

## General Announcement

Reference No **MM-060315-64880**

Submitting Merchant : **ALLIANCE MERCHANT BANK BERHAD**  
Bank  
Company Name : **THE AYER MOLEK RUBBER COMPANY BERHAD**  
Stock Name : **AMOLEK**  
Date Announced : **15-03-2006**

Type : **Announcement**  
Subject : **THE AYER MOLEK RUBBER COMPANY BERHAD ("AMB" or the "Company")**  
· **Proposed Rights Issue;**  
· **Proposed Bonus Issue; and**  
· **Proposed Amendment**

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### 1. INTRODUCTION

On behalf of the Board of Directors of AMB ("Board"), Alliance Merchant Bank Berhad ("Alliance"), wishes to announce that AMB proposes to undertake the following:

- (a) Proposed renounceable rights issue of 23,400,000 new ordinary shares of RM1.00 ("Shares") each in AMB ("**Rights Shares**") on the basis of thirteen (13) Rights Shares for every one (1) existing ordinary share of RM1.00 each in AMB ("AMB Share(s)"), held at an indicative issue price of RM1.00 per Rights Share ("**Proposed Rights Issue**");
- (b) Proposed bonus issue of 35,100,000 new AMB Shares ("**Bonus Shares**") on the basis of three (3) new AMB Shares for every two (2) Rights Shares subscribed by the existing shareholders of AMB and/or their renounees pursuant to the Proposed Rights Issue ("**Proposed Bonus Issue**") ;and

- (c) Proposed amendment to the Memorandum and Articles of Association of the Company ("Proposed Amendment").

*(collectively referred as the "Proposals").*

### 2. DETAILS OF THE PROPOSALS

#### 2.1 Proposed Rights Issue

##### 2.1.1 Details of the Proposed Rights Issue

The Company proposes to undertake a renounceable rights issue of 23,400,000 Rights Shares on the basis of thirteen (13) Rights Shares for every one (1) existing AMB Share held on a date to be determined and to be issued at an indicative issue price of RM1.00 per Rights Share.

The Rights Shares shall be offered to the shareholders of AMB as per the record of depositors on an entitlement date to be determined later by the Board after obtaining the approvals from all relevant authorities and shareholders of AMB.

AMB will make an application to Bursa Malaysia Securities Berhad ("Securities Exchange") for the listing of and quotation for the abovesaid Rights Shares.

### **2.1.2 Ranking of the Rights Shares**

The Rights Shares shall, upon allotment and issue, rank pari passu in all respect with the existing shares of the Company save and except that they will not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the date of the allotment of the said Rights Shares, (namely the date as at the close of business on which the shareholders must be registered in the record of depositors of the Company in order to be entitled).

### **2.1.3 Basis of Arriving at Rights Issue Price**

The issue price for the Rights Shares shall be determined by the Board after obtaining the approval of the Securities Commission ("SC") for the Proposed Rights Issue but before the entitlement date, at a price-fixing date to be determined later and after taking into consideration the then prevailing share price of AMB Shares and the theoretical ex-rights price and ex-all price of AMB Shares.

Based on the last five (5)-day volume weighted average price of AMB Shares as at 14 March 2006 of RM15.34, the indicative issue price of RM1.00 represents a discount of 50% over the theoretical ex-rights price of RM2.02.

Based on the last five (5)-day volume weighted average price of AMB Shares as at 14 March 2006 of RM15.34, the indicative issue price of RM1.00 for the Rights Share represents a premium of 18% over the theoretical ex-all price of RM0.85.

### **2.1.4 Irrevocable Undertaking from the Substantial Shareholders and Underwriting Arrangements**

Indah Lestari Sdn Bhd ("ILSB"), a substantial shareholder of AMB, holding 452,000 AMB Shares representing approximately 25.11% of the issued and paid-up share capital of AMB as at 14 March 2006, has provided an irrevocable undertaking to subscribe for its entitlement under the Proposed Rights Issue of 5,875,740 Rights Shares in full.

Underwriting will be arranged for the remaining 17,524,260 Rights Shares upon obtaining the requisite approvals for the Proposed Rights Issue.

The Proposed Rights Issue is not subject to any minimum subscription.

### **2.1.5 Utilisation of Proceeds**

Based on the indicative issue price of RM1.00 per Rights Share, the Proposed Rights Issue will raise cash proceeds of approximately RM23,400,000.

The Board intends to enhance the earnings of the Company by expanding its current and future business operations in order to raise its level of operations, which is to comply with Paragraph 8.14C of the Listing Requirements of the Securities Exchange. Therefore, the proceeds from the Proposed Rights Issue will be utilised for working capital and business expansion purposes, which is currently being formulated by the Company, the details of which to be announced later.

## **2.2 PROPOSED BONUS ISSUE**

### **2.2.1 Details of the Proposed Bonus Issue**

The Company is proposing to undertake a bonus issue of 35,100,000 new AMB Shares to be credited as fully paid-up on the basis of three (3) new Bonus Shares for every two (2) new AMB Shares subscribed by the existing shareholders of AMB and/or their renounees pursuant to the Proposed Rights Issue.

In determining shareholders' entitlements to the Proposed Bonus Issue, fractional entitlements of Bonus Shares will be disregarded and shall be dealt with in such manner as the Board shall in their absolute discretion deem appropriate in the interest of the Company.

The shareholders who renounce their entitlements to the Rights Shares provisionally allotted to them under the Proposed Rights Issue will simultaneously relinquish their entitlements to the Bonus Shares to be issued pursuant to the Proposed Bonus Issue.

The Proposed Bonus Issue will be effected by capitalising RM16,559,000 and RM18,541,000 from the revaluation reserve and capital reserve accounts of AMB respectively.

Messrs. Moores & Rowland, the Company's auditors, in its letter to AMB dated 15 March 2006 has confirmed that the total amount of reserves in the form of revaluation and capital reserves are sufficient to cover the amount required to be capitalised for the Proposed Bonus Issue, subject to an audit being undertaken for the financial year ended 31 December 2005.

AMB will make an application to the Securities Exchange for the listing of and quotation for the abovesaid Bonus Shares.

### **2.2.2 Ranking of the Bonus Shares**

The Bonus Shares shall, upon allotment and issue, rank pari passu in all respect with the existing shares of the Company save and except that

they will not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the date of the allotment of the said Bonus Shares.

## **2.3 PROPOSED AMENDMENT**

In order to facilitate the Proposed Bonus Issue, the Company would also need to implement certain amendments to the Articles of Association of the Company to allow the Bonus Shares to be distributed not only to the ordinary shareholders of the Company, but also to their renounees and/or underwriters (if applicable in the event of an under-subscription) who have successfully subscribed for the Rights Shares pursuant to the Proposed Rights Issue and were allotted the Rights Shares.

## **3. RATIONALE OF THE PROPOSALS**

The Proposed Rights Issue and Proposed Bonus Issue are undertaken to address the minimum issued and paid-up capital of the Company pursuant to Paragraph 8.16A of the Listing Requirements of the Securities Exchange.

The proceeds from the Proposed Rights Issue will be utilised for working capital and business expansion purposes which is currently being formulated by the Company, the details of which to be announced later.

The purpose of the Proposed Amendment is to facilitate the Proposed Bonus Issue, such that the Bonus Shares are allowed to be distributed, not only to ordinary shareholders of the Company, but also to the renounees and/or underwriters (if applicable in the event of an under-subscription) who have successfully subscribed for the Rights Shares pursuant to the Proposed Rights Issue and were allotted the Rights Shares.

## **4. EFFECTS OF THE PROPOSALS**

### **4.1 Earnings per Share ("EPS")**

The Proposals are expected to be completed by the second quarter of 2007. The Proposed Bonus Issue is expected to dilute EPS proportionately. The Proposed Rights Issue is not expected to have any immediate effects on the earnings of the AMB Group for the financial year ending 31 December 2006. However, the Proposed Rights Issue is expected to contribute positively to its future earnings.

### **4.2 NTA**

The proforma effects of the Proposals on the NTA of the AMB and its subsidiaries

("AMB Group") is tabulated as follows:

	<b>Audited as at 31 December 2004</b>	<b>After Adjustment for Disposal of Lands in 2005*</b>	<b>(I) After the Proposed Rights Issue</b>	<b>After (I) and the Proposed Bonus Issue</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Share Capital	1,800	1,800	25,200	60,300
Revaluation Reserves	41,410	24,999	24,999	8,440
Capital Reserve	18,541	18,541	18,541	0
Revenue Reserve	75	75	75	75
(Accumulated loss)	(40,662)	(27,401)	(27,401)	(27,401)
<b>Total shareholders' funds</b>	<b>21,164</b>	<b>18,014</b>	<b>41,414</b>	<b>41,414</b>
No. of shares ('000)	1,800	1,800	25,200	60,300
NTA/Proforma NTA per share (RM)	11.76	10.01	1.64	0.69

\* During the financial year ended 31 December 2005, AMB had disposed three (3) pieces of land situated in Johor and a piece of land in Melaka.

#### 4.3 Share Capital

The proforma effects of the Proposed Rights Issue and Proposed Bonus Issue on the share capital of the AMB Group is tabulated as follows:

	<b>RM'000</b>
Issued and paid-up share capital as at 31 December 2004	1,800
To be issued pursuant to the Proposed Rights Issue	25,200
To be issued pursuant to the Proposed Bonus Issue	35,100
<b>Enlarged issued and paid-up share capital</b>	<b>60,300</b>

#### 4.4 Substantial Shareholders

The proforma effects of the Proposals on the shareholdings of the substantial shareholders of AMB as at 14 March 2006 are tabulated as follows.

	<b>As at 14 March 2006</b>		<b>(I) After the Proposed Rights Issue</b>		<b>After (I) and the Proposed Bonus Issue</b>	
	<b>No. of Shares held (('000))</b>	<b>% held</b>	<b>No. of Shares held (('000))</b>	<b>% held</b>	<b>No. of Shares held (('000))</b>	<b>% held</b>
ILSB#	452	25.11	6,328	25.11	15,141	25.11

# Pledged securities account under Leasing Corporation Sdn Bhd.

#### 4.5 Dividends

Based on the unaudited accounts for the financial year ended 31 December 2005, the Company did not declare any dividends. Barring any unforeseen circumstances, any

future dividends to be declared by AMB would be dependent upon the profitability and cashflow position of the AMB Group.

## **5. APPROVALS REQUIRED**

The Proposals are conditional upon approvals being obtained from the following:

(a) The SC and the Securities Exchange for the Proposed Rights Issue and Proposed Bonus Issue and the issue, listing of and quotation for the new shares to be issued pursuant to the Proposed Rights Issue and Proposed Bonus Issue; and

(b) The shareholders of the Company at an Extraordinary General Meeting to be convened.

The Proposed Rights Issue, Proposed Bonus Issue and Proposed Amendment are inter-conditional and are to be implemented concurrently.

## **6. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS**

None of the Directors or substantial shareholders of AMB and persons deemed to be connected to them has any interest, direct or indirect, in the Proposed Rights Issue beyond their entitlements under the Proposed Rights Issue and their right to apply for excess Rights Shares, to which all existing shareholders of AMB are similarly entitled.

None of the directors and substantial shareholders of AMB and persons deemed to be connected to them has any interest, direct or indirect, in the Proposed Bonus Issue.

## **7. COMPLIANCE WITH AND DEPARTURE FROM THE SC'S POLICIES AND GUIDELINES ON ISSUE/OFFER OF SECURITIES ("SC GUIDELINES") AND THE LISTING REQUIREMENTS OF THE SECURITIES EXCHANGE**

The Board is not aware of any departures from the SC Guidelines and the Listing Requirements of the Securities Exchange in respect of the Proposals.

## **8. DIRECTORS' RECOMMENDATION**

The Directors of AMB having considered all aspects of the Proposals, are of the opinion that the Proposals are in the best interest of the Company.

## **9. ESTIMATED TIME FRAME FOR SUBMISSION**

A submission to the relevant authorities will be made within six (6) months from the announcement date.

## **10. ADVISERS**

Alliance has been appointed as the adviser for the Proposals.

This announcement is dated 15 March 2006.

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