

DAYANG ENTERPRISE HOLDINGS BERHAD ("DAYANG" OR THE "COMPANY")

- (I) PROPOSED BONUS ISSUE OF 88,000,000 NEW ORDINARY SHARES OF RM0.50 EACH IN DAYANG ("BONUS SHARE(S)") ON THE BASIS OF ONE (1) BONUS SHARE FOR EVERY FOUR (4) EXISTING ORDINARY SHARES OF RM0.50 EACH ("SHARE(S)") HELD IN DAYANG ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED BONUS ISSUE"); AND**
- (II) PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 110,000,000 NEW SHARES ("RIGHTS SHARE(S)") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FOUR (4) EXISTING SHARES HELD IN DAYANG AFTER THE PROPOSED BONUS ISSUE AT AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE")**

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1. INTRODUCTION

On behalf of the Board of Directors of Dayang ("Board"), OSK Investment Bank Berhad ("OSK") wishes to announce that Dayang proposes to undertake the following corporate proposals:-

- (i) Proposed bonus issue of 88,000,000 new ordinary shares of RM0.50 each in Dayang ("Bonus Share(s)") on the basis of one (1) Bonus Share for every four (4) existing ordinary shares of RM0.50 each ("Share(s)") held in Dayang on an entitlement date to be determined later ("Proposed Bonus Issue"); and
- (ii) Proposed renounceable rights issue of 110,000,000 new Shares ("Rights Share(s)") on the basis of one (1) Rights Share for every four (4) existing Shares held in Dayang after the Proposed Bonus Issue at an entitlement date to be determined later ("Proposed Rights Issue").

(Collectively referred to as the "Proposals").

Further details on the Proposals are set out in the following sections.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Bonus Issue

2.1.1 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 four (4) existing Shares held by the entitled shareholders of Dayang whose names appear in the Record of Depositors at the close of business on the entitlement date to be determined later ("Entitlement Date").

Fractional entitlements, if any, shall be disregarded and the aggregate of such fractions shall be dealt with in such manner as the Board shall in their absolute discretion deem fit and expedient in the best interest of the Company.

As at 26 October 2010, the issued and paid-up share capital of the Company stood at RM176,000,000 comprising 352,000,000 Shares.

The Proposed Bonus Issue will not be implemented in stages over a period of time.

2.1.2 Capitalisation of reserves

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

Based on both the audited financial statements of Dayang as at 31 December 2009 as well as the latest quarterly report of Dayang, the share premium of Dayang (company level) stood at RM87.071 million. Based on the above, Dayang has sufficient reserves to be capitalised for the Proposed Bonus Issue. The Company will appoint an external auditor to verify and confirm the adequacy of reserves for the Proposed Bonus Issue.

The Board 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 of Bursa Malaysia Securities Berhad ("Bursa Securities").

2.1.3 Ranking of the Bonus Shares

The Bonus Shares will, upon allotment and issuance, rank *pari passu* in all respects with the existing 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 prior to the allotment and issue of the Bonus Shares.

2.1.4 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.

2.2 Proposed Rights Issue

2.2.1 Number of Rights Shares to be issued

The Proposed Rights Issue will involve an issuance of 110,000,000 Rights Shares on the basis of one (1) Rights Share for every four (4) existing Shares held in Dayang after the Proposed Bonus Issue on the Entitlement Date.

The 110,000,000 Rights Shares to be issued was arrived at based on the total issued and paid-up share capital of the Company of RM176,000,000 comprising 352,000,000 Shares as at 26 October 2010 and after taking into account the 88,000,000 new Bonus Shares to be issued pursuant to the Proposed Bonus Issue. In any event, the actual number of new Rights Shares will be determined based on the issued and paid-up share capital of Dayang as at the Entitlement Date after the Proposed Bonus Issue.

The Proposed Rights Issue is renounceable in full or in part. Any unsubscribed Rights Shares shall be offered to other shareholders of Dayang under the excess Rights Shares application.

Any fractional entitlements under the Proposed Rights Issue shall be dealt with in such manner as the Board shall in their absolute discretion deem fit and expedient in the best interest of the Company.

2.2.2 Basis of determining the issue price of the Rights Shares

The issue price of the Rights Shares will be determined and announced later, based on the five (5)-day weighted average market price ("WAMP") of the existing Shares in Dayang immediately preceding the price-fixing date, and at an appropriate discount, which will be determined by the Board at a later date. In any case, the issue price will not be lower than the par value of the existing Shares in Dayang.

For illustrative purposes, the Rights Shares are assumed to be issued at an indicative issue price of RM1.00 each, representing a discount of approximately 41.31% to the theoretical ex-all price of Dayang Shares of RM1.704 pursuant to the Proposed Bonus Issue and Proposed Rights Issue, based on the five (5)-day WAMP of Dayang Shares on 26 October 2010 of RM2.35.

2.2.3 Ranking of the Rights Shares

All the Rights Shares will, upon allotment and issue, rank *pari passu* in all respects with the existing Shares in Dayang, except that they will not be entitled to any dividends, rights, allotment and/or other distributions that may be declared, made or paid prior to the allotment and issue of the Rights Shares.

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

2.2.4 Undertakings by the substantial shareholders and underwriting arrangement

The Company will procure irrevocable written undertakings from Naim Holdings Berhad ("Naim"), Tengku Yusof Bin Tengku Ahmad Shahrudin ("Tengku Yusof"), Ling Suk Kiong ("Ling SK"), Vogue Empire Sdn Bhd ("Vogue") and Joe Ling Siew Loung @ Lin Shou Long ("Joe Ling") to subscribe in full for their respective entitlements for the Rights Shares ("Undertakings for Entitlement").

The abovementioned substantial shareholders will undertake to subscribe in full for any additional entitlements pursuant to the Proposed Rights Issue, in the event that they have increased their shareholdings in Dayang as at the book closure date to be determined later.

As at 26 October 2010, Naim, Tengku Yusof, Ling SK, Vogue and Joe Ling collectively hold 254,031,000 Dayang Shares, representing an aggregate of 72.16% of the issued and paid up share capital of Dayang.

Underwriting arrangements for the balance of the Rights Shares will be finalised at a later date and subject to an underwriting agreement to be entered into.

The Proposed Rights Issue will not be undertaken on a minimum subscription basis.

2.2.5 Utilisation of proceeds

The Proposed Rights Issue is expected to raise an estimated gross proceeds of RM110.0 million based on the indicative issue price of RM1.00 per Rights Share. The proceeds are expected to be utilised in the following manner:-

	RM'000	Expected timeframe for the utilisation of proceeds
Working capital and capital expenditure ⁽¹⁾	109,100	Within fifteen (15) months
Estimated expenses for the Proposed Rights Issue ⁽²⁾	900	Within one (1) month
Total	110,000	

Notes:-

⁽¹⁾ The proceeds will be utilized for the group's day-to-day working capital expenses which includes selling and distribution expense and staff related expenses. The Company also intends to utilize the amount for capital expenditure within its ordinary course of business. The actual utilization for capital expenditure has yet to be finalized at this juncture.

⁽²⁾ The estimated expenses of approximately RM900,000 consist of estimated professional fees (excluding underwriting commission), regulatory fees, printing and advertising costs, and miscellaneous expenses.

Any variation in the actual proceeds raised from the Proposed Rights Issue will be adjusted to or from the amount allocated for working capital and capital expenditure.

Pending utilisation of the proceeds from the Proposed Rights Issue for the above purposes, the proceeds would be placed in deposits with financial institutions or short-term money market instrument(s).

3. RATIONALE FOR THE PROPOSALS

The Proposed Bonus Issue is to reward the shareholders of the Company for their continuous support.

After due consideration of the various options available, the Board is of the view that the Proposed Bonus Issue is an appropriate avenue for Dayang, as it will:-

- (i) reward the existing shareholders of the Company by enabling them to have greater participation in the equity of the Company in terms of number of shares held;
- (ii) enlarge the number of the Dayang Shares held by the Company's existing shareholders, without increasing the percentage equity interest; and
- (iii) improve the liquidity of Dayang Shares on Bursa Securities with a larger capital base.

The Proposed Rights Issue will enable the Group to raise funds for its capital expenditure and working capital, which are expected to contribute positively to the earnings potential of the Group in the future and to defray estimated expenses for the Proposals.

After due consideration of the various options available, the Board is of the view that the Proposed Rights Issue is an appropriate avenue for Dayang, as it will:-

- (i) raise equity capital for Dayang and strengthen its capital base;
- (ii) enable the Company to raise funds without incurring interest costs, as compared to borrowings; and
- (iii) provide the entitled shareholders of Dayang with an attractive option to increase their equity participation in the Company.

4. EFFECTS OF THE PROPOSALS

4.1 Share capital

The proforma effects of the Proposals on the issued and paid-up share capital of Dayang are set out in **Table 1**.

4.2 Net Assets ("NA") per share and gearing

The proforma effects of the Proposals on the NA per share and gearing based on the audited consolidated balance sheets of Dayang for the financial year ended ("FYE") 31 December 2009 are set out in **Table 2**.

4.3 Earnings per Share ("EPS")

Based on the assumption that the Proposals are expected to be completed by the first quarter of 2011, the Proposals are not expected to have any effect on the earnings and EPS of the Dayang Group for the FYE 31 December 2010.

However, the EPS of the Group for the FYE 2011 may be diluted as a result of the increase in the number of Shares in issue after the Proposals are implemented.

The Proposals are expected to contribute positively to the future earnings of Dayang Group for the FYE 31 December 2011, as a result of the injection of fresh funds for working capital and capital expenditure purposes and when the benefits of the utilisation of proceeds are realised.

4.4 Substantial shareholder's shareholdings

The effects of the Proposals on the substantial shareholders' shareholdings in the Company are set out in **Table 3**.

4.5 Convertible securities

As at 26 October 2010, there were no options, warrants or convertible securities issued by the Company.

5. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

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

6. APPROVALS REQUIRED

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

- (i) Bursa Securities for the following:-
 - (a) the listing of and quotation for the new Bonus Shares to be issued pursuant to the Proposed Bonus Issue on the Main Market of Bursa Securities; and
 - (b) the listing of and quotation for the Rights Shares to be issued pursuant to the Proposed Rights Issue on the Main Market of Bursa Securities;
- (ii) the shareholders of Dayang at an extraordinary general meeting to be convened; and
- (iii) any other relevant authorities, if required.

7. INTER-CONDITIONALITY

The completion of the Proposed Bonus Issue is not conditional upon the Proposed Rights Issue. However, the completion of the Proposed Rights Issue is conditional upon the completion of the Proposed Bonus Issue.

The Proposals are not conditional upon any other corporate exercise undertaken or to be undertaken by Dayang.

8. STATEMENT BY DIRECTORS

The Board, having considered the current financial position of Dayang and after careful deliberation of the rationale of the Proposals and all other aspects of the Proposals, are of the opinion that the Proposals are in the best interest of the Company.

9. ADVISER

OSK has been appointed by the Company to act as the Adviser for the Proposals.

10. APPLICATION TO THE RELEVANT AUTHORITIES

Barring any unforeseen circumstances, the applications to the relevant authorities will be made within two (2) months from the date of this announcement.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Board expects the Proposals to be completed by the first quarter of 2011.

This announcement is dated 8 November 2010.