

APPENDIX III

CONSOLIDATED LOSS ESTIMATE AND FORECAST FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 1999 AND ENDING 31 DECEMBER 2000 RESPECTIVELY, TOGETHER WITH THE PRINCIPAL BASES AND ASSUMPTIONS THERETO

The Directors of Advance Synergy Berhad (“ASB”) estimate and forecast that, barring unforeseen circumstances, the consolidated loss estimate and forecast after taxation and minority interest, for the financial years ended 31 December 1999 and ending 31 December 2000 will be approximately as follows: -

	<u>Before Proposals</u>		<u>After Proposals</u>	
	1999 RM'000	2000 RM'000	1999 RM'000	2000 RM'000
Consolidated loss before taxation and after minority interest	(34,468)	(18,722)	(34,468)	(14,340)
Less : Taxation	<u>(245)</u>	<u>(2,806)</u>	<u>(245)</u>	<u>(2,806)</u>
Consolidated loss after taxation and minority interest	<u>(34,713)</u>	<u>(21,528)</u>	<u>(34,713)</u>	<u>(17,146)</u>

The principal bases and assumptions upon which the consolidated loss estimate and forecast have been made are set out below: -

1. The RLS and CLS will be issued by 1 May 2000.
2. There will be no significant changes in the prevailing economic and political conditions in Malaysia and elsewhere which will directly or indirectly adversely affect the results of ASB and its subsidiary and associated companies (“ASB Group”).
3. There will be no significant changes in the present legislation and Government regulations including insurance guidelines, tariffs, duties and bases or rates of taxation by the relevant authorities, which will adversely affect the activities of ASB Group or the market in which they operate.
4. There will be no significant fluctuations in inflation and foreign currency exchange rates from their present levels.
5. There will be no material changes in the present structure, principal activities or composition of ASB Group.

6. There will be continuity in the existing management and there will be no significant changes in the management, accounting and operating policies from those presently adopted by ASB Group.
7. There will be no material changes in the cost of raw materials, cost of goods purchased, labour and other incidental costs which will adversely affect the operations of the Group and any increase in cost will be compensated through an equivalent increase in selling price.
8. There will be no major breakdowns or disruption in ASB Group's operations arising from supply of goods, industrial disputes, labour shortages, climatic conditions or other abnormal circumstances affecting ASB Group's business, assets, provision, production and sale of ASB Group's products and / or services or the commencement and completion of development projects undertaken by ASB Group as scheduled.
9. Existing financing facilities will remain available to ASB Group with no significant changes in their prevailing interest rates. In respect of UMG Group's financing facilities granted to ASB and a subsidiary company, no elimination in inter-company transaction is made as UMG Group has been excluded from ASB Group's result as detailed in Assumption No. 23. Accordingly, the interest expense arising from this transaction has been charged out to the profit and loss account.
10. Capital expenditure plans will be implemented and incurred on schedule and there will be no material acquisitions or disposals of fixed assets and investments other than those planned.
11. The existing contracts of ASB Group will not be terminated and there will be no material changes to the terms of the contracts.
12. There will be no significant changes in the investment climate and in investment yields.
13. There will be no delays in planning and obtaining the necessary approvals in respect of the development of residential and commercial properties undertaken or to be undertaken by ASB Group. The progress of the various stages of construction, development and sale of land, residential and commercial properties will be as planned.
14. The demand for and prices of residential properties and commercial properties currently experienced in the property markets will be sustained. The development projects will be launched and the progress in completion will be as scheduled. Progress billings will be rendered as planned. Collections from progress billings and payments of development expenditure will be as scheduled.
15. The timing and quantum of estimated and forecasted income and costs will be received / incurred as planned.

16. The estimated and forecasted sales volume and occupancy rate of the hotels can be achieved.
17. The overall claims ratio as a percentage of earned premiums will be maintained at the current level and claims will be paid as planned.
18. The rate of premium ceded to reinsurers will not change significantly.
19. Excess funds will be placed in fixed deposits with licensed financial institutions at the prevailing interest rates.
20. The conversion of the warrants into ordinary shares on the basis of one (1) new ordinary share for every one (1) warrant at the exercise price of RM1.00 to be satisfied by cash, is evenly exercised throughout the exercise period of three (3) years from the date of issue of the warrants.
21. The conversion and redemption of the 5-year 7% RLS and CLS will be completed in proportions of up to 20%, 30% and the balance at the end of the third, fourth and fifth year respectively, from the date of issue of RLS and CLS, with the coupon rate of 7% to be satisfied as follows: -
 - a) 3% coupon rate to be satisfied by cash annually in arrears upon issuance of the RLS and CLS;
 - b) the remaining 4% coupon rate in respect of the RLS shall be cumulative up to the date of redemption of the proportion of RLS to be redeemed and will be satisfied by cash at the redemption price of RM0.95 per RLS for the portion of 20%, RM0.98 per RLS for the proportion of 30% and RM1.01 per RLS for the balance redeemed, computed based on a yield of 9% per annum; and
 - c) the remaining 4% coupon rate in respect of the CLS shall be cumulative up to the date of conversion of CLS and will be satisfied by way of conversion into new ordinary shares of RM1.00 each in ASB at the conversion price of RM1.20 per ordinary share.
22. No taxation will be imposed on the estimated operating profit other than dividend income for the financial year ended 31 December 1999 in view of the waiver of income tax granted under the Income Tax (Amendment) Act 1999 and the tax rate for the forecast year is 28%.

23. The results of the following subsidiary companies, all incorporated in Malaysia, have been excluded from the consolidated loss estimate and forecast : -

Name of Subsidiary Company	Reason for Exclusion	Effective Interest
(a) Kedah Marble Sdn. Bhd.	The management control of the company is exercised by the minority shareholders pursuant to a shareholders' agreement and ASB does not exercise any significant influence over the Board of Directors of Kedah Marble Sdn. Bhd.	70.00%
(b) Plastic Centre Sdn. Berhad ("PCSB") and its subsidiary companies ("PCSB Group"), except for Calmford Incorporated	The PCSB Group is deemed disposed at the end of the financial year ended 31 December 1999 pursuant to the Sales and Purchase Agreement signed during the same financial year, pending the approval of the relevant authorities. Consequently, the entire equity interest of Calmford Incorporated is acquired from PCSB upon its disposal.	70.00%
(c) United Merchant Group Berhad ("UMG") and its subsidiary and associated companies ("UMG Group")	The Directors are of the opinion that the results and the financial position of UMG Group are uncertain due to the present debt restructuring exercise undertaken by UMG and the proposed divestment of UMG's subsidiary and associated companies in response to Bank Negara Malaysia's consolidation of the local banking industry. Barring unforeseen circumstances, the Directors are of the opinion that upon successful implementation of the debt restructuring exercise and proposed divestment of UMG's investments, the uncertainty arising from UMG's rationalization exercise will not impair the carrying value of ASB's investment and UMG will continue to venture into future profitable business.	50.75%
(d) Advance Synergy Furniture Sdn. Bhd.	The Company is presently under the Special Administrator appointed by Pengurusan Danaharta Nasional Berhad and there is uncertainty in respect of its results pending the approval of a restructuring scheme of arrangement by the relevant authorities.	100.00%

24. All equipment will be Year 2000 compliant. There will be no major breakdown or disruption in the ASB Group's operation arising from the Year 2000 millennium bug.
25. The estimated expenses relating to the proposals are RM2,000,000.



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Date : 7 April 2000

The Board of Directors
Advance Synergy Berhad
Level 29, Menara Shahzan Insas
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50250 Kuala Lumpur

Dear Sirs

CONSOLIDATED LOSS ESTIMATE AND FORECAST FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 1999 AND ENDING 31 DECEMBER 2000 RESPECTIVELY

We have reviewed the accounting policies and calculations for the consolidated loss estimate and forecast of Advance Synergy Berhad ("ASB") and its subsidiary and associated companies ("ASB Group"), for which the Directors are solely responsible, for the financial years ended 31 December 1999 and ending 31 December 2000 respectively, as set out in the accompanying financial statement for the purpose of inclusion in the circular to the stockholders of ASB in connection with the Proposed Restructuring of Bank Borrowings owing to the identified financial institutions tentatively estimated to be RM371,221,654 calculated up to 30 April 2000 and the Proposed Renounceable Restricted Offer for Sale ("Proposed ROS") via the implementation of the following: -

- (a) Proposed issuance of approximately RM126,544,751, AUD1,041,917 and USD14,946,753 (a total of RM185,874,269 equivalent) nominal value 5-year 7% redeemable loan stocks ("RLS") by ASB in exchange for the bank borrowings of ASB and its five subsidiary companies equivalent to the sum of approximately RM185,874,269 due and owing to the identified financial institutions. A total of 84,568,264 warrants will be issued with the RLS and immediately detached for the Proposed ROS;
- (b) Proposed issuance of approximately RM98,278,428, AUD7,527,788 and USD18,099,061 (a total of RM185,347,385 equivalent) nominal value (or such adjusted amount to take into account any fluctuation in interest rates on the amount due and owing to the identified financial institutions up to 30 April 2000 and/or any interest that will accrue from 1 May 2000 up to the date of issue of the RLS/CLS) of 5-year 7% convertible loan stocks ("CLS") in exchange for the balance of the bank borrowings of ASB and its five subsidiary companies equivalent to the sum of approximately RM185,347,385 due and owing to the identified financial institutions (or such adjusted amount to reflect the aforementioned adjustment in the balance outstanding). A total of 84,328,545 warrants will be issued with the CLS and immediately detached for the Proposed ROS; and

- (c) Proposed ROS by the identified financial institutions for sale of the rights to allotment of up to a maximum of 168,896,809 warrants to the entitled stockholders of ASB, on the basis of one (1) warrant for every two (2) existing stock units of RM1.00 each held in ASB on a date to be determined later, at a proposed offer price of RM0.20 per warrant.

In our opinion, based on our review, the consolidated loss estimate and forecast, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors as set out in the accompanying statement and are presented on a basis consistent with the accounting policies normally adopted by ASB Group.

Yours faithfully

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Siew Kah Toong

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Partner of the firm