

DAYANG ENTERPRISE HOLDINGS BERHAD (“DAYANG” OR THE “COMPANY”)

PROPOSED BONUS ISSUE OF UP TO 275,000,000 NEW ORDINARY SHARES OF RM0.50 EACH IN DAYANG (“DAYANG SHARE(S)” OR “SHARE(S)”) (“BONUS SHARE(S)”) ON THE BASIS OF ONE (1) BONUS SHARE FOR EVERY TWO (2) EXISTING DAYANG SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“PROPOSED BONUS ISSUE”)

1. INTRODUCTION

On behalf of the Board of Directors of Dayang (“**Board**”), RHB Investment Bank Berhad (“**RHB Investment Bank**”) wishes to announce that the Company proposes to undertake a bonus issue of up to 275,000,000 Bonus Shares on the basis of one (1) Bonus Share for every two (2) existing Dayang Shares held on an entitlement date to be determined and announced later (“**Entitlement Date**”).

Further details on the Proposed Bonus Issue are set out in the following sections.

2. DETAILS OF THE PROPOSED BONUS ISSUE

2.1 Basis and number of Bonus Shares

The Proposed Bonus Issue will entail an issuance of up to 275,000,000 Bonus Shares to be credited as fully paid-up on the basis of one (1) Bonus Share for every two (2) existing Dayang Shares held by the entitled shareholders of the Company as at the close of business on the Entitlement Date.

The actual number of Bonus Shares to be issued shall be determined on the Entitlement Date, which will depend on the following:-

- i. The issued and paid-up share capital as at 29 November 2013 of 550,000,000 Dayang Shares (including 300,500 treasury shares); and
- ii. The treatment of the 300,500 treasury shares held by Dayang as at 29 November 2013 prior to the Entitlement Date, i.e. whether the treasury shares will be cancelled, distributed as share dividends, re-sold on the market of Bursa Malaysia Securities Berhad (“Bursa Securities”) or continue to be retained as treasury shares.

Based on the existing issued and paid-up share capital of the Company of 550,000,000 Dayang Shares as at 29 November 2013, and assuming all the existing 300,500 treasury shares are resold on the open market prior to the Entitlement Date, a maximum number of 275,000,000 Bonus Shares shall be issued pursuant to 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.

2.2 Capitalisation of reserves

The Proposed Bonus Issue shall be capitalised from the Company's share premium and retained earnings account.

The effects of the Proposed Bonus Issue on the share premium and retained earnings account of the Company based on the Company's latest audited financial statements for the financial year ended ("FYE") 31 December 2012 and the latest unaudited results for the financial period ended ("FPE") 30 September 2013, are as shown below.

Company level	Share premium	Retained earnings
	(RM'000)	(RM'000)
Audited as at 31 December 2012	107,787	7,416
<i>Second Interim dividend⁽¹⁾</i>	-	(27,485)
<i>First Interim dividend⁽²⁾</i>	-	(27,485)
<i>Dividend received⁽³⁾</i>	-	55,120
<i>Reclassification of fair value reserve⁽⁴⁾</i>	-	32,799
<i>Amount to be capitalised for the Proposed Bonus Issue⁽⁵⁾</i>	(107,787)	(29,713)
<i>Estimated expenses for the Proposed Bonus Issue</i>	-	(180)
Balance after the Proposed Bonus Issue	-	10,472

Company level	Share premium	Retained earnings
	(RM'000)	(RM'000)
Unaudited as at 30 September 2013	107,787	41,425
<i>Amount to be capitalised for the Proposed Bonus Issue⁽⁵⁾</i>	(107,787)	(29,713)
<i>Estimated expenses for the Proposed Bonus Issue</i>	-	(180)
Balance after the Proposed Bonus Issue	-	11,532

Notes:-

- (1) *Being the second interim dividend in respect of FYE 31 December 2012 of 5 sen per Dayang Share (based on the issued and paid-up share capital of Dayang excluding treasury shares held by the Company as at 19 March 2013 being the entitlement date for the dividend).*
- (2) *Being the first interim dividend in respect of FYE 31 December 2013 of 5 sen per Dayang Share (based on the issued and paid-up share capital of Dayang excluding treasury shares held by the Company as at 13 September 2013 being the entitlement date for the dividend).*
- (3) *Being the net interim dividend received in respect of FYE 31 December 2012 and FYE 31 December 2013 which was paid on 1 April 2013 and 1 October 2013, respectively from Dayang Enterprise Sdn Bhd amounting to RM55.12 million.*
- (4) *Being reclassification of available-for-sale revaluation reserve of approximately RM32.80 million to the statements of profit or loss and other comprehensive income on remeasurement of an available-for-sale investment as an equity-accounted associate in February 2013.*
- (5) *Assuming all existing 300,500 treasury shares are resold on the open market prior to the Entitlement Date and 275,000,000 Bonus Shares are issued.*

The Board of the Directors of Dayang confirms that the reserves required for the capitalisation of the Proposed Bonus Issue based on the latest audited financial statements as well as the latest quarterly report of Dayang are unimpaired by losses on a consolidated basis in accordance with paragraph 6.30(1) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Securities. The Proposed Bonus Issue will not be implemented in stages over a period of time.

Further, pursuant to paragraph 6.30(3) of the Listing Requirements of Bursa Securities, the Board will obtain a confirmation from the reporting accountants on the adequacy of reserves for the capitalisation of the Proposed Bonus Issue.

2.3 Ranking of the Bonus Shares

The Bonus Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing Dayang Shares, save and except that the new Dayang 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

An application will be made for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities.

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 number of shares held, whilst maintaining their percentage of equity interest. In addition, the Proposed Bonus Issue is expected to improve the trading liquidity and affordability of Dayang Shares on Bursa Securities while increasing the capital base of the Company.

4. EFFECTS OF THE PROPOSED BONUS ISSUE

For illustration purposes, the proforma effects of the Proposed Bonus Issue on the share capital, net assets ("NA") and gearing, earnings and earnings per share ("EPS") and substantial shareholders' shareholdings of Dayang.

4.1 Issued and paid-up share capital

For illustrative purposes, the proforma effects of the Proposed Bonus Issue on the issued and paid-up share capital of Dayang are as follows:-

	No. of Dayang Shares	Share Capital
	('000)	(RM'000)
<i>Issued and paid-up share capital as at 29 November 2013</i>	550,000	275,000
<i>Bonus Shares to be issued pursuant to the Proposed Bonus Issue</i>	⁽¹⁾ 275,000	137,500
Enlarged issued and paid-up share capital	825,000	412,500

Note:-

⁽¹⁾ Assuming all existing 300,500 treasury shares are resold on the open market prior to the Entitlement Date.

4.2 NA and gearing

Based on the audited consolidated statement of financial position of Dayang as at 31 December 2012, the proforma effects of the Proposed Bonus Issue on the NA and gearing of Dayang are as follows:-

Group level	Audited as at 31 December 2012 (RM'000)	Proforma I After the subsequent events ⁽¹⁾ (RM'000)	Proforma II After the Proposed Bonus Issue (RM'000)
Share capital	275,000	275,000	412,500
Share premium	107,787	107,787	-
Treasury shares	(460)	(460)	⁽²⁾ -
Fair value reserves	30,948	-	-
Retained earnings	184,035	161,864	⁽³⁾ 133,104
Shareholders' equity / NA	597,310	544,191	545,604
No. of Dayang Shares ('000)	⁽⁴⁾ 549,700	⁽⁴⁾ 549,700	825,000
NA per Share (RM)	1.09	0.99	0.66
Borrowings	67,522	67,522	67,522
Gearing (times)	0.11	0.12	0.12

Notes:-

⁽¹⁾ For illustrative purposes, the audited consolidated statement of financial position of Dayang Group as at 31 December 2012 has been adjusted for the effects of the following events up to 29 November 2013 which have immediate or subsequent consequential effects to the NA of the Group:-

- (a) Dividend paid on 12 April 2013 pursuant to the second interim tax exempt dividend of RM0.05 per Dayang Share totalling approximately RM27.48 million in respect of FYE 31 December 2012.
- (b) Dividend paid on 10 October 2013 pursuant to the first interim tax exempt dividend of RM0.05 per Dayang Share totalling approximately RM27.48 million in respect of the FYE 31 December 2013.
- (c) Reclassification of available-for-sale revaluation reserve of approximately RM32.80 million to the statements of profit or loss and other comprehensive income on remeasurement of an available-for-sale investment as an equity-accounted associate in February 2013.

⁽²⁾ Assuming all the treasury shares are resold in the market based on the five (5)-day VWAP of Dayang Shares up to and including 29 November 2013 of RM5.30.

⁽³⁾ Including the estimated expenses of approximately RM180,000 in relation to the Proposed Bonus Issue.

⁽⁴⁾ Excluding 300,500 treasury shares as at 31 December 2012 and 29 November 2013, respectively.

4.3 Earnings and EPS

The Proposed Bonus Issue is not expected to have any material effect on the earnings of the Dayang Group for the FYE 31 December 2013 and FYE 31 December 2014. However, there will be a corresponding dilution in the EPS of the Group as a result of the increase in the number of shares in issue pursuant to the Proposed Bonus Issue.

4.4 Convertible securities

As at 29 November 2013, there are no options, warrants or convertible securities issued by the Company.

4.5 Substantial shareholders' shareholdings

The Proposed Bonus Issue will not have any effect on the percentage shareholdings of the substantial shareholders of Dayang as the Bonus Shares will be allotted on a pro-rata basis to all the shareholders of the Company. The number of Shares held by the substantial shareholders will increase proportionately pursuant to the Proposed Bonus Issue.

5. APPROVALS REQUIRED

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

- i. Bursa Securities, for the listing and quotation for the Bonus Shares on the Main Market of Bursa Securities;
- ii. the shareholders of Dayang, for the Proposed Bonus Issue at the Extraordinary General Meeting to be convened; 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 Dayang.

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

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

7. BOARD'S 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.

8. ADVISER

RHB Investment Bank has been appointed by the Company to act as the Principal Adviser for the Proposed Bonus Issue.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Board expects the Proposed Bonus Issue to be completed in the first (1st) quarter of 2014.

10. APPLICATION TO RELEVANT AUTHORITIES

Barring any unforeseen circumstances, the applications to the relevant authorities for the Proposed Bonus Issue are expected to be submitted within one (1) month from the date of this announcement.

This announcement is dated 6 December 2013.