

**ADVANCE SYNERGY BERHAD (“ASB”)**

**- PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE UNDER SECTION 64 OF THE COMPANIES ACT, 1965 TO BE UNDERTAKEN BY ADVANCE SYNERGY CAPITAL BERHAD (“ASCAP”)**

**1. INTRODUCTION**

The Board of Directors (“Board”) of ASB wishes to announce that ASB had today, issued a letter to the Board of ASCAP to propose that ASCAP undertakes a selective capital reduction and repayment exercise under Section 64 of the Companies Act, 1965 (“Act”) (“Proposal”).

As at 20 July 2009, ASCAP has an issued and paid-up share capital of RM156,860,835 comprising 156,860,835 ordinary shares of RM1.00 each in ASCAP (“ASCAP Shares”). As at 20 July 2009, ASB holds directly 132,531,110 ASCAP Shares, representing approximately 93.37% equity interest in ASCAP (excluding ASCAP Shares held as treasury shares).

ASB was informed today by ASCAP that its Board has agreed to table the Proposal to its shareholders for their consideration.

**2. DETAILS OF THE PROPOSAL**

2.1 The Proposal involves a selective capital reduction and repayment exercise under Section 64 of the Act, which will result in the reduction of ASCAP’s total issued and paid-up share capital from RM156,860,835 to RM147,447,645 comprising 147,447,645 ASCAP Shares by way of cancellation of 9,413,190 ASCAP Shares (“Cancelled Shares”). The 132,531,110 ASCAP Shares shall continue to be held by ASB and the 14,916,535 ASCAP Shares shall remain as treasury shares.

2.2 The shareholders of ASCAP other than ASB (“Other Shareholders”), whose names appear in ASCAP’s Record of Depositors at the close of business on a date to be determined and announced later (“Entitlement Date”), shall receive a cash amount of RM0.60 for each ASCAP Share held on the Entitlement Date. ASB will waive its entire entitlement to the repayment of capital under the Proposal.

2.3 Accordingly, the aggregate capital repayment value of the Cancelled Shares will be a sum equivalent to RM0.60 per ASCAP Share multiplied by the number of ASCAP Shares held by the Other Shareholders on the Entitlement Date.

2.4 Upon completion of the Proposal, ASCAP will become a wholly-owned subsidiary of ASB.

2.5 Barring any unforeseen circumstances, ASB expects that the Proposal shall be completed in the second half of 2009.

**3. INFORMATION ON ASCAP**

ASCAP was incorporated in Malaysia under the Act on 10 January 1994 under the name of United Merchant Group Sdn Bhd. It subsequently converted into a public 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.

Pursuant to an application submitted by ASCAP to Bursa Securities to request for the withdrawal of its listing from the Official List of Bursa Securities, the entire issued and paid-up share capital of ASCAP was removed from the Official List of Bursa Securities with effect from 28 May 2009 (“De-Listing”).

The principal activities of ASCAP are that of 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, provision of bus transportation services and related management and other services. ASCAP also has investments in associated companies which are involved in general insurance, investment dealing, card and payment services, manufacturing of warp-knitted fabrics and manufacturing and trading of lingerie materials and accessories.

#### 4. RATIONALE FOR THE PROPOSAL

The owning of the entire equity interest in ASCAP pursuant to the Proposal will accord ASB greater flexibility to streamline/strategise ASCAP Group's businesses, assets and resources to maximise potential synergies and cost-saving benefits for long-term growth and earnings improvement of ASB Group which will enhance our shareholders' value.

The Proposal will also enable the Other Shareholders to realise their investments in cash subsequent to the De-Listing at a fair and reasonable price.

#### 5. EFFECTS OF THE PROPOSAL

##### 5.1 Share Capital and Substantial Shareholders' shareholding

The Proposal will not have any effect on ASB's share capital and substantial shareholders' shareholding in ASB.

##### 5.2 Net Assets ("NA") and Gearing

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

|   | <b>Audited as at<br/>31 December<br/>2008</b> | <b>Proforma 1<sup>①</sup></b> | <b>After<br/>Proforma 1<br/>and the<br/>Proposal</b> |
|---|---|-------------------------------|--|
|   | <b>RM'000</b>                                 | <b>RM'000</b>                 | <b>RM'000</b>  |
| Share capital   | 138,572                                       | 138,572                       | 138,572  |
| 2% Irredeemable Convertible Unsecured Loan Stock (Equity Portion)             | 122,210                                       | 122,210                       | 122,210  |
| Reserves  | 147,246                                       | 157,470                       | 172,031  |
| <b>Shareholders' funds / NA attributable to equity holders of the Company</b> | <b>408,028</b>                                | <b>418,252</b>                | <b>432,813</b>                                       |
| No. of shares in issue ('000)   | 461,908                                       | 461,908                       | 461,908  |
| NA per share attributable to equity holders of the Company (RM)               | 0.88  | 0.91                          | 0.94   |
| Total borrowings  | 131,649                                       | 135,614                       | 140,565  |
| Gearing ratio (times) <sup>②</sup>  | 0.32  | 0.32                          | 0.32   |

Notes:

① After adjustments made pursuant to the Exit Offer (i.e. the voluntary take-over offer extended by Maybank Investment Bank Berhad on behalf of ASB on 27 February 2009 to acquire all the remaining ASCAP Shares which are not already owned by ASB (excluding ASCAP Shares held as treasury shares) at a cash offer price of RM0.60 per ASCAP Share to facilitate the voluntary withdrawal of ASCAP from the Official List of the Main Board of Bursa Securities pursuant to Paragraph 16.04 of the Listing

Requirements then prevailing), acquisition from the open market during the Exit Offer period and Section 34(A) Notice (i.e. Notice under Section 34(A)(2) of the Securities Commission Act 1993 despatched by ASB on 20 April 2009 to all shareholders of ASCAP who have not accepted the Exit Offer to inform them of their rights that they can elect to serve notice on ASB within 3 months from 20 April 2009, to require ASB to acquire their ASCAP Shares at RM0.60 per ASCAP Share).

- ② Calculated based on total borrowings over shareholders' funds.

### **5.3 Earnings**

The Proposal is not expected to have a material impact on ASB's consolidated earnings for the financial year ending 31 December 2009 as the Proposal is expected to be completed in the second half of 2009. However, the Proposal is expected to contribute positively to the future earnings of our enlarged Group.

## **6. APPROVALS REQUIRED**

The Proposal is subject to the following:

- (i) the approval of the shareholders of ASCAP at an extraordinary general meeting ("EGM");
- (ii) the confirmation by the Court for the reduction of ASCAP's share capital; and
- (iii) approval/ consent of any other relevant authorities/ persons, if required.

## **7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

Save as disclosed below, none of ASB's Directors and major shareholders and persons connected with them has any interest, direct or indirect, in the Proposal, other than their respective entitlements as shareholders of ASCAP, where applicable:

- (i) ASB, being an existing major shareholder of ASCAP is a promoter of the Proposal and as such, is deemed interested in the Proposal. None of ASB's Directors hold any ASCAP Shares (directly or indirectly) other than Dato' Ahmad Sebi Bakar ("DAS") whose indirect interest in ASCAP is by virtue of his interest in ASB pursuant to Section 6A of the Act; and
- (ii) Suasana Dinamik Sdn Bhd, a company in which DAS is deemed to have an interest therein pursuant to Section 6A of the Act, has indirect interest in ASCAP by virtue of its interest in ASB pursuant to Section 6A of the Act.

ASB will abstain from voting in respect of their direct and/or indirect shareholdings (if any) in ASCAP on the resolution pertaining to the Proposal to be tabled at the EGM.

## **8. DIRECTORS' STATEMENT**

ASB's Directors having considered all aspects of the Proposal, are of the opinion that the Proposal is in the best interests of ASB.

[This announcement is dated 17 August 2009.]