ADVANCE SYNERGY BERHAD ("ASB" OR "COMPANY")

(I) PROPOSED RIGHTS ISSUE;
(II) PROPOSED EXEMPTION; AND
(III) PROPOSED SGS

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1.0 INTRODUCTION

On behalf of the Board of Directors of ASB ("**Board**"), KAF Investment Bank Berhad ("**KAF IB**") wishes to announce that the Company is proposing to undertake the following proposals:-

(i) proposed renounceable rights issue of up to 1,858,389,886 new ordinary shares in ASB ("**Rights Shares**") on the basis of two (2) Rights Shares for every one (1) existing ordinary share in ASB ("**ASB Share**" or "**Share**") held on an entitlement date to be determined later ("**Proposed Rights Issue**");

(ii) proposed exemption for Dato' Ahmad Sebi Bakar ("**DASB**") and the persons acting in concert with him, namely Suasana Dinamik Sdn Bhd ("**SDSB**"), Bright Existence Sdn Bhd ("**BESB**"), Aryati Sasya Dato' Ahmad Sebi ("**Aryati Sasya**"), Anton Syazi Dato' Ahmad Sebi ("**Anton Syazi**") and Eighth Review (M) Sdn Bhd ("**ERSB**") (collectively known as the "**PACs**") under Paragraph 4.08 of the Rules on Take-Overs, Mergers and Compulsory Acquisitions ("**Rules**") from the obligation to undertake a mandatory take-over offer for the remaining ASB Shares not already owned by them ("**Mandatory Offer**"), upon the completion of the Proposed Rights Issue ("**Proposed Exemption**"); and

(iii) proposed establishment of a share grant scheme of up to ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the duration of the scheme for the eligible directors and employees of ASB and its subsidiaries ("**ASB Group**" or "**Group**") (excluding subsidiary(ies) listed on any stock exchange as well as its group of companies, and any dormant subsidiary(ies) of the Group) ("**Proposed SGS**").

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

2.0 DETAILS OF THE PROPOSALS

2.1 Proposed Rights Issue

2.1.1 Details of the Proposed Rights Issue

As at 1 March 2022, being the latest practicable date prior to this announcement ("**LPD**"), the issued share capital of ASB is RM381,376,645 comprising 929,194,943 ASB Shares. The Proposed Rights Issue, which will be undertaken on a renounceable basis, entails the issuance of up to 1,858,389,886 Rights Shares on the basis of two (2) Rights Shares for every one (1) ASB Share held by the shareholders of the Company ("**Entitled Shareholders**") whose names appear in the Record of Depositors at the close of business on an entitlement date to be determined later ("**Entitlement Date**") at an issue price to be determined and announced by the Board at a later date.

The actual number of Rights Shares to be issued pursuant to the Proposed Rights Issue would depend on the level of subscription for the Rights Shares by the Entitled Shareholders and/or their renouncee(s)/transferee(s).

The Proposed Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders can fully or partially subscribe for and/or renounce their entitlements to the Rights Shares. Any unsubscribed Rights Shares shall be made available for excess applications by the Entitled Shareholders and/or their renouncee(s)/transferee(s) ("**Excess Application**"). It is the intention of the Board to allocate the excess Rights Shares on a fair and equitable manner and on a basis to be determined by the Board and announced later by the Company.

2.1.2 Basis of determining and justification for the issue price of Rights Shares

The issue price of the Rights Share ("**Issue Price**") will be determined at a later date after taking into consideration the following:-

(i) the prevailing market conditions and market prices of ASB Shares;

(ii) the theoretical ex-rights price ("**TERP**") of ASB Shares calculated based on the five (5)-day volume-weighted average market price ("**VWAMP**") of ASB Shares immediately before the price-fixing date of the Rights Shares; and

(iii) the funding requirement of the Group as set out in Section 3.0 of this announcement.

The Board intends to fix the Issue Price at a discount ranging between 10% to 30% to the TERP based on the five (5)-day VWAMP of ASB Shares up to and including the date prior to the price-fixing date. For the purpose of illustration only, the Rights Shares are assumed to be issued at an indicative issue price of RM0.055 per Rights Share ("**Indicative Issue Price**"), which represents a discount of RM0.0186 or 25.24% to the TERP of RM0.0736 per Share, calculated based on the five (5)-day VWAMP of ASB Shares up to and including the LPD of RM0.1107 per Share.

2.1.3 Ranking of the Rights Shares

The Rights Shares shall, upon allotment and issue, rank equally in all respects with the then existing ASB Shares, save and except that the Rights Shares shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution which may be declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of Rights Shares.

2.1.4 Listing on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities")

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

2.1.5 Minimum Subscription Level and shareholder's undertaking

The Proposed Rights Issue will be undertaken on a minimum subscription level basis to raise a minimum gross proceeds of RM80.0 million ("**Minimum Subscription Level**"), which was determined after taking into consideration the minimum level of funds required by ASB for the purposes stated in Section 3.0 of this announcement. Pursuant thereto, the Company will endeavour to procure the irrevocable and unconditional undertaking from DASB ("**Undertaking Shareholder**") to subscribe up to a total of RM80.0 million worth of Right Shares ("**Undertaking**").

Based on the Indicative Issue Price, the Minimum Subscription Level will be met via the issuance of 1,454,545,455 Rights Shares. Therefore, the Undertaking Shareholder shall subscribe in full for his entitlement for the Rights Shares under the Proposed Rights Issue and apply for the additional Rights Shares under Excess Application as follows:-

	As at the LPD		Entitlement		Excess Application		Total	
Undertaking Shareholder	**No. of Shares**	**%**	**No. of Rights Shares**	***%**	**No. of Rights Shares**	***%**	**No. of Rights Shares**	***%**
DASB	76,810,009	8.27	153,620,018	8.27	1,300,925,437	70.00	1,454,545,455	78.27

*Note *: As a percentage of the total number of Rights Shares under the Proposed Rights Issue.*

ASB will endeavour to procure the Undertaking from the Undertaking Shareholder prior to the implementation of the Proposed Rights Issue. As the Undertaking is sufficient to achieve the Minimum Subscription Level basis, ASB does not intend to procure any underwriting arrangement for the remaining Rights Shares not subscribed for by other Entitled Shareholders and/or their renounce(s)/transferee(s).

Should the Issue Price be higher or lower than the Indicative Issue Price, the total number of Rights Shares under the Minimum Subscription Level and excess Rights Shares to be subscribed by the Undertaking Shareholder will be adjusted accordingly to arrive at RM80.0 million.

2.1.6 Public shareholding spread requirement

Pursuant to Paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**"), at least 25% of ASB's total listed shares (excluding treasury shares) are required to be held by public shareholders. Although the eventual level of subscription for the Proposed Rights Issue is not determinable at this juncture, in the event that only the Undertaking Shareholder will be subscribing for the Rights Shares at the Indicative Issue Price pursuant to his Undertaking, the public shareholding spread of ASB will be approximately 27.17%, which is still above the requisite threshold of at least 25% of its total listed shares to be held by public shareholders.

2.1.7 Fund raising exercise undertaken by the Company in the past twelve (12) months

The Company has not undertaken any other equity fund raising exercise in the past twelve (12) months.

2.2 Proposed Exemption

As at the LPD, DASB directly holds 76,810,009 ASB Shares, representing approximately 8.27% of the total issued share capital of ASB.

Pursuant to the Undertaking, DASB will be obligated to subscribe in full for his entitlement for the Rights Shares and apply for the additional Rights Shares under Excess Application to the extent that the Minimum Subscription Level could be achieved.

Assuming that only DASB subscribes for the Rights Shares at the Indicative Issue Price under the Proposed Rights Issue based on his Undertaking, his shareholding in ASB is expected to increase from 8.27% to 64.24% upon completion of the Proposed Rights Issue under the Minimum Subscription Level basis.

Pursuant thereto, DASB and his PACs will be obliged to undertake a Mandatory Offer in accordance with the Rules. However, it is not the intention of DASB and his PACs to undertake the Mandatory Offer as a result of the Proposed Rights Issue and the Undertaking.

In this regard, DASB and his PACs intend to seek an exemption from the Securities Commission Malaysia ("**SC**") pursuant to Paragraph 4.08 of the Rules from the obligation to undertake the Mandatory Offer, after obtaining the approval from the non-interested shareholders of the Company for the Proposed Exemption, by way of poll, at the forthcoming extraordinary general meeting ("**EGM**").

2.3 Proposed SGS

The Proposed SGS entails the establishment of a share grant scheme ("**Scheme**") which involves the granting of new ASB Shares ("**SGS Shares**") ("**Grants**") to the eligible directors and employees of ASB Group (excluding subsidiary(ies) listed on any stock exchange as well as its group of companies, and any dormant subsidiary(ies) of the Group), who meet the eligibility criteria for participation in the Proposed SGS ("**Eligible Persons**") ("**Grantees**"), in accordance with the provisions of the by-laws of the Proposed SGS ("**By-Laws**"). For clarity, the Proposed SGS is intended to be implemented after the completion of the Proposed Rights Issue.

The Proposed SGS will be administered in accordance with the By-Laws by a committee to be appointed by the Board to implement and administer the Scheme ("**SGS Committee**"). The Board shall have power at any time and from time to time amend, modify or vary the terms of reference of the SGS Committee.

The aggregate maximum number of SGS Shares that may be granted to the Grantee will be determined entirely at the absolute discretion of the SGS Committee, which shall take into account such criteria as it considers fit including but not limited to the Eligible Persons' position, job performance, seniority, duration of service, potential for future development and contribution to the success and development of the Group and such other criteria as the SGS Committee may deem relevant from time to time.

Under the Proposed SGS, the Grantee is not required to pay for acceptance of the Grant and the subsequent vesting of the SGS Shares comprised in the Grant. Once the Grants are accepted by the Eligible Persons, the Grants may be vested in tranches to the Eligible Persons, subject to the fulfilment of the vesting conditions stipulated in the Grants.

The salient features of the Proposed SGS, details of which will be governed by the By-Laws, are set out in the ensuing sections.

2.3.1 Maximum number of ASB Shares available under the Proposed SGS

The maximum number of ASB Shares which may be made available under the Scheme shall not in aggregate exceed ten percent (10%) of the total number of issued shares of ASB (excluding treasury shares, if any) at any point in time during the duration of the Proposed SGS ("**SGS Period**") ("**Maximum SGS Shares**").

2.3.2 Basis of allocation and maximum allowable allocation

The aggregate maximum number of SGS Shares that may be allocated to any Eligible Person shall be determined by the SGS Committee provided that the number of SGS Shares allocated to any Eligible Persons who, either singly or collectively through persons connected with the Eligible Persons, holds twenty percent (20%) or more of the total number of issued shares of the Company (excluding treasury shares, if any), shall not exceed ten percent (10%) of the Maximum SGS Shares.

Subject to the above and any adjustment which may be made pursuant to any alteration in the share capital of the Company as provided under the By-Laws, the basis for determining the aggregate number of Shares that may be offered and/or allocated under the Scheme to the Eligible Persons shall be at the sole and absolute discretion of the SGS Committee after taking into consideration inter alia, the provisions of the Listing Requirements or other applicable regulatory requirements relating to employees' and/or directors' share issuance scheme and after taking into consideration factors which may include the Eligible Persons' position, job performance, seniority, duration of service, potential for future development and contribution to the success and development of the Group.

The Eligible Person shall not participate in any deliberation or discussion of their own allocation and those of persons connected to them, if any, under the Proposed SGS.

2.3.4 Eligibility to participate in the Proposed SGS

Subject to the following, directors and employees of the ASB Group may be considered as eligible from time to time and at any time for the purposes of the Scheme by the SGS Committee.

The Eligible Persons who fulfil the following criteria as at the date of the Grant made in writing by the SGS Committee to the Eligible Persons ("**Grant Date**"), shall be eligible for consideration by the SGS Committee to participate in the Scheme:-

(i) has attained the age of twenty-one (21) years and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(ii) (a) has been employed by ASB Group as a full-time employee or serving in a specific designation under an employment contract with ASB Group for a fixed duration (or any other contract as may be determined by the SGS Committee) and is on the payroll of any subsidiaries within ASB Group (exclude subsidiary(ies) listed on any stock exchange as well as its group of companies, and any dormant subsidiary(ies) of the Group) for a continuous period of at least twenty-four (24) months in the Group and has not served a notice of resignation or received a notice of termination prior to and up to the Grant Date; or

(b) is employed by a corporation which is acquired by the Group during the SGS Period and becomes a subsidiary of the Group upon such acquisition, he/she must have completed a continuous employment service for a period of at least twenty-four (24) months with the acquiree company and/or for such period as may be determined by the SGS Committee following the date that such company becomes or is deemed to be a subsidiary of the Group and has not served a notice to resign or received a notice of termination prior to and up to the Grant Date;

(iii) has been confirmed in writing and is not under any probation;

(iv) if he/she is a director or chief executive of the Company, the Grant awarded by the Company to him/her in his/her capacity as a director or chief executive of the Company under the Scheme has been approved by the shareholders of ASB at a general meeting (if applicable); and

(v) is under such categories and/or fulfills any other criteria as may be set by the SGS Committee from time to time at its absolute discretion.

The selection of any Eligible Person for participation in the Scheme shall be at the sole discretion of the SGS Committee whose decision shall be final and binding.

For the avoidance of doubt, the SGS Committee may determine any other eligibility criteria and/or waive any of the eligibility criteria as set out in Section 2.3.4 of this announcement, for purposes of selecting an Eligible Person from time to time, at the SGS Committee's discretion.

2.3.5 Duration of the Proposed SGS

The Proposed SGS shall take effect on the date on which the last of the approvals and/or conditions as set out in the By-Laws shall have been obtained and/or complied with ("**Effective Date**").

The Scheme, upon implementation, shall continue to be in force for a period of five (5) years from the Effective Date and may be extended or renewed (as the case may be) for a further period of five (5) years or such shorter period, at the sole and absolute discretion of the Board upon the recommendation by the SGS Committee, provided always that the initial scheme period stipulated above and such extension of the Scheme made pursuant to these By-Laws shall not in aggregate exceed a duration of ten (10) years from the Effective Date. For the avoidance of doubt, no further approval, sanction or authorisation of the shareholders of the Company in a general meeting is required for any such extension or renewal (as the case may be). In the event the Scheme is extended or renewed (as the case may be), the Company shall serve appropriate notices on each Grantee and make the necessary announcements to Bursa Securities prior to such extension or renewal (as the case may be).

Subject to compliance with the Listing Requirements and any other relevant authorities, the Scheme may be terminated by the Company at any time before the date of expiry without obtaining the approvals or consents from the Grantees or the Company's shareholders provided that the Company makes an announcement immediately to Bursa Securities on the following:-

(i) the effective date of termination of the Scheme;

(ii) the number of Grants and Shares vested; and

(iii) the reasons and justifications for termination of the Scheme.

Notwithstanding anything to the contrary, all unvested SGS Shares comprised in any Grant (whether fully or partially unvested) shall cease to be capable of vesting on the date of expiry or the date of the resolution of the termination of the Scheme.

2.3.6 Ranking of SGS Shares pursuant to the Proposed SGS

In the event of any new SGS Shares are to be issued and/or transferred from treasury shares (as the case may be) to the Grantee pursuant to the Scheme, the new SGS Shares will, upon allotment and issuance, rank equally, in all respects with the then existing ASB Shares, save and except that the new SGS Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distributions which may be declared, made or paid, where the entitlement date of which is before the date of issuance and/or transfer of abovementioned SGS Shares.

In the event that any treasury shares (so purchased under a share buy-back mandate) are to be transferred to the Grantee under the Scheme, such treasury shares shall subject to the relevant provisions of the Listing Requirements and the constitution of ASB.

2.3.7 Vesting conditions and vesting of SGS Shares

The SGS Shares comprised in a Grant shall be vested to the Grantee on the date(s) after fulfilling the vesting conditions stipulated in the Grant in accordance with the By-Laws. For the avoidance of doubt, the vesting of each Grant may be staggered in several tranches at such times and on such terms as determined by the SGS Committee. The SGS Shares comprised in the Grant shall vest in multiples of and no less than a hundred (100) Shares.

2.3.8 Alteration in share capital and adjustment

If the SGS Committee so decides (but not otherwise), in the event of any alteration in the capital structure of the Company during the SGS Period, whether by way of a rights issue, bonus issue or other capitalisation issue, subdivision or consolidation of Shares or reduction of capital or any other variations of capital or otherwise howsoever taking place, the SGS Committee shall have the discretion and accordingly assess the practicality of complying with the requirement to cause such corresponding alterations (if any) to be made to:-

(i) the number of unvested SGS Shares comprised in the Grant; and/or

(ii) the method and/or manner in the vesting of the SGS Shares comprised in the Grant.

Such alterations (if any) will be made in accordance with the By-Laws.

2.3.9 Retention period and transfer restrictions

The ASB Shares to be issued and/or transferred pursuant to the vesting of SGS Shares comprised in any Grant to the Grantee under the Scheme may be subject to such retention period or restriction on transfer (if any) which the SGS Committee, shall, from time to time and at its own discretion, be entitled to prescribe or impose as it sees fit.

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2.3.10 Modification, variation and/or amendment of the By-Laws

Subject to the By-Laws and compliance with the Listing Requirements and the approvals of any other authorities (if required), the SGS Committee may at any time and from time to time recommend to the Board any modification, variation and/or amendment of the By-Laws as it shall at its discretion think fit and the Board shall have the power at any time and from time to time by resolution to make any modification, variation and/or amendment of the By-Laws upon such recommendation and subject to the Company submitting the amended By-Laws and a letter of compliance to Bursa Securities (within five (5) market days after the effective date of the modification, variation and/or amendment of the By-Laws or such other period as may be prescribed by Bursa Securities or any other relevant authorities) each time any modification, variation and/or amendment is made, stating that the said modification, variation and/or amendment is in compliance with the provisions of the Listing Requirements pertaining to share issuance schemes and the Rules of Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**").

The approval of the shareholders of the Company in general meeting shall not be required in respect of the modification, variation and/or amendment of the By-Laws provided that no modification, variation and/or amendment made to the By-Laws which would:-

(i) prejudice any rights which would have accrued to any Grantee without the prior consent or sanction of that Grantee; or

(ii) increase the number of SGS Shares available under the Scheme beyond the maximum amount set out in Section 2.3.1 of this announcement; or

(iii) prejudice any rights of the shareholders of the Company; or

(iv) alter to the advantage of an Eligible Person and/or Grantee(s) in respect of any matters which are required to be contained in the By-Laws pursuant to the Listing Requirements.

2.3.11 Implementation of the Proposed SGS

In implementing the Proposed SGS, the SGS Committee may at its sole and absolute discretion decide that the vesting of any SGS Shares comprised in a Grant be satisfied by any of the following methods:-

(i) issuance of new Shares by the Company;

(ii) acquisition of existing Shares from the Main Market of Bursa Securities;

(iii) transfer of the Company's treasury shares (if any) or any other methods as may be permitted by the Companies Act 2016 ("**Act**"); or

(iv) a combination of any methods as stated in the above.

In considering the settlement mode of the Grants as referred to in (i) to (iv) above, the SGS Committee will take into consideration, amongst others, factors such as potential cost arising from the granting of the SGS Shares, the dilutive effects of such issuance on the Company's capital base as well as applicable laws and/or regulatory requirements. The method of settlement to be made by ASB to the Grantee shall be at the discretion of the SGS Committee.

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For the purpose of facilitating the implementation of the Scheme, the Company and/or the SGS Committee may (but shall not be obliged to) establish a trust to be administered by the trustee to be appointed by the Company ("**Trustee**") ("**Trust**") from time to time in accordance with the trust deed to be entered into between the Company and the Trustee ("**Trust Deed**"). The Trustee shall, at such times as the SGS Committee shall direct, subscribe for and/or purchase the necessary number of Shares to accommodate any transfer of SGS Shares to the Central Depository System's accounts of the Grantees established by Bursa Depository. For this purpose, the Trustee will be entitled from time to time to the extent permitted by law and as set out under the By-Laws to accept funding and/or assistance, financial or otherwise from the Company and/or any company within ASB Group. The SGS Committee shall have the discretion to instruct the Trustee to subscribe for new ASB Shares and/or acquire existing ASB Shares at any time and from time to time and also to revoke or suspend any such instruction that has earlier been given to the Trustee.

For the purpose of administering the Trust, if and when the Trust is established, the Trustee shall do all such acts and things and enter into any transaction, agreement, deed, document or arrangement and makes rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Trust, as the SGS Committee may direct for the implementation and administration of the Trust which are expedient for the purpose of giving effect to and carrying out the powers and duties conferred on the Trustee by the Trust Deed.

The SGS Committee shall have power from time to time, at any time, to appoint, rescind or terminate the appointment of any Trustee as it deems fit in accordance with the provisions of the Trust Deed. The SGS Committee shall not be under any obligation to give any reasons for such appointment, rescission or termination. The SGS Committee shall have the power from time to time, at any time, to negotiate with the Trustee to amend the provisions of the Trust Deed.

2.3.12 Listing of and quotation for the new ASB Shares

An application will be made to Bursa Securities for the listing of and quotation for such number of new ASB Shares, representing up to ten percent (10%) of the total number of issued shares of ASB (excluding treasury shares, if any) to be issued pursuant to the Proposed SGS on the Main Market of Bursa Securities.

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3.0 UTILISATION OF PROCEEDS

Based on the Indicative Issue Price, the proceeds to be raised from the Proposed Rights Issue are intended to be utilised by the Group in the following manner:-

Utilisation of proceeds	Expected timeframe for utilisation	Minimum Subscription Level RM'000	Maximum Subscription Level RM'000
Investment in existing businesses and/or future business expansion/new strategic investment [(1)]	Within 36 months	53,200	75,411
Working capital [(2)]	Within 36 months	25,600	25,600
Estimated expenses [(3)]	Immediate	1,200	1,200
Total		**80,000**	**102,211**

Notes:-

(1) The Group intends to utilise up to approximately RM75.41 million of the proceeds for amongst others, any or all of the following:-

*(a) The cost/expenses in relation to the development of mobile digital payment and cash flow management application services ("**New Payment Application Services**") which may include amongst others, salaries to additional staffs for product development and technical, business development, customer care and other supporting staff, deposits to payment system providers, payment of right-to-use technology assets and purchase of new equipment to accommodate the New Payment Application Services (such as third-party hardware, software and payment acceptance appliances), as well as other expenses in relation to the launching and operation of the New Payment Application Services, such as licence fees of international payment system, rental, lease expenses, utilities, technology licence fees and administrative cost);*

(b) The cost in relation to the establishment of camping site in Cherating Holiday Villa located in Cherating, Pahang, and/or refurbishment and renovation of hospitality properties;

(c) The development cost for Phase 2, Federal Park project and/or Sejijak project located in Kuching, Sarawak, which may include professional fees, operating expenditures, sales and marketing expenses, and other miscellaneous items;

(d) The operating expenses for the projected increase in the bus body orders from the Australian market which may include raw materials, direct labour and other miscellaneous items; or

(e) To finance/part-finance any potential suitable/viable acquisitions, collaborative arrangements, and/or business/investment opportunities in similar or other complementary businesses and/or assets for the future expansion of the Group's existing businesses.

As at the LPD, the Board has yet to identify any specific business and/or assets for collaboration, acquisition and/or investment. The Group will make the necessary announcements in accordance to the Listing Requirements as and when new business(es)/ investment(s) have been identified by the Group. In the event that shareholders' approval and/or other regulatory bodies' approvals are required, the necessary approvals will be sought in accordance to the Listing Requirements or such other regulatory bodies.

If the Company is unable to identify suitable business(es)/ investment(s) within the timeframe stipulated, the proceeds allocated for future business expansion/new strategic investment shall be transferred to the fund the Group's working capital requirements, the utilisation of which is set out in Note (2) below.

Further details of the Group's business prospects are set out in Section 5.8 of this announcement.

Any shortfall due to the eventual proceeds raised from the Proposed Rights Issue earmarked for the above utilisation, will be funded via a combination of internally generated funds and/or further bank borrowings. Any surplus for such expenditures will be adjusted accordingly against the amount allocated for working capital purposes.

(2) *The Group has allocated RM25.60 million to meet the working capital requirements of the Group's day-to-day operations, which may include amongst others, staff salaries, lease payments, marketing and advertising expenses, overhead expenses, maintenance expenses, operating and administrative expenses.*

The proceeds to be utilised for each component of working capital are subject to the operating requirements at the time of utilisation and therefore has not been determined at this juncture.

Any shortfall due to the eventual proceeds raised from the Proposed Rights Issue earmarked for the above utilisation, will be funded via a combination of internally generated funds and/or further bank borrowings. Any surplus for such expenditures will be adjusted accordingly against the amount allocated for investment in existing businesses and/or future business expansion/new strategic investment purposes.

(3) *The proceeds earmarked for estimated expenses in relation to the Proposals will be utilised as set out below:-*

	RM'000
Professional fees	*860*
Fee payable to relevant authorities	*65*
*Other expenses **	*275*
Total	***1,200***

*Note *:- Being miscellaneous expenses including printing and advertising cost, expenses incidental to the convening of the EGM and other miscellaneous expenses.*

Any surplus or shortfall for such expenses will be adjusted accordingly against the amount allocated for working capital purposes.

Further breakdown on the proposed utilisation of proceeds will be set out in the circular to be issued by the Company to its shareholders in relation to the Proposals as the actual utilisation has not been determined by the management at this juncture and may differ at the time of utilisation.

Pending utilisation of proceeds for the abovementioned purposes, the total gross proceeds arising from the Proposed Rights Issue will be placed in interest-bearing deposits and/or short-term money market instruments with financial institutions as the Board in its absolute discretion deems fit and in the best interest of the Company. The resulting interest income derived from such placements will be used as additional working capital for the Group.

For the avoidance of doubt, the Company will not raise any proceeds from the Proposed SGS as the SGS Shares to be issued and/or transferred will not require any payment from the Grantees.

4.0 RATIONALE FOR THE PROPOSALS

4.1 Proposed Rights Issue

After due consideration of the various funding options available to the Company, the Board is of the opinion that the Proposed Rights Issue is the most appropriate avenue of fund raising for ASB for the purposes stated in Section 3.0 of this announcement in view of the following reasons:-

(i) the Proposed Rights Issue serves to raise funds for the purpose set out in Section 3.0 of this announcement, particularly to fund the Group's investment in its existing businesses and/or future business expansion/new strategic investment, which is expected to contribute positively to the future financial performance of the Group;

(ii) as opposed to borrowings from financial institutions, the Proposed Rights Issue enables the Group to raise the intended funds without incurring interest costs, which will in turn enable the Group to manage its cash flows more efficiently;

(iii) the Entitled Shareholders would have the opportunity to increase their equity participation in the Company on a pro-rata basis to minimise dilution of their interests in the Company as opposed to a non-pro rata equity fund raising; and

(iv) the issuance of Rights Shares would not dilute the Entitled Shareholders' equity interest in ASB if they fully subscribe for their respective entitlements under the Proposed Rights Issue.

4.2 Proposed Exemption

The Proposed Exemption will relieve DASB and his PACs from the obligation to undertake the Mandatory Offer upon completion of the Proposed Rights Issue as it is not the intention of DASB and his PACs to undertake the Mandatory Offer.

For clarity, the Undertaking by DASB serves to meet the Minimum Subscription Level basis, where:-

(i) it lends the necessary support to facilitate the implementation of the Proposed Rights Issue, which is crucial in ensuring ASB is able to raise the intended proceeds as set out in Section 3.0 above for the Group; and

(ii) it allows the Company to save on underwriting commission for such number of Rights Shares as no underwriting arrangement is required pursuant to the Undertaking.

4.3 Proposed SGS

The Proposed SGS serves as a long-term incentive plan to reward the Eligible Persons and to align their interest with the corporate goals and objectives of the Group. In addition, the Scheme is intended:-

(i) to recognise the contribution of Eligible Persons whose services are valued and considered vital to the operations and continued growth of the Group;

(ii) to motivate Eligible Persons to work towards better performance through greater productivity and loyalty to the Group;

(iii) to inculcate a greater sense of belonging and dedication since Eligible Persons are given the opportunity to participate directly in the equity of the Company, thus promoting a shared vision amongst the shareholders to further enhance shareholder value;

(iv) to encourage Eligible Persons to remain with the Group thus ensuring that any loss of key personnel is kept to a minimum level; and

(v) to reward Eligible Persons by allowing them to participate in the Group's growth and profitability and eventually realise potential capital gains arising from any appreciation in the value of the ASB Shares.

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5.0 INDUSTRY OVERVIEW AND PROSPECTS

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a positive growth of 3.6% in the fourth quarter of 2021 (3Q 2021: -4.5%). Growth was supported mainly by an improvement in domestic demand as economic activity normalised following the easing of containment measures under the National Recovery Plan ("**NRP**"). The improvement also reflected recovery in the labour market as well as continued policy support. In addition, strong external demand amid the continued upcycle in global technology provided a further lift to growth. On the supply side, all economic sectors recorded improvements in growth, led by the services and manufacturing sectors. On the demand side, growth was driven by higher consumption and trade activity. On a quarter-on-quarter seasonally adjusted basis, the economy registered an increase of 6.6% (3Q 2021: -3.6%). All economic sectors recorded an improvement in the fourth quarter of 2021.

Domestic demand grew by 2.3% (3Q 2021: -4.1%) in the fourth quarter of 2021. This was driven by the improvement in private sector expenditure following the loosening of restrictions. On the external front, net exports expanded by 2.6% (3Q 2021: -37.5%) due to higher export growth amid strong external demand.

Private consumption growth turned around to register a positive growth of 3.7% (3Q 2021: -4.2%). The turnaround was mainly supported by the relaxation of containment measures. In particular, spending on discretionary items such as restaurants and hotels as well as recreational services rebounded during the quarter. Labour market conditions also improved during the same period, as evidenced by stronger employment and wage growth. Furthermore, various policy measures provided additional support to consumer spending.

Public consumption growth expanded at a slower pace of 4.3% (3Q 2021: 8.1%), attributable to a moderate growth in supplies and services expenditure. However, government spending remained supported by COVID-related spending and small maintenance and repair works.

Gross fixed capital formation registered a smaller contraction of 3.3% (3Q 2021: -10.8%), reflecting an improvement in capital spending by both private and public sectors. By type of asset, growth of machinery and equipment investment increased further to 16.4% (3Q 2021: 10.2%). Meanwhile, investments in structures and other assets declined by 15.5% and 3.1% respectively (3Q 2021: -26.1% and 8.3% respectively).

Private investment contracted at a slower pace of 3.0% (3Q 2021: -4.8%), supported mainly by higher capital spending on transport and ICT equipment, particularly by firms in the export-oriented sectors. Furthermore, investments in structures also registered a smaller contraction, in line with the construction sector's performance.

Public investment registered a smaller decline of 3.8% (3Q 2021: -28.9%), supported by improvement in capital spending by the General Government and public corporations.

*(Source: Quarterly Bulletin 4Q 2021, Bank Negara Malaysia ("**BNM**"))*

5.2 Overview and outlook of the hotel industry in Malaysia

According to the Hotel Industry Survey Report June 2021 ("**Report**") by Malaysian Association of Hotels ("**MAH**"), the hotel industry is anticipating an average occupancy rate of 21% and 28% for 3Q and 4Q2021 respectively, and 35% for 2022, which would indicate another year of losses. In 2021, average occupancy was 21% in January; 17% in February; 27% in March and April, driven by quarantine requirements; and 18% in May. The hotel industry is estimated to have lost more than RM5 billion in revenue in the first half of 2021.

In terms of the average daily rate ("**ADR**"), the Report notes that the hotel industry expects the figure to remain at RM180 to RM190, marking an average drop of 20% to 30% compared with pre-pandemic levels. But it added that the industry did not register sufficient rooms sold to indicate its actual loss in ADR. Meanwhile, midscale to upper-scale luxury hotels saw a drop of at least 50% in ADR, having lost all international markets, which typically have higher spending power.

Meanwhile, the Report also stated that 2 out of 320 hotels had permanently closed while 91 are temporarily closed. Almost 28% of the hotels that responded had reduced their manpower by more than half and 51% in one way or another. Of the total, 14% had carried out a retrenchment exercise. This could lead to a massive drain in talent, raising the larger question of how the industry will recover when the time comes.

Notwithstanding the above, the chief executive officer of MAH is slightly more cautious but expects to see some recovery in the first half of 2022. The Langkawi travel bubble had shown good success, with occupancy of hotels high on weekends and leaning towards higher-rated hotels. With that, the industry can look forward to the reopening of domestic tourism destinations, targeting the high number of fully vaccinated adults. With these factors in play, 1Q2022, or by 2Q the latest, will be a good target for the industry to see a recovery in domestic travel, driven by pent-up demand as the key factor.

(Source: "Cover Story: Hospitality sector to see signs of recovery by year end" dated 26 October 2021, The Edge Malaysia)

5.3 Overview and outlook of the hotel industry in United Kingdom ("UK")

The recovery in tourism demand will continue to accelerate in 2022, with greater volumes of corporate meetings and events, and group travel. But, demand will remain below pre-pandemic levels. Leisure travel will also continue to increase albeit from a relatively high base given the strong staycation demand recorded in 2021. The return of cross-border travel will, however, support tourism demand growth for London and the gateway cities - the revival of transatlantic travel will be of particular benefit for hotels in the capital.

Tourism demand growth will support the general recovery of top-line hotel revenues in the UK, however, several headwinds will drag on profitability. The most acute challenge will be the recruitment and retention of staff, which will result in payroll inflation. Rising energy prices, food costs and other inflationary pressures feeding through supply chains will also test hotel operators. These trends will not impact all hotels equally. For example, limited-service hotels will be less exposed to rising operational costs, while full-service hotel operators will attempt to offset increasing expenses through revenue growth.

(Source: UK Real Estate Market Outlook 2022, CBRE Group, Inc)

On the other hand, as employers become more open to the idea of staff being able to operate from a wider range of locations, it is likely to see a rise in the digital corporate nomad, alongside a blending of leisure and corporate travel. This opens the door to new and existing operators to pivot their offer to appeal to both corporate and leisure demand – something that serviced apartment operators and branded residences have been achieving for a while.

This can come in many formats, whether it's increased room size, desk space and rapid connectivity, on-site co-working space and so on. As governments also continue to clamp down on the over-exposure of Airbnb and short-term rentals, there opens a significant opportunity for hotels to bridge the gap and capture some of this longer stay corporate/leisure demand. This move to a more flexible, blended way of working and living could therefore provide significant opportunities for well attuned hotel brands.

(Source: European Hotel Trends Outlook 2021, Savills Research)

5.4 Overview and outlook of the hotel industry in Shanghai

The unexpected outbreak caused a tremendous disruption to the tourism and hotel industries in Shanghai. According to government statistics, the occupancy rate for five-star rated hotels in 2020 fell to the lowest level in the past 15 years, especially in February and March, when the occupancy rate dropped to single digits. It was the first time in 15 years the ADR of five-star rated hotels dropped below Renminbi ("**RMB**") 900.

However, thanks to quick and efficient virus prevention and control measures, the pandemic's influence on Shanghai's economy gradually tapered off. In the second half of 2020, domestic trips in China during the holidays increased significantly. As an important tourist city, Shanghai's hotel sector showed obvious signs of recovery.

The local tourism market gradually rebounded in the second half of 2020, boosting the recovery of the hotel sector. During the National Day and Mid-Autumn Festival holidays, Shanghai received 8.8 million tourists and generated tourist revenue of RMB13.5 billion, picking up to 75% and 80% of the 2019 figures, respectively. From 1 to 7 October, the occupancy rate of hotels in Shanghai reached 66%, 16 percentage points higher than that in the same period in 2019. In December, the occupancy rate in Shanghai's five star rated hotels rose to 47%, an increase of 15.5 percentage points, from 31.5% in June.

Shanghai's measures to contain the spread of COVID-19 gave confidence to domestic and international investors and hotel operators in China's hotel and tourism market, and many international hotel groups chose to expand against the trend in the Shanghai market. The impact of the COVID-19 pandemic on Shanghai's economy has tended to be limited, given the effective control measures. Driven by demand from domestic tourists, the tourism sector's recovery exceeded market expectations. It is expected that both the tourism and hotel markets will recover in a stable manner. Looking ahead, the occupancy rate of Shanghai's hotel market in 2021 is expected to increase by 5 to 8 percentage points year-over-year, while the ADR is expected to remain stable or increase slightly. Demand will be mainly from business travellers and local tourists.

(Source: Greater China Hotel Report, May 2021, Knight Frank)

5.5 Overview and outlook of the property industry in East Malaysia

The performance of East Malaysia Region property market improved in first half of 2021, indicated by higher volume and value of transactions as compared to first half of 2020. The region registered 14,071 transactions worth RM5.61 billion, increased by 35.5% and 59.2% in volume and value respectively as compared to first half of 2020. Combined these three states formed 10.1% and 9.0% of the national volume and value transactions.

All states showed upward trend. Sarawak dominated the region's overall property transactions volume and value with 10,258 transactions (72.9%) worth RM3.57 billion (63.7%) followed by Sabah and Labuan. By sub-sector, residential sub-sector continued to dominate the region's property activity by contributing 51.0% in volume (7,174 transactions) and 44.7% in value (RM2.51 billion) from the total transaction.

(a) Residential property

All states recorded double-digit growth led by Sarawak (49.4%), Labuan (38.2%) and Sabah (34.8%). Similar upward trend was seen in transaction value. Sarawak shown an increase of 62.9%, followed by Sabah (61.0%) and Labuan (48.7%).

The residential construction activities showed slight improvement in the region. Completion, starts and new planned supply increased 8.0% to 4,841 units, 63.9% to 3,399 units and 8.9% to 1,723 units respectively (first half of 2020: completion 4,481 units, starts 2,074 units and new planned supply 1,582 units).

Residential property price showed mix movements across the board. Based on All House Price Index in Q2 2021, Sabah recorded annual growth at 3.2% whereas Sarawak recorded otherwise, down by 1.8%. The average house price stood at RM469,423 for Sabah and RM475,070 for Sarawak in Q2 2021. Index points for semi-detached house and detached house in Sabah increased by 8.7% and 3.1% respectively as compared to index point for terraced house which decreased marginally by 1.9%. In Sarawak, index points for terraced house increased marginally by 0.2%. On the other hand, index points for semi-detached house and detached house drop by 3.2% and 3.6% respectively as compared to previous year.

The residential rental market was generally stable with average gross rental yield between 1.3% and 8.4%.

(b) Commercial property

Commercial sub-sector recorded significant increase in all states. Transaction volume in Labuan, Sarawak and Sabah increased by 211.1%, 63.8% and 57.8% respectively. Similar significant upward trend was seen in transaction value. Sarawak, Labuan and Sabah increased by 121.2%, 59.2% and 53.4% respectively.

Shop sub-sector recorded 1,020 transactions worth RM577.64 million in first half of 2021, accounting for 72.3% in volume and 58.9% in value of commercial property transactions in the region. Market activity was on upward trend as the volume and value of transactions increased by 52.5% and 57.4% respectively (first half of 2020: 669 transactions worth RM367.07 million).

Meanwhile, the performance of unsold under construction units saw a slight improvement in Sarawak (-5.3%) which recorded 357 units compared to second half of 2020 (377 units).

In general, the sub-sector construction activities saw mix movement in the East Malaysia Region. Completion increased by 20.2% to 256 units (first half of 2020: 213 units). In contrast, starts and new planned supply decreased by 68.0% to 85 units and 38.6% to 81 units respectively (first half of 2020: Starts 266 units, new planned supply 132 units).

(Source: East Malaysia Region: Property Market Report First Half 2021, Valuation and Property Services Department, Ministry of Finance Malaysia)

5.6 Overview and outlook of the digital payment industry in Malaysia

In 2020 alone, growth within the digital economy has understandably accelerated as the COVID-19 pandemic gave birth to new digital businesses, forced traditional brick-and-mortar enterprises to pivot online, and saw millions of Malaysians go virtual for their e-commerce, entertainment and even education needs.

The Malaysia Digital Economy Blueprint ("**Blueprint**") has been introduced to envision that Malaysia will become the regional digital economy leader and achieve inclusive, responsible and sustainable socioeconomic development. The framework comprises six thrusts that support the objectives and overall vision of the Blueprint.

One of the key thrusts of the Blueprint is to increase inclusivity of all Malaysians in digital activities, which will be led by BNM in promoting electronic payment onboarding programme for both merchants and consumers towards a cashless society.

This initiative aims to expand electronic payments adoption by small merchants and increase electronic payments usage among the consumers. This will be demonstrated by incentivise both merchants and consumers to go cashless, expand the adoption of electronic payments among merchants, especially micro, small and medium enterprises through subsidising point of sale system setup costs and exempting e-payments transaction costs as well as incentivise the public to increase the usage of electronic payments. The Blueprint has targeted to achieve 400 electronic payment transactions made per capita and 36 Electronic Funds Transfer at Point of Sale terminals per 1,000 inhabitant by 2022.

In addition, the government also intends to accelerate the transformation of the public sector into a digital government. All federal and state level agencies will adopt cashless payments as the preferred method for more efficient transactions by 2022.

(Source: Malaysia Digital Economy Blueprint, Economic Planning Unit, Prime Minister's Department, 2021)

However, when it comes to the Business to Business ("**B2B**") sector, the digital payment adoption rate seems to be lagging. Small companies in rural communities still rely heavily on cash and cheques as primary payment methods. Urban B2B companies fare much better, preferring transactions via internet banking and credit transfers through financial networks such as real time electronic transfer of funds and securities system (RENTAS) and society of worldwide interbank financial telecommunication (SWIFT). Still, market experts all agree that more B2B payments can still be made digitally, with plenty of room for improvement.

Digital wallets can be a useful and cost-effective payment option, offering merchants preferred built-in cash-flow money management tools and financial dashboards. Many of the medium and larger enterprises are well taken care of by the banks, and thus more comfortable with internet banking for transfers and business remittance. On the other hand, freelancers and micro businesses, which are still largely underserved segments of the market, value the simplicity and transparency that digital solutions such as mobile wallets offer.

In general, the general adoption of B2B digital payments is still rather low, and the industry needs to be more proactive in promoting its growth and greater use. Financial technology ("**Fintech**") players can help enhance the access of micro businesses to digital infrastructure, help small business owners increase their familiarity with digital payments and address cybersecurity concerns.

In addition, Fintech companies should focus on providing cash management and monitoring features. Digital payments may enhance the visibility of transaction data and help merchants better track their day-to-day cash flow. Small businesses also need additional support such as accounting, financial and tax advisory services.

The payment solutions also need to be viable and scalable to support businesses at multiple stages of growth. For example, the ability to facilitate larger cross-border remittance amounts in real-time within Southeast Asia can support businesses as they scale regionally.

Fintech companies should also consider introducing more advanced cybersecurity features for digital payments to give business owners more confidence to undertake digital transactions with their regional counterparts.

In Asia-Pacific, players are building B2B payment systems on the blockchain. Visa Inc. is developing a new platform known as Visa B2B connect, which is a simple, fast and secure way to process cross-border B2B payments.

(Source: "Digital Payments: B2B segment slow to adopt cashless methods" dated 22 November 2021, The Edge Malaysia)

5.7 Overview and outlook of the bus and coach industry in Australia

Buses and coaches represent the most important mode of public transport. Every day, far more Australians are transported by bus and coach on the nation's road network than are moved by rail, even in the largest capital cities in Australia.

The bus and coach industry in Australia is predominantly based around the provision of school bus and public transport (route) services that are provided under state and territory government contractual arrangements. These contracted services are primarily provided by privately owned international and domestic bus and coach businesses. Some services continue to be government owned. The industry also provides services in the special school transport, and emerging markets such as aged care and community transport and health and para-transit markets, that are government contracted or privately contracted. The bus and coach industry also provide services, in what might be termed, the 'deregulated' market providing charter, tourism, long distance, mining, correctional and other niche transport services that support other industries.

Over the past 15 years greater competition has appeared in the Australian bus and coach market place with fully built vehicles mainly from Asia, Europe and South America being imported. In 2020, 88.9% of public transport passenger route service buses and 59.6% of school buses are manufactured in Australia, the majority built by Australian body manufacturers on a European or Asian chassis; the remainder being fully imported buses and coaches primarily from Asia, with some from Europe and South America.

A total of 17,969 buses were delivered into the Australian marketplace for the calendar years 2008 to 2019. The 2019 and 2020 industry reported deliveries of buses and coaches were 1,449 and 1,226 respectively. The economic impact of COVID-19 on the manufacturing sector was most evident in the delivery of long distance coaches seeing a down-turn of 74% from 2019. Route bus deliveries were also down by 20% whilst Charter and School bus deliveries remained consistent throughout 2020.

Charter and tour coaches play an important role in meeting the needs of local, interstate and international tourists and visitors. There is a clear link between the travels of international visitors (as measured by total nights spent) and their transport modal preferences. Long distance coach performs strongly for visitors to the Australian Capital Territory as well as in Queensland. Interurban rail is most prevalent in New South Wales and is almost non-existent beyond the eastern seaboard. Aircraft and self-drive vehicle show up as proportional to the visitor numbers in each state/ territory (as indeed they dominate as preferred modes). Visitor mode choice also varies by trip purpose. Apart from ship, boat or ferry, bus and coach users are most likely to be travelling for holiday, followed by education.

The Bus Industry Confederation of Australia sees future bus technology to be fully electric vehicles based on a transition that takes into account the Australian circumstance when it comes to the existing fleet and a range of other factors. A small number (less than a hand full) of large buses operate on Australian roads. There are a number of electric bus trials underway around Australia, with no real commitment as yet to move to a fully electric fleet. The Australian Capital Territory government has made some announcements to this effect. In July 2019, the Victorian government announced that it will procure 50 hybrid electric buses to be delivered by 2022. The decision to move to hybrid technology by the Victorian government in some way reflects the realities of the Australian bus market-place and the challenges of introducing a fully electric bus fleet in the context of a low emission Euro VI diesel bus that delivers significant reliability and whole of life benefits and surprisingly to some, emission benefits.

(Source: Australian Bus and Coach Industry: A Snapshot, September 2021, Bus Industry Confederation Inc.)

5.8 Prospects of the Group

Hospitality Division

For the near term, the Group will focus on domestic tourism in respective countries where the Group's hotels are located as it expects domestic demand to recover faster than international demand. At present, visitors can enter Malaysia only via the Singapore and Langkawi travel bubble for the fully vaccinated.

The latest announcement by the government to reopen the country's borders to international visitors from 1 April 2022, allowing travellers who are fully vaccinated against COVID-19 pandemic to enter the country without quarantine is expected to augur well for the Group's hospitality properties located across Malaysia. Malaysia shut its borders 2 years ago on 18 March 20202, when the COVID-19 pandemic was spreading rapidly around the world.

The Group took the opportunity during the border closures to introduce new facilities (such as a new thematic pool specially designed for corporate team-building activities and a children fun pool for family) and upgrading works for existing ballroom and most of the guestrooms in 2021. This will position the 2 hotels of the Group, namely Holiday Villa Beach Resort & Spa Langkawi and Holiday Villa Beach Resort & Spa Cherating to be in a competitive position to attract the domestic and international travellers for 2022. The existing renovation works on the Group's aparthotel in Philbeach Gardens, Earls Court, London is underway and is expected to complete in May 2022. With this, the Group is expected to capitalise on the aparthotel in London once the hotel industry recovers.

In addition, the Group intends to introduce camping site on a 2.5 acres vacant land fronting the palace (Istana) wing of Holiday Villa Beach Resort & Spa Cherating. This concept serves to attract young adults who favour outdoor and adventurous activities and also provide event organisers an alternative location to organise endurance training courses during weekends and school holidays.

Property Development and Investment Division

The property development and investment division has obtained development approvals for Phase 2 of the Federal Park project and Sejijak project. Subject to the approval from the relevant authorities for the building and engineering plans, the Phase 2 of the Federal Park project, comprising 116 residential houses, is expected to be launched in the first half of 2022, and followed by the launching of the Sejijak project, comprising 208 units of residential houses, towards end of year 2022.

The management expects the earnings visibility of its property development and investment division to be further underpinned after the launching of the Phase 2, Federal Park project and Sejijak project, with gross development values in excess of RM110 million for the two projects.

As a reputable niche player, the division will remain focused on its target market segment of medium to medium-low priced properties. Although the property market in Kuching is expected to remain soft due to the negative impact of the pandemic crisis and increasingly stringent financing requirements, with the right pricing and affordability for its development properties, the Group is confident of the marketability of its properties to provide a steady income stream.

In addition, Yap Ah Shak House in Kuala Lumpur, a detached commercial five (5)-storey building in which the Group currently owns a 70% interest therein, had completed its renovations and refurbishment works in 2021, which had successfully turned Yap Ah Shak House into to a high quality mixed-use property comprising serviced offices, meeting facilities, an event space as well as two floors of food and beverage operations. This mixed-use investment property of the Group in the heart of Kuala Lumpur, Malaysia will be fully operational in 2022. Given its strategic location in Kuala Lumpur, the Group believes that the potential income to be generated from Yap Ah Shak House will contribute positively to the future earnings of its property development and investment division.

Financial Services Division

B2B payment practices and methods in many developing economies in South East Asia remain largely unchanged for decades, with Malaysia being no exception. While the digitisation of consumer payments was accelerated by the emergence of e-wallets and the COVID-19 pandemic, enterprises in Malaysia continue to rely primarily on traditional modes such as cash or cheque.

In view of the low utilisation of B2B payment among the enterprises as well as the effort of the government in promoting digital economy, the Group foresees that the outlook of digital payment industry in Malaysia as set out in Section 5.6 of this announcement is favourable to the Group's financial services business through the development of the New Payment Application Services.

The Group presently, has focused on its financial services division to expand its merchant acquiring services business through its wholly-owned subsidiary, namely Paydee Sdn Bhd ("**Paydee**"). Paydee, the Group's payment solutions provider, has in year 2021 initiated the process of evolving its operations, technologies and application services to better address the enormous opportunity for innovation in the SME market for B2B payments. Pursuant thereto, Paydee is in the midst of developing the New Payment Application Services.

The New Payment Application Services will allow the local enterprises to make fast, transparent and efficient payments as compared to the existing traditional payment methods such as cash and cheque. Enterprises can also access to the New Payment Application Services via their mobile devices to perform contactless payments and to track and manage their cash flow remotely.

Premised on the above, and barring any unforeseen circumstances, the Board and management are cautiously optimistic about its new product roadmap, business development strategies and the financial contribution that may be accrued from the development of the New Payment Application Services to ASB Group moving forward and ASB will be in an opportunistic position to capitalise on the rising e-commerce activities in Malaysia.

Bus-body fabrication division

The Group's bus-body fabrication division remains focused to ensure its production is cost efficient and able to provide for timely delivery of its buses.

The bus models of Autobus LF 12250, Autobus LF 10200 and Autobus SD 12300 were approved by Kementerian Perdagangan Dalam Negeri, Koperasi Dan Kepenggunaan to affix the "Barangan Buatan Malaysia" ("Product Made In Malaysia") logo. The Autobus model series is designed and built in compliance with the internationally recognised safety standards.

In view that the testing and certification for the Group's fabricated bus body in Australia has been completed, the management is cautiously optimistic on the sale of buses to Australia in the year ahead. Although the COVID-19 pandemic including the various measures implemented by the government to combat the spread of virus (such as movement control orders and limitation of workforce allowed) had affected the business operations during the movement control order, this has not derailed the Group's business plan for the Australian market.

The production capacity of bus-body fabrication operation is targeted to increase to 20 bus bodies per month for the next 2 years. The additional capacity would allow the Group to cater for the increasing orders received from the Australian market. With the various measures put in place, the Board and management are cautiously optimistic that the division is in a good position to manage the challenges in year 2022.

(Source: The management of ASB)

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6.0 EFFECTS OF THE PROPOSALS

The Proposed Exemption will not have any effect on ASB Group's issued share capital, earnings, earnings per Share ("**EPS**"), net assets ("**NA**"), gearing and substantial shareholders' shareholdings.

For illustrative purposes, the pro forma effects of the Proposed Rights Issue and Proposed SGS are illustrated based on the following illustrations:-

Minimum Scenario	:	Assuming that the Proposed Rights Issue is implemented based on the Minimum Subscription Level basis on the assumption that only DASB subscribes for the Rights Shares under the Proposed Rights Issue based on his Undertaking and the Indicative Issue Price
Maximum Scenario	:	Assuming that the Proposed Rights Issue is implemented based on the Maximum Subscription Level basis on the assumption that all the Entitled Shareholders will fully subscribe for their respective entitlements under the Proposed Rights Issue and the Indicative Issue Price

6.1 Issued share capital

The pro forma effects of the Proposed Rights Issue and Proposed SGS on the issued share capital of ASB are as follows:-

	Minimum Scenario		**Maximum Scenario**	
	No. of Shares	**RM**	**No. of Shares**	**RM**
As at the LPD	929,194,943	381,376,645	929,194,943	381,376,645
To be issued pursuant to the Proposed Rights Issue	1,454,545,455	(1)80,000,000	1,858,389,886	(1)102,211,444
After the Proposed Rights Issue	2,383,740,398	461,376,645	2,787,584,829	483,588,089
To be issued pursuant to the Proposed SGS	(2)238,374,040	(3)17,544,329	(2)278,758,483	(3)20,516,624
Enlarged issue share capital	**2,622,114,438**	**478,920,974**	**3,066,343,312**	**504,104,713**

***Notes**:-*

(1) Computed based on the Indicative Issue Price.

(2) Calculated based on ten percent (10%) of the total number of issued shares of the Company pursuant to the Proposed SGS, assuming that the Proposed SGS is implemented after the completion of the Proposed Rights Issue and the Grants are satisfied entirely via issuance of new ASB Shares only.

(3) For illustrative purposes, calculated based on the assumed grant price of RM0.0736, being the TERP of ASB Shares, computed based on five (5)-day VWAMP of the ASB Shares up to and including the LPD of RM0.1107 per Share following the completion of the Proposed Rights Issue. For avoidance of doubt, the Proposed SGS will only be implemented after the completion of the Proposed Rights Issue.

The Proposed SGS will not have an immediate effect on the existing issued share capital of ASB until such time when the SGS Shares granted are vested. The issued share capital of the Company may increase progressively depending on the number of new ASB Shares which may be issued pursuant to the Proposed SGS during the tenure of the Scheme. However, should the SGS Shares comprised in the Grants be satisfied via acquisition of existing ASB Shares from the Main Market of Bursa Securities and/or transfer of the Company's treasury shares (if any), there will be no effect on the issued share capital of the Company.

6.2 Earnings and EPS

Barring any unforeseen circumstances, the Proposed Rights Issue is expected to contribute positively to the future earnings of the Group when the benefits of the utilisation of proceeds as detailed under Section 3.0 of this announcement are realised. Nonetheless, the Proposed Rights Issue and Proposed SGS will result in a dilution of the consolidated EPS of ASB pursuant to the increase in the number of ASB Shares in issue following the issuance of the Rights Shares as well as the number of new ASB Shares issued and the market price of ASB Shares pursuant to the vesting period of the Grants.

In accordance with Malaysian Financial Reporting Standards 2 ("**MFRS 2**"), the cost arising from the Grants is required to be measured at the Grant Date based on the fair value of the Grants and recognised as an expense over the vesting period of the Grants. The quantum of such impact cannot be reliably ascertained at this point in time as such effects on the earnings of the Company are dependent on, inter alia, the actual number of SGS Shares granted and vested as well as the grant price of the SGS Share. It is important to note that for the issuance of new ASB Shares pursuant to the Grant, the estimated cost does not represent a cash outflow by the Company as it is merely an accounting treatment in the statement of comprehensive income of ASB over the vesting period of such Grants.

6.3 Net asset ("NA") and gearing

Save for the potential impact of the MFRS 2 on share-based payment as described in Section 6.2 of this announcement, the Proposed SGS is not expected to have an immediate effect on the NA, NA per Share and gearing of the Group until such time when the new ASB Shares are issued and/or transferred pursuant to the vesting of the Grants.

The pro forma effects of the Proposed Rights Issue on the consolidated NA per Share and gearing of ASB based on the latest audited consolidated financial statements of ASB for the FYE 2020 are as follows:-

		(I)	**Minimum Scenario**	**Maximum Scenario**
	Audited as at 31.12.2020 RM'000	**After subsequent events RM'000**	**After (I) and Proposed Rights Issue RM'000**	**After (I) and Proposed Rights Issue RM'000**
Share capital	381,377	381,377	461,377	483,588
Other reserves	24,870	24,870	24,870	24,870
Retained earnings	42,827	(1)41,433	(2)40,233	(2)40,233
Shareholders' equity / NA	**449,074**	**447,680**	**526,480**	**548,691**
Non-controlling interest	67,659	67,659	67,659	67,659
Total equity	**516,733**	**515,339**	**594,139**	**616,350**
No. of Shares ('000)	929,195	929,195	2,383,740	2,787,585
NA per Share (RM)	0.48	0.48	0.22	0.20
Borrowings (RM'000)	57,458	57,458	57,458	57,458
Gearing (times)	0.11	0.11	0.10	0.09

***Notes**:-*

(1) After the payment of dividend of 0.15 sen per Share.

(2) After deducting the estimated expenses incidental to the Proposals of approximately RM1.20 million.

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6.4 Substantial shareholders' shareholdings

The Proposed SGS is not expected to have any immediate effect on the substantial shareholders' shareholdings in the Company. Any dilution to the substantial shareholders' shareholdings in the Company arising from the Proposed SGS will depend on the number of new ASB Shares granted under the Proposed SGS at any point in time.

The pro forma effects of the Proposed Rights Issue on the substantial shareholders' shareholdings in the Company are as follows:-

Substantial shareholders	As at the LPD				Minimum Scenario				Maximum Scenario			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
DASB	76,810,009	8.27	*139,391,853	15.01	1,531,355,464	64.24	*139,391,853	5.85	230,430,027	8.27	*418,175,559	15.01
SDSB	80,799,926	8.70	-	-	80,799,926	3.39	-	-	242,399,778	8.70	-	-
BESB	58,591,927	6.31	-	-	58,591,927	2.46	-	-	175,775,781	6.31	-	-

Note **:- Deemed interested by virtue of his interest in SDSB and BESB pursuant to Section 8 of the Act.*

6.5 Convertible securities

As at the LPD, the Company does not have any other convertible securities.

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7.0 APPROVALS REQUIRED

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

(i) Bursa Securities for the listing of and quotation for the new Shares to be issued pursuant to the Proposed Rights Issue and Proposed SGS on the Main Market of Bursa Securities;

(ii) the SC for the Proposed Exemption, of which the approval will be sought after the EGM;

(iii) shareholders of the Company for the Proposals at the EGM to be convened; and

(iv) any other relevant authorities and/or parties, if required.

The Proposals are not conditional upon any other proposal undertaken or to be undertaken by the Company. The Proposed Rights Issue and the Proposed Exemption are inter-conditional upon each other, whilst the Proposed SGS is not conditional upon the Proposed Rights Issue and Proposed Exemption, and vice versa.

8.0 INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

Save for their respective entitlements as shareholders of ASB under the Proposed Rights Issue, which are also available to the other shareholders of the Company, including their right to apply for excess Rights Shares, which are also available to all other shareholders of the Company and save as disclosed below, none of the Directors, major shareholders, chief executive and persons connected with them have any interest, direct or indirect, in the Proposed Rights Issue and the Proposed Exemption.

In view of the below and with due regard to the inter-conditionality of the Proposed Rights Issue and Proposed Exemption, DASB and the PACs are deemed interested in the Proposed Rights Issue and Proposed Exemption ("**Interested Parties**"). Accordingly, DASB, Aryati Sasya and Anton Syazi, who are directors of ASB have abstained and will continue to abstain from all deliberations and voting in relation to the Proposed Rights Issue and Proposed Exemption at the relevant Board meetings. In addition, the Interested Parties will also abstain from voting and/or undertake to ensure that persons connected with them will abstain from voting in respect of their respective direct and/or indirect shareholdings in ASB on the resolutions pertaining to the Proposed Rights Issue and Proposed Exemption to be tabled at the EGM to be convened.

All of the directors of the Company are entitled to participate in the Proposed SGS and are therefore deemed interested to the extent of their respective allocations under the Proposed SGS ("**Interested Directors**"). Accordingly, the directors of ASB have deliberated and voted on the Proposed SGS as a whole at the relevant Board meetings. Nevertheless, the Interested Directors have and will continue to abstain from all Board deliberations relating to the respective proposed allocation of the SGS Shares to themselves.

The Interested Directors also undertake to ensure that they and person connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in ASB, on the relevant resolutions pertaining to the respective proposed allocations of the SGS Shares to themselves at the EGM to be convened.

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As at the LPD, the direct and indirect shareholdings of the Interested Parties and Interested Directors in ASB are as follows:-

Name	Relationship	Direct No. of Shares	Direct %	Indirect No. of Shares	Indirect %
<u>Interested Parties and Interested Directors</u>					
DASB	Being the director, shareholder and Undertaking Shareholder	76,810,009	8.27	(1)139,391,853	15.01
Aryati Sasya	Being a director and PAC to DASB	22,308,000	2.40	-	-
Anton Syazi	Being a director and PAC to DASB	-	-	(2)30,467,000	3.28
<u>Interested Parties</u>					
SDSB	Being the PAC to DASB	80,799,926	8.70	-	-
BESB	Being the PAC to DASB	58,591,927	6.31	-	-
ERSB	Being the PAC to Anton Syazi	30,467,000	3.28	-	-
<u>Interested Directors</u>					
Lee Su Nie	Group Managing Director	-	-	(3)365,000	0.04
Puan Sri Datin Masri Khaw Abdullah	Non-Independent Non-Executive Director	-	-	(4)12,000,000	1.29
Yong Teck Ming	Independent Non-Executive Director	-	-	-	-
Rali Mohd Nor	Independent Non-Executive Director	-	-	-	-
Kam Kin Foong	Independent Non-Executive Director	-	-	-	-

***Notes**:-*

(1) Deemed interested by virtue of his interest in SDSB and BESB pursuant to Section 8 of the Act.

(2) Deemed interested by virtue of his interest in ERSB pursuant to Section 8 of the Act.

(3) Deemed interested by virtue of the shareholdings of her spouse in the Company.

(4) Deemed interested by virtue of her interest in ASH Holdings Sdn Bhd pursuant to Section 8 of the Act.

9.0 DIRECTORS' STATEMENT

The Board (save for DASB, Aryati Sasya and Anton Syazi), having considered all aspects of the Proposed Rights Issue and Proposed Exemption, including but not limited to the rationale and financial effects of the Proposed Rights Issue and Proposed Exemption, is of the opinion that the Proposed Rights Issue and Proposed Exemption are in the best interest of the Company. As for the Proposed SGS, the Board (save for the Interested Directors in relation to the respective allocations of SGS Shares to themselves), having considered all aspects of the Proposed SGS, including but not limited to the rationale and financial effects of the Proposed SGS, is of the opinion that the Proposed SGS is in the best interest of the Company.

10.0 ADVISER

KAF IB and Newfields Advisors Sdn Bhd have been appointed as the Adviser and Financial Adviser to the Company for the Proposals respectively.

Pursuant to Paragraph 4.08(3) of the Rules, the Company has appointed Alliance Investment Bank Berhad as the Independent Adviser for the Proposed Exemption on 7 March 2022.

11.0 ESTIMATED TIMEFRAME FOR SUBMISSION TO THE AUTHORITIES AND COMPLETION

The application to Bursa Securities in relation to the Proposals is expected to be submitted to Bursa Securities within two (2) months from the date of this announcement.

Barring any unforeseen circumstances, the Proposals are expected to be completed by the third quarter of 2022.

This announcement is dated 11 March 2022.