ADVANCE SYNERGY BERHAD ("ASB") OR ("COMPANY")
PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN BEAVER HOTELS LIMITED BY 57-59 PHILBEACH GARDENS LIMITED ("PGL" or "Purchaser"), A WHOLLY-OWNED SUBSIDIARY INCORPORATED IN UNITED KINGDOM OF POSTHOTEL AROSA AG ("Arosa"), A 65%-OWNED INDIRECT SUBSIDIARY COMPANY OF ASB HELD VIA HOLIDAY VILLA ASSETS SDN BHD ("HVA"), AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF THE COMPANY HELD VIA ALANGKA-SUKA HOTELS & RESORTS SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF ASB

INTRODUCTION

The Board of Directors of ASB wishes to announce that PGL had on 21 December 2018 entered into a Share Sale Agreement ("SSA") to acquire 100% equity interest (represented by 1,100 ordinary shares of £1.00 each) ("Purchase Shares") in Beaver Hotels Limited ("Beaver") from the existing shareholders of Beaver, Mr Jan Joseph Lis, Mr Alexander Lis and Mr Aurelian Jan Alexander Lis, ("Vendor"), for a cash consideration of GBP10.25 million (equivalent to approximately RM55.63 million)("Purchase Price")(hereinafter referred to as "Proposed Acquisition").

INFORMATION ON BEAVER

Beaver is a private limited company incorporated on 28 May 1963 and its principal activities are in the hotel operations. Its fully paid-up share capital is £1,100 divided into 1,100 ordinary shares of £1.00 each.

Beaver owns a freehold hotel property known as Beaver Hotel (hereinafter referred to as "Beaver Hotel" or "Hotel") located at 57-59 Philbeach Gardens, Earl's Court, London, SW5 9ED. Beaver Hotel is strategically located near 3 tube stations (namely, Earl's Court, High Street Kensington and West Kensington) and many attractions in London, including the Royal Albert Hall in Kensington, Stamford Bridge Stadium and the popular Olympia London Exhibition Centre. Beaver Hotel features a 4-storey building which are set across three interconnecting Victorian period buildings with 38 guest rooms.

DETAILS OF THE PROPOSED ACQUISITION

The purchase consideration for the Proposed Acquisition is arrived at on a willing-buyer willing-seller basis after taking into consideration, amongst others, the assessment by management of some recent comparable hotel sales, the location of the property and the potential yield.

The Proposed Acquisition will be funded by Arosa's internal funds and/or borrowings by PGL.

- **Salient Terms and Conditions of the Proposed Acquisition**

  The salient terms for the SSA as summarised below include:

  (i) the Vendor shall sell and the Purchaser shall buy, with effect from completion, the Purchase Shares with full title guarantee, free from all encumbrances and together with all rights that attach (or may in the future attach) to the Purchase Shares including, in particular, the right to receive all dividends and distributions declared, made or paid on or after the completion date;

(ii) the Purchaser is not obliged to complete the purchase of any of the Purchase Shares unless the purchase of all the Purchase Shares is completed simultaneously;

(iii) the Purchaser shall pay a deposit of 10% of the purchase price upon exchange of the SSA and the balance of the purchase price on completion, out of which an agreed retention sum ("Retention") will be paid into an escrow account (the client account of the Purchaser's solicitors);

(iv) the provision of warranties, indemnities and covenants by the Vendor covering matters such as tax, employees, commercial contracts and financial and other records;

(v) the Retention will provide the Purchaser with security against claims for breach of warranties, indemnities and/or covenants;

(vi) as at completion, Beaver will not have any liabilities (including contingent liabilities); and

(vii) the completion date for the Proposed Acquisition is on 25 January 2019.

Upon completion of the Proposed Acquisition, Beaver will become an indirect subsidiary company of ASB held via PGL.

The Agreement is available for inspection at the registered office of ASB from Mondays to Fridays (except public holidays) during normal office hours.

- **Information on Arosa**

Arosa, a 65%-owned subsidiary company of HVA (a 100%-owned indirect subsidiary of ASB), was formed on 12 February 1926 in Switzerland. The share capital of Arosa is CHF4'500'000, represented by 9'000 fully paid up registered shares with a nominal value of CHF 500 each. Arosa owns a property in the holiday ski resort of Arosa, Switzerland and its principal activities are in hotel operations.

- **Information on PGL**

PGL is a special purpose vehicle incorporated on 31 October 2018 by Arosa for the Proposed Acquisition. The share capital of PGL is GBP1.00, represented by 1 ordinary share of GBP1.00 each.

- **Information on the Vendor**

The Vendor, three British citizens, are the legal owners, of the Purchase Shares. The business of the Hotel is operated by the Vendor.

- **Approval Required**

The Proposed Acquisition is not subject to any approval of the shareholders of ASB or any relevant government authorities.

RATIONALE

The acquisition of Beaver represents an opportunity for Arosa to acquire a real estate property in London with good location. The revenue from the hotel operations of Beaver will provide a steady income to Arosa and will in turn contribute to ASB's overall performance in the future. The Proposed Acquisition is also in line with the Group's intention to have a greater presence in Europe and further enhance our hospitality operations in major cities around the world.

RISK FACTORS

The risks involved would be industry specific associated with the tourism and hospitality industry and general risks, for example, risks relating to general economic and political climate, customer preferences as well as seasonal vagaries, natural disasters, epidemic and terrorism. With an experienced management in the hospitality industry, the management believes that it is able to mitigate these risks which are inherent in the industry in which it operates in. In addition, the operational risks would be managed by the operational staff and the management, in the course of running the business.

The investment in the Hotel may be exposed to certain risks inherent in property investment such as competition from other new and upgraded properties, loss of attractiveness of the Hotel, and increasing maintenance costs as well as undertaking renovations that necessitate capital outlay as the Hotel gets older. However, the risks are mitigated as there will be regular repairs and maintenance to the Hotel to ensure that it will be in good tenantable condition to remain competitive.

Besides the risk relating to tourism and hospitality industry, the, gross income and value of the Hotel may be affected by a number of factors, including:-

i) lower room bookings that lead to a decrease in the occupancy rate, average room rate and gross room revenue;

ii) the ability to collect room revenue from credit customers, if any, on a timely basis;

iii) surge in operating expenses of the Hotel without a corresponding increase in room rates and/or reimbursements. The increase in operating expenses may result from, amongst others, increases in utilities' rates, changes in statutory laws, or government policies, increases in sub-contracted services and maintenance cost, increases in insurance premiums and repair work on defects affecting the building soundness;

iv) the room rates being less favourable than the projected room rates; and

v) changes in statutory laws, government policies, political, economic and regulatory conditions which may affect the value of the Hotel.

The risk in relation to fluctuations of exchange rate is mitigated as the Proposed Acquisition is in sterling pound which is in the same currency as the currency used in the business operations.

There is a potential financing default risk to ASB Group should the Proposed Acquisition fail to operate successfully and is unable to meet its debt obligations to the lenders. The management will continue to undertake prudent financial management practices so as not to affect the Group's ability to service its repayment obligations.

Apart from the general business and the financing risks mentioned above, the Proposed Acquisition is not expected to result in any other material risks.

FINANCIAL EFFECTS

The Proposed Acquisition will not have any material effect on the net assets, gearing and earnings per share of ASB Group for the financial year ending 31 December 2018 and there will not be any effect on the share capital and substantial shareholders' shareholding in ASB as the Proposed Acquisition does not involve any issuance of shares or other securities by the Company.

PERCENTAGE RATIO

The highest percentage ratio pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 8.35% based on the latest audited consolidated financial statements of the Company for financial year ended 31 December 2017.

DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST IN THE PROPOSED ACQUISITION

None of the directors and major shareholders of ASB and/or persons connected with them has any interest, direct or indirect, in the Proposed Acquisition.

DIRECTORS STATEMENT

The Board of Directors, after due consideration of all aspects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of ASB Group.

This announcement is dated 21 December 2018.