we recommend that you **VOTE IN FAVOUR** of the resolutions in respect of the Proposals to be tabled at the forthcoming EGM.

We have not taken into consideration any specific investment objective, financial situation or particular need of any individual non-interested shareholders of HYB. We recommend that any non-interested shareholders of HYB who require specific advice in relation to the Proposals in the context of their individual investment objectives, financial situation or particular needs, to consult their respective stockbrokers, investment advisers, accountants, solicitors or other professional advisers.

YOU ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

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12 August 2022

To: The non-interested shareholders of Hua Yang Berhad

Dear Sir/Madam,

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF HUA YANG BERHAD IN RELATION TO THE PROPOSALS

This IAL is prepared for inclusion in the Circular to the shareholders of HYB. All definitions used in this IAL shall have the same meanings and expressions as defined in the "Definitions" section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to "we", "us" or "our" in this IAL are references to MainStreet, being the IA for the Proposals.

1. INTRODUCTION

On 10 June 2022, UOBKH had, on behalf of our Board, announced that HYB proposed to undertake:

- (i) The Proposed Rights Issue with Warrants at an issue price and Entitlement Date to be determined and announced later.

The Proposed Rights Issue with Warrants will be undertaken on the Minimum Subscription Level based on the following undertakings provided by the Undertaking Shareholders, further details of which are set out in Section 2.6, Part A of the Circular:

- (a) HHSB has provided its Entitlement Undertaking to subscribe for its entitlement under the Proposed Rights Issue with Warrants (amounting to 28,022,323 Rights Shares), as well as an Additional Undertaking, subject always that the aggregate amount subscribed under the Entitlement Undertaking and Additional Undertaking shall amount to at least RM7.0 million;

- (b) Ho Wen Yan has provided his Entitlement Undertaking to subscribe for his entitlement under the Proposed Rights Issue with Warrants (amounting to 451,110 Rights Shares); and

(ii) The Proposed Exemption.

In the event of under subscription by the Entitled Shareholders, HHSB would be obligated to subscribe for additional unsubscribed Rights Shares not taken up by the other Entitled Shareholders via excess rights application, subject always that the aggregate amount subscribed by HHSB under the Entitlement Undertaking and Additional Undertaking shall amount to at least RM7.0 million.

Pursuant to subparagraphs 4.01(a) and 4.01(b) of the Rules, a mandatory offer shall apply to an acquirer where the acquirer acquires more than 33% of the voting shares or voting rights of the company or the acquirer has triggered an acquisition of more than 2% of the voting shares or voting rights of a company in any period of six (6) months by an acquirer holding over 33% but not more than 50% of the voting shares or voting rights of the company, respectively.

HHSB and its PACs currently hold 32.58% of the shareholdings in HYB. Assuming none or only some of the other Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue with Warrants, the shareholdings of the HHSB and its PACs in HYB are expected to increase from 32.58% to above 33.00% of the enlarged issued share capital of HYB, triggering the obligation to undertake a Mandatory Offer.

As it is not the intention of HHSB and its PACs to undertake the Mandatory Offer, they intend to make an application to the SC to seek SC's approval for the Proposed Exemption subject to the Company obtaining the approval of the non-interested shareholders of HYB for the Proposed Exemption and the following procedures being complied with:

- (i) the resolution for the Proposed Exemption is separate from other resolutions but may be conditional on other resolutions;
- (ii) all interested parties are required to abstain from voting on the resolution at the forthcoming EGM to be convened;
- (iii) the voting at the forthcoming EGM is conducted by way of a poll;
- (iv) the Company must appoint its auditors, share registrar or external accountants who are qualified to serve as auditors for the Company, as scrutineer for the vote-taking. The identity of the scrutineer and the results of the poll (including the number of shares voted for and against the resolution) must be announced;
- (v) the non-interested shareholders are provided with competent independent advice regarding the Proposed Exemption where this IAL must be submitted to the SC for comments and must not be issued until the SC has notified that it has no further comments thereon;
- (vi) this IAL contains all information as required under Schedule 2 of the Rules;
- (vii) where the SC has notified that it has no further comments to the contents of this IAL, a statement shall be included that such notification shall not be taken to suggest that the SC agrees with the recommendation of the Independent Adviser or assumes responsibility for the correctness of any statements made or opinions or reports expressed in the IAL; and
- (viii) this IAL is despatched to the shareholders at least 14 days before the EGM to be convened.

Pursuant to subparagraph 4.08(2) of the Rules, where an offeror applies for an exemption pursuant to subparagraph 4.08(1) of the Rules, the SC may consider granting an exemption if an offeror and persons acting in concert, seeking exemption under this subparagraph, have satisfied the following conditions:

- (i) there has been no acquisition of HYB Shares or instruments convertible into and options in respect of the Shares (other than subscriptions for new shares or new instruments convertible into or options in respect of new shares which have been disclosed in the whitewash circular) by HHSB and its PACs, in the six (6) months prior to the announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Rights Issue with Warrants until completion of the Proposed Rights Issue with Warrants; and
- (ii) approval has been obtained from the non-interested shareholders of the Company at the EGM to be convened for the Proposed Exemption.

In view of the above, the Board (save for the Interested Directors) had on 10 June 2022 appointed MainStreet to act as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of HYB on the Proposed Exemption pursuant to the subparagraph 4.08(3)(g) of the Rules. Subsequently, on 13 June 2022, MainStreet had declared to the SC its independence from any conflict of interest or potential conflict of interest in relation to its role as the Independent Adviser for the Proposed Exemption. The SC had, vide its letter dated 16 June 2022, noted MainStreet's declaration of its independence.

Further, on 14 July 2022, UOBKH had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 14 July 2022, resolved to approve the following, subject to the conditions as disclosed in Section 9, Part A of this Circular:-

- (i) admission to the Official List of Bursa Securities and the listing of up to 88,000,000 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants;
- (ii) listing and quotation of up to 88,000,000 new Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants; and
- (iii) listing and quotation of up to 88,000,000 new HYB Shares to be issued pursuant to the exercise of Warrants.

The SC had on 4 August 2022 given its notification that it has no further comments to the content of this IAL and such notification shall not be taken to suggest that the SC agrees with the recommendation of the IA or assumes responsibility for the correctness of any statements made or opinions or reports expressed in the IAL.

As the Proposed Rights Issue with Warrants and Proposed Exemption are inter-conditional upon one another, our evaluation on the Proposed Rights Issue with Warrants is necessary to provide the non-interested shareholders of HYB with a holistic view of the fairness and reasonableness of the Proposed Exemption.

The purpose of this IAL is to provide the non-interested shareholders of HYB with an independent evaluation on the fairness and reasonableness of the Proposals together with our recommendation thereon, subject to the scope and limitations of our role and evaluation specified herein, in relation to the Proposals. The non-interested shareholders of HYB should nonetheless rely on their own evaluation of the merits of the Proposals before making a decision on the course of action to be taken.

Other than for this intended purpose, this IAL should not be used or relied upon by any other party for any other purpose whatsoever.

NON-INTERESTED SHAREHOLDERS OF HYB ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, INVESTMENT ADVISER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSALS

MainStreet was not involved in the formulation of, deliberations, negotiations or discussion on the terms and conditions of the Proposals. Our scope as the IA is limited to expressing an independent opinion on the Proposals based on the information and documents requested by and provided to us or which are available to us, including the following:

- (i) the information contained in Part A of the Circular and the appendices attached thereto;
- (ii) information furnished to us as well as discussions with the Board and management of HYB; and
- (iii) other relevant publicly available information.

In assuming our role as the Independent Adviser and in line with the terms of our appointment, we have requested for the relevant verifications of information and documents provided to us and made the necessary due enquiries on HYB, the Board and management of HYB. We have relied upon the information and/or documents as described above, and that all relevant facts and information necessary for our evaluation of the Proposals and that such information is reasonable, reliable and accurate and there are no omissions of any material facts which would make any information incomplete, misleading or inaccurate.

Nevertheless, after making all reasonable enquiries, we are satisfied with the disclosures and the sufficiency of information provided or made available to us, and have no reason to believe that any of the information is unreliable, incomplete, misleading and/or inaccurate.

In carrying out our evaluation, we have taken into consideration various pertinent factors, which we believe are of general importance to our assessment of the Proposals, and therefore of general concern to the non-interested shareholders. In rendering our recommendation, we have not taken into consideration any specific investment objectives, financial situations, risk profiles, tax status or positions, investment horizons and particular needs or constraints or other particular circumstances of any individual non-interested shareholder or any specific group of non-interested shareholders. Any non-interested shareholder or group of non-interested shareholders who require specific advice in relation to the Proposals should consult your respective stockbroker, investment adviser, accountant, solicitor or other professional advisers immediately.

Our opinion as set out in this IAL is based on the prevailing market, economic, industry and other conditions (where applicable) and the information/documents made available to us as at the LPD. We shall immediately disclose to the SC and notify you immediately, by way of press notice and announcement on Bursa Securities before 9 a.m. on the next Market Day, if, after the despatch of this IAL, as guided by subparagraph 11.07(1) of the Rules, we become aware that the information or document previously circulated or provided:

- (i) contains a material statement which is false or misleading;
- (ii) contains a statement from which there is a material omission; or

(iii) does not contain a statement relating to a material development.

If circumstances require, a supplementary IAL will be sent to the non-interested shareholders in accordance with subparagraph 11.07(2) of the Rules.

MainStreet is an approved corporate financial adviser within the meaning of SC's Principal Adviser Guidelines. MainStreet has undertaken the role as an independent adviser for corporate exercises in the past two (2) years prior to the LPD, which include amongst others:

- (i) Renewal of lease agreements of six (6) hospitals entered into between the subsidiaries of KPJ Healthcare Berhad with Amanahraya Trustee Berhad and Damansara REIT Managers Sdn Berhad on behalf of Al-'Aqar Healthcare REIT, as per our independent advice letter ("**IAL**") dated 24 May 2021;
- (ii) Unconditional Mandatory Offer by Dato' Sri Dr. Pang Chow Huat and Ho Jien Shiung through M & A Securities Sdn Bhd to acquire all the remaining ordinary shares in BSL Corporation Berhad not already owned by Dato' Sri Dr. Pang Chow Huat and Ho Jien Shiung, as per our independent advice circular ("**IAC**") dated 26 July 2021;
- (iii) Unconditional voluntary take-over offer by Chew Choo Soon and Chang Wai Hoong through UOB Kay Hian Securities (M) Sdn Bhd to acquire all the remaining ordinary shares in Zenworld Holdings Berhad not already owned by Chew Choo Soon and Chang Wai Hoong, as per our IAC dated 16 December 2021;
- (iv) Conditional voluntary take-over offer by Hextar Tech Sdn Bhd and Dato' Ong Choo Meng through M & A Securities Sdn Bhd to acquire all the remaining ordinary shares in Complete Logistic Services Berhad not already owned by Hextar Tech Sdn Bhd and Dato' Ong Choo Meng, as per our IAC dated 31 December 2021;
- (v) Unconditional voluntary take-over offer by Chew Choo Soon and Chang Wai Hoong through UOB Kay Hian Securities (M) Sdn Bhd to acquire all the remaining ordinary shares in Zenworld Holdings Berhad not already owned by Chew Choo Soon and Chang Wai Hoong, as per our IAC dated 14 February 2022;
- (vi) Unconditional mandatory take-over offer by Dato' Sri Dr. Pang Chow Huat through M & A Securities Sdn Bhd to acquire all the remaining ordinary shares in Computer Forms (Malaysia) Berhad not already owned by Dato' Sri Dr. Pang Chow Huat, as per our IAC dated 5 May 2022; and
- (vii) Proposed disposal of 100% equity interest in Lee Soon Seng Plastic Industries Sdn Bhd, a wholly-owned subsidiary of SCGM Bhd for a total cash consideration of approximately RM544.38 million ("**Proposed Disposal**") and proposed distribution of the proceeds arising from the Proposed Disposal to all entitled shareholders of SCGM Bhd by way of proposed capital reduction and repayment as well as proposed special dividend, as per our IAL dated 29 July 2022.

Premised on the foregoing, MainStreet is capable and competent in carrying out its role and responsibilities as the Independent Adviser to advise non-interested Directors and non-interested shareholders of HYB in relation to the Proposals.

3. DETAILS OF THE PROPOSALS

The details of the Proposals as disclosed in the following sections in Part A of the Circular should be read in entirety by the non-interested shareholders of HYB:

		Details in Part A of the Circular
(i)	Proposed Rights Issue with Warrants	Section 2
(ii)	Proposed Exemption	Section 3

4. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

The interests of the Directors, major shareholders, chief executive and/or persons connected with them are disclosed in Section 10, Part A of the Circular. Save for those disclosed in Section 10, Part A of the Circular, none of the Directors, major shareholders, chief executive and/or persons connected with them have any interests in the Proposals.

5. EVALUATION OF THE PROPOSALS

As the Proposed Rights Issue with Warrants and Proposed Exemption are inter-conditional, the evaluation of the Proposed Rights Issue with Warrants is necessary to provide the non-interested shareholders of HYB with a holistic view of the fairness and reasonableness of the Proposed Exemption. We have taken into consideration the following factors in our evaluation of the Proposals:

	Consideration factors	Details in this IAL
(i)	Rationale for the Proposals	Section 6
(ii)	Evaluation of the issue price of the Rights Shares and exercise price of the Warrants	Section 7
(iii)	Effects of the Proposals	Section 8
(iv)	Industry outlook and future prospects of the HYB Group	Section 9
(v)	Implications of the Proposed Exemption	Section 10

6. RATIONALE FOR THE PROPOSALS

6.1 Proposed Rights Issue with Warrants

As stated in Section 5.1, Part A of the Circular, the Board is of the opinion that the Proposed Rights Issue with Warrants is the most appropriate avenue of fund raising after considering the various funding options available to the Company. Our comments on the rationale for the Proposed Rights Issue with Warrants are set out below:

6.1.1 Strengthening the financial position and capital base of the HYB Group

As set out in Section 4, Part A of the Circular, the Company expects to raise up to RM15.84 million from the Proposed Rights Issue with Warrants (before any subsequent exercise of the Warrants) under the Maximum Scenario, which is intended to be used in the following manner:

	Timeframe for utilisation from completion of the Proposed Rights Issue with Warrants	Minimum Scenario		Maximum Scenario	
		(RM'000)	%	(RM'000)	%
Repayment of bank borrowing	Within 12 months	2,000	28.24	4,000	25.25
Acquisition of a new landbank, joint venture and investments	Within 6 months	1,350	19.07	1,350	8.52
Working capital	Within 12 months	3,276	46.26	10,035	63.35
Estimated expenses in relation to the Proposals	Within 1 months	455	6.43	455	2.88
Total		7,081	100.00	15,840	100.00

We noted from above that RM2.00 million and RM4.00 million from the gross proceeds to be raised from the Proposed Rights Issue with Warrants will be utilised to partially settle the HYB Group's borrowings under the Minimum Scenario and Maximum Scenario respectively. This will reduce the HYB Group's total borrowings from RM249.67 million as at LPD to RM247.67 million under the Minimum Scenario and RM245.67 million under the Maximum Scenario. Additionally, the repayment of the facilities is expected to result in interest savings of approximately RM0.15 million per annum and a corresponding reduction of interest tax shield of approximately RM36,000.

Upon completion of the Proposed Rights Issue with Warrants, the HYB Group's financial position would strengthen as its share capital will increase from RM352.00 million as at the LPD to RM359.08 million (under the Minimum Scenario) and RM367.84 million (under the Maximum Scenario), prior to the exercise of the Warrants. Assuming the full exercise of the Warrants based on the indicative exercise price of RM0.30 per Warrant, HYB's share capital will increase further to RM370.88 million (under the Minimum Scenario) and RM394.24 million (under the Maximum Scenario).

As disclosed in Section 8.2 of this IAL, the Proposed Rights Issue with Warrants would strengthen the HYB Group's financial position and capital base through reduced gearing level, as well as the improved pro forma NA, which would improve the HYB Group credit rating and debt capacity. This will in turn provide the HYB Group with greater financial flexibility in the event the Group needs to source for additional funds and/or gear up in the future to fund its business expansion.

The stronger financial position may be reflected in an appreciation in the share price of HYB shares. However, non-interested shareholders of HYB should note that the share price of HYB Shares is also subjected to various factors including market sentiments and market conditions. Hence, share prices may not correlate directly with the financial performance of the Company.

6.1.2 Potential impact to the cost of capital and gearing level of the Group

We have assessed the following pro forma changes in the WACC and gearing of the HYB Group based on the Maximum Scenario and alternate scenario involving bank borrowings as detailed below:

- (a) the impact of the issuance of Rights Shares upon the completion of the Proposed Rights Issue with Warrants under the Maximum Scenario; and
- (b) assuming the HYB Group uses borrowings to raise up to RM15.84 million, being the maximum proceeds expected from Proposed Rights Issue with Warrants under the Maximum Scenario.

The WACC is the minimum required rate of return that all capital providers (shareholders and lenders) should demand for from a cash flow stream generated by the business, given the riskiness of the cash flows. WACC is computed by summing up the cost of each capital component (equity or debt) multiplied by its proportional weight. The WACC of the HYB Group is derived as follows:

$$WACC = \frac{E}{D + E} (k_e) + \frac{D}{D + E} (k_d)(1 - t)$$

Where:

E - Market value of HYB's equity, as follows:

As at the LPD and without : Based on the five (5)-day
the implementation of the : VWAP of HYB Shares up to
Proposed Rights Issue and including the LPD of
with Warrants RM0.20 and the issued share
capital of HYB as at the LPD
of 352,000,000 HYB Shares

With the implementation : Based on the TERP of
of the Proposed Rights : RM0.19 computed based on
Issue with Warrants the five (5)-day VWAP of HYB
Shares up to and including the
LPD of RM0.20 and the
enlarged share capital of HYB
of 369,600,000 HYB Shares
based on the Maximum
Scenario

D - Market value of HYB's debt based on the audited consolidated financial statement of HYB as at 31 March 2022 amounting to RM253.09 million.

K_e - being the cost of equity of HYB as at the LPD derived based on Capital Asset Pricing Model below:

$$k_e = R_f + \beta (R_m - R_f)$$

where:

R_f : risk-free rate of return, representing the expected rate of return from a risk-free investment and is derived based on the yield of ten (10)-year Malaysian Government Securities as at the LPD of 3.93%.

β : Beta, representing the sensitivity of an asset's returns to the changes in the market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than one (1) signifies that the asset is riskier than the market and vice versa.

The re-levered beta of HYB as at the LPD was derived from the historical one (1)-year unlevered beta of 0.32 of selected comparable companies listed on Bursa Securities with similar principal activities and re-levered based on the capital structure of HYB as follows:

	Re-levered β of HYB
As at the LPD	1.18
Equity Funding Scenario	1.02
Debt funding Scenario	1.23

There is no company listed on Bursa Securities that may be considered identical to HYB in terms of, amongst others, composition of business activities, scale and size of operations, risk profile, track record and prospects. The selection criteria that we have applied in identifying comparable companies are as follows:

- (i) market capitalisation between RM60 million and RM80 million; and
- (ii) The revenue contribution from the property development segment represents at least 60% of the total revenue of the respective selected comparable companies.

Whilst we noted that the respective companies may have different business models and offer different products and services, we are of the view that the identified companies are adequately comparable to HYB's business and are reasonable to be adopted for the purpose of deriving the estimated beta of the industry.

R_m : R_m is the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market. Given the volatility in the stock market for the past years, we are of the view that the implied return expected from the market using forecasted growth rates, earnings, dividends, payout ratio and current values to be an appropriate estimate of the expected market rate of return as it provides a better reflection of our current market. As extracted from Bloomberg, we have adopted the estimated annual equity market return of Malaysia as at the LPD of 9.82%.

The debt-to-equity ratio, relevered beta and k_e of the respective scenarios are as follows:

	Debt-to-equity ratio	β	k_e %
As at the LPD	3.60	1.17	15.48
Equity Funding Scenario	2.93	1.02	13.93
Debt Funding Scenario	3.82	1.23	16.01

- k_d - being the cost of debt of HYB as at the LPD, being the average interest rate 5.15% derived from HYB's weighted average interest rate on borrowings.
- T - corporate tax rate, which is based on the latest statutory tax rate of 24%.

The WACC and the gearing of the HYB Group as at the LPD and based on the abovementioned pro forma changes, are set out below:

	WACC %	Gearing ⁽¹⁾ (times)
As at the LPD	7.39	0.59
Equity Funding Scenario	7.37	0.56
Debt Funding Scenario	7.39	0.62

Notes:

- (1) Gearing computation as at the LPD is based on the audited shareholders' equity as at 31 March 2022.
- (2) For the computation of WACC, the Equity Funding Scenario above does not take into account the exercise of Warrants.

As illustrated above, the WACC of the Group will be lower at 7.37% under the Equity Funding Scenario as compared against 7.39% under the Debt Funding Scenario. The gearing of the Group will also be slightly lower at 0.56 under the Equity Funding Scenario.

Any increase in borrowings will be an additional burden to the Group's interest servicing/loan repayment capability due to the additional interest expenses and the repayment of the principal sums. The total interest expenses incurred by the HYB Group for FYE 31 March 2022 are approximately RM9.26 million. For illustrative purposes, at the pre-tax cost of debt of approximately 5.15%, the use of borrowings to raise RM15.84 million would result in an interest expense to the Group of approximately RM0.82 million per annum.

We are of the view that the decision of the Company to raise funds via the Proposed Rights Issue with Warrants is reasonable and in the interest of the Company as opposed to the option of raising fund under the Debt Funding Scenario. The WACC of the Group will be lower at 7.37% under the Equity Funding Scenario as compared against 7.39% under the Debt Funding Scenario. The Debt Funding Scenario is expected to increase the gearing of the Company from 0.59 times 0.62 times as well as the interest service commitment of the Company which could financially burden the HYB Group. In summary, the Proposed Rights Issue with Warrants will allow HYB to improve its WACC and gearing.

6.1.3 Providing an opportunity to all Entitled Shareholders to participate in an equity offering in the Company on a pro-rata basis without diluting shareholders equity interest

The Proposed Rights Issue with Warrants represents an opportunity for all Entitled Shareholders to further increase their equity participation in the HYB Group's future growth and prospects on a pro-rata basis as compared to other fund-raising activities that have a dilutive impact to the equity interest of shareholders (provided that all Entitled Shareholders subscribe in full for their respective entitlements). We note that the HYB Group has been in a loss making position from FYE 31 March 2019 to FYE 31 March 2021. However, the financial performance of the HYB Group has improved as it was able to register a PAT of RM1.42 million for FYE 31 March 2022. Notwithstanding the above, the proceeds from the Proposed Rights Issue with Warrants are expected to strengthen the financial position of the HYB Group, as part of the proceeds will be utilised towards reducing the Group's borrowings and thereby reducing the Group's finance cost accordingly. The proceeds will also be utilised for the acquisition of a new landbank, joint venture and investments, which may contribute positively to the earnings of the Group in the future.

Entitled Shareholders are able to further increase their equity participation in the Group's future growth and prospects at a discount of up to 30% to the TERP of HYB Shares based on the five (5)-day VWAP prior to the price fixing date.

The free Warrants attached to the Rights Shares will provide an added incentive to the Entitled Shareholders to subscribe for the Rights Shares while providing additional funds to the HYB Group, through the exercise of the Warrants if they are in-the-money. Such gross proceeds raised will be utilised as additional working capital to finance the Group's day to day operations, which include amongst others, payment to suppliers, general administrative and daily operational expenses such as staff-related costs, utilities, statutory payments and other overhead expenditures.

Further, the Warrants will be listed on the Main Market of Bursa Securities, which will allow the Entitled Shareholders to either further increase their equity participation in the HYB Group by exercising the Warrants or monetise the Warrants via disposal in the open market. The non-interested shareholders of HYB should also take note that the value of the Warrants and the potential upside may be limited in the event the Warrants are out-of-the-money.

6.2 Rationale for the Proposed Exemption

The rationale for the Proposed Exemption is set out in Section 5.2, Part A of the Circular.

As illustrated in Section 3.1, Part A of the Circular, HHSB and its PACs' shareholdings will potentially increase from 32.58% to 46.07% after completion of the Proposed Rights Issue with Warrants under the maximum potential holdings scenario, triggering the obligation to undertake a Mandatory Offer pursuant to subparagraph 4.01(a) of the Rules.

As it is not the intention of HHSB and its PACs to undertake any such Mandatory Offer, they intend to make an application for an exemption pursuant to subparagraph 4.08(1)(b) of the Rules.

The entitlements to the Rights Issues are proportionate to the shareholdings of the Entitled Shareholders who subscribe for their Rights Issues and are fair to all shareholders.

Non-interested shareholders of HYB should note that should you resolve not to subscribe for your entitlement to the Rights Shares or resolve to renounce your entitlement pursuant to the Proposed Rights Issue with Warrants, your existing shareholdings in HYB would be diluted accordingly.

Given that the Proposed Rights Issue with Warrants and the Proposed Exemption are inter-conditional, the approval of the Proposed Exemption is crucial to ensure the successful implementation of the Proposed Rights Issue with Warrants. If the Proposed Exemption is not approved, the Proposed Rights Issue with Warrants will not be implemented and consequently the Group will need to raise the funds for the purpose stated in Section 4, Part A of the Circular via borrowings or other means which will result in higher interest cost.

In summary, the Proposed Rights Issue with Warrants has sufficient merits as it would enable the Group to utilise RM7.08 million and RM15.84 million of the proceeds under the Minimum Scenario and Maximum Scenario respectively for the repayment of bank borrowings, the acquisition of a new landbank, joint venture and investments as well as working capital of the Group.

The proceeds raised from the subsequent exercise of the Warrants are expected to benefit the Group as additional working capital to finance the Group's day to day operations, which include amongst others, payment to suppliers, general administrative and daily operational expenses such as staff-related costs, utilities, statutory payments and other overhead expenditures.

Without the Proposed Exemption, HYB would not be able to implement the Proposed Rights Issue with Warrants and accordingly, the Group will have to incur additional interest expense of RM0.82 million per annum based on interest rate of 5.15%, being HYB's weighted average interest rate on borrowings as at the LPD, assuming the HYB Group uses borrowings to raise up to RM15.84 million, being the maximum proceeds expected from Proposed Rights Issue with Warrants under the Maximum Scenario.

Premised on the above, we are of the view that the rationale for the Proposals is reasonable and justifiable.

7. EVALUATION OF THE ISSUE PRICE OF THE RIGHTS SHARES AND THE EXERCISE PRICE OF THE WARRANTS

7.1 Evaluation of the issue price of the Rights Shares

As set out in Section 2.2, Part A of the Circular, the issue price of the Rights Shares shall be determined and fixed by the Board after taking into consideration, amongst others, the following:

- (i) the gross proceeds of up to RM15.84 million to be raised from the Proposed Rights Issue with Warrants under the Maximum Scenario to meet the fund-raising objectives as set out in Section 4, Part A of the Circular;
- (ii) the prevailing market conditions and market prices of HYB Shares; and
- (iii) the TERP of HYB Shares, which will be determined based on the 5-day VWAP of HYB Shares immediately preceding the price-fixing date, as well as a suitable discount to the TERP that will encourage the subscription of Rights Shares by the Entitled Shareholders and/or their renounee(s);

As at the LPD, the Board has yet to determine the rate of discount to be applied to the TERP of HYB Shares, which is intended to be up to 30%.

We note that an indicative issue price of RM0.18 per Rights Share has been adopted for illustration purposes in Part A of the Circular, after taking into consideration the five (5)-day VWAP of HYB Shares up to and including the LPD of RM0.1953.

We have evaluated the indicative issue price based on the relevant TERP derived from the respective closing price/VWAP of the HYB Shares as set out below:

(i) Closing market prices and VWAP of HYB Shares

The comparison of the indicative issue price per Rights Share of RM0.18 to the following TERP of HYB Shares based on the closing market prices and the VWAP of HYB Shares are as follows:

	Closing price/VWAP (RM)	TERP based on the indicative issue price of RM0.18 (RM)	Discount of the indicative issue price of RM0.18 over the TERP	
			(RM)	(%)
<u>LPD:</u>				
Last traded price	0.200	0.196	0.016	8.16
Five (5)-day VWAP	0.195	0.192	0.012	6.25
One (1)-month VWAP	0.196	0.193	0.013	6.74
Three (3)-month VWAP	0.211	0.205	0.025	12.20
Six (6)-month VWAP	0.225	0.216	0.036	16.67
Twelve (12)-month VWAP	0.262	0.246	0.066	26.83

Based on the table above, we note that the indicative issue price of RM0.18 per Rights Share represents:

- (i) a discount of 8.16% to the TERP based on the last traded price of HYB Shares as at the LPD; and
- (ii) a discount ranging from 6.25% to 26.83% to the TERP based on the five (5)-day, one (1)-month, three (3)-month, six (6)-month and twelve (12)-month VWAP up to the LPD.

We are of the view that the abovementioned discounts represented by the indicative issue price are appropriate and reasonable for a rights issue exercise as they serve to increase the pricing attractiveness of the Rights Shares and in turn encourage the Entitled Shareholders to participate in the Proposed Rights Issue with Warrants on a pro-rata basis. The non-interested shareholders of HYB should also take note that the issue price is the same for the Undertaking Shareholders and the other Entitled Shareholders and/or their renounees. Hence, all the Entitled Shareholders and/or their renounees will have the opportunity to subscribe for the Rights Shares at the same price.

(ii) Consolidated NA per HYB Shares

The comparison of the indicative issue price of RM0.18 to the pro forma consolidated NA per HYB Share after the Proposed Rights Issue with Warrants are as follows:

	Pro forma consolidated NA per HYB Share	Discount	
		RM	%
Audited as at 31 March 2021	1.25	1.07	85.60
Audited as at 31 March 2022	1.22	1.04	85.25
Based on Minimum Scenario ⁽¹⁾	1.04	0.86	82.69
Based on Maximum Scenario ⁽¹⁾	0.89	0.71	79.78

Note:

- (1) *Calculated based on the enlarged pro forma consolidated NA divided by the number of HYB Shares after the Proposed Rights Issue with Warrants and assuming the full exercise of the Warrants. Kindly refer to Section 7.2, Part A of the Circular for further details.*

We note that the indicative issue price of RM0.18 is lower than the audited consolidated NA per HYB Share as at 31 March 2022. Based on the table above, the indicative issue price of RM0.18 per Rights Share represents discount of RM1.04 or 85.25% to the audited NA per HYB Share as at 31 March 2022 of RM1.22.

Nevertheless, it should also be noted that the indicative issue price is purely for illustration purpose and the final issue price of the Rights Shares will be determined and announced on the price-fixing date later. As such, the discounts stated above are variable figures and may increase or decrease, depending on the final issue price of the Rights Shares and the TERP of HYB Shares.

We are of the opinion that the above basis of arriving at the final issue price of the Rights Shares to be determined by the Board is justifiable in view of the proposed utilisation of the proceeds arising from the Proposed Rights Issue with Warrants and the effects of the Proposals as discussed in Section 4, Part A of the Circular and Section 8 of this IAL respectively.

Furthermore, all shareholders of HYB are entitled to participate in the Proposed Rights Issue with Warrants on the same terms and basis.

7.2 Evaluation of the exercise price of the Warrants

As set out in Section 2.3, Part A of the Circular, the exercise price of the Warrants shall be determined and announced by the Board at a later date after the receipt of relevant approvals but before the announcement of the Entitlement Date after taking into consideration, amongst others, the following:

- (i) the Warrants will be issued at no cost to the Entitled Shareholders and/ or their renounce(s) who successfully subscribe for the Rights Shares;
- (ii) the TERP of HYB Shares, which will be determined based on the five (5)-day VWAP of HYB Shares immediately preceding the price-fixing date; and
- (iii) the prevailing market conditions and market prices of HYB Shares.

We note that an indicative exercise price of RM0.30 per Warrant has been adopted for illustration purposes in Part A of the Circular. We have evaluated the indicative exercise price based on the relevant TERP derived from the respective closing price/VWAP of the HYB Shares as set out below:

	Closing price/VWAP (RM)	TERP based on the indicative exercise price of RM0.30 (RM)	Premium of the indicative exercise price of RM0.30 over the TERP	
			(RM)	(%)
Up to the LPD:				
Last traded price	0.200	0.196	0.104	53.06
Five (5)-day VWAP	0.195	0.192	0.108	56.25
One (1)-month VWAP	0.196	0.193	0.107	55.44
Three (3)-month VWAP	0.211	0.205	0.095	46.34
Six (6)-month VWAP	0.225	0.216	0.084	38.89
Twelve (12)-month VWAP	0.262	0.246	0.054	21.95

Based on the table above, we note that the indicative exercise price of RM0.30 per Warrant represents:

- (i) a premium of 53.06% over the TERP based on the last traded price of HYB Shares as at the LPD; and
- (ii) a premium ranging from 21.95% to 56.25% over the TERP based on the five (5)-day, one (1)-month, three (3)-month, six (6)-month and twelve (12)-month VWAP up to the LPD.

Based on the above, the holders of the Warrants may have to pay a premium should they wish to immediately exercise their Warrants into HYB Shares upon completion of the Proposed Rights Issue with Warrants. Nevertheless, it should also be noted that the indicative exercise price is purely for illustration purpose and the final exercise price of the Warrants will be determined and announced on the price-fixing date. Further, the premiums stated above are variable figures and may increase or decrease, depending on the final exercise price of the Warrants and the TERP of HYB Shares.

We have also derived the theoretical fair value of the Warrants based on the Trinomial option pricing model. The parameters used for the calculation of the theoretical fair value of the Warrants include, amongst others, the following:

- (i) exercise period of five (5) years;
- (ii) indicative exercise price of RM0.30 per Warrant;
- (iii) underlying price of HYB Shares of RM0.192 being the TERP of the HYB Shares based on the five (5)-day VWAP of the HYB Shares up to and including the LPD;
- (iv) the historical volatility of the underlying existing HYB Shares of 25.50% based on a period of twelve (12) months up to the LPD, as extracted from Bloomberg; and
- (v) the expected risk-free interest rate of 3.79%, based on the yield of five (5)-year Malaysian Government Securities as at the LPD.

Based on the parameters above, the theoretical value of the Warrants is set out below:

	RM
Illustrative theoretical value of the Warrants	
(a) Intrinsic value	-
(b) Time value	0.026
	0.026

Non-interested shareholders of HYB should note that the abovementioned theoretical value of the Warrants may not reflect the actual market price of the Warrants to be traded upon listing on Bursa Securities. The Warrants will be immediately detached from the Rights Shares upon issuance and will be traded separately. As the Warrants will be given free to the Entitled Shareholders and/or their renounees who subscribe for the Rights Shares, the recipients of such free Warrants may choose to either:

- (i) retain the Warrants and eventually exercise into new HYB Shares: or
- (ii) dispose of the Warrants after listing on Bursa Securities,

at any time during the exercise period of the Warrants.

The free Warrants attached to the Rights Shares would provide incentive for the Entitled Shareholders to subscribe for their respective entitlements while providing them with potential for capital appreciation. Based on the theoretical value of RM0.026 per Warrant, the Warrants, if realised for a value, would reduce the effective cost of investing in the Rights Shares as the Warrants shall be issued for free, that is at no cost to the Entitled Shareholders pursuant to the Proposed Rights Issue with Warrants. On the basis of one (1) free Warrant for every one (1) Rights Share subscribed, the theoretical value of RM0.026 per Warrant shall translate to a theoretical reduction of the same amount in every Rights Share subscribed.

The theoretical value of the Warrants adds to the discount of the indicative issue price of the Rights Shares which translate to a total discount of approximately RM0.038 or 19.79% to the TERP of RM0.192, based on five (5)-day VWAP of HYB Shares up to and including the LPD. Further, the subsequent exercise of the Warrants will strengthen the shareholders' funds of HYB.

Should the non-interested shareholders of HYB vote in favour of the Proposed Exemption, HYB would be able to proceed with the Proposed Rights Issue with Warrants and the non-interested shareholders of HYB would be able to subscribe for the Rights Shares at a discount and at the same time enjoy the benefits of the Warrants as mentioned above. The non-interested shareholders of HYB should also note that in the event that such Warrants are disposed of and not subsequently repurchased, they may not be able to maintain their shareholding percentage in the event that other Warrant holders exercise their Warrants.

We are of the view that the above basis of arriving at the final exercise price of the Warrants to be determined by the Board is justifiable as the Warrants are to be issued for free to the Entitled Shareholders who successfully subscribe for the Rights Shares. Nevertheless, the non-interested shareholders of HYB should take note that the actual premium or discount to the TERP can only be determined after both the final issue price of the Rights Shares and the final exercise price of the Warrants have been determined by the Board at a later date. The non-interested shareholders of HYB should also take note that there can be no assurance that an active market for the Warrants will develop and continue to develop upon the completion of the Proposed Rights Issue with Warrants or, if developed, that such market can be or will be sustained.

However, the other Entitled Shareholders should take note that should they decide not to subscribe for the Rights Shares, their percentage of shareholdings in the Company will be diluted accordingly. The dilutive effect on the collective shareholdings of the non-interested shareholders of HYB from 67.42% to 53.93% would cause a significant transfer of value in the form of:

(i) Rights Shares

- (a) a discount ranging from 6.25% to 26.83% to the TERP based on the five (5)-day, one (1)-month, three (3)-month, six (6)-month and twelve (12)-month VWAP up to the LPD; and
- (b) discounts of 85.25% to the audited NA per HYB Share as at 31 March 2022, based on the indicative issue price of RM0.18 per Rights Share; and

(ii) Warrants

- (a) a premium ranging from 21.95% to 56.25% over the TERP based on the five (5)-day, one (1)-month, three (3)-month, six (6)-month and twelve (12)-month VWAP up to the LPD based on the indicative exercise price of RM0.30 per Warrant;

from the non-participating shareholders to the participating shareholders and it is detrimental to the interest of shareholders who do not subscribe for the Proposed Rights Issue with Warrants. Entitled Shareholders who do not take up the Rights Shares will have the opportunity to sell the rights entitlements in the market. However, the price of the rights entitlement may not trade at the intrinsic value of the Rights Shares.

8. EFFECTS OF THE PROPOSALS

The Proposed Exemption, on a standalone basis, will not have any effects on the issued share capital, NA, NA per Share, gearing, earnings and EPS of the Group as well as the substantial shareholders' shareholdings in the Company. However, the Proposed Rights Issue with Warrants, which is inter-conditional with the Proposed Exemption, would have an effect on the issued share capital, the NA, NA per Share, gearing, earnings and EPS of the Group and the substantial shareholders' shareholdings in the Company.

We take cognisance of the effects of the Proposed Rights Issue with Warrants as detailed in Section 7, Part A of the Circular and set out below are our comments on the pro forma effects thereon.

8.1 Issued share capital

The pro forma effects of the Proposed Rights Issue with Warrants on the issued share capital of HYB, as extracted from Section 7.1 of Part A of the Circular, are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Share capital as at the LPD	352,000,000	352,000,000	352,000,000	352,000,000
Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants	39,339,998	7,081,200 ⁽¹⁾	88,000,000	15,840,000 ⁽¹⁾
	391,339,998	359,081,200	440,000,000	367,840,000
Shares to be issued arising from the full exercise of Warrants	39,339,998	11,801,999 ⁽²⁾	88,000,000	26,400,000 ⁽²⁾
Enlarged share capital	430,679,996	370,883,199	528,000,000	394,240,000

Notes:

(1) Computed based on the indicative issue price of RM0.18 per Right Share.

(2) Computed based on the indicative exercise price of RM0.30 per Warrant.

8.2 NA and gearing

The pro forma effects of the Proposed Rights Issue with Warrants on the NA and gearing of the Group based on the latest audited consolidated financial statements of the Company as at 31 March 2022, is illustrated in Section 7.2 of Part A of the Circular and summarised as follows:

Minimum Scenario

	Audited as at 31 March 2022 (RM'000)	(I) After the Proposed Rights Issue with Warrants (RM'000)	(II) After (I) and full exercise of Warrants (RM'000)
Shareholders' equity/NA	430,372	436,998	448,800
Total equity	456,953	463,579	475,381
No. of shares in issue	352,000	391,340	430,680
NA per Share (RM)	1.22	1.12	1.04
Total borrowings (RM'000)	253,087	251,087	251,087
Gearing (times)	0.59	0.57	0.56

Maximum Scenario

	Audited as at 31 March 2022 (RM'000)	(I) After the Proposed Rights Issue with Warrants (RM'000)	(II) After (I) and full exercise of Warrants (RM'000)
Shareholders' equity/NA	430,372	445,757	472,157
Total equity	456,953	472,338	498,738
No. of shares in issue	352,000	440,000	528,000
NA per Share (RM)	1.22	1.01	0.89
Total borrowings (RM'000)	253,087	249,087	249,087
Gearing (times)	0.59	0.56	0.53

8.3 Earnings and EPS

The Proposed Rights Issue with Warrants will result in an immediate dilution in the Company's consolidated EPS as a result of the increase in the number of HYB Shares in issue upon completion of the Proposed Rights Issue with Warrants. The extent of immediate dilution of the EPS, if any, is dependent on the actual number of Rights Shares to be issued. Assuming there are no changes to the audited PAT of HYB for FYE 31 March 2022, the potential dilution of the EPS is illustrated in the table below:

Minimum Scenario

	Audited FYE 31 March 2022 (RM'000)	(I) After the Proposed Rights Issue with Warrants (RM'000)	(II) After (I) and full exercise of Warrants (RM'000)
PAT attributable to the owner of the Company	1,526	1,526	1,526
No. of shares in issue ('000)	352,000	391,340	430,680
EPS (sen)	0.43	0.39	0.35

Maximum Scenario

	Audited FYE 31 March 2022 (RM'000)	(I) After the Proposed Rights Issue with Warrants (RM'000)	(II) After (I) and full exercise of Warrants (RM'000)
PAT attributable to the owner of the Company	1,526	1,526	1,526
No. of shares in issue ('000)	352,000	440,000	528,000
EPS (sen)	0.43	0.35	0.29

However, we note from Section 4, Part A of the Circular that the proceeds from the Proposed Rights Issue with Warrants will be used for the repayment of bank borrowings, the acquisition of a new landbank, joint venture and investments and working capital of the Group, which are expected to contribute positively to the future profitability of the Group.

8.4 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Rights Issue with Warrants on the substantial shareholders' shareholdings are set out in Section 7.3, Part A of the Circular.

Under the Minimum Scenario which assumes only the Undertaking Shareholders subscribe for the Rights Shares pursuant to the Undertakings and none of the other Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue with Warrants, the collective shareholding of HHSB and its PACs in HYB will increase from 32.58% to 44.91% after the exercise of the Warrants. Under such scenario, if other Entitled Shareholders decide not to subscribe for their entitlements pursuant to the Proposed Rights Issue with Warrants, their percentage shareholdings would be diluted accordingly. The collective shareholdings of the other Entitled Shareholders could potentially decrease from 67.65% to 55.09%.

However, under the Maximum Scenario which assumes all of the Entitled Shareholders fully subscribe for their respective entitlements under the Proposed Rights Issue with Warrants, the collective shareholding of HHSB and its PACs in HYB will remain at 32.58% after the exercise of the Warrants. Consequently, the collective shareholdings of the other Entitled Shareholders would also remain at 67.42%.

The other Entitled Shareholders should take note that should they decide not to subscribe for the Rights Shares, they will not be entitled to the free Warrants and their percentage of shareholdings in the Company will be diluted accordingly. Depending on the eventual subscription rate of the Rights Shares by you, your collective shareholding could potentially be diluted from approximately 67.42% to approximately 53.93% under the maximum potential holdings scenario as disclosed in Section 10.1 of this IAL. You should note that these maximum potential holdings of HHSB and its PACs as indicated above are purely illustrative and may not materialise.

Premised on the evaluation above, we are of the view that the overall effects of the Proposals are not detrimental to the interest of the non-interested shareholders of HYB.

9. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS

We note the industry overview and prospects of the Group as set out in Section 6, Part A of the Circular.

9.1 Overview and outlook of the Malaysian economy

The Malaysian economy grew by 5.0% in the first quarter of 2022 (4Q 2021: 3.6%). Growth was supported mainly by higher domestic demand as economic activity continued to normalise with the easing of containment measures. The improvement also reflects the recovery in the labour market and continued policy support. In addition, strong external demand, amid the continued upcycle in global technology, provided a further lift to growth. In terms of economic activity, the services and manufacturing sectors continued to drive growth. On a quarter-on-quarter seasonally-adjusted basis, the economy registered an increase of 3.9% (4Q 2021: 4.6%).

Key economic sectors expanded in the first quarter of 2022. The services sector grew by 6.5% (4Q 2021: 3.2%). Consumer-related activities continued to recover amid the reopening of the economy. This was reflected in stronger growth in the retail and leisure-related subsectors. The strong expansion was also seen in business-related activities, including transport and storage, real estate, business services and private healthcare. Growth in the information and communication subsector provided further support amid greater coverage of 4G services as well as sustained demand for data communications services, particularly for e-commerce and e-payment activities.

The Malaysian economy is expected to improve further in 2022, underpinned by stronger domestic demand, continued expansion in external demand and improving labour market. Going forward, growth would continue to benefit from the easing of restrictions and reopening of international borders. Furthermore, investment activities are also projected to improve, supported by the realisation of multi-year projects.

However, the risks to Malaysia's growth prospects remain. These include a weaker-than-expected global growth, further escalation of geopolitical conflicts, worsening supply chain disruptions, adverse developments surrounding COVID-19 and heightened financial market volatility.

For 2022, in an environment of high input costs and improving demand, headline inflation is projected to average between 2.2% and 3.2%. Underlying inflation, as measured by core inflation, is also expected to trend higher during the year, averaging between 2.0% to 3.0%. Several key factors are expected to partly contain upward pressure on prices, namely the existing price control measures and the continued spare capacity in the economy. Nonetheless, the inflation outlook remains subject to commodity price developments, arising mainly from the military conflict in Ukraine and prolonged supply-related disruptions. The outlook is also contingent on domestic policy measures on administered prices.

(Source: The BNM Quarterly Bulletin: First Quarter 2022)

9.2 Overview and outlook of the construction industry

The Malaysian construction industry grew by an estimated 1.5% in real terms in 2021, following an annual decline of 19.4% in 2020. The industry's output in 2021 was supported by an improvement in wider economic activity and more favorable external demand. Despite remaining stable in the first half of last year, construction activities plummeted in the third quarter of 2021, due to weakness in civil engineering, residential and non-residential building construction activity.

As a result, the Malaysian construction industry contracted by 2.6% year on year in the first three quarters of 2021, according to the Department of Statistics Malaysia. The industry is expected to have registered positive growth in the final quarter of 2021, supported by a fall in Coronavirus infections and the subsequent relaxation of restrictions. However, severe flooding towards the end of Q4 2021 may slow growth in early Q1 2022.

GlobalData expects the Malaysian construction industry to expand by 16.5% this year, supported by further improving economic conditions, the government's focus on completing large infrastructure projects, and increased investment on industrial and energy projects.

In December 2021, the Malaysian parliament passed the government's budget for 2022, approving an expenditure of RM332.1 billion. The budget includes an allocation of RM75.6 billion for development expenditure, as well as a number of incentives to improve employment rates and support businesses.

The construction industry is expected to register an annual average growth of 6.2% between 2023 and 2026, driven by investment in large-scale transport and energy projects. In September 2021, the government announced its plan to establish the Public Private Partnership 3.0 model, a specialized mechanism to fund infrastructure projects in the 12th Malaysia plan (“**12MP**”) between 2021 and 2025.

In June 2021, the government unveiled its energy transition plans until 2040, aiming to increase the proportion of renewable energy in the total energy mix from 2% in 2019, to 31% by 2025 and 40% by 2035. As part of the 12MP, the government announced its goal of developing 120 cities to achieve sustainable city status by 2025, by providing additional support to private sector projects implementing strategic development programmes. The government also intends to construct 500,000 affordable houses by 2025.

(Source: Department of Statistics Malaysia, <https://www.dosm.gov.my>)

9.3 Overview and outlook of the property industry

Some improvements in housing market activity were visible heading into 2022, although the number of unsold houses remained high. Disruptions caused by the pandemic partly contributed to the slower clearance of unsold housing stock. Nonetheless, the high number of unsold houses continues to reflect pre-existing affordability issues. This has worsened since the onset of the pandemic amid some weakening in income. Supply-side adjustments have continued with more housing launches shifting towards lower and mid-price market segments. However, broader reforms to improve housing affordability remain critical to contain the debt burden of households and mitigate risks of future financial hardship. In the commercial real estate (“**CRE**”) sector, the shift towards flexible working arrangements and accelerated pace of digitalisation arising from the pandemic will continue to transform how physical spaces are utilised. These trends could exacerbate existing oversupply concerns in selected CRE segments such as office and retail spaces. Direct linkages between the CRE sector and financial system are largely contained, thereby substantially mitigating risks to financial stability. However, further progress in resolving excess supply remains important given the high multiplier effects of the construction sector to the broader economy. Large planned incoming supply of office and retail spaces continues to pose risks.

(Source: BNM: Financial Stability Second Half 2021)

9.4 Future prospects of HYB Group

Whilst the Group has seen an improvement in the 2022 business environment thus far, the management views the future prospects of HYB Group will be challenging, affected by the high raw material costs, which have increased between 10% to 30% with steel being the most volatile, as well as labour constraints caused by the pandemic overhang and geopolitical conflict. Notwithstanding this, the property development market has seen a pick-up in volume of residential transactions since the last quarter of 2021, due to the HOC (Home Ownership Campaign) 2020-2021, which has continued on to the first quarter of 2022.

Overall, the management of HYB is cautiously optimistic of the property market's prospects and anticipates property sales growth to accelerate as the economy grows, coupled with incentives and packages offered by developers in the market to entice homebuyers during soft market conditions.

The Ministry of Housing and Local Government and the Ministry of Finance launched the i-Biaya initiative in April 2022, as part of the government's efforts to facilitate housing loans to the M40 and B40 low-income groups. This is in line with the Group's strategy focus, which is on the development of new affordable housing, particularly for mid-market homes, catering to the needs of all Malaysians and meeting current and future housing demands.

Notwithstanding the above, the utilisation of the proceeds to be raised from the Proposed Rights Issue with Warrants for the repayment of bank borrowings would also strengthen the Group's financial position and capital base through reduced gearing level, as well as the improved pro forma NA, which would improve the HYB Group's credit rating and debt capacity. This will allow the HYB Group to be in a better financial footing to compete for additional contracts, as well as for any potential investment opportunities which will enhance its competitiveness and expand its market presence.

Nonetheless, we wish to highlight that the future plans and strategies undertaken and/or to be undertaken by the Board are subject to uncertainties which are not within the Board's control such as changes in market conditions, changes in Government policies, changes in interest rates and changes in the global economic conditions. The occurrence of any of such events may materially impact the Group's operations and affect the HYB Group's ability to implement the plans within the intended timeframe or such plans may not achieve the expected results.

10. IMPLICATIONS OF THE PROPOSED EXEMPTION

The non-interested shareholders of HYB should note that the SC will only consider the application for the Proposed Exemption if HHSB and its PACs have satisfied, amongst others, the following conditions pursuant to subparagraph 4.08(2) of the Rules:

- (i) there has been no acquisition of shares or instruments convertible into shares and options in respect of shares (other than subscriptions for new shares or new instruments convertible into or options in respect of new shares which have been disclosed in the whitewash circular) by HHSB and its PACs in the six (6) months prior to the announcement of the Proposals but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Rights Issue with Warrants until completion of the subscription (i.e. from 10 June 2022 up to the completion of the subscription) ("**Disqualifying Transaction**"); and
- (ii) approval has been obtained from independent holders of voting shares or voting rights of HYB at a meeting of the holders of the relevant class of voting shares or voting rights to waive their rights to receive the Mandatory Offer from HHSB and its PACs. The voting at the meeting shall be conducted by way of a poll.

Any exemption granted will be invalidated if HHSB and/or its PACs have engaged or engages in a Disqualifying Transaction.

The implications of the non-interested shareholders' votes on the Proposed Exemption to be tabled at the forthcoming EGM are set out in the ensuing sections.

10.1 If the non-interested shareholders of HYB vote in favour of the Proposed Exemption

Should you **vote in favour** of the Proposed Exemption, the SC would be able to consider the application for the Proposed Exemption. The approval from the SC for the Proposed Exemption would then exempt HHSB and its PACs from the obligation to undertake the Mandatory Offer.

For illustrative purpose only, the effect of the Proposed Rights Issue with Warrants and Proposed Exemption on the shareholdings of HHSB and its PACs in HYB are as follows:

Maximum potential holdings of HHSB and its PACs

	As at LPD				After Proposed Rights Issue with Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁴⁾
HHSB	112,089,294	31.84	-	-	199,638,184	45.37	-	-
Chew Po Sim	-	-	112,089,294 ⁽¹⁾	31.84	-	-	199,638,184 ⁽¹⁾	45.37
Ho Min Yi	-	-	112,089,294 ⁽¹⁾	31.84	-	-	199,638,184 ⁽¹⁾	45.37
Ho Wen Yan	1,804,440	0.51	112,089,294 ⁽¹⁾	31.84	2,255,550	0.51	199,638,184 ⁽¹⁾	45.37
Ho Wen Han	-	-	112,089,294 ⁽¹⁾	31.84	-	-	199,638,184 ⁽¹⁾	45.37
Ho Wen Fan	-	-	112,089,294 ⁽¹⁾	31.84	-	-	199,638,184 ⁽¹⁾	45.37
Chew Hoe Soon	393,554	0.11	809,920 ⁽²⁾	0.23	393,554	0.09	809,920 ⁽²⁾	0.18
Quah Peng Hwa	410,810	0.12	-	-	410,810	0.10	-	-
Total	114,689,098	32.58			202,698,098	46.07		

Notes:

- (1) Deemed by virtue of his/her shareholdings in HHSB pursuant to section 8 of the Act.
- (2) Deemed interested by virtue of his spouse's and children's shareholdings in HYB, by virtue of the provisions of section 59 of the Act.
- (3) Based on the existing issued share capital comprising 352,000,000 HYB Shares.
- (4) Based on the enlarged issued share capital comprising 440,000,000 HYB Shares after the Proposed Rights issue with Warrants.

The maximum potential holdings of HHSB and its PACs in HYB illustrated above is based on the following assumptions:

- (i) Only the Undertaking Shareholders (namely HHSB and Ho Wen Yan) subscribe for their respective Rights Shares entitlements pursuant to the Entitlement Undertakings, and none of the other Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue with Warrants; and
- (ii) HHSB elects to subscribe for all the remaining unsubscribed Rights Shares not taken up by the other Entitled Shareholders, amounting to an aggregate of 48,660,002 Rights Shares.

Pursuant to subparagraph 4.01(a) of the Rules, a mandatory offer shall apply where the acquirer has triggered an acquisition which resulted in the acquirer to obtain control in the company, i.e. above 33%. HHSB and its PACs may therefore trigger such a mandatory offer obligation.

As illustrated above, HHSB and its PACs are the Company's controlling shareholders collectively holding 32.58% of the total number of the Company's issued shares as at the LPD. Assuming none of the other Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue with Warrants:

- (i) the shareholdings of HHSB in HYB would increase from 31.84% to 45.37% of the enlarged issued share capital of HYB under the maximum potential holding scenario; and
- (ii) the shareholdings of the HHSB and its PACs in HYB would increase from 32.58% to 46.07% of the enlarged issued share capital of HYB under the maximum potential holding scenario.

Accordingly, there would be a trigger of mandatory offer obligation individually by HHSB and collectively with its PACS upon completion of the Proposed Rights Issue with Warrants pursuant to subparagraph 4.01(a) of the Rules.

The shareholding limit to be established for the exemption sought by HHSB and its PACs from the obligation to undertake a Mandatory Offer will be based on the actual number and percentage of voting rights that HHSB and its PACs will hold individually or collectively upon issuance of the Rights Shares ("**Shareholding Limit**"). The Proposed Exemption will not apply to the exercise of the Warrants. If HHSB and its PACs breach the Shareholding Limit, they would be obliged to observe the requirement of the Rules.

In the event HHSB and/or its PACs acquire additional voting shares or voting rights in HYB subsequent to the Proposed Exemption, by reference to the Shareholding Limit, and the shareholding of HHSB is more than 33% but less than 50%, HHSB and its PACs would need to comply with subparagraph 4.01(b) of the Rules if their shareholding increase by more than two percent (2%) in any six (6) months period, unless an exemption is obtained under the Rules.

Should the Proposed Exemption be approved, the non-interested shareholders of HYB would be waiving their rights to a general offer from HHSB and its PACs at the issue price of the Rights Shares or the highest price paid by them for the HYB Shares in the six (6) months preceding such time when the Mandatory Offer obligation is triggered. HHSB will be able to subscribe for the Rights Shares at the same price as the non-interested shareholders of HYB and increase their shareholdings in HYB without the obligation to undertake the Mandatory Offer. HHSB and its PACs will also be able to gain control of HYB at a discount without a premium being paid to the non-interested shareholders of HYB.

In view of the issuance of the Warrants pursuant to the Proposed Rights Issue with Warrants, the non-interested shareholders of HYB should note that they could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the exercise of the Warrants into new HYB Shares.

In addition, should the Proposed Exemption be approved by the non-interested shareholders of HYB, it does not in any way impede the rights of the Entitled Shareholders and/or their renounees to participate in the Proposed Rights Issue with Warrants on the same terms as all shareholders. However, should the other Entitled Shareholders decide not to subscribe for their entitlements pursuant to the Proposed Rights Issue with Warrants, their percentage shareholdings would be diluted accordingly. Based on the above, the collective shareholding of HHSB and its PACs in HYB could potentially increase from approximately 32.58% to approximately 46.07% and conversely, your collective shareholding could potentially be diluted from approximately 67.42% to approximately 53.93%. Assuming the full exercise of the Warrants held by HHSB and its PACs, their shareholdings will increase from approximately 46.07% to 55.05%. Therefore, HHSB and its PACs will have statutory control over HYB and as such, will be able to determine the outcome of ordinary resolutions which require a simple majority of 50% plus one (1) share at general meetings (unless HHSB and its PACs are required to abstain from voting). Furthermore, HHSB and its PACs will be able to significantly influence the outcome of any special resolution which requires a majority of 75% tabled at general meetings (unless HHSB and its PACs are required to abstain from voting). You should note that these maximum potential holdings of HHSB and its PACs as indicated above are purely illustrative and may not materialise.

In view of the inter-conditionality of the Proposed Rights Issue with Warrants and Proposed Exemption as set out in Section 9, Part A of the Circular, without the Proposed Exemption, the Proposed Rights Issue with Warrants will not proceed. Therefore, voting in favour of the Proposed Exemption will enable HYB to benefit from the Proposed Rights Issue with Warrants, should the Proposed Rights Issue with Warrants be approved by the shareholders of HYB.

10.2 If the non-interested shareholders of HYB vote against the Proposed Exemption

In the event that the non-interested shareholders of HYB **vote against** the Proposed Exemption and the Proposed Exemption is not approved at the EGM, the SC would not be able to consider the application by HHSB and its PACs for the Proposed Exemption.

The Proposed Rights Issue with Warrants will not be implemented due to their inter-conditionality with the Proposed Exemption. Consequently, HYB will not be able to realise the potential benefits from the Proposed Rights Issue with Warrants as detailed in Section 14 of this IAL. As at the LPD, other than the Proposed Rights Issue with Warrants, the Board has yet to determine other alternatives of fund raising in the event the Proposed Exemption is not approved.

11. DECLARATIONS AND CONFIRMATIONS

Pursuant to Schedule 2: Part II of the Rules, the following declarations have been made in respect of the Proposed Exemption as at LPD:

11.1 Declarations by HHSB and its PACs

- (i) HHSB and its PACs do not intend to:
 - (a) effect any major changes to the continuation of the business of the HYB Group;
 - (b) effect any major changes to the existing business activities of the HYB Group, including any plans to liquidate any of the companies within the Group, sell the assets or re-deploy the fixed assets of the HYB Group or make any other major changes in the structure of the HYB Group; and
 - (c) effect any major changes to the continued employment of the employees of the HYB Group or its employment policies,

except where such changes are considered by the HYB Group to be necessary to improve amongst others, its business, profitability, operation and/or market position and in the best interest of the HYB Group. HHSB and its PACs shall at any time consider any options which are in the best interest of the HYB Group;
- (ii) HHSB and its PACs' commercial justification for the Proposed Exemption is to ensure the completion of the Proposed Rights Issue with Warrants, without HHSB and its PACs having to undertake a take-over offer;
- (iii) There is no agreement, arrangement or understanding that exists between HHSB or its PACs and any of the Directors or recent directors of HYB, holders of voting shares or voting rights or recent holders of voting shares or voting rights of HYB having any connection with or dependence upon the Proposed Rights issue with Warrants;
- (iv) HHSB and its PACs do not have any arrangement with any person including any arrangement involving rights over HYB Shares, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to HYB Shares which may be an inducement to deal or refrain from dealing;
- (v) As at the LPD, there have not been, within the knowledge of HHSB and its PACs, any material changes in the financial position or prospects of HYB since 31 March 2022, being the latest audited consolidated financial statements of HYB;
- (vi) HHSB and its PACs have not borrowed or lent any HYB Shares; and
- (vii) HHSB and its PACs have not dealt in HYB Shares during the period of six (6) months prior to 10 June 2022, being the date of the announcement of the Proposals and up to the LPD.

Having considered the above confirmations and barring unforeseen circumstances, there will not be any major disruption to the operations of the HYB Group's business. Furthermore, the above confirmations and the undertakings by HHSB and its PACs their commitment and confidence in the prospects of the HYB Group.

11.2 Declarations by the Board

- (i) As at the LPD, save for disclosed below, the Directors do not have any interest (direct and indirect) in HYB Shares. Their intention to vote in relation to the Proposed Exemption is as follows:

Name	<----- Direct ----->		<----- Indirect ----->		Intention to vote
	No. of HYB Shares	% ⁽⁴⁾	No. of HYB Shares	% ⁽⁴⁾	
Tan Sri Dato' Seri Dr. Ting Chew Peh	391,110	0.11	336,274 ⁽¹⁾	0.10	Vote in favour
Ho Wen Yan	1,804,440	0.51	112,089,294 ⁽²⁾	31.84	Abstain
Dato' Tan Bing Hua	70,221	0.02	200,000 ⁽¹⁾	0.06	Vote in favour
Chew Po Sim	-	-	112,089,294 ⁽²⁾	31.84	Abstain
Chew Hoe Soon	393,554	0.11	809,920 ⁽³⁾	0.23	Abstain
Ho Wen Fan	-	-	112,089,294 ⁽²⁾	31.84	Abstain

Notes:

- (1) Deemed interest by virtue of the shareholdings of his spouse pursuant to section 59 of the Act.
- (2) Deemed by virtue of his/her shareholdings in HHSB pursuant to section 8 of the Act.
- (3) Deemed interest by virtue of the shareholdings of his spouse and children pursuant to section 59 of the Act.
- (4) Based on the existing issued share capital comprising 352,000,000 HYB Shares.

As set out in Section 10, of Part A of the Circular, the Interested major Shareholders and Interested Directors are deemed interested in the Proposals. Accordingly, they will abstain and will undertake to ensure that persons connected with them (if any) will abstain from all deliberations and voting at Board meetings pertaining to the Proposals and voting in respect of their shareholdings in HYB on the ordinary resolutions pertaining to the Proposals to be table at the forthcoming EGM.

- (ii) Neither HYB nor its subsidiary has any service contracts with any directors of HYB, which have been entered into or amended within six (6) months prior to the announcement of the Proposals or which are fixed term contracts with more than twelve (12) months to run;
- (iii) There are no payments or benefits which will be made or given to any Director of HYB as compensation for loss of office or otherwise in connection with the Proposals;

- (iv) There is no agreement or arrangement between any Director of HYB and any other person which is conditional on or dependent upon or otherwise connected with the outcome of the Proposals; and
- (v) There are no material contract entered into by HHSB or its PACs in which any Director of HYB has a material personal interest.

12. DIRECTORS' RESPONSIBILITY STATEMENT

This IAL has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of all information stated in this IAL. The Board, after having made all reasonable enquiries and to the best of their knowledge and belief, confirms the following:

- (i) no statement and/or information in this IAL is incomplete, false, misleading or inaccurate;
- (ii) there are no other facts and/or information, the omission of which would make any statement or information in this IAL incomplete, inaccurate, false or misleading; and
- (iii) all material facts and/or information relevant to this IAL, including those required under the Rules, have been accurately and completely disclosed in this IAL.

All information relating to HHSB and its PACs were provided by HHSB and its PACs respectively. The responsibility of the Board in relation to the information on HHSB and its PACs is therefore limited to ensure that the information thereon is accurately reproduced in this IAL.

In relation to the independent advice and opinion of MainStreet in relation to the Proposals as contained in this IAL, the Board's responsibility is limited to the accuracy of the information given to MainStreet in relation to HYB for MainStreet's evaluation of the Proposals. The Board has confirmed that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no other facts and/or information, the omission of which would make any information provided to MainStreet incomplete, inaccurate, false or misleading.

13. FURTHER INFORMATION

The non-interested shareholders of HYB are advised to refer to Part A of the Circular as well as the attached appendices for further information.

14. CONCLUSION AND RECOMMENDATION

You should carefully consider the merits and demerits of the Proposals based on all relevant and pertinent factors including those set out in this IAL as well as those highlighted by your Board in its letter to you in relation to the Proposals as set out in Part A of the Circular before voting on the ordinary resolution in respect of the Proposed Exemption at the forthcoming EGM.

In arriving at our conclusion and recommendation on the Proposals, we have taken into consideration various factors discussed in this IAL of which the advantages and disadvantages of the Proposals, if granted, are summarised as below:

Advantages	
(i)	<p>The Proposed Rights Issue with Warrants and Proposed Exemption are inter-conditional. As such, voting in favour of the Proposed Exemption facilitates the implementation of the Proposed Rights Issue with Warrants, which will in turn enable the HYB Group to realise the potential advantages arising from the Proposed Rights Issue with Warrants as follows:</p> <p>(a) strengthen the financial position and capital base of the HYB Group through reduced gearing level from 0.59 times to 0.57 times (under the Minimum Scenario) and 0.56 times (under the Maximum Scenario), as well as the improved NA from RM430.37 million to RM437.00 million (under the Minimum Scenario) and RM445.76 million (under the Maximum Scenario), upon completion of the Proposed Rights Issue with Warrants but prior to the exercise of the Warrants. Assuming full exercise of the Warrants, the gearing ratio will be further reduced to 0.56 times (under the Minimum Scenario) and 0.53 times (under the Maximum Scenario), as well as an increase in NA to RM448.80 million (under the Minimum Scenario) and RM472.16 million (under the Maximum Scenario). This would result in lower gearing, improved NA base, greater financial flexibility via reduced interest payments, as well as reduced exposure to interest rate fluctuations; and</p> <p>(b) provide an opportunity to you to participate in equity offering in the Company on a pro-rata basis without diluting shareholders' equity interest in HYB (provided that you subscribe in full for their respective entitlement of the Rights Shares). The proceeds from the Proposed Rights Issue with Warrants are expected to contribute positively to the future earnings of the HYB Group, as part of the proceeds will be utilised towards reducing the HYB Group's borrowings and thereby reducing the HYB Group's finance cost. Based on the latest audited FYE 31 March 2022, the finance cost of the HYB Group is RM9.26 million. The proceeds will also be utilised for the acquisition of a new landbank, joint venture and investments, which may contribute positively to the earnings of the HYB Group in the future.</p>
(ii)	<p>you would be able to subscribe for the Rights Shares at the issue price with discount of up to 30% to the TERP and be entitled to free Warrants. The indicative issue price of RM0.18 represents a discount of 8.16% to the TERP based on the closing market price of HYB Shares as at the LPD and discounts ranging from 6.25% to 26.83% to the TERP based on the five (5)-day, one (1)-month, three (3)-month, six (6)-month and twelve (12)-month VWAP of HYB Shares up to the LPD.</p>
(iii)	<p>The free Warrants attached to the Rights Shares will provide an added incentive to you to subscribe for the Rights Shares. Through the exercise of the Warrants, you will be able to further increase their equity participation in HYB while also providing additional funds to the HYB Group for additional working capital to finance the Group's Day to day operations. Alternatively, you have the option to monetise their Warrants via disposal in the open market.</p>

Advantages

- (iv) Pursuant to the Proposed Rights Issue with Warrants, the WACC of the HYB Group will decrease from 7.39% as at the LPD to 7.37% under the Equity Funding Scenario compared against 7.39% under the Debt Funding Scenario.

Disadvantages

- (i) Should you decide not to subscribe for your entitlements pursuant to the Proposed Rights Issue with Warrants, your percentage shareholdings will be diluted accordingly. Depending on the eventual subscription rate of the Rights Shares by you, the collective shareholding of HHSB and its PACs in HYB could potentially increase from approximately 32.58% to approximately 46.07% and conversely, your collective shareholding could potentially be diluted from approximately 67.42% to approximately 53.93%. You should note that these maximum potential holdings of HHSB and its PACs as indicated above are purely illustrative and may not materialise.

After the issuance of the Rights Shares and assuming full exercise of the Warrants, HHSB and its PACs will hold approximately 55.05% interest in HYB. Therefore, HHSB and its PACs will have statutory control over HYB and as such will be able to determine the outcome of ordinary resolutions which require a simple majority of more than half of the members of a company who are entitled to vote and do vote, whether in person or by proxy (if allowed) at general meetings (unless HHSB and its PACs are required to abstain from voting). Furthermore, HHSB and its PACs will be able to significantly influence the outcome of any special resolution which requires not less than three-fourths of the members of a company as being entitled so to vote in person or by proxy (if allowed) tabled at general meetings (unless HHSB and its PACs are required to abstain from voting).

- (ii) The Proposed Exemption could potentially allow HHSB and its PACs to increase control or obtain control in HYB at the issue price with a discount of up to 30% to the TERP and be entitled to free Warrants.
- (iii) The issuance of additional HYB Shares pursuant to the Proposed Rights Issue with Warrants and the subsequent exercise of the Warrants are expected to result in a dilution to the unaudited NA per HYB Share as at 31 March 2022 from RM1.22 to RM1.04 per HYB Share and RM0.89 per HYB Share under the Minimum Scenario and the Maximum Scenario respectively.

Premised on the factors discussed above and our evaluation of the Proposals based on the information made available to us, we are of the view that the Proposals are **FAIR** and **REASONABLE**.

Accordingly, we recommend that you **VOTE IN FAVOUR** of the resolutions in respect of the Proposals to be tabled at the forthcoming EGM.

However, the other Entitled Shareholders should take note that should they decide not to subscribe for the Rights Shares, their percentage of shareholdings in the Company will be diluted accordingly. The dilutive effect on the collective shareholdings of the non-interested shareholders of HYB from 67.42% to 53.93% as stated above would cause a significant transfer of value in the form of:

(i) Rights Shares

- (a) a discount ranging from 6.25% to 26.83% to the TERP based on the five (5)-day, one (1)-month, three (3)-month, six (6)-month and twelve (12)-month VWAP up to the LPD;
- (b) discounts of 85.25% to the audited NA per HYB Share as at 31 March 2022, based on the indicative issue price of RM0.18 per Rights Share; and

(ii) Warrants

- (a) a premium ranging from 21.95% to 56.25% over the TERP based on the five (5)-day, one (1)-month, three (3)-month, six (6)-month and twelve (12)-month VWAP up to the LPD based on the indicative exercise price of RM0.30 per Warrant;

from the non-participating shareholders to the participating shareholders and it is detrimental to the interest of shareholders who do not subscribe for the Proposed Rights Issue with Warrants. Entitled Shareholders who do not take up the Rights Shares will have the opportunity to sell the rights entitlements in the market. However, the price of the rights entitlement may not trade at the intrinsic value of the Rights Shares.

We have not taken into consideration any specific investment objective, financial situation or particular need of any individual non-interested shareholders of HYB. We recommend that any non-interested shareholders of HYB who require specific advice in relation to the Proposals in the context of their individual investment objectives, financial situation or particular needs, to consult their respective stockbrokers, investment advisers, accountants, solicitors or other professional advisers.

YOU ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

Yours faithfully,
MAINSTREET ADVISERS SDN BHD

Dato' Siow Kim Lun
Adviser

James Goh Chin Chai
Head, Corporate Finance

INFORMATION ON HYB

1. HISTORY AND PRINCIPAL ACTIVITIES

HYB was incorporated in Malaysia on 28 December 1978 under the Act as a private limited company under the name of Heng Po Sdn Bhd. It changed its name to Hua Yang Development Sdn Berhad on 10 March 1979. The Company then changed its name to Hua Yang Sdn Berhad on 4 September 2001 and subsequently converted into a public limited company on 12 September 2001 and assumed its present name. HYB was listed on the Main Board of Bursa Securities on 29 November 2002 and subsequently transferred to the Main Market of Bursa Securities after the Main Board and the Second Board of Bursa Securities were streamlined on 3 August 2009.

The principal activities of HYB are investment holding and property development whilst the principal activities of its subsidiaries are set out in Section 5 of this Attachment.

2. SHARE CAPITAL**2.1 Issued share capital**

The issued share capital of HYB as at the LPD is as follows:

Share capital	No. of HYB Shares (unit)	Amount (RM)
Issued	352,000,000	352,000,000

2.2 Changes in the issued share capital

Since the end of the FYE 31 March 2022 up to the LPD, there are no changes in HYB's issued share capital.

2.3 Convertible securities

The Company does not have any outstanding options, warrants or convertible securities as at the LPD.

3. SUBSTANTIAL SHAREHOLDERS

The shareholders of HYB holding five percent (5%) or more of the issued share capital and their shareholdings in the HYB Shares based on the announcements on Bursa Securities as at the LPD are as follows:

Name	<----- Direct ----->		<----- Indirect ----->	
	No. of HYB Shares	%	No. of HYB Shares	%
HHSB	112,089,294	31.84	-	-
Chew Po Sim	-	-	112,089,294 ⁽¹⁾	31.84
Ho Min Yi	-	-	112,089,294 ⁽¹⁾	31.84
Ho Wen Yan	1,804,440	0.51	112,089,294 ⁽¹⁾	31.84
Ho Wen Han	-	-	112,089,294 ⁽¹⁾	31.84
Ho Wen Fan	-	-	112,089,294 ⁽¹⁾	31.84

Note:

(1) Deemed interest by virtue of his/her substantial shareholdings in HHSB pursuant to section 8 of the Act.

INFORMATION ON HYB (Cont'd)

4. DIRECTORS AND THEIR SHAREHOLDINGS

The particulars of the Directors and their respective shareholdings in HYB as at the LPD are as follows:

Name	Address	Designation/ Nationality	<----- Direct ----->		<----- Indirect ----->	
			No. of HYB Shares	%	No. of HYB Shares	%
Tan Sri Dato' Seri Dr. Ting Chew Peh	No.1, Jalan SS2/13 47300 Petaling Jaya Selangor	Independent Non-Executive Chairman/ Malaysian	391,110	0.11	336,274 ⁽¹⁾	0.10
Ho Wen Yan	5, Lorong Taman Pantai Lima Bukit Pantai 59100 Kuala Lumpur Wilayah Persekutuan	Chief Executive Officer/ Executive Director/ Malaysian	1,804,440	0.51	112,089,294 ⁽²⁾	31.84
Dato' Tan Bing Hua	B27-01, Suasana Sentral Loft Jalan Stesen Sentral 5 50470 Kuala Lumpur Wilayah Persekutuan	Senior Independent Non-Executive Director/ Malaysian	70,221	0.02	200,000 ⁽¹⁾	35.14
Chew Po Sim	5, Lorong Taman Pantai Lima Bukit Pantai 59100 Kuala Lumpur Wilayah Persekutuan	Non-Independent Non-Executive Director/ Malaysian	-	-	112,089,294 ⁽²⁾	31.84
Chew Hoe Soon	No.45, Jalan SS24/12 Taman Megah 47301 Petaling Jaya Selangor	Executive Director/ Malaysian	393,554	0.11	809,920 ⁽³⁾	35.14
Y.A.M. Tengku Dato' Rahimah Binti Al-Marhum Sultan Mahmud	No. 1, Lorong Duta 4 Off Lorong Duta 2, Taman Duta 50480 Kuala Lumpur	Independent Non-Executive Director/ Malaysian	-	-	-	-

INFORMATION ON HYB (Cont'd)

Name	Address	Designation/ Nationality	<----- Direct ----->		<----- Indirect ----->	
			No. of HYB Shares	%	No. of HYB Shares	%
Ho Wen Fan	38 Shelford Road #01-04, Singapore 288431, Singapore Singapura	Alternate Director to Chew Po Sim/ Malaysian	-	-	112,089,294 ⁽²⁾	31.84

Notes:

- (1) Deemed interest by virtue of the shareholdings of his spouse pursuant to section 59 of the Act.
- (2) Deemed by virtue of his/her shareholdings in HHSB.
- (3) Deemed interest by virtue of the shareholdings of his spouse and children pursuant to section 59 of the Act.

INFORMATION ON HYB (Cont'd)

5. SUBSIDIARY AND ASSOCIATE COMPANIES

As at the LPD, HYB has no associate company. The details of the subsidiary companies of HYB are as follows:

Name of company	Country of incorporation	Principal activities	Effective equity interest %
<u>Subsidiary companies</u>			
Yoon Lian Realty Sendirian Berhad	Malaysia	Property development and acting as construction contractors	100
Daya Niaga Sdn Bhd	Malaysia	Trading of building materials	100
Grandeur Park Sdn Bhd	Malaysia	Property development	100
Prisma Pelangi Sdn Bhd	Malaysia	Property development	100
Agro-Mod Industries Sdn Bhd	Malaysia	Property development and provision of management services	100
Tinggian Development Sdn Bhd	Malaysia	Provision of management services and property development	100
Pembinaan Hua Yang Sdn Bhd	Malaysia	Building contractor	100
Johanjana Corporation Sdn Bhd	Malaysia	Operation of commercial properties under the "build, operate and transfer" agreements with local authorities	100
Bison Holdings Sdn Bhd	Malaysia	Property development	100
Prop Park Sdn Bhd	Malaysia	Property development	100
Sunny Mode Sdn Bhd	Malaysia	Property development and provision of management services	100
G Land Development Sdn Bhd	Malaysia	Property development	100
Grand View Realty Sdn Bhd	Malaysia	Property development	100
Huayang Ventures Sdn Bhd	Malaysia	Operating of restaurant, laundry mart and vending machine	100
Kajang Heights Development Sdn Bhd	Malaysia	Property development	70
Celestial Solar Farm Sdn Bhd	Malaysia	Provision of engineering, procurements, constructions, commissioning and consultancy service for solar PV system	100

INFORMATION ON HYB (Cont'd)

6. PROFIT AND DIVIDEND RECORD

The profit and dividend record of the HYB Group based on its audited consolidated financial statements for the FYE 31 March 2020, 2021 and 2022 are as follows:

	<----- Audited FYE 31 March ----->		
	2020 RM'000	2021 RM'000	2022 RM'000
<u>Income Statement</u>			
Revenue	279,614	159,560	120,188
Gross profit	73,404	23,026	49,230
(LBT)/PBT	(64,275)	(49,176)	7,710
(LAT)/PAT	(73,214)	(52,482)	1,433
Number of HYB Shares in issue ('000)	352,000	352,000	352,000
(LPS) / EPS ⁽¹⁾ (sen)	(20.78)	(14.89)	0.43
Total equity attributable to owners of the company / NA	488,409	440,006	430,372
NA per HYB Share ⁽²⁾ (RM)	1.39	1.25	1.22
Gearing ratio (times)	0.55	0.48	0.51
Net dividend per share	-	-	-

Notes:

(1) (LAT)/PAT attributable to the owners of the Company divided by the weighted average number of issued HYB Shares for the financial period under review.

(2) NA divided by the number of issued HYB Shares as at the end of the financial period under review.

There is no item, transaction or event of a material and unusual nature that has arisen in the periods under review in the audited consolidated financial statements of HYB for the past three (3) financial years up to the FYE 31 March 2022.

7. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of the Group based on its audited consolidated financial statements as at 31 March 2020, 31 March 2021 and 31 March 2022 are as follows:

	<----- Audited ----->		
	<----- 31 March ----->		
	2020 RM'000	2021 RM'000	2022 RM'000
Non-current assets			
Property, plant and equipment	14,569	12,407	9,915
Right-of-use assets	719	1,211	1,029
Investment properties	1,653	1,611	1,568
Intangible assets	16,782	16,252	17,646
Investment in an associate	74,595	60,705	-
Other investment	-	-	44,757
Inventories	448,180	587,450	580,122
Trade and other receivables	7,039	5,351	3,001
Cash and bank balances	3,641	8,100	8,239
Deferred tax assets	19,749	19,028	18,187
	586,929	712,117	684,464

INFORMATION ON HYB (Cont'd)

	<----- Audited ----->		
	<----- 31 March ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
Current assets			
Inventories	325,842	117,240	105,635
Contract assets	60,030	37,549	28,832
Contract costs	9,447	9,292	14,139
Other current assets	568	1,249	1,219
Trade and other receivables	53,240	34,419	39,819
Cash and bank balances	33,272	60,871	9,824
	482,398	260,620	199,468
Total assets	1,069,327	972,737	883,932
Non-current liabilities			
Trade and other payables	34,096	35,726	29,873
Deferred tax liabilities	35,265	34,850	33,883
Loans and borrowings	166,623	223,897	200,595
Lease liabilities	128	381	121
	236,113	294,854	264,472
Current liabilities			
Trade and other payables	139,787	136,092	104,947
Contract liabilities	21,772	3,517	-
Loans and borrowings	152,901	68,362	52,492
Lease liabilities	661	690	550
Current tax liabilities	7,188	6,799	4,518
	322,309	215,461	162,507
Total liabilities	558,421	510,316	426,979
Equity			
Share capital	352,000	352,000	352,000
Retained earnings	136,408	88,006	78,372
Equity attributable to owners of the Company	488,409	440,006	430,372
Perpetual sukuk	-	-	4,259
Non-controlling interests	22,497	22,415	22,322
Total equity	510,906	462,421	456,953
Total equity and liabilities	1,069,327	972,737	883,932

As at the LPD, save as disclosed in announcements made by HYB on Bursa Securities (including quarterly results of HYB), there is no known material change in the financial position or prospects of HYB subsequent to the latest audited consolidated financial statements for the FYE 31 March 2022.

Save as disclosed in announcements made by HYB on Bursa Securities (including quarterly results of HYB), within the knowledge of HHSB and its PACs, there has been no material change in the financial position or prospects of HYB since 31 March 2022.

INFORMATION ON HYB (Cont'd)

8. BORROWINGS

As at 31 May 2022, which is not more than three (3) months preceding the LPD, HYB Group has total outstanding borrowings of approximately RM252.12 million, which are as follows:

	RM'000
Long term borrowings	
Loans and borrowings	196,709
Lease liabilities	99
	196,808
Short term borrowings	
Loans and borrowings	54,831
Lease liabilities	484
	55,315
Total loans and borrowings	252,123

9. ACCOUNTING POLICIES

Based on the audited consolidated financial statements of HYB for FYEs 31 March 2020, 31 March 2021 and 31 March 2022, the financial statements have been prepared based on approved Malaysian accounting standards and there was no audit qualification for HYB's financial statements for the respective years under review.

There is no change in the accounting standards adopted by HYB which would result in variation in the comparable figures for the audited consolidated financial statements of HYB for the FYEs 31 March 2020 to 2022.

10. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**(i) Material commitments**

Save as disclosed below, as at the LPD, the Board confirms that there are no material capital commitments incurred or known to be incurred by HYB Group that have been provided for, which upon becoming due or enforceable, may have a material impact on the financial position or business of the Group:

	RM'000
<u>Approved and contracted for:</u>	
- Commitment to purchase land held for property development	4,055

(ii) Contingent liabilities

As at the LPD, there are no contingent liabilities which upon becoming due or enforceable may have material impact on the financial position or business of the Group.

INFORMATION ON HYB (Cont'd)

11. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, the Group is not engaged in any material litigation, claim and/or arbitration either as plaintiff or defendant, which may have a material effect on the financial position or business of the Group and the Board is not aware of any proceedings, pending or threatened, or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group:

- a) On 27 December 2017, HYB had entered into an agreement with Wong Ko Seen @ Wong Kow, Wong Yoon Tsy, Bio-Energy Technology Sdn Bhd, Ria Ketara Development Sdn Bhd, Apple Rainbow Sdn Bhd and E-Hong Holdings Sdn Bhd (the “**Vendors**”) to acquire 3,000,000 ordinary shares being 100% of the entire paid-up share capital of Kajang Heights Development Sdn Bhd (“**KHDSB**”) for a total cash consideration of RM70,000,000.00. The Company had given an undertaking to bear the Real Property Gain Tax (“**RPGT**”) liabilities, if any that may be imposed on the Plaintiffs. On 11 September 2020, the Plaintiffs received an Assessment Notice from the Inland Revenue Board on the outstanding RPGT of RM11,042,724.52 inclusive of penalty in respect of as regard to the Plaintiffs’ disposal of their shares in KHDSB to HYB.

On 6 April 2021, HYB received a Writ of Summons and Statement of Claim (“**Claim**”) served by the solicitors for the Plaintiffs seeking for the following reliefs:

- (i) special damages amounting to RM11,042,724.52;
- (ii) general damages to be quantified by the Court;
- (iii) interest of 5% per year on the said sum of RM11,042,724.52 to be calculated from the date of filing of the Claim until the date of full settlement;
- (iv) cost; and
- (v) exemplary damages to be assessed by the Court.

Upon receiving the Claim, the Company had appointed Shearn Delamore & Co. (“**SD**”) to defend the Company. Pursuant to SD’s legal advice that it was a misrepresentation by the Plaintiffs, the Company had decided to contest the Claim. The Company had submitted its Defence and Counterclaim on 4 May 2021 and the Plaintiffs filed their Reply and Defence to Counterclaim on 31 May 2021.

During the latest case management held on 8 November 2021, the trial dates have been fixed for 7 to 10 November 2022 and the parties are currently awaiting trial.

12. MATERIAL CONTRACTS

The Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) during the past two (2) years prior to the announcement of the Proposals on 10 June 2022 and up to the LPD.

INFORMATION ON HYB (Cont'd)

13. HISTORICAL MARKET PRICE OF HYB SHARES

The highest and lowest closing market prices and the closing price at the end of each month of the HYB Shares for the period commencing from December 2021 (being six (6) months before the announcement of the proposals on 10 June 2022) up to the LPD are as follows:

	High RM	Low RM	Closing market price as at the last Market Day of the month RM
<u>2021</u>			
December	0.265	0.250	0.265
<u>2022</u>			
January	0.265	0.245	0.250
February	0.260	0.245	0.250
March	0.255	0.225	0.250
April	0.265	0.240	0.250
May	0.265	0.240	0.255
June	0.260	0.195	0.200
July	0.210	0.190	0.200
August (up until the LPD)	0.205	0.190	0.205
Last transacted market price on the LTD			0.255
Last transacted market price on the LPD			0.205
Closing market price from December 2021 up to the LPD			
- Highest on 6 April 2022 and 13 April 2022 to 15 April 2022			0.265
- Lowest on 8 July 2022 and 27 July 2022 to 28 July 2022			0.195

(Source: Bloomberg)

INFORMATION ON HHSB

1. HISTORY AND PRINCIPAL ACTIVITIES

HHSB was incorporated in Malaysia under the Act on 29 March 1980 as a private company. The company is principally engaged in the business of investment holding.

2. SHARE CAPITAL

The issued share capital of HHSB as at the LPD is as follow:

	No. of HHSB shares (unit)	Amount (RM)
Issued	2,500,000	2,500,000

3. SUBSTANTIAL SHAREHOLDERS

The shareholders of HHSB holding 5% or more of the issued share capital and their shareholdings as at the LPD are as follows:

Name	<----- Direct ----->		<----- Indirect ----->	
	No. of HHSB shares	%	No. of HHSB shares	%
Chew Po Sim	500,000	20	-	-
Ho Min Yi	500,000	20	-	-
Ho Wen Yan	500,000	20	-	-
Ho Wen Han	500,000	20	-	-
Ho Wen Fan	500,000	20	-	-

4. DIRECTORS

The Directors of HHSB and their respective shareholdings in HHSB as at the LPD are as follows:

Name	<----- Direct ----->		<----- Indirect ----->	
	No. of HHSB shares	%	No. of HHSB shares	%
Chew Po Sim	500,000	20	-	-
Ho Min Yi	500,000	20	-	-
Ho Wen Yan	500,000	20	-	-
Ho Wen Han	500,000	20	-	-
Ho Wen Fan	500,000	20	-	-

INFORMATION ON HHSB (Cont'd)

5. SUBSIDIARY AND ASSOCIATED COMPANY

As at the LPD, HHSB has no subsidiary. The details of the associate company of HHSB are as follows:

Name of company	Country of incorporation	Principal activities	Effective equity interest %
<u>Associate company</u>			
HYB	Malaysia	Investment holding, property development and provision of management services	31.84

6. PROFIT AND DIVIDEND RECORD

The profit and dividend record of HHSB based on its audited financial statements for the FYE 31 March 2019, 31 March 2020 and 31 March 2021 are as follows:

	<----- Audited ----->		
	<----- FYE 31 March ----->		
	2019 RM'000	2020 RM'000	2021 RM'000
Revenue	479	439	115
Fair value (loss)/gain on investment in associate	(12,278)	(20,176)	15,693
(LBT)/PBT	(13,781)	(21,717)	16,318
(LAT)/PAT	(13,784)	(21,720)	16,316
No. of shares in issue ('000)	2,500	2,500	2,500
Basic (LPS)/EPS (RM)	(5.51)	(8.69)	6.53
NA per share (RM)	12.00	3.32	9.84
Net dividend per share (sen)	-	-	-

As at the LPD, there were no known material changes in the financial position of HHSB subsequent to the last published audited accounts for the FYE 31 March 2021.

There are no material exceptional items and minority interests in the audited financial statements of HHSB for FYEs 31 March 2019, 31 March 2020 and 31 March 2021.

INFORMATION ON HHSB (Cont'd)**7. STATEMENT OF ASSETS AND LIABILITIES**

The statement of assets and liabilities of HHSB based on its audited financial statements as at 31 March 2019, 31 March 2020, 31 March 2021 are as follows:

	<----- Audited ----->		
	<----- As at 31 March ----->		
	2019	2020	2021
	RM'000	RM'000	RM'000
Non-current assets			
Property, plant and equipment	4	4	3
Investment in associate	43,154	22,978	38,671
Other investment	9,632	2,047	1,904
	52,791	25,029	40,578
Current assets			
Other receivables	451	3,240	2,170
Prepayment	-	-*	2
Current tax assets	2	2	3
Cash, bank balances and deposits	117	108	81
Total current assets	571	3,351	2,255
Total assets	53,361	28,380	42,834
Equity			
Share capital	2,500	2,500	2,500
Retained profits	27,509	5,789	22,104
Total equity	30,009	8,289	24,604
Current liabilities			
Other payables	15,678	16,651	16,838
Bank borrowings	7,675	3,440	1,392
Total current liabilities	23,352	20,091	18,230
Total liabilities	23,352	20,091	18,230
Total equity and liabilities	53,361	28,380	42,834

Note:

* *Negligible*

As at the LPD, there are no known significant material changes in the financial position of HHSB subsequent to the latest audited financial statements for the FYE 31 March 2021.

8. ACCOUNTING POLICIES

Based on the audited consolidated financial statements of HHSB for FYE 31 March 2019, 31 March 2020 and 31 March 2021, the financial statements have been prepared based on approved Malaysian accounting standards and there was no audit qualification for HHSB's financial statements for the respective years under review.

There is no change in the accounting standards adopted by HHSB which would result in variation in the comparable figures for the audited consolidated financial statements of HHSB for the FYE 31 March 2019 to 31 March 2021.

INFORMATION OF THE PACS

The information relating to the PACs are as follows:

Name of PACs	Nationality	Age (years)	Occupation	Nature of relationships
Chew Po Sim	Malaysian	79	Director	<ul style="list-style-type: none"> • Non-Independent Non-Executive Director of HYB • Director and substantial shareholder of HHSB • Mother of Ho Wen Yan, Ho Wen Han, Ho Min Yi and Ho Wen Fan • Sister of Chew Hoe Soon
Ho Min Yi	Malaysian	49	Director	<ul style="list-style-type: none"> • Daughter of Chew Po Sim • Director and substantial shareholder of HHSB
Ho Wen Yan	Malaysian	48	Director	<ul style="list-style-type: none"> • Chief Executive Officer/Executive Director of HYB • Director and substantial shareholder of HHSB • Son of Chew Po Sim
Ho Wen Han	Singaporean	46	Director	<ul style="list-style-type: none"> • Son of Chew Po Sim • Director and substantial shareholder of HHSB
Ho Wen Fan	Singaporean	44	Director	<ul style="list-style-type: none"> • Alternate Director to Chew Po Sim in HYB • Director and substantial shareholder of HHSB • Son of Chew Po Sim
Chew Hoe Soon	Malaysian	70	Director	<ul style="list-style-type: none"> • Non-Independent Non-Executive Director of HYB • Brother of Chew Po Sim
Quah Peng Hwa	Malaysian	71	-	<ul style="list-style-type: none"> • Wife of Chew Hoe Soon

FURTHER INFORMATION

1. DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES**1.1 By HHSB and its PACs****(i) Disclosure of interest in HYB**

Save as disclosed below, HHSB and its PACs do not have any interest, whether direct or indirect, in any voting shares or convertible securities of HYB as at the LPD:

Name	<----- Direct ----->		<----- Indirect ----->	
	No. of HYB shares	% ⁽³⁾	No. of HYB shares	% ⁽³⁾
HHSB	112,089,294 ⁽¹⁾	31.84	-	-
Chew Po Sim	-	-	112,089,294 ⁽¹⁾	31.84
Ho Min Yi	-	-	112,089,294 ⁽¹⁾	31.84
Ho Wen Yan	1,804,440	0.51	112,089,294 ⁽¹⁾	31.84
Ho Wen Han	-	-	112,089,294 ⁽¹⁾	31.84
Ho Wen Fan	-	-	112,089,294 ⁽¹⁾	31.84
Chew Hoe Soon	393,554	0.11	809,920 ⁽²⁾	31.84
Quah Peng Hwa	410,810	0.12	-	-

Notes:

- (1) *Deemed interest by virtue of his/her shareholdings in HHSB pursuant to section 8 of the Act.*
- (2) *Deemed interest by virtue of the shareholdings of his spouse and children pursuant to section 59 of the Act.*
- (3) *Based on the existing issued share capital comprising 352,000,000 Shares.*

(ii) Dealings in the securities of the HYB

HHSB and its PACs have not dealt, directly or indirectly, in any voting shares or convertible securities of HYB during the period commencing six (6) months prior to the announcement of the Proposals on 10 June 2022 and up to the LPD.

1.2 By the directors of HHSB**(i) Disclosure of interest in HYB**

Save as disclosed below, the directors of HHSB do not have any interest, whether direct or indirect, in any voting shares or convertible securities of HYB as at the LPD:

Name	<----- Direct ----->		<----- Indirect ----->	
	No. of HYB shares	% ⁽²⁾	No. of HYB shares	% ⁽²⁾
Chew Po Sim	-	-	112,089,294 ⁽¹⁾	31.84
Ho Min Yi	-	-	112,089,294 ⁽¹⁾	31.84
Ho Wen Yan	1,804,440	0.51	112,089,294 ⁽¹⁾	31.84
Ho Wen Han	-	-	112,089,294 ⁽¹⁾	31.84
Ho Wen Fan	-	-	112,089,294 ⁽¹⁾	31.84

FURTHER INFORMATION (Cont'd)**Notes:**

- (1) *Deemed interest by virtue of his/her shareholdings in HHSB pursuant to section 8 of the Act.*
- (2) *Based on the existing issued share capital comprising 352,000,000 Shares.*

(ii) Dealings in the shares of the HYB

The directors of HHSB have not dealt, directly or indirectly, in any voting shares or convertible securities of HYB during the period commencing six (6) months prior to the announcement of the Proposals on 10 June 2022 and up to the LPD.

1.3 By HYB**(i) Disclosure of interest in HHSB**

HYB does not have any interest, whether direct or indirect, in any voting shares or convertible securities of HHSB as at the LPD.

(ii) Dealings in the securities of the HHSB

HYB has not dealt, directly or indirectly, in any voting shares or convertible securities of HHSB during the period commencing six (6) months prior to the announcement of the Proposals on 10 June 2022 and up to the LPD.

(iii) Disclosure of dealings in the securities of HYB

HYB has not dealt, directly or indirectly, in any of its own voting shares or convertible securities during the period commencing six (6) months prior to the announcement of the Proposals on 10 June 2021 and up to the LPD.

1.4 By the directors of HYB**(i) Disclosure of interest in HHSB**

Save as disclosed below, the directors of HYB do not have any interest, whether direct or indirect, in any voting shares or convertible securities of HHSB as at the LPD:

Name	<----- Direct ----->		<----- Indirect ----->	
	No. of HHSB shares	% ⁽¹⁾	No. of HHSB shares	%
Chew Po Sim	500,000	20.00	-	-
Ho Wen Yan	500,000	20.00	-	-
Ho Wen Fan	500,000	20.00	-	-

Note:

- (1) *Based on the existing issued share capital comprising 2,500,000 shares.*

(ii) Dealings in the shares of HHSB

The directors of HYB have not dealt, directly or indirectly, in any voting shares or convertible securities of HHSB during the period commencing six (6) months prior to announcement of the Proposals on 10 June 2022 and up to the LPD.

FURTHER INFORMATION (Cont'd)**(iii) Disclosure of interest in HYB**

Save as disclosed below, the directors of HYB do not have any interest, whether direct or indirect, in any voting shares or convertible securities of HYB as at the LPD:

Name	<----- Direct ----->		<----- Indirect ----->	
	No. of HYB shares	% ⁽⁴⁾	No. of HYB shares	% ⁽⁴⁾
Tan Sri Dato' Seri Dr. Ting Chew Peh	391,110	0.11	336,274 ⁽¹⁾	0.10
Ho Wen Yan	1,804,440	0.51	112,089,294 ⁽²⁾	31.84
Dato' Tan Bing Hua	70,221	0.02	200,000 ⁽¹⁾	35.14
Chew Po Sim	-	-	112,089,294 ⁽²⁾	31.84
Chew Hoe Soon	393,554	0.11	809,920 ⁽³⁾	31.84
Ho Wen Fan	-	-	112,089,294 ⁽²⁾	31.84

Notes:

- (1) Deemed interest by virtue of the shareholdings of his spouse pursuant to Section 59 of the Act.
- (2) Deemed interest by virtue of his/her shareholdings in HHSB pursuant to section 8 of the Act.
- (3) Deemed interest by virtue of the shareholdings of his spouse and children pursuant to Section 59 of the Act.
- (4) Based on the existing issued share capital comprising 352,000,000 Shares.

(iv) Dealings in the shares of HYB

The directors of HYB have not dealt, directly or indirectly, in any voting shares or convertible securities of HYB during the period commencing six (6) months prior to the announcement of the Proposals on 10 June 2022 and up to the LPD.

1.5 By the persons who have irrevocably committed themselves to vote in favour or against the Proposals

As at the LPD, there is no person who has irrevocably committed himself to vote in favour or against the Proposals.

1.6 By the persons with whom HHSB or any persons acting in concert with it has any arrangement

As at the LPD, there is no person with whom HHSB or any persons acting in concert with it has entered into any arrangement including any arrangement involving rights over shares, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to voting shares or convertible securities which may be an inducement to deal or to refrain from dealing.

1.7 By the persons with whom HHSB or any persons acting in concert with it has borrowed or lent

As at the LPD, there is no person with whom HHSB or any persons acting in concert with it has borrowed or lent any voting shares or convertible securities of HYB.

FURTHER INFORMATION (Cont'd)

1.8 By the persons with whom HYB or any persons acting in concert with it has any arrangement

As at the LPD, there is no person with whom HYB or any persons acting in concert with it has entered into any arrangement including any arrangement involving rights over shares, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to voting shares or convertible securities which may be an inducement to deal or to refrain from dealing.

1.9 By the persons with whom HYB or any persons acting in concert with it has borrowed or lent

As at the LPD, there is no person with whom HYB or any persons acting in concert with it has borrowed or lent any voting shares or convertible securities of HYB.

1.10 By MainStreet**(i) Disclosure of interest in HYB**

As at the LPD, MainStreet does not have any interest, whether direct or indirect, in any voting shares or convertible securities of HYB.

(ii) Dealings in the securities of HYB

MainStreet has not dealt, directly or indirectly, in any voting shares of HYB during the six (6)-month period prior to the announcement of the Proposals on 10 June 2022 and up to the LPD.

(iii) Disclosure of interest in HYB by funds whose investments are managed by MainStreet on a discretionary basis

As at the LPD, MainStreet is not involved in management of funds on a discretionary basis.

2. ARRANGEMENT AFFECTING DIRECTORS

- (i) As at the LPD, no payment or other benefit will be made or given to any Directors as compensation for loss of office or otherwise in connection with the Proposals.
- (ii) As at the LPD, there is no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Proposals or otherwise connected with the outcome of the Proposals.
- (iii) As at the LPD, HHSB and its PACs have not entered into any material contract in which any directors of HYB has a material personal interest.
- (iv) As at the LPD, there is no agreement, arrangement or understanding existing between HHSB and its PACs with any of the Directors or recent Directors, holders of voting shares and voting rights or recent holders of voting shares or voting rights of HYB having any connection with or dependence upon the Proposals.

FURTHER INFORMATION (Cont'd)

3. SERVICE CONTRACTS

As at the LPD, neither HYB nor its subsidiaries have any service contracts with any Directors or proposed directors of HYB, which have been entered into or amended within six (6) months prior to the announcement of the Proposals on 10 June 2022, or which are fixed term contracts with more than 12 months to run.

For the purpose of this section, the term “service contracts” excludes those expiring or determinable by the employing company without payment of compensation within 12 months from the date of this IAL.

INDICATIVE SALIENT TERMS OF THE WARRANTS

Issue size	:	Up to 88,000,000 new Warrants arising in connection with the Proposed Rights Issue with Warrants.
		The Warrants will be immediately detached from the Rights Shares upon issuance and will be separately traded on Bursa Securities.
Form	:	The Warrants will be issued in registered form and constituted by the Deed Poll.
Tenure of Warrants	:	5 years from the date of issuance of the Warrants.
Exercise Rights	:	The Warrants entitle the registered holders, at any time during the Exercise Period, to subscribe for new HYB Shares on the basis of 1 new HYB Share for 1 Warrant at the exercise price at any time during the Exercise Period, subject to adjustments in accordance with the provisions of the Deed Poll.
Exercise Period	:	The Warrants may be exercised at any time within a period of 5 years, which shall commence from and including the date of issuance of the Warrants and ending on the Expiry Date.
Mode of exercise	:	The registered holder of the Warrant is required to lodge a subscription form, as set out in the Deed Poll, with the Company's registrar, duly completed, signed and stamped together with payment of the exercise price by bankers' cheque or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia in accordance with the Deed Poll.
Indicative Exercise Price	:	RM0.30 per Warrant, subject to the adjustments in accordance with the terms and provisions of the Deed Poll during the Exercise Period.
Expiry Date	:	A date being 5 years from and including the date of issuance of the Warrants, and if such a day is not a market day, on the immediate preceding market day.
Participating rights of the holders of Warrants in any distribution and/or offer of further securities	:	The Warrant holders are not entitled to vote in any general meeting of the Company and/or to participate in any distribution other than on winding-up, compromise or arrangement of the Company and/or offer of further securities in the Company unless and until the holder of Warrants becomes a shareholder of the Company by exercising his/her Warrants into new HYB Shares or unless otherwise resolved by the Company in a general meeting.
Adjustments in the exercise price and/or number of Warrants	:	Subject to the provisions of the Deed Poll, the Exercise Price and/or the number of unexercised Warrants in issue may be subject to adjustments by the Board in consultation with an approved adviser appointed by the Company or the auditors in the event of any alteration in the share capital of the Company at any time during the tenure of the Warrants, by way of capitalisation issue, rights issue, bonus issue, consolidation of shares, subdivision of shares or reduction of capital.

INDICATIVE SALIENT TERMS OF THE WARRANTS (Cont'd)

Rights in the event of winding-up, liquidation, compromise and/or arrangement	:	Where a resolution has been passed for a members' voluntary winding-up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then every holder of Warrants shall be entitled upon and subject to the provisions of the Deed Poll at any time within 6 weeks after the passing of such resolution for a members' voluntary winding-up of the Company or 6 weeks after the granting of the court order approving the compromise or arrangement, by irrevocable surrender of his/her Warrants to the Company, elect to be treated as if he/she had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the exercise rights represented by his/her Warrants to the extent specified in the relevant subscription forms and be entitled to receive out of the assets of the Company which would be available in liquidation as if he/she had on such date been the holder of the new Shares to which he/she would have been entitled to pursuant to such exercise.
Ranking of the new HYB Shares to be issued pursuant to the exercise of Warrants	:	The new HYB Shares to be issued arising from the exercise of the Warrants, shall upon allotment and issue, rank equally in all respects with the existing HYB Shares, save and except that the new HYB Shares to be issued arising from the exercise of the Warrants shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid where the entitlement date precedes the date of allotment and issuance of such new HYB Shares.
Board lot	:	For the purpose of trading in Bursa Securities, a board lot of Warrants shall comprise 100 Warrants carrying the right to subscribe for 100 new HYB Shares at any time during the Exercise Period, or in such denomination as determined by Bursa Securities.
Listing status	:	The Warrants and new HYB Shares to be issued from the exercise of the Warrants will be listed on the Main Market of Bursa Securities. Bursa Securities had, vide its letter dated 14 July 2022, approved the admission of the Warrants to the Official List of Bursa Securities as well as the listing of and quotation for the Warrants and new HYB Shares to be issued arising from the exercise of the Warrants, on the Main Market of Bursa Securities.
Modifications	:	The Company may, from time to time, subject to the terms and conditions of the Deed Poll, without the consent or sanction of the warrant holders, modify, amend or add to the Deed Poll if such modification, amendment or addition made does not materially prejudice the interests of the Warrant holders or is made to correct a manifest error or to comply with the prevailing laws of Malaysia. Save for the above, any modification, amendment, deletion or addition to the Deed Poll shall require the approval of the holders of Warrants sanctioned by special resolution and may be effected only by the Deed Poll, executed by the Company and expressed to be supplemental thereto and subject to the approval of the relevant authorities, if necessary.
Governing law	:	Laws of Malaysia.

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and our Directors collectively and individually 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 other facts, the omission of which would make any statement herein misleading.

2. CONSENT

UOBKH, being the Principal Adviser for the Proposals, 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.

MainStreet, being the Independent Adviser to the non-interested Directors and non-interested shareholders of our Company for the Proposed Exemption, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, letter and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOBKH has given their written confirmation that there is no situation of conflict of interests that exist or is likely to exist in relation to its role as the Principal Adviser to HYB for the Proposals.

MainStreet has given their written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Independent Adviser to the non-interested Directors and non-interested shareholders of our Company for the Proposed Exemption.

4. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, HYB Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and has no knowledge of any proceedings pending or threatened against HYB Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of HYB Group:-

Shah Alam High Court Suit No. : BA-22NCVC-128-03/2021

Plaintiff(s) : (i) Apple Rainbow Sdn Bhd
(ii) E-Hong Holdings Sdn Bhd
(iii) Wong Yoon Tzy
(iv) Bio-Energy Technology Sdn Bhd

Defendant : HYB

On 27 December 2017, HYB had entered into an agreement with Wong Ko Seen @ Wong Kow, Wong Yoon Tsy, Bio-Energy Technology Sdn Bhd, Ria Ketara Development Sdn Bhd, Apple Rainbow Sdn Bhd and E-Hong Holdings Sdn Bhd (the "**Vendors**") to acquire 3,000,000 ordinary shares being 100% of the entire paid-up share capital of Kajang Heights Development Sdn Bhd ("**KHDSB**") for a total cash consideration of RM70,000,000.00. The Company had given an undertaking to bear the Real Property Gain Tax ("**RPGT**") liabilities, if any that may be imposed on the Plaintiffs. On 11 September 2020, the Plaintiffs received an Assessment Notice from the Inland Revenue Board on the outstanding RPGT of RM11,042,724.52 inclusive of penalty in respect of the Plaintiffs' disposal of their shares in KHDSB to HYB.

FURTHER INFORMATION (Cont'd)

On 6 April 2021, HYB received a Writ of Summons and Statement of Claim ("**Claim**") served by the solicitors for the Plaintiffs seeking for the following reliefs:-

- (i) special damages amounting to RM11,042,724.52;
- (ii) general damages to be quantified by the Court;
- (iii) interest of 5% per year on the said sum of RM11,042,724.52 to be calculated from the date of filing of the Claim until the date of full settlement;
- (iv) cost; and
- (v) exemplary damages to be assessed by the Court.

Upon receiving the Claim, the Company had appointed Shearn Delamore & Co. ("**SD**") to defend the Company. Pursuant to SD's legal advice that it was a misrepresentation by the Plaintiffs, the Company had decided to contest the Claim. The Company had submitted its Defence and Counterclaim on 4 May 2021 and the Plaintiffs filed their Reply and Defence to Counterclaim on 31 May 2021.

During the latest case management held on 8 November 2021, the trial dates have been fixed for 7 November 2022 to 10 November 2022 and the parties are currently awaiting trial.

5. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, the Board confirms that there is no material commitments incurred or known to be incurred by HYB Group that has not been provided for which, upon becoming enforceable, may have a material impact on the financial results/position of HYB Group:-

	(RM'000)
Approved and contracted for:-	
- Commitments to purchase land held for property development	4,055

6. CONTINGENT LIABILITIES

As at the LPD, the Board confirms that there is no contingent liabilities incurred or known to be incurred by HYB Group which, upon becoming enforceable, may have a material impact on the financial results/position of HYB Group.

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FURTHER INFORMATION (Cont'd)

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of HYB at C-21, Jalan Medan Selayang 1, Medan Selayang, 68100 Batu Caves, Selangor Darul Ehsan during the normal business hours from 9.00 a.m. to 5.00 p.m. Monday to Friday (except public holidays) from the date hereof up to the time stipulated for the holding of the EGM:-

- (i) constitution of HYB;
- (ii) audited consolidated financial statements of HYB Group for the past 3 financial years up to the FYE 31 March 2022;
- (iii) the letters of consent and declaration of conflict of interests referred to in **Sections 2 and 3** of this Appendix II, respectively;
- (iv) the Deed Poll;
- (v) the Undertaking Letters from the Undertaking Shareholders; and
- (vi) the relevant cause papers referred to in **Section 4** of this Appendix II.

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ADDITIONAL INFORMATION

1. Financial Position of our Group

The financial summary of our Group based on our audited financial statements for the past 3 FYEs 31 March 2020, 2021 and 2022 are set out below:-

	Audited		
	FYE 31 March		
	2020	2021	2022
	(RM'000)	(RM'000)	(RM'000)
Revenue	279,614	159,560	120,188
Gross profit	73,404	23,026	49,230
PBT/(LBT)	(64,275)	(49,176)	7,710
PAT/(LAT) attributable to owners of our Company	(73,133)	(52,400)	1,526
Basic and diluted EPS/(LPS) (sen)	(20.78)	(14.89)	0.43
Borrowings	319,524	292,259	253,087
Net cash generated from/(used in) operating activities	124,169	76,593	(2,669)
Shareholders' funds/NA	488,409	440,006	430,372
Weighted average no. of Shares in issue ('000)	352,000	352,000	352,000
GP margin (%)	26.25	14.43	40.96
NA per Share (RM)	1.39	1.25	1.22
Gearing ratio (times)	0.65	0.66	0.59

FYE 31 March 2020

For the FYE 31 March 2020, our Group recorded a revenue of RM279.6 million which represents an increase of approximately RM7.1 million or 2.6% as compared to the preceding FYE 31 March 2019 of RM272.5 million. This increase was mainly contributed by the steady construction progress of on-going projects, and sale of completed properties. Key projects that contributed to FYE 31 March 2020 revenue include Astetica Residences in Selangor and Meritus Residensi in Mainland Penang. Contributions from these key projects accounted for approximately 67% of our total Group revenue.

Despite the increase in revenue, our Group recorded a LBT of RM64.3 million in the FYE 31 March 2020, compared to the LBT of RM13.8 million recorded in the preceding FYE 31 March 2019. Further, our Group recorded a LAT of RM73.1 million in the FYE 31 March 2020, compared to LAT of RM22.2 million recorded in the preceding FYE 31 March 2019. The decline in earnings was due to an impairment loss of RM74.7 million on our investment holding in associate, Magna Prima Berhad ("**MPB**"), due to a change in the method used to estimate the fair value of MPB from a net asset value to the quoted price of MPB published in the Main Market of Bursa Securities. The change in the fair value estimate was deemed necessary taking into account the appointment of Receiver and Manager over the properties and assets of MPB's subsidiary, Magna Ecocity Sdn Bhd.

Excluding the provision of impairment loss and the share of loss at the associate level, HYB would have recorded an adjusted operating profit of RM35.2 million, while adjusted PBT would have improved to RM20.6 million in the FYE 31 March 2020.

ADDITIONAL INFORMATION (Cont'd)

FYE 31 March 2021

For the FYE 31 March 2021, our Group recorded a revenue of RM159.6 million which represents a decrease of approximately RM120.1 million or 42.9% as compared to the preceding FYE 31 March 2020 of RM279.6 million. This decrease in revenue was primarily attributable to construction work stoppages during the MCO period. Nonetheless, construction activities stabilized and work was able to continue at a steady pace towards the end of the year. Our revenue was primarily generated from our key projects namely Astetica Residence in Seri Kembangan, Selangor and Sakura phases at Bandar U, Perak, which accounted for approximately 62% of our total Group revenue.

Our Group recorded a LBT of RM49.2 million in the FYE 31 March 2021, compared to the LBT of RM64.3 million recorded in the preceding FYE 31 March 2020. Further, our Group recorded a LAT of RM52.4 million in the FYE 31 March 2021, compared to the LAT of RM73.1 million recorded in the preceding in the FYE 31 March 2020. The decline in earnings was due to the recognition of the share of loss of RM46.7 million from our associate, MPB, as at the FYE 31 March 2021.

FYE 31 March 2022

For the FYE 31 March 2022, our Group recorded a revenue of RM120.2 million which represents a decrease of approximately RM39.4 million or 24.7% as compared to the preceding FYE 31 March 2021 of RM159.6 million. This decrease in revenue primarily attributed to the reinstatement of stringent movement restrictions amid an alarming rise in COVID-19 infections rates, which in turn led to softening demand the property market.

Despite the decrease in revenue, our Group recorded a PBT of RM7.7 million in the FYE 31 March 2022, compared to a LBT of RM49.2 million recorded in the preceding FYE 31 March 2021. Further, our Group recorded a PAT of RM1.5 million in the FYE 31 March 2022, compared to a LAT of RM52.4 million recorded in the preceding FYE 31 March 2021. The improvement to the Group's earnings was primarily attributed to a pickup in construction activity following the relaxation of economic restrictions, and the reclassification of MPB from an associate to a simple investment.

2. Value creation and impact of the Proposed Rights Issue with Warrants to our Group and our shareholders

As set out in **Section 4, Part A** of this Circular, the proceeds raised from the Proposed Rights Issue with Warrants will mainly be channelled towards the working capital requirements of our Group which includes payments to suppliers, securing building materials, general administrative and daily operational expenses.

The Proposed Rights Issue with Warrants would enable the Group to raise funds without incurring additional risk of debt servicing obligations (i.e. cash flow availability to cover interest and principal on debt obligations), to fund the potential acquisition of a new landbank as well as the working capital of the Group.

Further, the Proposed Rights Issue with Warrants would enable the Group to preserve its cash flows for other potential acquisitions or future investment opportunities for the expansion of the Group which could enhance the future growth prospects of the Group.

Based on the above, our Board is of the view that the intended utilisation of proceeds from the Proposed Rights Issue with Warrants is expected to contribute positively to the future earnings of the Group and in turn, this would lead to an improvement in our Group's financial position and enhancement in shareholders' value.

The effects of the Proposed Rights Issue with Warrants on the issued share capital, substantial shareholding structure, the NA and gearing, earnings and EPS of our Group are disclosed in **Section 7, Part A** of this Circular.

ADDITIONAL INFORMATION (Cont'd)

3. Adequacy of the Proposed Rights Issue with Warrants in addressing our Group's financial concerns and steps taken to improve the financial condition of our Group

Our Group recorded a decrease in revenue from RM279.6 million in the FYE 31 March 2020, to RM159.6 million in the FYE 31 March 2021, and subsequently to RM120.2 million in the FYE 31 March 2022. Notwithstanding that, the loss position recorded by our Group for the FYE 31 March 2020 and FYE 31 March 2021 was primarily contributed by the impairment loss on our investment holding in MPB, as well as the share of loss of MPB.

Our Group has managed to improve our earnings in the FYE 31 March 2022, recording a PBT of RM7.7 million and PAT of RM1.5 million. Further, the Group has unbilled sales of RM150.0 million as at 31 March 2022. The Group is optimistic that the unbilled sales will be replenished through sales of our ongoing projects as well as the new launches planned for FYE 31 March 2023.

Pursuant to the Proposed Rights Issue with Warrants, our Group has earmarked approximately RM1.35 million of the proceeds from the Proposed Rights Issue with Warrants to finance the acquisition of a new landbank, joint venture and investments. Further, our Board has earmarked up to approximately RM11.8 million of the proceeds to fund our working capital requirements, out of which 80% will be channelled towards the payment to suppliers and securing building materials and the remaining for general administrative and daily operational expenses.

Like the previous year, the Group is expected to face some challenges brought by rising building material costs, supply chain constraints and labour shortages which are expected to increase construction costs. We also expect developers to offer a mix of incentives and sales packages to homebuyers during the expected soft market conditions. As a competitor in the affordable housing market, we view this is an opportunity to reach out to our target markets via our solid reputation and steadfast commitment to make affordable home ownership a reality. We are cautiously optimistic of recording positive financial performance in the upcoming FYE 31 March 2023 as we work to ensure sufficient capital for our existing and future planned developments.

Premised on the above, and as part of our Group's objectives to improve its overall financial performance moving forward, the Proposed Rights Issue with Warrants will, on an immediate basis, allow our Group to raise funds on an expeditious manner primarily to fund our working capital requirements and conserving our cash position. Barring any unforeseen circumstances, our Board is of the view that the Proposed Rights Issue with Warrants is expected to place our Group on a better financial footing and potentially generate positive returns to our Group, and in turn be adequate to improve the financial condition of our Group moving forward. In the long term, our Board will continue to assess our Group's funding requirements which may include the need to carry out other corporate proposals, after taking into consideration our Group's capital structure and cost of funds.



Your dreams, made affordable

HUA YANG BERHAD

Registration No. 197801007059 (44094-M)

(Incorporated in Malaysia)

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 held at the Head Office of the Company at 4th Floor, C-21 Jalan Medan Selayang 1, Medan Selayang, 68100 Batu Caves, Selangor on Tuesday, 30 August 2022 at 11.30 a.m., or immediately after the conclusion or adjournment (as the case may be) of the 43rd annual general meeting (“**AGM**”) of HYB, which will be held at the the same venue and on the same day at 10.30 a.m., whichever is later, or at any adjournment thereof, for the purpose of considering and if through fit, passing with or without modifications the following resolutions:-

ORDINARY RESOLUTION 1

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 88,000,000 NEW ORDINARY SHARES IN HYB (“HYB SHARE(S)” OR “SHARE(S)”) (“RIGHTS SHARE(S)”) ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 4 EXISTING HYB SHARES HELD, TOGETHER WITH UP TO 88,000,000 FREE DETACHABLE WARRANTS IN HYB (“WARRANT(S)”) ON THE BASIS OF 1 WARRANT FOR EVERY 1 RIGHTS SHARE SUBSCRIBED FOR AT AN ISSUE PRICE AND ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER (“PROPOSED RIGHTS ISSUE WITH WARRANTS”)

“**THAT**, subject to the passing of Ordinary Resolution 2 and the approvals of all relevant authorities and/or parties (if required) being obtained, where required, approval be and is hereby given to the Board of Directors of HYB (“**Board**”) for the following:-

- i. to provisionally allot and issue by way of a renounceable rights issue of up to 88,000,000 Rights Shares on the basis of 1 Rights Share for every 4 existing HYB Shares held by the shareholders of the Company whose names appear on the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced later by the Board, together with up to 88,000,000 free detachable Warrants on the basis of 1 Warrant for every 1 Rights Share subscribed;
- ii. to issue such Rights Shares together with Warrants as may be required to give effect to the Proposed Rights Issue with Warrants, including any persons entitled on renunciation of the provisional allotments;
- iii. wherein each Warrant will carry the right to subscribe, subject to any adjustment in accordance with the deed poll constituting the Warrants (“**Deed Poll**”), at any time during the exercise period, for 1 new HYB Share at an exercise price to be determined and announced later by the Board;
- iv. to allot and issue such number of new HYB Shares arising from the exercise of the Warrants, from time to time during the tenure of the Warrants, in accordance with the provisions of the Deed Poll;
- v. to allot and issue such further Warrants and new HYB Shares arising from the exercise of such further Warrants as a consequence of any adjustment in accordance with the provisions of the Deed Poll and/or as may be required by the relevant authorities; and
- vi. to do all such acts and things including but not limited to the submission of the application to Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the listing of and quotation for the Rights Shares, Warrants and the new HYB Shares which may from time to time be allotted and issued arising from the exercise of the Warrants on the Main Market of Bursa Securities;

THAT any Rights Shares together with Warrants which are not taken up or validly taken up shall be made available for excess applications to the entitled shareholders and/or their renounee(s) who have applied for the excess Rights Shares with Warrants, and are intended to be allocated on a fair and equitable manner, on a basis to be determined by the Board;

THAT any fractional entitlements of the Rights Shares together with Warrants arising from the Proposed Rights Issue with Warrants, if any, shall be disregarded and dealt with in such manner as the Board shall in its sole and absolute discretion deems fit and expedient, and is in the best interests of the Company;

THAT the proceeds of the Proposed Rights Issue with Warrants will be utilised in the manner as set out in the circular to shareholders dated 12 August 2022 ("**Circular**"), and the Board be and is hereby authorised with full power to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board, may at its absolute discretion, deem fit, necessary, expedient and/or in the best interest of the Company, subject to the approval of the relevant authorities, where required;

THAT the Rights Shares shall, upon allotment and issuance, rank equally in all respects with the existing HYB Shares, save and except that the Rights Shares shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Rights Shares;

THAT the new HYB Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issuance, rank equally in all respects with the existing HYB Shares, save and except that the new HYB Shares to be issued arising from the exercise of the Warrants shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of such new HYB Shares;

THAT the Board be and is hereby authorised to enter into and execute the Deed Poll with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by the relevant authorities or deemed necessary by the Board, and with full powers to implement and give effect to the terms and conditions of the Deed Poll;

THAT the Board be and is hereby authorised to sign and execute all documents, enter into any arrangements, agreements and/or undertakings with any party or parties, do all things and acts as may be required to give effect to the Proposed Rights Issue with Warrants with full powers to assent to any conditions, variations, modifications and/or amendments including to vary the manner and/or the purpose of utilisation of proceeds arising from the Proposed Rights Issue with Warrants, if necessary, in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as they may deem fit, necessary and/or expedient to implement, finalise and give full effect to the Proposed Rights Issue with Warrants in the best interest of the Company;

AND THAT this resolution constitutes a specific approval for the issuance of securities in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue to be in full force and effect until the Rights Shares together with Warrants to be issued pursuant to or in connection with the Proposed Rights Issue with Warrants have been duly allotted and issued in accordance with the terms of the Proposed Rights Issue with Warrants."

ORDINARY RESOLUTION 2

PROPOSED EXEMPTION UNDER SUBPARAGRAPH 4.08(1)(B) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS ("RULES") TO HENG HOLDINGS SDN BHD ("HHSB") AND PERSONS ACTING IN CONCERT WITH IT ("PACS"), FROM THE OBLIGATION TO UNDERTAKE A MANDATORY OFFER FOR THE REMAINING HYB SHARES AND WARRANTS NOT ALREADY OWNED BY THEM PURSUANT TO THE PROPOSED RIGHTS ISSUE WITH WARRANTS ("PROPOSED EXEMPTION")

"**THAT** subject to the passing of Ordinary Resolution 1 and the relevant approvals from the Securities Commission Malaysia ("**SC**") and/or any other relevant authorities and/or parties being obtained, including such conditions as may be imposed by the SC, approval be and is hereby given to HHSB and its PACs under subparagraph 4.08(1)(b) of the Rules to be exempted from the obligation to undertake a mandatory offer to acquire all the remaining HYB Shares and Warrants not already owned by them pursuant to the Proposed Rights Issue with Warrants;

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give full effect to the Proposed Exemption with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as they may deem fit, necessary and/or expedient to implement, finalise and give full effect to the Proposed Exemption.”

By Order of the Board

LEONG OI WAH (MAICSA 7023802) (SSM Practising Certificate No. 201908000717)
TAN HWAI LUN (MIA 24085) (SSM Practising Certificate No. 202008001765)
LAM CHO WAI (MIA 37324) (SSM Practising Certificate No. 202008001864)

Company Secretaries

Selangor Darul Ehsan
12 August 2022

Notes:-

1. *Only members whose name appear in the Record of Depositors as at 24 August 2022 will be entitled to attend the EGM or appoint a proxy/proxies in his/her stead or in the case of a corporation, a duly authorised representative to attend and vote on his/her stead.*
2. *A member entitled to attend and vote at the EGM 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 not less than forty-eight (48) hours before the time appointed for the EGM or any adjournment thereof.*
6. *Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of EGM will be put to vote by poll. Poll administrators and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.*

Personal Data Privacy:-

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company hereby agrees and consents that any of your personal data in our possession shall be processed by us in accordance with our Personal Data Protection Notice set out in www.huayang.com.my. Further, you hereby warrant that relevant consent has been obtained for us to process any third party’s personal data provided by you in accordance with our said Personal Data Protection Notice.

PROXY FORM



HUA YANG BERHAD

Registration No. 197801007059 (44094-M)
(Incorporated in Malaysia)

*I/We.....Registration No./NRIC No. (new).....
(old).....of.....being a member of **HUA YANG BERHAD**
do hereby appoint Mr/Ms.....of NRIC No.
(new).....(old).....or failing
whom.....NRIC No. (new).....
(old).....or failing whom the Chairman of the meeting as *my/*our proxies to vote
for *me/*us and on *my/*our behalf at the Extraordinary General Meeting 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 on Tuesday, 30 August 2022 at 11.30 a.m., or immediately after the conclusion or adjournment (as
the case may be) of the 43rd annual general meeting ("**AGM**") of HYB, which will be held at the same venue
and on the same day at 10.30 a.m., whichever is later, or at any adjournment thereof.

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

Resolutions	For	Against
Ordinary Resolution 1		
Ordinary Resolution 2		

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

Dated this.....day of.....2022

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

Number of shares held	CDS Account No.	
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%

1. Only members whose name appear in the Record of Depositors as at 24 August 2022 will be entitled to attend the EGM or appoint a proxy/proxies in his/her stead or in the case of a corporation, a duly authorised representative to attend and vote on his/her stead.
2. A member entitled to attend and vote at the EGM 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 not less than forty-eight (48) hours before the time appointed for the EGM or any adjournment thereof.
6. Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of EGM will be put to vote by poll. Poll administrators and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

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 12 August 2022.

FOLD THIS FLAP TO SEAL

2ND FOLD HERE

AFFIX
STAMP
HERE

HUA YANG BERHAD

Registration No. 197801007059 (44094-M)

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

1ST FOLD HERE