

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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HUAYANG

HUA YANG BERHAD

(Company No. 44094-M)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED BONUS ISSUE OF 88,000,000 NEW ORDINARY SHARES OF RM1.00 EACH IN HUA YANG BERHAD ("HUA YANG" OR THE "COMPANY") ("BONUS SHARE(S)") ON THE BASIS OF ONE (1) BONUS SHARE FOR EVERY THREE (3) EXISTING ORDINARY SHARES OF RM1.00 EACH HELD IN HUA YANG ON AN ENTITLEMENT DATE TO BE DETERMINED LATER

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser



RHB Investment Bank Berhad

(Company No. 19663-P)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting ("**EGM**") of the Company, which is scheduled to be convened at the Head Office of the Company at 4th Floor, C-21, Jalan Medan Selayang 1, Medan Selayang, 68100 Batu Caves, Selangor Darul Ehsan on Wednesday, 24 August 2016 at 11.00 a.m., or immediately after the conclusion or any adjournment (as the case may be) of the Thirty-Seventh (37th) Annual General Meeting of the Company which will be held at the same venue and on the same day at 10.30 a.m., whichever is later, or any adjournment thereof, together with the Proxy Form, are enclosed herein.

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

Last date and time for lodging the Proxy Form: Monday, 22 August 2016 at 11.00 a.m.

Date and time of the EGM: Wednesday, 24 August 2016 at 11.00 a.m.

This Circular is dated 29 July 2016

DEFINITIONS

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

“Act”	: The Companies Act, 1965, and any amendments from time to time
“AGM”	: Annual General Meeting
“Board”	: The Board of Directors of Hua Yang
“Bonus Share(s)”	: 88,000,000 new Hua Yang Shares to be issued pursuant to the Proposed Bonus Issue
“Bursa Depository”	: Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
“Bursa Securities”	: Bursa Malaysia Securities Berhad (Company No. 635998-W)
“Circular”	: This circular to the shareholders of Hua Yang dated 29 July 2016
“Director(s)”	: Has the meaning given in Section 2(1) of the Capital Markets and Services Act, 2007
“EGM”	: Extraordinary General Meeting
“Entitlement Date”	: The date as at the close of business (to be determined and announced later by the Board) on which shareholders of Hua Yang must be registered as a member and whose names appear in the Record of Depositors in order to participate in the Proposed Bonus Issue
“EPS”	: Earnings per share
“FPE”	: Financial period ended/ending, as the case may be
“FYE”	: Financial year(s) ended/ending, as the case may be
“Hua Yang” or the “Company”	: Hua Yang Berhad (Company No. 44094-M)
“Hua Yang Group” or the “Group”	: Collectively, Hua Yang and its subsidiary companies
“Hua Yang Share(s)” or “Share(s)”	: Ordinary share(s) of par value RM1.00 each in Hua Yang
“Listing Requirements”	: The Main Market Listing Requirements of Bursa Securities
“LPD”	: 30 June 2016, being the latest practicable date prior to the printing of this Circular
“Market Day(s)”	: Any day(s) between Monday to Friday (inclusive), excluding public holidays, and a day on which Bursa Securities is open for trading of securities
“NA”	: Net assets
“Proposed Bonus Issue”	: Proposed bonus issue of 88,000,000 Bonus Shares on the basis of one (1) Bonus Share for every three (3) existing Hua Yang Shares held on the Entitlement Date

DEFINITIONS (Cont'd)

"Record of Depositors"	:	A record of depositors established by Bursa Depository under the Rules of Bursa Depository, as amended from time to time
"RHB Investment Bank" or the "Adviser"	:	RHB Investment Bank Berhad (Company No. 19663-P)
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"VWAP"	:	Volume weighted average market price

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

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

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Huayang

HUA YANG BERHAD

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

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

29 July 2016

Board of Directors:-

Tan Sri Dato' Seri Dr. Ting Chew Peh	<i>(Chairman / Independent Non-Executive Director)</i>
Ho Wen Yan	<i>(Chief Executive Officer / Executive Director)</i>
Dato' Tan Bing Hua	<i>(Senior Independent Non-Executive Director)</i>
Ho Mook Leong	<i>(Non-Independent Non-Executive Director)</i>
Chew Po Sim	<i>(Non-Independent Non-Executive Director)</i>
Chew Hoe Soon	<i>(Non-Independent Non-Executive Director)</i>
Dato' Wan Azahari Bin Yom Ahmad	<i>(Independent Non-Executive Director)</i>

To: The shareholders of Hua Yang Berhad

Dear Sir / Madam,

PROPOSED BONUS ISSUE OF 88,000,000 BONUS SHARES ON THE BASIS OF ONE (1) BONUS SHARE FOR EVERY THREE (3) EXISTING HUA YANG SHARES HELD ON THE ENTITLEMENT DATE

1. INTRODUCTION

On 20 July 2016, RHB Investment Bank had, on behalf of the Board, announced that the Company proposes to undertake a bonus issue of 88,000,000 Bonus Shares on the basis of one (1) Bonus Share for every three (3) existing Hua Yang Shares held on the Entitlement Date to be determined and announced later.

On even date, RHB Investment Bank had submitted an application to Bursa Securities for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities. Upon obtaining all approvals, the Bonus Shares will be listed and quoted on the Main Market of Bursa Securities on the next market day after the Entitlement Date.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS ON THE PROPOSED BONUS ISSUE AND TO SEEK YOUR APPROVAL ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED BONUS ISSUE TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE FORTHCOMING EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

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

2. DETAILS OF THE PROPOSED BONUS ISSUE

2.1 Basis and number of Bonus Shares

The Proposed Bonus Issue will entail an issuance of 88,000,000 Bonus Shares to be credited as fully paid-up on the basis of one (1) Bonus Share for every three (3) existing Hua Yang Shares held by the entitled shareholders of the Company as at the close of business on the Entitlement Date.

As at the LPD, the issued and paid-up share capital of the Company is RM264,000,000 comprising 264,000,000 Hua Yang Shares. The issued and paid-up share capital of the Company will increase to RM352,000,000 comprising 352,000,000 Hua Yang Shares upon the completion of the Proposed Bonus Issue.

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

For illustration purposes, based on the five (5)-day VWAP of Hua Yang Shares up to and including the LPD of RM1.76, the theoretical ex-bonus share price of Hua Yang Shares is RM1.32.

2.2 Capitalisation of reserves

The Proposed Bonus Issue shall be wholly capitalised from the Company's reserves.

Based on the Company's latest audited financial statements for the FYE 31 March 2016 and the latest unaudited results for the first quarter FPE 30 June 2016, the retained earnings balance of the Company are as follows:-

Company level	Audited As at 31 March 2016 (RM'000)	Unaudited As at 30 June 2016 (RM'000)
Retained earnings	15,082	97,085
<i>Add:-</i>		
- Dividend received from wholly-owned subsidiary companies ⁽¹⁾	82,500	-
<i>Less:-</i>		
- Amount to be capitalised for the Proposed Bonus Issue	(88,000)	(88,000)
- Estimated expenses for the Proposed Bonus Issue	(100)	(100)
Balance after the Proposed Bonus Issue	9,482	8,985

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Note:-

- (1) Being the interim dividends in respect of FYE 31 March 2017 received from the following wholly-owned subsidiary companies of Hua Yang on 24 June 2016:-

Subsidiary companies	RM'000
<u>Agro-Mod Industries Sdn Bhd</u> - First interim single tier dividend of 1,500%	37,500
<u>Grandeur Park Sdn Bhd</u> - First interim single tier dividend of 10,000%	30,000
<u>Prop Park Sdn Bhd</u> - First interim single tier dividend of 1,500%	15,000
Total	82,500

The Board confirms that the Company has adequate reserves available for the capitalisation of the Bonus Shares and such reserves are unimpaired by losses on a consolidated basis, based on the latest audited consolidated financial statements of the Company for the FYE 31 March 2016 and its latest unaudited quarterly results for the FPE 30 June 2016. The Proposed Bonus Issue will not be implemented in stages over a period of time.

The reporting accountants of the Company, Messrs Ernst & Young had vide its letter dated 20 July 2016 as enclosed in **Appendix I** of this Circular, also confirmed that, based on the financial information extracted from the audited financial statements of the Company for the FYE 31 March 2016 and the latest unaudited quarterly results for the FPE 30 June 2016, the Company has adequate retained earnings available for the capitalisation of the Bonus Shares.

2.3 Ranking of the Bonus Shares

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

2.4 Listing of and quotation for the Bonus Shares

On 20 July 2016, RHB Investment Bank had, on behalf of the Board submitted an application to Bursa Securities for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities. Upon obtaining all approvals, the Bonus Shares will be listed and quoted on the Main Market of Bursa Securities on the next market day after the Entitlement Date. The notices of allotment for the Bonus Shares will be issued and despatched to the entitled shareholders no later than four (4) Market Days after the date of the listing of and quotation for the Bonus Shares.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED BONUS ISSUE

The Proposed Bonus Issue aims to reward the existing shareholders of the Company for their loyalty and continuing support, by enabling them to have a greater participation in the equity of the Company in terms of the increased number of shares held, whilst maintaining their percentage of equity interest. In addition, the Proposed Bonus Issue will increase the capital base of the Company to a level which will better reflect the current scale of operations of Hua Yang Group and potentially improve the liquidity and marketability of Hua Yang Shares on Bursa Securities.

4. EFFECTS OF THE PROPOSED BONUS ISSUE

4.1 Share capital

For illustrative purposes, the pro forma effects of the Proposed Bonus Issue on the issued and paid-up share capital of Hua Yang are as follows:-

	No. of Shares (‘000)	(RM’000)
Issued and paid-up share capital as at the LPD	264,000	264,000
To be issued pursuant to the Proposed Bonus Issue	88,000	88,000
Enlarged issued and paid-up share capital	352,000	352,000

4.2 NA per Share and gearing

Based on the audited consolidated financial statements of Hua Yang as at 31 March 2016, the pro forma effects of the Proposed Bonus Issue on the NA per Share and gearing of Hua Yang are as follows:-

	Audited as at 31 March 2016 (RM’000)	Pro forma After the Proposed Bonus Issue (RM’000)
Share capital	264,000	352,000
Retained earnings	277,700	⁽¹⁾ 189,600
Total equity / NA	541,700	541,600
No. of Shares issued (‘000)	264,000	352,000
NA per Share (RM)	2.05	1.54
Total borrowings	228,976	228,976
Gearing (times)	0.42	0.42

Note:-

(1) After deducting the estimated expenses of RM100,000 relating to the Proposed Bonus Issue.

4.3 Earnings and EPS

The Proposed Bonus Issue is not expected to have any material effect on the earnings of the Group for the FYE 31 March 2017. However, there will be a corresponding dilution in the EPS of the Group as a result of the increase in the number of shares arising from the Proposed Bonus Issue.

4.4 Substantial shareholders’ shareholdings

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

4.5 Convertible securities

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

5. HISTORICAL SHARE PRICES

The monthly highest and lowest transacted market prices of Hua Yang Shares for the past twelve (12) months from July 2015 to June 2016 are as follows:-

	High RM	Low RM
2015		
July	1.95	1.82
August	1.92	1.66
September	1.92	1.78
October	1.90	1.75
November	1.94	1.83
December	1.94	1.83
2016		
January	1.92	1.78
February	1.84	1.70
March	1.93	1.79
April	1.85	1.80
May	1.84	1.77
June	1.79	1.73

The last transacted price of Hua Yang Shares on 19 July 2016 (being the date prior to the announcement of the Proposed Bonus Issue) was RM1.78.

The last transacted price of Hua Yang Shares on 27 July 2016 (being the latest date prior to the printing of this Circular) was RM1.76.

(Source: Bloomberg)

6. APPROVALS REQUIRED

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

- (i) Bursa Securities, for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities;
- (ii) the shareholders of Hua Yang, for the Proposed Bonus Issue at the forthcoming EGM; and
- (iii) any other relevant authorities and/or parties, if required.

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

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

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

8. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

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

Month	Event
24 August 2016	Convening of EGM to obtain the approval of shareholders of Hua Yang for the Proposed Bonus Issue
Mid October 2016	Announcement of the Entitlement Date for the Proposed Bonus Issue
End October 2016	Completion of the Proposed Bonus Issue

Barring any unforeseen circumstances, the Board expects the Proposed Bonus Issue to be completed in the second half of 2016.

9. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

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

10. DIRECTORS' RECOMMENDATION

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

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

11. EGM

The EGM, the notice of which is enclosed in this Circular, will be convened at the Head Office of the Company at 4th Floor, C-21, Jalan Medan Selayang 1, Medan Selayang, 68100 Batu Caves, Selangor Darul Ehsan on Wednesday, 24 August 2016 at 11.00 a.m., or immediately after the conclusion or adjournment (as the case may be) of the Thirty-Seventh (37th) AGM of the Company which will be held at the same venue and on the same day at 10.30 a.m., whichever is later, or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the ordinary resolution to give effect to the Proposed Bonus Issue.

If you are unable to attend and vote in person at the EGM, please complete, sign and return the enclosed Proxy Form for the EGM to the Registered Office of the Company at C-21, Jalan Medan Selayang 1, Medan Selayang, 68100 Batu Caves, Selangor Darul Ehsan so as to arrive not later than forty-eight (48) hours before the time fixed for holding the EGM. The Proxy Form should be completed strictly in accordance with the instruction contained therein. The lodging of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

12. FURTHER INFORMATION

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

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

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

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA STATEMENT OF RESERVES OF THE COMPANY IN RELATION TO THE PROPOSED BONUS ISSUE



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REPORTING ACCOUNTANTS' LETTER ON PROFORMA STATEMENT OF RESERVES IN CONNECTION WITH THE PROPOSED BONUS ISSUE

(Prepared for inclusion in the Circular to Shareholders to be dated 29 July 2016)

The Board of Directors
Hua Yang Berhad
C-21, Jalan Medan Selayang 1
Medan Selayang
68100 Batu Caves, Selangor

20 July 2016

Dear Sirs

**HUA YANG BERHAD ("HYB" OR "THE COMPANY")
PROFORMA STATEMENT OF RESERVES IN CONNECTION WITH THE PROPOSED BONUS ISSUE OF 88,000,000 NEW ORDINARY SHARES OF RM1.00 EACH IN HYB ("HYB SHARE(S)" OR "SHARE(S)") ("BONUS SHARE(S)") TO BE CREDITED AS FULLY PAID-UP ON THE BASIS OF ONE (1) BONUS SHARE FOR EVERY THREE (3) EXISTING HYB SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED BONUS ISSUE") ("PROFORMA STATEMENT OF RESERVES")**

We have been engaged to perform a reasonable assurance engagement on the accompanying Proforma Statement of Reserves of the Company as at 31 March 2016 and 30 June 2016, intended to be included in the Circular to Shareholders to be dated 29 July 2016 as set out in attachments which have been stamped by us for identification purposes.

Directors' responsibilities

The directors are responsible for the preparation of the Proforma Statement of Reserves of the Company as at 31 March 2016 and 30 June 2016 in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

The Company proposes to undertake a proposed bonus issue of 88,000,000 new ordinary shares of RM1.00 each in HYB ("HYB Shares") ("Bonus Shares") to be credited as fully paid-up, on the basis of one (1) Bonus Share for every three (3) existing HYB Shares held on an entitlement date to be determined later. The Proforma Statement of Reserves of the Company as at 31 March 2016 and 30 June 2016 have been prepared to illustrate the effects of the Proposed Bonus Issue on the reserves of the Company had the Proposed Bonus Issue been effected on 31 March 2016 and 30 June 2016, respectively.

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA STATEMENT OF RESERVES OF THE COMPANY IN RELATION TO THE PROPOSED BONUS ISSUE (Cont'd)



Hua Yang Berhad
Page 2

Our responsibility

Our responsibility is to express a reasonable assurance conclusion on the Proforma Statement of Reserves of the Company as at 31 March 2016 and 30 June 2016 based on the procedures we have performed and the evidence we have obtained as to whether the available reserves for capitalisation are adequate to cover the Proposed Bonus Issue.

We conducted our reasonable assurance engagement in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 - Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

We have not audited any financial statements of the Company as of any date or for any period subsequent to 31 March 2016. The purpose (and therefore the scope) of our audit for the year ended 31 March 2016 was to enable us to express our opinion on the financial statements of the Company as of 31 March 2016, and for the year then ended, but not on the financial statements for any interim period after that year. Therefore, we are unable to and do not express any audit opinion on the financial statements at any date or for any period subsequent to 31 March 2016.

Our audits of the financial statements for the year referred to above comprised audit tests and procedures necessary for the purpose of expressing an opinion on such financial statements taken as a whole. For none of the periods referred to therein, or any other period did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions such as those enumerated below and accordingly, we do not express an opinion thereon.

We have reviewed in accordance with Malaysian Approved Standard on Review Engagements, ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, the interim condensed financial statements of the Company, comprising the statement of financial position as at 30 June 2016, and the related income statement, statement of changes in equity, and cash flow statement for the three(3)-month financial period ended 30 June 2016, and the accompanying notes relevant thereto.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Approved Standards on Auditing in Malaysia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole, and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion, nor any opinion on individual items on the financial statements.

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA STATEMENT OF RESERVES OF THE COMPANY IN RELATION TO THE PROPOSED BONUS ISSUE (Cont'd)



Hua Yang Berhad
Page 3

Summary of work performed

We have performed the following procedures on the Proforma Statement of Reserves of the Company as at 31 March 2016 and 30 June 2016:

- (a) Read the Proforma Statement of Reserves of the Company as at 31 March 2016 and 30 June 2016;
- (b) Inquired of certain officials of the Company, who have responsibility for the financial and accounting matters about:
 - (i) the basis for their determination of the proforma adjustments;
 - (ii) whether the Proforma Statement of Reserves referred to in Annexure I, has been properly compiled on the bases stated; and
 - (iii) whether, within the context of the assumed date of the Proposed Bonus Issue:
 - such bases are consistent with the accounting policies of the Company as disclosed in the audited financial statements for the financial year ended 31 March 2016 and the unaudited interim financial statements for the three(3)-month financial period ended 30 June 2016; and
 - the adjustments set out are appropriate for the purpose of the Proforma Statement of Reserves;
- (c) Read the minutes of the board meetings of HYB and its group of companies ("Group") since the date when the latest statement of financial position was approved and discussed with the Group's management events that have occurred since that date;
- (d) Obtained a confirmation on the number of shares as at 30 June 2016 from the Company Secretary;
- (e) Proved the mathematical accuracy of the application of the proforma adjustments to the audited financial statements for the financial year ended 31 March 2016 and the unaudited interim financial statements for the three(3)-month financial period ended 30 June 2016; and
- (f) Considered the sufficiency of reserves as at 30 June 2016 for the purpose of the Proposed Bonus Issue.

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA STATEMENT OF RESERVES OF THE COMPANY IN RELATION TO THE PROPOSED BONUS ISSUE (Cont'd)



Hua Yang Berhad
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The foregoing procedures do not constitute an audit conducted in accordance with Malaysian Approved Standards on Auditing. Also, they would not necessarily reveal matters of significance with respect to the comments in the following paragraph. Accordingly, we make no representations regarding the sufficiency of the foregoing procedures for your purposes.

Opinion

In our opinion:

- (i) the Proforma Statement of Reserves as at 31 March 2016 and 30 June 2016 have been properly compiled on the bases set out in the accompanying notes;
- (ii) Within the context of the assumed date of Proposed Bonus Issue:
 - a. such bases are consistent with the accounting policies of the Company as disclosed in the audited financial statements for the financial year ended 31 March 2016 and the unaudited interim financial statements for the three(3)-month financial period ended 30 June 2016; and
 - b. the adjustments set out are appropriate for the purposes of the Proforma Statement of Reserves as at 31 March 2016 and 30 June 2016;
- (iii) The reserves of the Company as indicated in the Proforma Statement of Reserves as at 30 June 2016 set out in Annexure 1 are sufficient for the purpose of capitalisation of the Proposed Bonus Issue.

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA STATEMENT OF RESERVES OF
THE COMPANY IN RELATION TO THE PROPOSED BONUS ISSUE (Cont'd)



Hua Yang Berhad
Page 5

Restriction on distribution or use

This letter has been prepared solely for your information and for inclusion in the Circular to Shareholders to be dated 29 July 2016. It should not be copied or disclosed to any third party or otherwise quoted or referred to, in whole or in part, without our prior written consent.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Lim Eng Huat', written in a cursive style.

Ernst & Young
AF: 0039
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Lim Eng Huat', written in a cursive style.

Lim Eng Huat
No. 2403/04/17 (J)
Chartered Accountant

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA STATEMENT OF RESERVES OF THE COMPANY IN RELATION TO THE PROPOSED BONUS ISSUE (Cont'd)

ANNEXURE I

HUA YANG BERHAD ("HYB" OR "THE COMPANY")
NOTES TO PROFORMA STATEMENT OF RESERVES
Page 1

1. Background

The Company proposes to undertake a bonus issue of 88,000,000 new ordinary shares of RM1.00 each in HYB ("Bonus Share(s)") ("HYB Share(s)") or ("Share(s)") to be credited as fully paid-up on the basis of one (1) Bonus Share for every three (3) existing HYB Shares held by the entitled shareholders of the Company whose names appear in the Record of Depositors of the Company on an entitlement date to be determined later ("Entitlement Date") ("Proposed Bonus Issue").

The Proforma Statement of Reserves of HYB as at 31 March 2016 and 30 June 2016, for which the directors are solely responsible, have been prepared for illustrative purposes only, in connection with the Proposed Bonus Issue.

2. Basis for preparation

The Proforma Statement of Reserves of HYB as at 31 March 2016 and 30 June 2016 have been prepared based on the audited statements of financial position as at 31 March 2016 and the latest unaudited interim financial statements for the three(3)-month financial period ended 30 June 2016, respectively, on a basis consistent with the accounting policies adopted by HYB. For illustration purposes, the Proforma Statement of Reserves is prepared to show the effect of the Proposed Bonus Issue, had the Proposed Bonus Issue been completed on 31 March 2016 and 30 June 2016, respectively.

For the purpose of illustrating the Proposed Bonus Issue, the following assumptions have been made:

a) Dividends from Subsidiaries of the Company

As at 31 March 2016, the Company did not have adequate retained earnings to implement the Proposed Bonus Issue.

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA STATEMENT OF RESERVES OF THE COMPANY IN RELATION TO THE PROPOSED BONUS ISSUE (Cont'd)

ANNEXURE I (CONTD.)

HUA YANG BERHAD ("HYB" OR "THE COMPANY")
 NOTES TO PROFORMA STATEMENT OF RESERVES (CONTD.)
 Page 2

2. Basis for preparation (contd.)

a) Dividends from Subsidiaries of the Company (contd.)

Dividends had been declared to the Company by each subsidiary ("Dividends from Subsidiaries") as follows:

<i>Subsidiaries</i>	<i>Entitlement date</i>	<i>Payment date</i>	<i>Dividends received RM'000</i>
Agro-Mod Industries Sdn Bhd - First interim single tier dividend of 1,500%	17 June 2016	24 June 2016	37,500
Prop Park Sdn Bhd - First interim single tier dividend of 1,500%	17 June 2016	24 June 2016	15,000
Grandeur Park Sdn Bhd - First interim single tier dividend of 10,000%	17 June 2016	24 June 2016	30,000
Total			82,500

For the purpose of the presentation of the Proforma Statement of Reserves of HYB as at 31 March 2016, the Dividends from Subsidiaries have been recognised as part of the Company's retained earnings as at 31 March 2016 as if the dividends were paid and received as at 31 March 2016.

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA STATEMENT OF RESERVES OF THE COMPANY IN RELATION TO THE PROPOSED BONUS ISSUE (Cont'd)

ANNEXURE I (CONTD.)

HUA YANG BERHAD ("HYB" OR "THE COMPANY")
NOTES TO PROFORMA STATEMENT OF RESERVES (CONTD.)
Page 3

2. Basis for preparation (contd.)

- b) The Proforma Statement of Reserves of HYB as at 31 March 2016 and 30 June 2016 have been prepared on the assumption that at the date of capitalisation of the reserves for the Proposed Bonus Issue, nothing has occurred or will occur which will cause the aggregate of the above-mentioned reserves to be less than RM88,000,000.

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REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA STATEMENT OF RESERVES OF THE COMPANY IN RELATION TO THE PROPOSED BONUS ISSUE (Cont'd)

ANNEXURE I (CONTD.)

HUA YANG BERHAD ("HYB" OR "THE COMPANY")
 PROFORMA STATEMENT OF RESERVES
 Page 4

Table 1 - Proforma Statement of Reserves available for capitalisation in respect of the Proposed Bonus Issue as at 31 March 2016 based on the Company's audited financial statements for the financial year ended 31 March 2016.

	Company Level
	Retained Earnings
	RM'000
Audited as at 31 March 2016	15,082
Net dividends declared to HYB subsequent to financial year ended 31 March 2016 by ^a :	
- Agro-Mod Industries Sdn Bhd	37,500
- Prop Park Sdn Bhd	15,000
- Grandeur Park Sdn Bhd	30,000
After subsequent events	97,582
Capitalisation for the Proposed Bonus Issue	(88,000)
Estimated expenses to be incurred for the Proposed Bonus Issue	(100)
After the Proposed Bonus Issue	<u>9,482</u>

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REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA STATEMENT OF RESERVES OF THE COMPANY IN RELATION TO THE PROPOSED BONUS ISSUE (Cont'd)

ANNEXURE I (CONTD.)

HUA YANG BERHAD ("HYB" OR "THE COMPANY")
 PROFORMA STATEMENT OF RESERVES (CONTD.)
 Page 5

Table 1 - Proforma Statement of Reserves available for capitalisation in respect of the Proposed Bonus Issue as at 31 March 2016 based on the Company's audited financial statements for the financial year ended 31 March 2016. (contd.)

Notes:

- a. Being the net interim dividends in respect of the FYE 31 March 2017 received from the following subsidiaries of HYB:-

<i>Subsidiaries</i>	<i>Entitlement date</i>	<i>Payment date</i>	<i>Dividends received RM'000</i>
Agro-Mod Industries Sdn Bhd - First interim single tier dividend of 1,500%	17 June 2016	24 June 2016	37,500
Prop Park Sdn Bhd - First interim single tier dividend of 1,500%	17 June 2016	24 June 2016	15,000
Grandeur Park Sdn Bhd - First interim single tier dividend of 10,000%	17 June 2016	24 June 2016	30,000
Total			82,500

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA STATEMENT OF RESERVES OF THE COMPANY IN RELATION TO THE PROPOSED BONUS ISSUE (Cont'd)

ANNEXURE I (CONTD.)

HUA YANG BERHAD ("HYB" OR "THE COMPANY")
 PROFORMA STATEMENT OF RESERVES (CONTD.)
 Page 6

Table 2 - Proforma Statement of Reserves available for capitalisation in respect of the Proposed Bonus Issue as at 30 June 2016 based on the Company's interim financial statements for the financial period ended 30 June 2016.

	Company Level
	Retained Earnings
	RM'000
Unaudited as at 30 June 2016	97,085
Capitalisation for the Proposed Bonus Issue	(88,000)
Estimated expenses to be incurred for the Proposed Bonus Issue	(100)
After the Proposed Bonus Issue	<u>8,985</u>

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FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. CONSENTS AND CONFLICT OF INTERESTS**2.1 Adviser**

RHB Investment Bank, being the Adviser for the Proposed Bonus Issue, 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.

As at the LPD, we confirm that we are not aware of any circumstances or relationships with Hua Yang Group, save for the various credit facilities with a combined limit of up to an aggregate amount of approximately RM34.0 million that RHB Bank Berhad and/or its related companies ("**RHB Banking Group**") had extended to Hua Yang Group, which are in the ordinary course of business of RHB Banking Group.

RHB Investment Bank confirms that there is no situation of conflict of interests that exists or is likely to exist in relation to its capacity to act as the Adviser to the Company in connection with the Proposed Bonus Issue, on the following basis:-

- (i) RHB Investment Bank is a licensed investment bank and its appointment as Adviser for the Proposed Bonus Issue is in the ordinary course of its business; and
- (ii) The conduct of RHB Banking Group's business is regulated strictly by the Financial Services Act, 2013 and RHB Banking Group's own internal controls and checks.

2.2 Reporting Accountants

Messrs Ernst & Young, being the Reporting Accountants for the Proposed Bonus Issue, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and the letter on the compilation of the pro forma statement of reserves of the Company in connection with the Proposed Bonus Issue and all references thereto in the form and context in which they so appear in this Circular.

Messrs Ernst & Young is also not aware of any possible conflict of interest which exists or is likely to exist in its capacity as the Reporting Accountants for the Proposed Bonus Issue.

3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

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

FURTHER INFORMATION (Cont'd)

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

(i) Material Commitments

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

(ii) Contingent Liabilities

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

	RM,000
Unsecured:-	
- Corporate guarantees given to banks for credit facilities granted to certain subsidiary companies	220,838
Total	220,838

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company at C-21, Jalan Medan Selayang 1, Medan Selayang, 68100 Batu Caves, Selangor Darul Ehsan, during normal business hours (except public holidays) from the date of this Circular up to and including the date of the EGM:-

- (i) The Memorandum and Articles of Association of Hua Yang;
- (ii) The audited consolidated financial statement of Hua Yang for the past two (2) FYE 31 March 2016 and 31 March 2015 and the latest unaudited quarterly results for the FPE 30 June 2016;
- (iii) The confirmation letter from the reporting accountants on the adequacy of the Company's reserves in relation to the Proposed Bonus Issue as set out in **Appendix I** of this Circular; and
- (iv) Letters of consent referred to in **Section 2** of this **Appendix II**.

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Huayang

HUA YANG BERHAD

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Hua Yang Berhad (“**Hua Yang**” or the “**Company**”) will be convened at the Head Office of the Company at 4th Floor, C-21, Jalan Medan Selayang 1, Medan Selayang, 68100 Batu Caves, Selangor Darul Ehsan on Wednesday, 24 August 2016 at 11.00 a.m., or immediately after the conclusion or adjournment (as the case may be) of the Thirty-Seventh (37th) Annual General Meeting of the Company which will be held at the same venue and on the same day at 10.30 a.m., whichever is later, or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the following ordinary resolution:-

ORDINARY RESOLUTION

PROPOSED BONUS ISSUE OF 88,000,000 NEW ORDINARY SHARES OF RM1.00 EACH IN HUA YANG (“BONUS SHARE(S)”) ON THE BASIS OF ONE (1) BONUS SHARE FOR EVERY THREE (3) EXISTING ORDINARY SHARES OF RM1.00 EACH HELD IN HUA YANG (“HUA YANG SHARE(S)” OR “SHARE(S)”) ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“PROPOSED BONUS ISSUE”).

“THAT, subject to the approvals of all relevant regulatory authorities and parties for the listing of and quotation for the Bonus Shares, approval be and is hereby given to the Board of Directors of the Company (“**Board**”) to capitalise RM88,000,000 out of the Company’s retained earnings, and to apply the same for the purposes of issuing 88,000,000 Bonus Shares in the share capital of the Company, credited as fully paid-up to the entitled shareholders whose names appear in the Record of Depositors of the Company as at the close of business on the entitlement date to be determined by the Board and announced later on the basis of one (1) Bonus Share for every three (3) existing Hua Yang Shares held;

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

THAT the Bonus Shares shall, upon allotment and issuance, rank *pari passu* in all respect with the existing issued and paid-up Hua Yang Shares, save and except that the new Hua Yang Shares so issued will not be entitled to any dividends, rights, allotments and/or other distributions where the entitlement date precedes the date of allotment of such new Hua Yang Shares;

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

BY ORDER OF THE BOARD
LEONG OI WAH (MAICSA 7023802)
TAN HWAI LUN (MIA 24085)
LAM CHO WAI (MIA 37324)
Company Secretaries

Selangor Darul Ehsan
29 July 2016

Notes:-

1. *Only members whose name appear in the Record of Depositors as at 18 August 2016 will be entitled to attend and vote at this Extraordinary General Meeting or appoint a proxy/proxies or in the case of a corporation, a duly authorised representative to attend and to vote in his/her stead.*
2. *A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint a proxy/proxies who may but need not be a member/members of the Company to attend and vote in his/her stead and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
3. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
4. *Where a member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act, 1991 ("**SICDA**"), it may appoint up to two (2) proxies in respect of each securities account it may hold with ordinary shares of the Company standing to the credit of the said securities account.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised. The instrument appointing a proxy must be deposited at the Registered Office of the Company at C-21, Jalan Medan Selayang 1, Medan Selayang, 68100 Batu Caves, Selangor Darul Ehsan at least forty-eight (48) hours before the time appointed for the Extraordinary General Meeting or any adjournment thereof.*

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a member of the Company hereby agree and consent 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.



Huayang

HUA YANG BERHAD

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

PROXY FORM

*I/We..... Company No./NRIC No.
(new) (old)
of being a member of **HUA YANG BERHAD**
hereby appoint Mr/Ms..... of NRIC No.
(new) (old) or failing
whom NRIC No. (new)
(old) or failing whom the Chairman of the 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
convened at the Head Office of the Company at 4th Floor, C-21, Jalan Medan Selayang 1, Medan
Selayang, 68100 Batu Caves, Selangor Darul Ehsan on Wednesday, 24 August 2016 at 11.00 a.m., or
immediately after the conclusion or adjournment (as the case may be) of the Thirty-Seventh (37th)
Annual General Meeting of the Company which will be held at the same venue and on the same day at
10.30 a.m., whichever is later, or any adjournment thereof.

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

ORDINARY RESOLUTION	FOR	AGAINST
Proposed Bonus Issue		

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

Number of shares held	CDS Account No.

Dated thisday of2016

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%

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

Notes:-

- Only members whose name appear in the Record of Depositors as at 18 August 2016 will be entitled to attend and vote at this Extraordinary General Meeting or appoint a proxy/proxies or in the case of a corporation, a duly authorised representative to attend and to vote in his/her stead.
- A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint a proxy/proxies who may but need not be a member/members of the Company to attend and vote in his/her stead and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- 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.
- 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.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised. The instrument appointing a proxy must be deposited at the Registered Office of the Company at C-21, Jalan Medan Selayang 1, Medan Selayang, 68100 Batu Caves, Selangor Darul Ehsan at least forty-eight (48) hours before the time appointed for the Extraordinary General Meeting or any adjournment thereof.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 29 July 2016.

Fold this flap for sealing

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AFFIX
STAMP

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

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