

ADVANCE SYNERGY BERHAD (“ASB” OR THE “COMPANY”)

Voluntary take-over offer by Aseambankers Malaysia Berhad (“Aseambankers”) on behalf of ASB to acquire all the remaining ordinary shares of RM1.00 each in Advance Synergy Capital Berhad (“ASCAP Shares”) which are not already owned by ASB at a cash offer price of RM0.60 per ASCAP Share (“Offer”)

1. INTRODUCTION

On behalf of the Board of Directors of ASB (“Board”), Aseambankers is pleased to announce that the Company had on 26 September 2008 served a notice to the Board of Directors of Advance Synergy Capital Berhad (“ASCAP”), a 63.92% subsidiary of ASB, to carry out a voluntary take-over to acquire all the remaining ASCAP Shares which are not already owned by ASB at a cash offer price of RM0.60 per ASCAP Share (“Offer Shares”).

Details of the Offer are set out in the ensuing sections and the Notice of Voluntary Take-over Offer (“Notice”) which is attached with this announcement.

2. DETAILS OF THE OFFER

2.1 Background information on ASCAP

ASCAP was incorporated in Malaysia as a private limited company under the Companies Act, 1965 (“Act”) under the name of United Merchant Group Sdn. Bhd. on 10 January 1994. It subsequently converted into a public listed company on 4 April 1994 and assumed its former name of United Merchant Group Berhad and was listed on the Main Board of Bursa Malaysia Securities Berhad (“Bursa Securities”) on 18 August 1994. It changed its name to Advance Synergy Capital Berhad on 19 July 2002.

The principal activities of ASCAP are investment holding and provision of management services. The principal activities of the subsidiaries are investment holding, property investment and management services, design, building and fabrication of coaches and provision of bus transportation services and related management and other services. ASCAP also has investment in associated companies which are principally involved in general insurance, merchant banking, card and payment services, manufacturing of warp-knitted fabrics and manufacturing and trading of lingerie materials and accessories.

2.2 Details of the Offer

As set out in the Notice, ASB proposes to acquire all the remaining ASCAP Shares which are not already owned by ASB (after excluding ASCAP Shares held as treasury shares) at a cash offer price of RM0.60 per ASCAP Share.

As at 26 September 2008, ASB holds 90,731,500 ASCAP Shares or approximately 63.92% of the issued and paid-up of ASCAP (after excluding 14,912,535 ASCAP Shares held as treasury shares as at 19 September 2008) and is the largest shareholder of ASCAP.

Other than the approvals and conditions required in Section 7, the Offer is not conditional upon any other conditions or proposals.

2.3 Basis of arriving at the Offer Price

The offer price of RM0.60 per ASCAP Share (“Offer Price”) was arrived at after taking into consideration the five (5)-day volume weighted average market price (“VWAMP”) of ASCAP Shares up to and including 25 September 2008 (being the last trading day prior to this announcement and serving of the Notice) of RM0.46.

The Offer Price of RM0.60 represents a premium of 30.4% over the five (5)-day VWAMP up to 25 September 2008.

2.4 Source of Funds

The purchase consideration for the Offer Shares of up to RM30.73 million is to be satisfied wholly in cash and shall be financed by external borrowings.

2.5 Liabilities to be assumed

The ASCAP Shares will be acquired pursuant to the Offer free from encumbrances, options, claims, charges, liens, rights of pre-emption, third party rights and equities.

ASB will not assume any liabilities pursuant to the Offer save for the borrowings incurred to finance the Offer and liabilities stated in the balance sheet of ASCAP, which will continue to be carried by ASCAP in its ordinary course of business.

2.6 Financial Commitment

ASB is not expected to incur additional financial commitment in putting the businesses of ASCAP on-stream subsequent to the completion of the Offer.

2.7 Listing Status of ASCAP and Compulsory Acquisition

ASB does not intend to maintain the listing status of ASCAP in the event ASCAP does not comply with the twenty-five percent (25%) public shareholding spread requirement of the Listing Requirements of Bursa Securities as a result of acceptances received under the Offer.

It is not the intention of ASB to comply with the required shareholding spread for ASCAP in the event ASB receives acceptances resulting in it holding more than 75% but less than 90% of the issued and paid-up share capital of ASCAP (excluding ASCAP Shares held as treasury shares). ASB intends to procure that ASCAP undertakes the necessary procedures to withdraw ASCAP’s listing status from the Official List of Bursa Securities pursuant to Paragraph 16.05 of the Listing Requirements of Bursa Securities within six (6) months from the completion of the Offer.

It is the intention of ASB to invoke Section 34 of the Securities Commission Act, 1993 to compulsorily acquire any remaining Offer Shares for which acceptances have not been received in the event ASB receives no less than nine-tenths (9/10) in the nominal value of the Offer Shares (other than shares already held at the date of the Offer by ASB or by nominee for or a related corporation of ASB).

3. RATIONALE

ASB's intention to privatise ASCAP is a strategic initiative as it will allow ASB to carry out rationalisation and streamlining of ASCAP's core business in a more timely and flexible manner and thus enable ASB's enlarged group to derive potential synergistic benefits from any potential cost savings and operational efficiencies.

ASB believes that by further increasing its stake in ASCAP and where possible taking ASCAP private and owning the entire equity interest therein, it will have greater liberty in deciding on the strategic direction of ASCAP and its subsidiaries ("ASCAP Group"). This will also enhance the ability of ASB and its subsidiaries ("ASB Group") to derive benefits from merging the operations of the ASB Group with the operations of the ASCAP Group. Having a single listed entity will provide an enlarged base to allow the ASB Group to consolidate and pool all assets and resources for long-term growth which will enhance the shareholders value of ASB.

4. PROSPECTS OF THE ASCAP GROUP

The core business of the ASCAP Group is in the provision of public bus transportation and its ancillary services under the Triton Brand name. The ASCAP Group is continuing to rationalise its route network and invest in supporting infrastructure to deliver an efficient and pleasant travel experience for all its passengers. At present, the ASCAP Group's express bus division covers the 'Kuala Lumpur International Airport ("KLIA") - Ipoh' route while the stage bus division mainly services the city of Johor Bahru.

The operational costs of the bus transportation division was hit by the recent hike in fuel prices and other inflationary pressures which have affected the ASCAP Group's profit margin and financial results as the ASCAP Group has not been able to fully pass the costs on to its customers due to regulatory constraints. The Company believes that its initiative to carry out the rationalisation and streamlining of the ASCAP Group's bus transportation services is expected to result in cost savings and operational efficiencies. The strategies are, amongst others, to ensure effective capacity planning, cost management, efficient deployment of its resources and effective management of service delivery costs.

It is anticipated that the bus building and fabrication division will also contribute positively to the ASCAP Group in future when the sales targets are achieved to support full commercial production.

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5. RISK FACTORS

The Offer will not expose the ASB Group to new risk factors or risk factors that have not already been considered by the ASB Group as ASCAP is an existing subsidiary of ASB. Like all other business entities, changes in political, economic and regulatory conditions in Malaysia could adversely affect the financial and operational conditions of the ASCAP Group. These include the risks of war, global economic changes, unfavourable changes in governments' policies and priorities, changes in interest rates and methods of taxation or introduction of new regulations. Some of other risks of the ASCAP Group include, but are not limited to the following:

5.1 Competition

The ASCAP Group operates intra-city and inter-city transportation services. The intra-city services cover mainly the Johor Bahru area, whilst the inter-city service covers the 'KLIA – Ipoh' route. The ASCAP Group faces competition from other public transport providers which cover the above areas or other modes of public transport such as train and taxi.

The ASCAP Group constantly looks out for business development opportunities such as the improvement of its existing routes and the development of new routes. The ASCAP Group also enhances its services, upgrades and refurbishes its buses to maintain its competitive edge. Notwithstanding the above, no assurance can be made that the ASCAP Group can maintain its competitive edge in the future and this may affect its performance.

5.2 Dependence on labour

The transportation industry is highly labour intensive, where the degree to which automation can substitute human resources is rather limited. The ability and success in providing reliable, comfortable, safe and uninterrupted public bus transportation services are largely dependent upon the experience and capability of the bus drivers employed by the ASCAP Group. Hence, the ASCAP Group's ability to retain experienced and trained bus drivers will have a direct impact on the bus service operations. The ASCAP Group will continue to explore means to improve its ability to retain and attract experienced and trained staff through various incentive schemes, training and the provision of non-monetary benefits.

5.3 Government legislation and policies

The public bus transportation industry is a highly regulated industry as it is considered an essential public service. Any revision to its bus fares is subject to the approval of the Ministry of Transport and other relevant authorities. Hence, the public transportation business may not be able to pass on any increase in operating costs to the customers promptly and effectively. The increase in fuel prices is an example where an increase in the cost of the public transport division would not be passed on to customers as any price increase in its fare is subject to the approval of the Government and/or relevant authorities.

Besides, with the recent fatal bus accidents, the public bus transportation industry may be subjected to more stringent policies to be imposed by the Government in ensuring that the safety of the public transport users are safeguarded. No assurance can be made that any changes in government legislation and policies will not affect the ASCAP Group's operations in the future.

5.4 Licensing and regulation

The public bus transportation industry is regulated under the Ministry of Transport where a permit/licence must be obtained from the Commercial Vehicle Licensing Board Peninsular Malaysia (“CVLB”) by any parties interested in operating public bus transportation services. The permits/licences issued by CVLB are subject to renewal every five (5) years.

In addition, the licensing and regulation of commercial vehicles inclusive of public bus transportation are governed under the CVLB Act 1987 (as amended from time to time and any re-enactment thereof) (“Licensing Act”). The CVLB may revoke or suspend any permit/licence granted under the Licensing Act.

Whilst the ASCAP Group has always strived to ensure that it strictly complies with the Licensing Act to prevent the permits/licences from being revoked or suspended by the CVLB, the ASCAP Group cannot assure that any changes to the present regulations or the introduction of new regulations will not have a material impact on the operations and financial performance, or the ASCAP Group will be able to ensure successful renewal of all licences in the future.

5.5 Public liability risks

As a public transport provider, the reliability of the bus services is vital in discharging the social responsibility towards its passengers. In the event of accidents causing injuries and death, not only would the ASCAP Group’s reputation as a reliable bus operator be undermined and thereby reducing the revenue generated from the bus operations, its licence may also be suspended or revoked. Furthermore, any claims and penalties arising therefrom would have an adverse impact on its financial position. The ASCAP Group ensures timely service and maintenance of its buses so as to provide reliable, safe and uninterrupted services to the passengers. In addition, the ASCAP Group has procured public liability insurance with limits in accordance with industry practice which would address any contingency claims.

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6. EFFECTS OF THE OFFER

6.1 Share capital and substantial shareholders' shareholdings

The Offer will not have any effect on the issued and paid-up share capital and the substantial shareholders' shareholdings of the Company as the consideration is entirely satisfied by cash.

6.2 Net assets ("NA") and gearing

For illustrative purposes only, the proforma effects of the Offer on the consolidated NA and gearing of the ASB Group are set out below:

	Audited as at 31 December 2007 RM '000	After corporate exercises ¹ RM '000	After the Offer RM '000
Share capital	337,794	138,572	138,572
2% Irredeemable Convertible Unsecured Loan Stock ("ICULS") (Equity portion)	-	122,210	122,210
Reserves	(19,380)	119,994	184,484
Shareholders' funds / NA attributable to equity holders of the Company	318,414	380,776	445,266
No. of shares in issue ('000)	337,794	461,908	461,908
NA per share attributable to equity holders of the Company (RM)	0.94	0.82	0.96
Total borrowings	144,298	113,721	144,451
Gearing ratio (times) ²	0.45	0.30	0.32

Notes:

1 After adjustments made pursuant to the corporate exercises comprising the capital reduction exercise and the rights issue exercise as disclosed in the Abridged Prospectus to shareholders of ASB dated 27 December 2007 which were completed on 31 January 2008, the issuance of 124,114,758 new ASB Shares arising from the conversion of the RM37,234,427 nominal value of the ICULS (or equivalent to 248,229,516 ICULS) and the acquisition of 11,116,300 ASCAP Shares by ASB.

2 Calculated based on total borrowings over shareholders' funds.

6.3 Earnings per share

The Offer, anticipated to be completed by end of 2008, is not expected to have a material impact on ASB's consolidated earnings for the financial year ending 31 December 2008. However, the Offer is expected to contribute positively to the future earnings of the enlarged ASB Group.

6.4 Dividends

The Board did not declare any dividend for the financial year ended 31 December 2007. Any dividend to be declared and paid by the Company for the financial year ending 31 December 2008 and subsequent years will depend on, amongst others, the future performance, cashflow position and funding requirements of the Group.

The Board is of the view that the Offer is not expected to have material adverse effect on the Company's ability to declare dividends.

7. APPROVALS REQUIRED

The Offer is conditional upon approvals, no objections and/or waivers being obtained from the following:

- (i) Securities Commission ("SC"), pursuant to the Guidelines on the Offering of Equity and Equity-Linked Securities ("SC Guidelines");
- (ii) Equity Compliance Unit of the SC, pursuant to the Foreign Investment Committee's Guideline on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests;
- (iii) Minister of Finance via Bank Negara Malaysia;
- (iv) shareholders of ASB at an extraordinary general meeting to be convened; and
- (v) if required, any other relevant authorities/parties.

Save for the above, the Offer is not conditional upon any other conditions.

8. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors and major shareholders of ASB, and any person connected to them have any interests, direct or indirect, in the Offer.

9. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Offer, is of the opinion that the Offer is fair and reasonable and is in the best interest of the Company and its shareholders.

10. APPLICATION TO THE RELEVANT AUTHORITIES

The Company expects to submit the application to the relevant authorities for the Offer within one (1) month from the date of this announcement.

11. COMPLIANCE WITH THE SC GUIDELINES

On behalf of the Company, Aseambankers will be seeking approval from the SC for a waiver from complying with Chapter 7 (Acquisitions and Disposals of Assets) under the SC Guidelines.

To the best of the knowledge of the Board, save as disclosed above, the Offer does not depart from the SC Guidelines.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all the required approvals being obtained, the Offer is expected to be completed by end of 2008.

13. ADVISER

ASB has appointed Aseambankers as the adviser in relation to the Offer.

This announcement is dated 26 September 2008.