

## **ANNOUNCEMENT OF ADVANCE SYNERGY BERHAD**

### **ADVANCE SYNERGY BERHAD (“ASB” OR “COMPANY”) PROPOSED ACQUISITION OF OFFICE PREMISE FROM A RELATED PARTY BY ANTARA HOLIDAY VILLAS SDN BHD, AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF ASB**

#### **Contents:-**

#### **1. INTRODUCTION**

The Board of Directors of ASB wishes to announce that Antara Holiday Villas sdn Bhd (“AHV” or the “Purchaser”), an indirect wholly-owned subsidiary of ASB, had via a letter of acceptance dated 17 August 2012 (“Letter of Acceptance”) accepted an offer to purchase a property bearing the postal address of B-16-8, Megan Avenue II, No. 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur (“Office Premise”) for a cash consideration of RM2,200,000.00 (“Purchase Consideration”) from ASH Holdings Sdn Bhd (“ASH” or the “Vendor”) (“Proposed Acquisition”).

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

##### **2.1 Information on the Office Premise**

The Office Premise is currently owned by ASH, a company which Puan Sri Datin Masri Khaw Binti Abdullah, a Non-Independent Non-Executive Director of ASB, holds 50% equity interest.

Our Hotels & Resorts Division is currently renting the Office Premise from ASH for use as the Corporate Office / Corporate Sales Office (“Tenancy”). The monthly rental is RM10,197.00 excluding service charge of RM741.60 payable directly to the property management company responsible for the maintenance and repair for Megan Avenue II.

ASH acquired the Office Premise on 20 October 2004 and the original cost of investment was RM1,232,901.00. The approximate age of the Office Premise is 14 years. Based on the latest audited financial statements of ASH as at 31 December 2011, the net book value of the Office Premise is RM0.86 million.

##### **Salient terms of the Proposed Acquisition**

The salient terms of the Proposed Acquisition as set out in the Letter of Acceptance are as follows:-

- a. Terms of Payment
  - (i) 2% refundable earnest deposit amounting to RM44,000.00 (“Earnest Deposit”) to be paid by the Purchaser upon issuance and acceptance of the Letter of Acceptance;
  - (ii) 8% balance of deposit amounting to RM176,000.00 to be paid by the Purchaser to the Vendor upon execution of the Sale and Purchase Agreement (“SPA”); and

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- (iii) 90% of the balance Purchase Consideration amounting to RM1,980,000.00 shall be paid within three (3) months from the date of the SPA with a one (1) month extension subject to interest on the unpaid balance to be calculated on daily basis at the rate of eight percent (8%) per annum until the date of full payment to be payable by the Purchaser.

b. SPA

The SPA is to be executed by the parties within 30 calendar days from the date of confirmation of agreement by the Vendor to the terms and conditions as set out in the Letter of Acceptance or such other extended period as mutually agreed, failing which the Earnest Deposit shall be refunded. The confirmation of agreement by the Vendor is dated 17 August 2012.

c. Other Terms

- (i) The Office Premise shall be sold to the Purchaser together with the existing renovation, free from any caveat, lien and all other encumbrances.
- (ii) The Office Premise is subject to the existing tenancy between the Vendor and the Purchaser.
- (iii) Any other terms and conditions to be mutually agreed by the parties.

### **2.2 Salient features of the valuation report**

The salient features of the valuation report for the Office Premise dated 3 July 2012 prepared by Suleiman Ahmad, a Registered Valuer of Suleiman & Co Property Consultants Sdn Bhd (“Valuation Report”) are set out in the table below:-

1.	Basis of valuation	To determine the Market Value	
2.	Subject of valuation (“subject property”)	A freehold interest in a parcel of office space located on the 16th Floor of a 17th storey office block known as Megan Avenue II Block B, 12, Jalan Yap Kwan Seng, 50744 Kuala Lumpur.	
3.	Particulars of title	Parcel No.	No Petak 296/Tkt No. 16/Bgn No. M1B
		Strata Title Nos	Hakmilik Strata G37731/M1B/16/296
		Tenure	Freehold
		Encumbrances	Nil
		Floor Area	3,708 square feet
4.	Method of valuation	Comparison Method. This method of valuation involves the comparison of recent sales of similar properties in the area. Adjustments however are made for differences in location, size and shape of the parcels, site facilities available, time element and other adjustments in order to arrive at a common basis for comparison.	
5.	Date of valuation	27 June 2012	
6.	Market value	Premised on the location, condition, public services or facilities available, size of the office area, tenure of the subject property and after considering the relevant factors pertaining to the subject property, the Market Value of the subject property, free from all encumbrances, with vacant	

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		possession, and subject to the title being good, marketable and registrable as at the date of valuation is RM2,250,000.00.
7.	Basis of arriving at the Market value	In arriving at the Market Value of the subject property, the Registered Valuer have taken into account factors such as legal and legislative constraints, time elements, physical and other factors likely to affect the value of the subject property in particular.

### **2.3 Basis of arriving at the Purchase Consideration**

The Purchase Consideration was arrived at based on a willing buyer willing seller basis after taking into consideration among others the market value of the Office Premise as set out in the Valuation Report.

### **2.4 Source of funding**

The Purchase Consideration is to be satisfied by cash and will be funded by bank borrowing and/or internal resources; the breakdown of which has yet to be determined at this juncture.

### **2.5 Assumed Liabilities**

Save and except for payment of the Purchase Consideration and other incidental charges related to the execution of the Sale and Purchase Agreement, there are no other liabilities including contingent liabilities and guarantees to be assumed by AHV arising from the Proposed Acquisition.

## **3. TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS**

A total of RM117,000.00 being the rental payment of the Office Premise was paid to ASH for the past 12 months.

Save as disclosed above, there are no transactions between ASB Group and ASH for the preceding 12 months.

## **4. RATIONALE AND PROSPECTS**

The Board is of the view that the Proposed Acquisition provides an opportunity for our Hotels & Resorts Division to own the Office Premise and continue to locate their Hotel Corporate Office/Corporate Sales Office in the same premise as compared to a rental arrangement which is subject to a periodic renewal of tenancy and the cost of relocating. AHV may also benefit from potential capital appreciation in the future in view of the strategic location of the Office Premise.

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### **5. INFORMATION ON AHV AND THE VENDOR**

#### **5.1 AHV**

AHV was incorporated on 12 June 1990 under the Companies Act, 1965 as a private company limited by shares. The principal activity of AHV is provision of hotel management services to hotels and holiday resorts.

The authorised share capital and issued and fully paid-up share capital of AHV consists of RM100,000 divided into 100,000 ordinary shares of RM1.00 each. The current directors are Tan Sri Dato' Azman Shah Haron, Puan Sri Datin Masri Khaw Binti Abdullah, Sng Ngiap Koon and Chee Chong Fatt. Their interests in ASB as of 30 June 2012 are as follows:-

Name	No. of shares held in ASB			
	Direct	%	Indirect	%
Tan Sri Dato' Azman Shah Haron	-	-	5,000,000 <sup>^</sup>	0.974
Puan Sri Datin Masri Khaw Binti Abdullah	-	-	5,000,000 <sup>^</sup>	0.974
Sng Ngiap Koon	-	-	500,000 <sup>*</sup>	0.097
Chee Chong Fatt	-	-	5,800	0.001

*Note:-*

<sup>^</sup> *Tan Sri Dato' Azman Shah Haron, spouse of Puan Sri Datin Masri Khaw Binti Abdullah, is also a director holding the remaining 50% equity interest in ASH. By virtue of his interest in ASH, he is also deemed to be interested in the shares held by ASH in ASB to the extent that ASH has an interest in ASB.*

<sup>\*</sup> *Deemed interest by virtue of the shareholdings of his spouse pursuant to Section 134(12)(c) of the Companies Act, 1965.*

#### **5.2 The Vendor**

ASH was incorporated on 20 October 1983 under the Companies Act, 1965 as a private company limited by shares. The principal activity of ASH is investment holding.

The authorised share capital and issued and paid-up share capital is RM250,000. The current directors of ASH are Tan Sri Dato' Azman Shah Haron, Chee Chong Fatt, Lim Guat Lian and Nina Karina Binti Azman Shah. The shareholders of ASH are Tan Sri Dato' Azman Shah Haron and Puan Sri Datin Masri Khaw Binti Abdullah and each holds 50% equity interests in ASH.

Puan Sri Datin Masri Khaw Binti Abdullah is also a Non-Independent Non-Executive Director of ASB. She was appointed to the Board on 6 January 1995.

### **6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION**

The Proposed Acquisition is not expected to have any material impact on the earnings per share, net assets per share, gearing, share capital and substantial shareholders' shareholding of ASB Group for the financial years ending 31 December 2012 and 2013.

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### **7. RISK FACTORS**

The Board is not aware of any specific risk/risk factors arising from the Proposed Acquisition other than the normal and market risks associated with transaction of similar nature such as fluctuation in the market value of the properties and natural disaster risks, if any. In the event there is any substantial drop in the market value of the Office Premise, AHV may suffer losses on disposal if AHV subsequently decides to dispose the Office Premise. Since AHV intends to hold the Office Premise for long term, impact from the said risk is expected to be minimal.

### **8. APPROVALS REQUIRED**

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

### **9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST**

Pursuant to Paragraph 10.08(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Main LR of Bursa Securities"), the Proposed Acquisition is a related party transaction by virtue of Puan Sri Datin Masri Khaw Binti Abdullah being a Non-Independent Non-Executive Director of ASB and substantial shareholder of ASH holding 50% equity interest in ASH. The spouse (Tan Sri Dato' Azman Shah Haron) and daughter (Nina Karina Binti Azman Shah) of Puan Sri Datin Masri Khaw Binti Abdullah are among the directors of ASH and Tan Sri Dato' Azman Shah Haron holds the remaining 50% equity interest in ASH. Tan Sri Dato' Azman Shah Haron and Puan Sri Datin Masri Khaw Binti Abdullah are also directors of AHV.

Save as disclosed above, none of the directors, major shareholders and/or persons connected with the directors and major shareholders of ASB has any interest, direct or indirect, in the Proposed Acquisition.

### **10. AUDIT COMMITTEE'S STATEMENT**

The Audit Committee having considered all aspects of the Proposed Acquisition including but not limited to the rationale, basis and justification for the Purchase Consideration and effects of the Proposed Acquisition, is of the view that the Proposed Acquisition is in the best interest of the Company, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the minority shareholders of ASB.

### **11. DIRECTORS' STATEMENT**

The Board of Directors (except for Puan Sri Datin Masri Khaw Binti Abdullah) having considered all aspects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of the Company.

Puan Sri Datin Masri Khaw Binti Abdullah is deemed interested in the Proposed Acquisition and has abstained from deliberation and voting on the Proposed Acquisition.

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### **12. HIGHEST PERCENTAGE RATIO APPLICABLE**

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Main LR of Bursa Securities is 0.48%.

### **13. ESTIMATED TIMEFRAME FOR COMPLETION OF THE PROPOSED ACQUISITION**

Bearing any unforeseen circumstances, the Proposed Acquisition is expected to be completed by end December 2012.

### **14. DOCUMENTS AVAILABLE FOR INSPECTION**

The letter of offer from ASH, Letter of Acceptance and Valuation Report are available for inspection at the registered office of ASB at Level 3, East Wing, Wisma Synergy, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan during ordinary working office hours from Monday to Friday for a period of 3 months from the date of this announcement.

A separate announcement will be released upon execution of the SPA.

This announcement is dated 17 August 2012.