

**This Circular contains important information for your attention.**

If you are in any doubt as to what action you should take, please consult appropriate independent professional advisers. If you have sold or transferred all of your stock units in **Advance Synergy Berhad (“ASB” or “Company”)**, you should send this Circular to the stockbroker, or whoever that arranged for the sale or transfer, for transmission to the purchaser or transferee.

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## **ADVANCE SYNERGY BERHAD**

(Company No.: 1225-D)  
(Incorporated in Malaysia)

### **CIRCULAR TO STOCKHOLDERS**

**in relation to the**

### **PROPOSED STOCKHOLDERS' MANDATE ON RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

The resolution in respect of the above proposal will be tabled at the Company's Eighty-Second Annual General Meeting to be held at Mezzanine Floor, Synergy Com Centre, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan on Friday, 30 June 2006 at 9.30 a.m.. Stockholders are advised to refer to the Notice of the Eighty-Second Annual General Meeting and the Proxy Form which are enclosed in the Annual Report 2005 of the Company.

The Proxy Form must be completed and deposited at the Registered Office of the Company at Level 3, Wisma ASCAP-QBC, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan on or before the date and time indicated below. You are not precluded from attending and voting in person at the Annual General Meeting should you wish to do so subsequent to the lodging of the Proxy Form.

Last date and time for lodging the Proxy Form : Wednesday, 28 June 2006 at 9.30 a.m.

Date and time of the Annual General Meeting : Friday, 30 June 2006 at 9.30 a.m.

This Circular is dated 6 June 2006

## **ABBREVIATIONS**

In this Circular, the words and phrases below, unless the context otherwise requires, shall bear the following meanings assigned next to them:-

<b>Abbreviations</b>	<b>Meanings</b>
AGM	: Annual General Meeting
Annual Report 2005	: The Annual Report of Advance Synergy Berhad for the financial year ended 31 December 2005
ASB or Company	: Advance Synergy Berhad
ASB Group or Group	: ASB, its subsidiaries and associated companies, collectively
Board	: Board of Directors of ASB
Listing Requirements	: Listing Requirements of Bursa Malaysia Securities Berhad
Proposed Stockholders' Mandate	: Stockholders' approval for the general mandate in relation to the recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as set out herein in Section 2.3
RM and sen	: Ringgit Malaysia and sen respectively

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**ADVANCE SYNERGY BERHAD**

(Company No.: 1225-D)  
(Incorporated in Malaysia)

**Registered Office:-**

Level 3, Wisma ASCAP-QBC  
No. 72, Pesiaran Jubli Perak  
Seksyen 22  
40000 Shah Alam  
Selangor Darul Ehsan

6 June 2006

**Directors:-**

Dato' Ahmad Sebi Bakar (*Executive Chairman*)  
Sng Ngiap Koon (*Executive Director*)  
Datin Masri Khaw Binti Abdullah (*Non-Independent Non-Executive Director*)  
Aznan Bin Haji Ismail (*Independent Non-Executive Director*)  
Wong Ah Nam @ Wong Joon Tuang (*Independent Non-Executive Director*)  
Chim Wai Khuan (*Independent Non-Executive Director*)

**To: The Stockholders of Advance Synergy Berhad**

Dear Sir/Madam

**PROPOSED STOCKHOLDERS' MANDATE ON RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

**1. Introduction**

On 17 May 2006, the Board announced that pursuant to Paragraph 10.09 of the Listing Requirements, the Company will be seeking stockholders' general mandate in relation to the recurrent related party transactions of a revenue or trading nature which are necessary for day-to-day operations of the Company and/or its unlisted subsidiary companies at the forthcoming AGM of the Company.

The purpose of this Circular is to provide you with the relevant information on the Proposed Stockholders' Mandate and to seek your approval for the resolution relating to the Proposed Stockholders' Mandate to be tabled as Special Business at the forthcoming AGM of the Company. The Notice of the AGM and the Proxy Form are set out in the Annual Report 2005 which is despatched with this Circular.

**STOCKHOLDERS OF ASB ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED STOCKHOLDERS' MANDATE AT THE FORTHCOMING AGM.**

**2. Details of the Proposed Stockholders' Mandate**

**2.1 Provisions under the Listing Requirements**

Pursuant to Part E, Paragraph 10.09 of the Listing Requirements, a listed issuer may seek shareholders' mandate in respect of related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day-to-day operations subject to the following:-

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year;
- (iii) the issue of a circular to shareholders containing information as specified in the Listing Requirements; and
- (iv) in the meeting to obtain shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

Transactions entered into between a listed issuer (or any of its wholly-owned subsidiary) and its wholly-owned subsidiaries are excluded from the requirements of Part E, Paragraph 10.09 of the Listing Requirements.

In view of the time-sensitive and frequent nature of such Recurrent Related Party Transactions, the Company proposes to seek approval from its stockholders for the Group to enter into transactions in the normal course of business with the classes of Related Parties, provided such transactions are entered into at arms' length and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and which are not detrimental to the minority shareholders.

The Proposed Stockholders' Mandate, if approved, will take effect from the date of the passing of the Ordinary Resolution relating thereto at the AGM and will continue be in force until the conclusion of the next AGM of the Company or until the expiration of the period within which the next AGM is required by law to be held unless revoked or varied by the Company in a general meeting, whichever is the earlier.

## 2.2 Classes of related parties

Stockholders' approval is sought for the general mandate for the recurrent related party transactions of a revenue or trading nature which are necessary for day-to-day operations of ASB and/or its subsidiaries which involves the interest, direct or indirect, of directors, major stockholders or persons connected with such directors or major stockholders of the Company.

The subsidiary companies and persons connected with the Company which are involved in the recurrent related party transactions (Persons Connected to ASB) are as follows:-

Persons Connected to ASB:-

Company	Interest of ASB as at 17 May 2006	Nature of business
1. Antara Holiday Villas Sdn Bhd ("Antara")	Antara is a wholly-owned subsidiary of Alangka-Suka Hotels & Resorts Berhad, which in turn is a 99.63%-owned subsidiary of ASB.	Hotel management services.
2. Alangka-Suka Hotels & Resorts Berhad ("ASHR")	ASHR is a 99.63%-owned subsidiary of ASB.	Investment holding.

Company	Interest of ASB as at 17 May 2006	Nature of business
3. ASH Holdings Sdn Bhd ("ASH")	Datin Masri Khaw Binti Abdullah who is a Director of ASB has 50% equity interest in ASH.	Property and investment holding.
4. iSynergy Sdn Bhd ("iSynergy")	iSynergy is a 51%-owned subsidiary of ASB.	Provision of payment related products and services.
5. Synergy Cards Sdn Bhd (formerly known as Super Odyssey Sdn Bhd) ("SCSB")	SCSB is a 51%-owned subsidiary of ASB.	Provision of designated payment instruments ("DPI") such as issuing credit cards, charge cards and prepaid cards ("DPI Business").* SCSB has yet to commence operations.

\* Subject to approval from Bank Negara Malaysia.

Details of the Directors' and major stockholders' interests in the stock units of ASB are set out in Section 6 of this Circular.

### 2.3 Nature of recurrent related party transactions contemplated

Currently, the principal activities of ASB are investment holding and provision of full corporate and financial support to its subsidiary and associated companies. The subsidiary and associated companies of ASB are primarily engaged in financial services, card and payment services, as owners and operators of resorts and hotels, property development, manufacturing of warp knitted fabrics, provision of project management and support services, research and development for the telecommunications industry including trading of telecommunication products, provision of public bus transport services, production and marketing of electronic audio and visual media, marketing of metal products, trading of electronic home entertainment products and travel and tours.

ASB and/or its unlisted subsidiary companies have entered into recurrent related party transactions on normal commercial terms not more favourable to the related party than those generally available to the public and which will not be detrimental to minority stockholders and it is anticipated that the Group would, in the ordinary course of business, continue to enter into these recurrent related party transactions which are detailed herein. It is likely that such transactions will occur with some degree of frequency and could arise at any time.

Details of recurrent related party transactions contemplated include those described below:-

Nature of Transaction	Vendor/ Provider	Purchaser/ Recipient	Estimated aggregate value from 30/06/2006 (date of the forthcoming AGM) to 30/06/2007 (Being the last practicable date for the next AGM) *	Nature of Relationship with ASB – interested directors, major stockholders and persons connected
Rental of office premise located at B- 16-8 Megan Phileo Avenue, No. 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur covering an area of 3,708 sq. ft.  Tenure : 3 years  The rental of office premise is payable periodically	ASH	Antara	(RM) 98,000	Datin Masri Khaw Binti Abdullah is a Director of ASB, ASHR and Antara. She holds 50% equity interest in ASH.
Rental of the DPI Business software**	iSynergy	SCSB	739,000	Interpay International Resources Ltd ("IIR") is a major shareholder of both iSynergy and SCSB (holding 20% equity interest in iSynergy and SCSB). Ng King Kau, a Director of iSynergy and SCSB, holds 20% equity interest in IIR. He has no interest in ASB.

Note:

\* The estimated value of the transactions is based on estimated value of anticipated future transactions. The estimated value of these transactions may vary and is subject to changes.

\*\* This transaction will only be implemented upon commencement of SCSB's DPI Business which is subject to Bank Negara Malaysia's approval.

#### 2.4 Methods or procedures on which transaction prices are determined and review procedures for recurrent related party transactions

To ensure that the recurrent related party transactions which are in the ordinary course of business are conducted at arm's length and based on normal commercial terms not more favourable to the related party than those generally available to the public and are not detrimental to the minority stockholders, the following principles shall apply:-

- (i) The provision or receipt of services shall be determined based on prevailing rates of the goods or services which are normally applied in the industry in which the particular subsidiary is involved; and
- (ii) The leasing/rental of properties/assets shall be at the prevailing market rates for the same or substantially similar properties/assets and shall be on normal commercial terms.

To monitor the recurrent related party transactions, the following review procedures will be implemented:-

- (i) Records will be maintained on recurrent related party transactions which are entered into pursuant to the Proposed Stockholders' Mandate;
- (ii) The duties and roles of the Audit Committee include the review of recurrent related party transactions periodically to ensure that such transactions are undertaken at arm's length, on normal commercial terms, on terms not more favourable to the related party than those generally available to the public and will not be detrimental to the minority stockholders and are in the best interests of the Group. In their review and approval of such transactions, the Audit Committee may, as they deem fit, request for additional information pertaining to the transactions from independent sources or advisers;
- (iii) If any member of the Audit Committee or the Board or persons connected to him has an interest (direct or indirect) in any related party transactions, he shall abstain from any deliberation and decision making by the Audit Committee or the Board in respect of the said transactions; and
- (iv) If during the periodic review, the Audit Committee is of the view that the procedures are not sufficient to ensure normal commercial terms and/or the transaction is detrimental to the minority stockholders, the Audit Committee will:-
  - (a) Firstly, discuss and ascertain whether it is the procedure which is at fault or whether it is the fault of the person(s) delegated with the task of ensuring compliance or otherwise; and
  - (b) Secondly, if the fault is the person rather than the procedure, appropriate action will be taken against the person concerned. If the defect lies with the procedure, then the Audit Committee will modify, supplement or replace as may be required the relevant procedure and report such modification, supplement or replacement to the Board.

## **2.5 Audit Committee Statement**

The Audit Committee of the Company has reviewed the terms of the Proposed Stockholders' Mandate and is satisfied that the review procedures for the recurrent related party transactions are sufficient to ensure that such transactions will be carried out at arm's length and based on normal commercial terms consistent with the Group's usual business practices and policies, on terms not more favourable to the related party than those generally available to the public and are not detrimental to the minority stockholders.

## **2.6 Validity period of the Proposed Stockholders' Mandate**

The Proposed Stockholders' Mandate is subject to annual renewal. In this respect, any authority conferred by a mandate granted by stockholders shall only continue to be in force until:-

- (i) the conclusion of the next AGM of the Company following the forthcoming AGM at which the Proposed Stockholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at that next AGM, the authority is renewed;
  - (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of CA); or
  - (iii) revoked or varied by resolution passed by the stockholders in general meeting,
- whichever is the earlier.

## **2.7 Disclosure**

Disclosure will be made in the Company's Annual Report of breakdown of the aggregate value of transactions conducted pursuant to the Proposed Stockholders' Mandate during the financial year in accordance with the provision of the Listing Requirements.



### 3. Rationale for and benefit of the Proposed Stockholders' Mandate

The rationale for and benefit of the Proposed Stockholders' Mandate to ASB Group are as follows:-

- (i) The Proposed Stockholders' Mandate will facilitate transactions with related parties in the ordinary course of business of the ASB Group which are undertaken at arm's length, on normal commercial terms, on terms not more favourable to the related party than those generally available to the public and are not detrimental to the minority stockholders;
- (ii) The Proposed Stockholders' Mandate will enhance the ASB Group's ability to pursue business opportunities which are time-sensitive in nature and will eliminate the need for the Company to convene separate general meetings to seek stockholders' approval for each transaction;
- (iii) The Proposed Stockholders' Mandate will substantially reduce the expenses associated with convening of general meetings on an ad hoc basis, improve administrative efficiency considerably and allow resources to be channelled towards attaining other corporate objectives; and
- (iv) The transactions between the related parties allow for more efficient utilisation of existing resources and additional income generation and the co-operation between the ASB Group and the related parties has reaped mutual benefits for the past years and is expected to continue to be of benefit to the business of the Group.

### 4. Effects of the Proposed Stockholders' Mandate

The Proposed Stockholders' Mandate will not have any effect on the share capital, net tangible assets and earnings of the Company as well as major stockholders' and Directors' stockholdings in the Company.

### 5. Condition of the Proposed Stockholders' Mandate

The Proposed Stockholders' Mandate is subject to the approval of the stockholders of the Company at the forthcoming AGM.

### 6. Directors' and Major Stockholders' Interests

The direct and indirect interest of the Directors of ASB in the stock units of ASB as at 17 May 2006 are as follows:-

Name	Direct		Indirect		Nationality
	No. of stock	% held	No. of stock	% held	
Dato' Ahmad Sebi Bakar	15,203,509	4.50	27,451,109 <sup>â</sup>	8.13	Malaysian
Aznan Bin Haji Ismail	-	-	-	-	Malaysian
Wong Ah Nam @ Wong Joon Tuang	-	-	-	-	Malaysian
Datin Masri Khaw Binti Abdullah	1,000,000	0.30	3,100,000 <sup>ã</sup>	0.92	Malaysian
Chim Wai Khuan	-	-	-	-	Malaysian
Sng Ngiap Koon	-	-	500,000 <sup>ä</sup>	0.15	Malaysian

Note:

<sup>â</sup> Deemed interest by virtue of his shareholdings in Suasana Dinamik Sdn Bhd and Bright Existence Sdn Bhd, which in turn directly holds 4.71% and 3.42% respectively in ASB.

<sup>ã</sup> Deemed interest by virtue of her shareholding in ASH Holdings Sdn Bhd, which in turn directly holds 0.92% in ASB.

<sup>ä</sup> Held by spouse.

Datin Masri Khaw Binti Abdullah has abstained and will continue to abstain from all Board deliberations and voting on the resolution pertaining to the Proposed Stockholders' Mandate.

Datin Masri Khaw Binti Abdullah hold directorships in certain subsidiary companies of ASB as set out in Section 2.3 of this Circular, which are the subject of the Proposed Stockholders' Mandate.

Datin Masri Khaw Binti Abdullah and person connected with her, namely, ASH Holdings Sdn Bhd, will abstain from voting on their direct and/or indirect stockholdings on the resolution pertaining to the Proposed Stockholders' Mandate at the forthcoming AGM.

The interested party, namely Datin Masri Khaw Binti Abdullah, has undertaken to ensure that person connected with her, namely, ASH Holdings Sdn Bhd, will abstain from voting on its direct and/or indirect stockholdings on the resolution pertaining to the Proposed Stockholders' Mandate at the AGM to be convened.

Save as disclosed above, none of the other Directors and major stockholders or persons connected with the Directors and major stockholders have any interest, direct or indirect, in the Proposed Stockholders' Mandate.

## **7. Directors' Recommendation**

Having considered all aspects of the Proposed Stockholders' Mandate, the Board (other than Datin Masri Khaw Binti Abdullah who had abstained from expressing any opinion or recommendation on the Proposed Stockholders' Mandate) is of the opinion that the Proposed Stockholders' Mandate is in the best interests of the Company and recommend that you vote in favour of the ordinary resolution for the Proposed Stockholders' Mandate to be tabled at the forthcoming AGM.

## **8. AGM**

The Eighty-Second AGM of the Company will be held at Mezzanine Floor, Synergy Com Centre, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan on Friday, 30 June 2006 at 9.30 a.m., for the purpose of considering and, if thought fit, passing the resolution as set out in the Notice of AGM to give effect to the Proposed Stockholders' Mandate.

If you are unable to attend and vote in person at the AGM, please complete, sign and return the Proxy Form enclosed in the Annual Report 2005 of the Company in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the Registered Office of the Company at Level 3, Wisma ASCAP-QBC, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan, not later than forty-eight (48) hours before the time fixed for the AGM. The completion and return of the Form of Proxy does not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

## **9. Further Information**

Stockholders of ASB are advised to refer to the attached Appendix I contained in this Circular for further information.

Yours faithfully  
For and on behalf of the Board of Directors  
**ADVANCE SYNERGY BERHAD**

**Mr Wong Ah Nam @ Wong Joon Tuang**  
Independent Non-Executive Director

## Further Information

### 1. Responsibility Statement

The Board has seen and approved this Circular. The members of the Board collectively and individually accept full responsibility for the accuracy of the information contained in this Circular. The Board confirms that, after making all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular misleading.

No representation with regard to the information on three subsidiaries of the Company namely, Kedah Marble Sdn Bhd ("KMSB"), Advance Synergy Furniture Sdn Bhd ("ASF") and Syarikat Fit & Weld Engineering (M) Sdn Bhd ("SFWE"), are made in this Circular due to the following factors:-

- A Winding-Up Petition dated 25 March 2002 was served on KMSB, on or about 19 April 2002, by Malaysia Airports Sdn Bhd, a trade creditor of KMSB. On 11 June 2003, a Winding-up Order was granted by the Kuala Lumpur High Court and the Official Receiver was appointed the Provisional Liquidator.
- With regard to ASF, a wholly-owned subsidiary of Excellent Arch Sdn Bhd, which in turn is a wholly-owned subsidiary of ASB, two Special Administrators ("SA") have been appointed by Pengurusan Danaharta Nasional Berhad on 9 September 1999. On 24 October 2002, the SA were terminated with the appointment of a Liquidator. Since the appointment of the SA, the Company has been unable to exercise any further control over ASF.
- A Notice of Winding-up Petition dated 8 April 2000 was served on SFWE, a 70%-owned subsidiary of Nagapura Management Corporation Sdn Bhd, which in turn is a wholly-owned subsidiary of ASB, by the Malaysian Government. On 15 September 2000, a Winding-up Order was granted by the Kuala Lumpur High Court and served on SFWE on 16 November 2001. A Provisional Liquidator was appointed on 15 September 2000.

### 2. Material Litigation

Save as disclosed below, ASB and/or its subsidiaries are not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of ASB and/or its subsidiaries and the Directors of ASB are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially or adversely affect the financial position or business of ASB and/or its subsidiaries:-

- (i) A third party action was filed by American Home Assurance Company ("AHA") on 24 October 2002 against Rewardstreet.com (Malaysia) Sdn Bhd ("RCSB"), a wholly-owned subsidiary of iSynergy, which in turn is a 51%-owned subsidiary of ASB. AHA is sued as a Defendant in the main suit filed by Ultra Dimension Sdn Bhd as Plaintiff for, inter alia, the alleged infringement of their copyright via the AHA Privilege Cash-In Rebate Cards. AHA's claim is for general damages, exemplary damages and aggravated damages which are to be assessed by the Court, together with interest at 8% per annum. An application filed by RCSB to strike-out the third party action by AHA on the basis that AHA was responsible for the design and that no cause of action lay against RCSB, was not successful. The Court has fixed 13 June 2006 as the next mention date for case management, to enable parties to agree on the bundle of documents and issues to be tried. RCSB's solicitors for the litigation are of the opinion that they may negate any liability, which is alleged by the Defendant in this suit.
- (ii) ASB had on 14 June 2004 instituted legal action against Perbadanan Kemajuan Negeri Kedah ("PKNK") to recover its investment of RM52,500,000 in KMSB together with other sums, damages, interests and costs. ASB's solicitors have obtained the signed and sealed copy of the Judgment in Default of Appearance dated 1 August 2004 ("Default Judgment") from the Court for the sum of RM52,500,000, interest thereon at the rate of 8% per annum from the date of judgment to the date of realisation and cost of RM225. On 10 November 2004, PKNK applied to the Court to set aside the Default Judgment. On 3 August 2005, the Court has allowed PKNK's application to set aside the Default Judgment. As a procedural step to progress the suit to a trial, ASB's solicitors had on 29 December 2005 forwarded to the Court for

filing of the Notice to Attend Pre-Trial Case Management and the Pre-Trial Case Management was fixed for hearing on 17 May 2006. Due to a change in PKNK's solicitors, PKNK's solicitors had asked for an adjournment on the grounds that they required time to take their client's instructions and there is a likelihood for an application to amend the statement of defence. The Court has fixed the Pre-Trial Case Management for mention on 18 September 2006. ASB's solicitors for the litigation are of the opinion that ASB has a good cause of action against PKNK and the likely outcome of the proceedings would be a decision in favour of ASB.

- (iii) ASB had on 1 July 2005 announced that it had received a Petition under Section 181 of the Companies Act, 1965 on minority oppression from an individual, K.K. Gopakumaran Nair A/L Krishna Karnavar ("Petitioner") in relation to some matters pertaining to Plastic Centre Sdn Bhd ("PCSB"). The Petitioner's alleged grounds and claims against ASB in the petition dated 6 April 2005 are, among others, to seek for various declaration orders, order for indemnity including but not limiting ASB to jointly and severally pay to and indemnify PCSB with interest the amount that were allegedly written off as bad debts for year 2001. ASB is named as the 7th Respondent, together with eight (8) other parties. ASB has sought legal advice on the matter, and is of the view that the petition principally involved the other shareholders/parties of PCSB, rather than ASB (as ASB has effectively sold its entire shareholding in PCSB since 14 September 2001). ASB have also filed an indemnity and contribution claim against the 8th Respondent, namely Gedong Bakti Sdn Bhd. The matter is scheduled for hearing on 30 June 2006 at the Shah Alam High Court. ASB's solicitors for the litigation are of the opinion that although the final outcome of this matter is currently uncertain, the petition has no merit and therefore arguably will not succeed.

### **3. Material Contracts**

Save as disclosed below, ASB and/or its subsidiaries have not entered into any contract which is or may be material (not being contracts entered into in the ordinary course of business) during the two (2) years immediately preceding the date of this Circular:-

- (i) On 1 April 2005, ASB announced that it was in the midst of negotiation with the respective loan stock holders, namely, AmBank Berhad, Aseambankers (M) Berhad, Affin Bank Berhad, Alliance Bank Berhad, Alliance Merchant Bank Berhad, Public Bank Berhad, SME Bank, Southern Bank Berhad, Oversea-Chinese Banking Corporation Limited (Labuan Branch), United Overseas Bank Limited (Labuan branch), Danaharta Urus Sdn Bhd, Danaharta Managers Sdn Bhd and Danaharta Managers (L) Ltd (Labuan branch) (collectively, "the Holders"), to finalise the terms and conditions for ASB to undertake the proposed early redemption of RM74,978,552 equivalent nominal value of redeemable loan stocks ("RLS") and repurchase of RM182,761,429 equivalent nominal value of convertible loan stocks ("CLS"), being the balance of the respective loan stocks in issue, by 30 April 2005 ("Proposed Settlement"). ASB had subsequently entered into various repurchase and settlement agreements, accepted various letters for extension of time for payment of settlement sum and/or restructured certain of the amounts outstanding into various banking facilities with each of the respective Holders. In connection with the above, ASHR has accepted a transferable term loan facility and term loan facility for an amount of RM120.0 million and RM38.0 million respectively for, among others, the purpose of financing the redemption and/or repurchase of the outstanding RLS and CLS.
- (ii) A settlement agreement dated 28 April 2005 was entered into between Advance Synergy Capital Berhad ("ASC") and the vendors of Malpac Holdings Berhad ("Malpac") shares ("Vendors") pursuant to which the deposit of RM30 million paid by ASC to the vendors for the proposed acquisition of a 32.9% equity interest comprising 24,675,000 ordinary shares of RM1.00 each in Malpac for a total cash consideration of RM166,556,250 or RM6.75 per ordinary share under a Conditional Sale and Purchase Agreement dated 14 August 1997 ("Agreement") will be retained by the Vendors in exchange for 8,037,500 ordinary shares of RM1.00 each (representing approximately 10.716% of Malpac's issued and paid-up share capital) in Malpac at the consideration sum of RM3.7325 per share. Consequently, the Agreement is deemed performed and completed by all the parties concerned and thereafter none of the parties shall have any further claim against each other.

- (iii) A sale of shares agreement dated 16 December 2005 (“SSA”) was entered into between Alangka-Suka International Limited (“ASIL”), Leeds Property Limited (“the Buyer”) and ASHR (“Guarantor”) for the sale by ASIL of the entire issued share capital of Interwell International Limited (“IIL”) being two (2) issued ordinary shares of USD\$1.00 each (“the Shares”) for a cash consideration of £10,100,000.00 less the aggregate of the Secured Loans (as defined in the SSA), Intercompany Loans (as defined in the SSA) and any Apportionment (as defined in the SSA) which shall equal the Net Asset Value (as defined in the SSA). The sale and purchase was completed on 10 February 2006. In consideration of the Buyer entering into the SSA, the Guarantor, at the request of ASIL, unconditionally and irrevocably guarantees as a primary obligation to the Buyer the due and punctual performance and observance by ASIL of all ASIL’s obligations, and the punctual discharge by ASIL of all ASIL’s liabilities to the Buyer, arising under the SSA. Among others, a tax deed, an option agreement and a lease agreement were required to be executed between the parties in conjunction with the execution of the SSA. The SSA is governed by and is to be construed in accordance with English law.
- (iv) A lease agreement dated 16 December 2005 was entered into between IIL, Holiday Villa (UK) Limited (“the Tenant”) and the Guarantor for the leasing of all those premises comprising the freehold building known as 35-39 Leinster Gardens, London W2 3AN for a term of ten (10) years (“Term”) from and including 10 February 2006 for an average annual lease rental of £739,799.60 for the duration of the Term. In consideration of the grant of the lease by IIL to the Tenant, the Guarantor shall, among others, covenant and agree with IIL that the Tenant will at all times during the Term pay the rents and observe and perform the covenants on the part of the Tenant and the conditions and agreements.
- (v) An option agreement dated 16 December 2005 (“OA”) was entered into between ASIL and IIL for ASIL to have the option to purchase the freehold building known as 35-39 Leinster Gardens, London W2 3AN registered under title number NGL178149 (“Property”) within a period of no less than six (6) months and no more than eight (8) months prior to the last date of the Term (as defined under lease agreement dated 16 December 2005 between IIL, Holiday Villa (UK) Limited and ASHR) (“Completion Date”) at a purchase price to be determined based on the value the Property could be sold on the open market at the Completion Date. The OA is governed by and is to be construed in accordance with English law.
- (vi) A sale and purchase agreement dated 20 February 2006 as varied in a supplemental sale and purchase agreement dated 21 April 2006 was entered into between Alor Setar Holiday Villa Sdn Bhd (“ASHV”) as vendor and Amanah Raya Berhad (as Trustee for Kumpulan Wang Am) (“Amanah Raya”) as purchaser for the sale of, among others, 155 room hotel known as Holiday Villa Alor Setar within Menara MPKS situated in Alor Setar, Kota Setar, Kedah Darul Aman (“Holiday Villa Alor Setar”) for a cash consideration of RM31.0 million (“ASHV Purchase Price”). The sale is presently pending completion.
- (vii) A lease agreement dated 20 February 2006 as varied in a supplemental lease agreement dated 21 April 2006 was entered into between Amanah Raya and ASHV for ASHV to lease Holiday Villa Alor Setar for a term of ten (10) years (“ASHV Term”) commencing from the date of completion of the sale and purchase agreement dated 20 February 2006 made between ASHV (as the vendor) and Amanah Raya (as the purchaser) of Holiday Villa Alor Setar for an average annual lease rental of seven (7%) percent of the ASHV Purchase Price for the duration of the ASHV Term. ASHV shall have the option to renew the lease agreement for a further period of ten (10) years commencing from expiry of the ASHV Term at the then prevailing market rental rates after taking into consideration the lease rental during the ASHV Term. ASHV is also granted an option to buy back Holiday Villa Alor Setar at the then prevailing market value of Holiday Villa Alor Setar to be determined based on the Discounted Cash Flow Method and the Comparable Method (“the Valuation Method”) adopted by Colliers Jordan Lee & Jaafar (PG) Sdn Bhd (“the Valuer”) in arriving at the ASHV Purchase Price and shall be subject to the then existing Guidelines on Real Estate Investment Trusts issued by the Securities Commission (“the REIT Guidelines”) by giving notice to Amanah Raya at least six (6) months preceding the expiry date of the lease or extended lease (as the case may be).

- (viii) A letter of guarantee dated 20 February 2006 was executed by ASHR as guarantor in favour of Amanah Raya for, among others, the performance by ASHV of all its obligations to Amanah Raya under the terms, covenants and conditions of the lease agreement dated 20 February 2006 (“ASHV Lease Agreement”) in consideration of Amanah Raya agreeing to enter into the ASHV Lease Agreement with ASHV.
- (ix) A sale and purchase agreement dated 20 February 2006 as varied in a supplemental sale and purchase agreement dated 21 April 2006 was entered into between Azman Shah Bin Haron (as trustee for Langkawi Holiday Villa Sdn Bhd (“LHV”)) as vendor and Amanah Raya as purchaser for the sale of, among others, a 238 room beach resort known as Holiday Villa Langkawi situated in Kedawang, Langkawi, Kedah Darul Aman (“Holiday Villa Langkawi”) for a cash consideration of RM55.0 million (“LHV Purchase Price”). The sale is presently pending completion.
- (x) A lease agreement dated 20 February 2006 as varied in a supplemental lease agreement dated 21 April 2006 was entered into between Amanah Raya and LHV for LHV to lease Holiday Villa Langkawi for a term of ten (10) years (“LHV Term”) commencing from the date of completion of the sale and purchase agreement dated 20 February 2006 made between LHV (as the vendor) and Amanah Raya (as the purchaser) of Holiday Villa Langkawi for an average annual lease rental of seven (7%) percent of the LHV Purchase Price for the duration of the LHV Term. LHV shall have the option to renew the lease agreement for a further period of ten (10) years commencing from expiry of the LHV Term at the then prevailing market rental rates after taking into consideration the lease rental during the LHV Term. LHV is also granted an option to buy back Holiday Villa Langkawi at the then prevailing market value of Holiday Villa Langkawi to be determined based on the Valuation Method adopted by the Valuer in arriving at the LHV Purchase Price and shall be subject to the then existing REIT Guidelines by giving notice to Amanah Raya at least six (6) months preceding the expiry date of the lease or extended lease (as the case may be).
- (xi) A letter of guarantee dated 20 February 2006 was executed by ASHR as guarantor in favour of Amanah Raya for, among others, the performance by LHV of all its obligations to Amanah Raya under the terms, covenants and conditions of the lease agreement dated 20 February 2006 (“LHV Lease Agreement”) in consideration of Amanah Raya agreeing to enter into the LHV Lease Agreement with LHV.
- (xii) A sale and purchase agreement dated 20 February 2006 was entered into between Cherating Holiday Villa Berhad (“CHV”) as vendor and Amanah Raya as purchaser for the sale of a hotel known as Holiday Villa Cherating situated in Sungai Karang, Kuantan, Pahang Darul Makmur (“Holiday Villa Cherating”) for a cash consideration of RM21.872 million (“CHV Purchase Price”). The sale is presently pending completion.
- (xiii) A lease agreement dated 20 February 2006 was entered into between Amanah Raya and CHV for CHV to lease Holiday Villa Cherating for a term of ten (10) years (“CHV Term”) commencing from the date of completion of the sale and purchase agreement dated 20 February 2006 made between the CHV (as the vendor) and Amanah Raya (as the purchaser) of Holiday Villa Cherating for an average annual lease rental of seven (7%) percent of the CHV Purchase Price for the duration of the CHV Term. CHV shall have the option to renew the lease agreement for a further period of five (5) years commencing from expiry of the CHV Term at a mutually agreed rental rate. CHV is also granted an option to buy back Holiday Villa Cherating at a purchase price of RM23 million by giving notice to Amanah Raya at least six (6) months preceding the expiry date of the lease or extended lease (as the case may be).
- (xiv) A letter of guarantee dated 20 February 2006 was executed by ASHR as guarantor in favour of Amanah Raya for, among others, the performance by CHV of all its obligations to Amanah Raya under the terms, covenants and conditions of the lease agreement dated 20 February 2006 (“CHV Lease Agreement”) in consideration of Amanah Raya agreeing to enter into the CHV Lease Agreement with CHV.

#### **4. Documents for Inspection**

Copies of the following documents are made available for inspection between 9.00 a.m. and 5.00 p.m. from Monday to Friday (except on public holidays) at the Registered Office of the Company at Level 3, Wisma ASCAP-QBC, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan from the date of this Circular up to and including the date of the AGM:-

- (i) Memorandum and Articles of Association of ASB;
- (ii) Audited financial statements of ASB for the two (2) financial years ended 31 December 2004 and 31 December 2005 and the latest unaudited quarterly results ended 31 March 2006;
- (iii) Writs of summon and statements of claim referred to in Section 2 above; and
- (iv) Material contracts referred to in Section 3 above.