

## **MAMEE-DOUBLE DECKER (M) BERHAD (“MAMEE” OR THE “COMPANY”)**

### **PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE UNDER SECTION 64 OF THE COMPANIES ACT, 1965 (“PROPOSED SCR”)**

#### **1. INTRODUCTION**

On behalf of the Board of Directors of MAMEE (“Board”), OSK Investment Bank Berhad (“OSK”) wishes to announce that the Board had on 8 April 2011, received a letter from Tanah Subor Sdn Bhd (“TSSB”) on behalf of the Non-Entitled Shareholders (as set out in Section 2.2 of this announcement), being the major shareholders of MAMEE and their parties acting in concert, requesting for the Company to undertake a selective capital repayment exercise pursuant to Section 64 of the Companies Act, 1965 (“Act”) (“Offer Letter”).

The Board, save for the Interested Directors (as set in Section 6 of this announcement) wishes to announce that it had, at a meeting held on 8 April 2011 deliberated on the letter from TSSB and has decided to present the Proposed SCR to MAMEE shareholders for their consideration.

Further details pertaining to the Proposed SCR are set out below.

#### **2. DETAILS OF THE PROPOSED SCR**

##### **2.1 The Proposed SCR**

The Proposed SCR involves MAMEE undertaking a selective capital repayment exercise under Section 64 of the Act to all shareholders of MAMEE other than the Non-Entitled Shareholders, whose names appear in the Record of Depositors as at the close of business on an entitlement date to be determined at a later date (“Entitlement Date”) (“Entitled Shareholders”). The Non-Entitled Shareholders will waive their entitlements to repayment of capital pursuant to the Proposed SCR. Pursuant to the Proposed SCR, the Entitled Shareholders will receive a total capital repayment of RM179,812,978 (excluding treasury shares), which represents a cash amount of RM4.39 (“Proposed Cash Amount”) for each ordinary share of RM1.00 each in MAMEE (“MAMEE Shares”) held on the Entitlement Date.

As at 6 April 2011, MAMEE has an issued and paid-up share capital of RM145,665,195 comprising 145,665,195 MAMEE Shares (excluding treasury shares). The issued and paid-up share capital of MAMEE will be reduced by way of cancellation of the MAMEE Shares held by all the Entitled Shareholders, resulting in the reduction of the issued and paid-up share capital of MAMEE by RM179,812,978 comprising 179,812,978 MAMEE Shares.

In view that the number of MAMEE Shares to be cancelled is higher than the existing issued and paid-up share capital of MAMEE, a bonus issue may be proposed and undertaken by MAMEE to increase the paid-up share capital of MAMEE up to a level which is sufficient for the capital reduction. All MAMEE Shares held by the Entitled Shareholders will be cancelled. Any un-cancelled MAMEE Shares will continue to be held by the Non-Entitled Shareholders and accordingly the Non-Entitled Shareholders will own 100% equity interest in MAMEE upon completion of the Proposed SCR. The treasury shares currently held by MAMEE shall also be cancelled.

The Proposed SCR will be funded by way of an advance from the Non-Entitled Shareholders and/or financing facilities to be obtained by MAMEE from financial institution(s).

The Proposed Cash Amount was arrived at after taking into consideration, among others, the following:-

- (i) the closing price of MAMEE Shares on 6 April 2011, and the 5-day, 1-month and 3-month volume weighted average market price (“VWAP”) of MAMEE Shares up to and including 6 April 2011 as set out below:-

	Proposed Cash Amount	Price per MAMEE Share	Premium	
	RM	RM	RM	%
Closing price as at 6 April 2011 <sup>^</sup>	4.39	3.60	0.79	21.94
5-day VWAP up to 6 April 2011 <sup>^</sup>	4.39	3.57	0.82	22.97
1-month VWAP up to 6 April 2011 <sup>^</sup>	4.39	3.57	0.82	22.97
3-month VWAP up to 6 April 2011 <sup>^</sup>	4.39	3.58	0.81	22.63

(Source: Bloomberg)

**Note:-**

<sup>^</sup> Being the last day MAMEE Shares were traded prior to suspension. Trading in MAMEE Shares was suspended on 7 April 2011 at the request of the Company.

- (ii) the price-to-book ratio of approximately 2.57 times based on the net assets (“NA”) per share of MAMEE and its subsidiaries (“the Group”) of RM1.71 based on the unaudited consolidated balance sheet of the MAMEE Group as at 31 December 2010.

Upon completion of the Proposed SCR, the Non-Entitled Shareholders will collectively hold 100% equity interest in MAMEE. The Non-Entitled Shareholders have indicated that they do not intend to maintain the listing status of MAMEE on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) upon completion of the Proposed SCR.

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## 2.2 Non-Entitled Shareholders

The Non-Entitled Shareholders relating to the Proposed SCR and their respective shareholdings in MAMEE as at 6 April 2011 are set out below:-

Non-Entitled Shareholders	Direct	
	No. of shares	%
TSSB	9,337,817	6.4%
Pacific Food Sales & Services Sdn Bhd ("Pacific")	137,397	0.1%
Datuk Pang Chin Hin	18,124,501	12.4%
Datuk Pang Tee Chew	35,955,642	24.7%
Datuk Pang Tee Nam	15,275,125	10.5%
Estate of Pang Tee Suan	14,458,364	9.9%
Tiw Lan @ Yong Tiw Lan	4,873,380	3.3%
Pang Soon Wah	2,033,797	1.4%
Pang Soon Luan	1,942,199	1.3%
Pang Soon Peng	1,953,000	1.3%
Chua Lea Hiong	55,800	*
Amanda Pang Peck Yah	20,400	*
Vuitton Pang Hee Cheah	93,300	*
Maythini Upatkoon	27,000	*
Pierre Pang Hee Ta	14,400	*
Felix Pang Hee Zhong	14,400	*
Prisilia Lyke Tjong	51,598	*
Kenneth Pang Hee Lip	14,400	*
Jason Pang Hee Li	14,400	*
Lee Bee Gay	228,999	0.2%
Pang Hee Zheng	14,400	*
Tan Chai Lin	37,800	*
Kelly Lim Yip Phing	18,400	*
Chan Seng Foo	9,000	*
<b>Total shareholdings</b>	<b>104,705,519</b>	<b>71.9%</b>

**Note:-**

\* *Negligible.*

### 2.3 Salient terms of the Offer Letter

The salient terms of the Offer Letter include, amongst others:-

- (a) If MAMEE declares, makes and/or pays a dividend or other distribution of any nature whatsoever (collectively, "Distribution") after the date of the Offer Letter up to completion of the Proposed SCR, the Proposed Cash Amount shall be reduced by an amount equivalent to the net Distribution made per MAMEE Share.
- (b) From the date of acceptance of the terms of the Offer Letter until the completion of the Proposed SCR, MAMEE shall undertake that:-
  - (a) MAMEE will not conduct any form of capital raising exercise, whether in the form of debt or equity and will not grant any options over MAMEE Shares or issue any new MAMEE Shares; or
  - (b) MAMEE and its subsidiaries will not enter into any material commitment or material contract or undertake any obligation or acquire or dispose of any of its assets or create a security interest over any of its assets outside the ordinary course of business;
  - (c) MAMEE will not pass any resolution in a general meeting (other than in respect of any ordinary business tabled in an annual general meeting or pursuant to the Proposed SCR) or make any alteration to the provisions of the memorandum and articles of association of MAMEE or any MAMEE subsidiary; and/or
  - (d) MAMEE will not do or cause, or allow to be done or omitted, any act or thing which would result (or be likely to result) in a breach of any lawful obligation of MAMEE or any MAMEE subsidiary.

without TSSB's prior written consent.

- (c) In addition, MAMEE shall not enter into any discussion or negotiation, or agreement, with any other party with respect to the sale of the asset and liabilities of MAMEE or any privatisation proposal involving MAMEE or any of its subsidiaries at any time until completion of the Proposed SCR.
- (d) MAMEE also undertakes that, as from the date hereof until completion of the Proposed SCR, it (and it shall use reasonable endeavours to cause and procure that each MAMEE subsidiary) shall carry on its business only in the usual, regular and ordinary course in substantially the same manner as the same is carried on as of the date hereof so as to preserve its relationships with all parties to the end that its goodwill and going concern shall not be materially impaired at completion of the Proposed SCR, save as otherwise agreed in writing by the Non-Entitled Shareholders.

### 3. RATIONALE FOR THE PROPOSED SCR

As mentioned in MAMEE's 2010 4th quarter result announcement, the Board is concerned about the trend of increasing raw material prices as well as the foreign exchange volatility amidst the uncertain economic environment. Further, in order to maintain the Group's competitiveness in the prevailing competitive market environment, substantial capital expenditure may need to be incurred to improve productivity and to expand production capacity. To fund the capital expenditure, the Group may need to incur higher bank borrowings and this may result in higher borrowing costs which will then affect the dividend payment capability of MAMEE in the immediate term.

In addition to the above, MAMEE Shares have been thinly traded. The daily average trading volume of MAMEE Shares over the past one (1) year up to 6 April 2011 was approximately 88,696 MAMEE Shares, representing approximately 0.22% of MAMEE's total free float \*.

(Note: \* Based on 40,959,676 MAMEE Shares, being the number of shares not held by the Non-Entitled Shareholders)

Given the challenging market environment and low trading liquidity of MAMEE Shares, the Proposed SCR represents an opportunity for the Entitled Shareholders to realise their investments in MAMEE at an attractive premium above the historical trading prices of MAMEE as set out in Section 2.1 of this announcement.

### 4. EFFECTS OF THE PROPOSED SCR

#### 4.1 Share Capital

The proforma effects of the Proposed SCR on the issued and paid-up share capital of MAMEE are as follows:-

	No. of MAMEE Shares	Par value RM	RM
Issued and paid-up share capital as at 6 April 2011	151,332,995	1.00	151,332,995
Less: Treasury shares	(5,667,800)	1.00	(5,667,800)
	145,665,195	1.00	145,665,195
Add: Proposed bonus issue to be undertaken to facilitate the Proposed SCR *	34,247,783 <sup>^</sup>	1.00	34,247,783
Less: To be cancelled pursuant to the Proposed SCR	(179,812,978)	1.00	(179,812,978)
<b>The reduced issued and paid-up share capital of MAMEE upon completion of the Proposed SCR</b>	<b>100,000</b>	<b>1.00</b>	<b>100,000</b>

#### Notes:-

\* The proposed bonus issue is to facilitate the Proposed SCR. Shares issued pursuant to the proposed bonus issue will be eventually cancelled upon completion of the Proposed SCR, hence no shares will be credited into the Central Depository System account.

<sup>^</sup> For illustrative purpose only, the actual number of shares to be issued will depend on, inter-alia the total number of MAMEE Shares held by the Entitled Shareholders as at the Entitlement Date.

## 4.2 Substantial Shareholders' Shareholdings

Upon completion of the Proposed SCR, the Non-Entitled Shareholders will increase their equity interest in MAMEE from 71.9% as at 6 April 2011 to 100% as a result of the cancellation of all MAMEE Shares owned by the Entitled Shareholders.

## 4.3 NA and gearing

For illustrative purposes only, the proforma effects of the Proposed SCR on the consolidated audited NA per share and gearing of MAMEE as at 31 December 2009 are set out as follows:-

	Audited as at 31 December 2009 RM'000	(I) Adjustment RM'000	(II) After (I) and the (3) Proposed SCR RM'000
Share capital	151,274	<sup>(1)</sup> 151,333	100
Treasury shares	(11,224)	<sup>(2)</sup> (12,368)	-
Reserves	5,236	<sup>(1)</sup> 5,269	5,269
Retained earnings	78,741	78,741	37,793
	<b>224,027</b>	<b>222,975</b>	<b>43,162</b>
Number of MAMEE Shares ('000)	145,941	<sup>(1) (2)</sup> 145,665	100
NA per Share (RM)	1.54	1.53	431.62
Total borrowings (RM)	804	804	<sup>(4)</sup> 180,617
Gearing (times)	*	*	4.18

### Notes:-

(1) Adjusted for the 59,000 ESOS options which were exercised in the financial year ended 31 December 2010. The ESOS scheme has since expired.

(2) Adjusted for the 334,700 MAMEE Shares purchased between 1 January 2010 to 6 April 2011.

(3) Assuming the reduction in the share capital is adjusted against the retained earnings.

(4) Assuming the Proposed SCR is fully funded via borrowings.

\* Negligible.

## 4.4 Earnings

The Proposed SCR is not expected to have any material effect on the earnings of MAMEE for the financial year ending 31 December 2011. However, the Proposed SCR will affect our Group's earnings per share as a result of the number of MAMEE Shares to be cancelled under the Proposed SCR.

## 5. APPROVALS REQUIRED

The Proposed SCR is subject to and conditional upon approvals being obtained from the following:-

- approval of the Securities Commission;
- the approval of the shareholders of MAMEE for the Proposed SCR at an extraordinary general meeting ("EGM") of MAMEE to be convened;

- (c) the approval and/or consent of the existing financiers and/or creditors of MAMEE and/or its subsidiaries, where required;
- (d) the grant of an order of the High Court of Malaya approving the Proposed SCR; and
- (e) where required, the approval or consent of any other relevant governmental or regulatory authorities.

## 6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, to the best knowledge of the Board, there are no other Directors, major shareholders and/or persons connected to them who are interested in the Proposed SCR.

Datuk Pang Chin Hin, Datuk Pang Tee Chew and Datuk Pang Tee Nam, the Directors of MAMEE, are acting in concert with TSSB in relation to the Proposed SCR and are therefore interested in the Proposed SCR ("Interested Directors").

TSSB, Datuk Pang Chin Hin, Datuk Pang Tee Chew and Datuk Pang Tee Nam, the major shareholders of MAMEE are among the Non-Entitled Shareholders and are therefore interested in the Proposed SCR ("Interested Major Shareholders").

The Non-Entitled Shareholders set out in Section 2.2 of this announcement are persons connected to the Interested Directors and/or Interested Major Shareholders. The Non-Entitled Shareholders have waived their rights to receive the capital repayment pursuant to the Proposed SCR and are therefore interested in the Proposed SCR.

The Shareholdings of the Interested Directors and Interested Major Shareholders in the Company as at 6 April 2011 are as follows:-

	As at 6 April 2011	
	Direct	
	No. of MAMEE Shares	%
<b>Interested Directors</b>		
Datuk Pang Chin Hin	18,124,501	12.44
Datuk Pang Tee Chew	35,955,642	24.68
Datuk Pang Tee Nam	15,275,125	10.49
<b>Interested Major Shareholders</b>		
Estate of Pang Tee Suan	14,458,364	9.93
TSSB	9,337,817	6.41

**7. DIRECTORS' RECOMMENDATION**

The Board, save for the Interested Directors, will consider the Proposed SCR and provide a recommendation to the Entitled Shareholders, after consulting with the Independent Adviser to be appointed in due course.

**8. ADVISERS AND INDEPENDENT ADVISER**

The Board has appointed OSK Investment Bank Berhad and OCBC Advisers (Malaysia) Sdn Bhd as the Principal Adviser and the Financial Adviser respectively for the Proposed SCR.

Newfields Advisors Sdn Bhd has been appointed by the Non-Entitled Shareholders to advise the Non-Entitled Shareholders on all relevant matters pertaining to the offer.

The Board, save for the Interested Directors, will appoint an Independent Adviser to advise the Entitled Shareholders and the non-interested directors of MAMEE in respect of the Proposed SCR. A separate announcement pertaining to the appointment of the Independent Adviser will be made in due course.

**9. ESTIMATED TIME FRAME FOR COMPLETION**

Barring any unforeseen circumstance, and subject to the approvals as set out in Section 5 of this announcement, the Proposed SCR is expected to be completed in the second half of 2011.

**This announcement is dated 8 April 2011.**