

ADVANCE SYNERGY BERHAD (“ASB” OR “THE COMPANY”)**Proposed disposal of all that piece of freehold land located at Oberseepromenade, CH 7050 Arosa, Switzerland**

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1. INTRODUCTION

The Board of Directors of ASB (“Board”) wishes to announce that its indirect 65%-owned subsidiary, Posthotel Arosa AG (“Arosa”)(“Seller”), had on 9 July 2020 entered into a purchase right agreement (hereinafter referred to as “Agreement”) with Postresidenz am See AG (“Purchaser”) for the proposed disposal of all that piece of freehold land located at Oberseepromenade, Postfach 289, CH 7050 Arosa, Switzerland (the “Land”) on “as is where is” basis for a cash consideration of CHF5.95 million (equivalent to RM26.768 million) only (“Purchase Price”), subject to the terms and conditions as stipulated in the Agreement (“Proposed Disposal”).

Further details of the Proposed Disposal are set out in the ensuing sections.

2. INFORMATION ON THE PROPOSED DISPOSAL**2.1 Information on the Land**

The Land is located at Oberseepromenade, CH 7050 Arosa, Switzerland, in the holiday ski resort of Arosa, Switzerland. It is strategically located near the railway station, ski lift and cable car station and overlooking the lake “Obersee” with a beautiful mountain view.

Other information on the Land are summarised as follows:-

Zone	Kernzone B AZ 2.0
Postal address	Oberseepromenade, CH 7050 Arosa, Switzerland
Land area	1,606 square metres
Tenure	Freehold
Category of Land Use	Construction Land
Registered proprietor	Posthotel Arosa AG
Encumbrance	None
Audited Net Book Value as at 31 December 2019	CHF4’473’238 (equivalent to RM20.125 million)
Market value	CHF4’472’710 (equivalent to RM20.122 million), based on latest valuation letter dated 25 June 2020
Existing use	Vacant land
Impact on operational work	The Proposed Disposal will not affect the day-to-day operational work as it is currently a vacant land

2.2 Information on Seller and Purchaser**2.2.1 Information on Seller**

The Seller is a Swiss stock corporation (Aktiengesellschaft) with its corporate domicile in Arosa, and registered under the registration number CHE-103.244.639 in the commercial register of the Canton of Grisons. Arosa was formed on 12 February 1926 and owned and operated as hotel known as Posthotel Arosa on the Land which was destroyed in a fire on 30 December 2016. Its share capital is CHF4’500’000 divided into 9’000 fully paid up registered shares with a nominal value of CHF 500 each.

Arosa is an indirect 65%-owned subsidiary of ASB held via Holiday Villa Assets Sdn Bhd (“HVA”) which is an indirect wholly-owned subsidiary of ASB held via Alangka-Suka Hotels & Resorts Sdn Bhd, a wholly-owned subsidiary of ASB. The remaining 35% of the equity interest in Arosa is owned by Kibar Konsep Sdn Bhd (“Kibar”).

The shareholders of Kibar are Mr Anton Syazi Dato' Ahmad Sebi and Ms Aryati Sasya Dato' Ahmad Sebi who are the Group Executive Deputy Chair and Non-Independent Non-Executive Director respectively of ASB.

The directors of Arosa are Ms Lee Su Nie, Ms Aryati Sasya Dato' Ahmad Sebi, Puan Sri Datin Masri Khaw Abdullah and Mr Alain Cheseaux.

2.2.2 Information on Purchaser

The Purchaser is a Swiss stock corporation (Aktiengesellschaft) with its corporate domicile in Arosa and registered under the registration number CHE-384.895.563 in the commercial register of the Canton of Graubünden. Postresidenz am See AG was formed on 25 June 2020 and its principal activities are in the hotel and catering services and all related services. Its share capital is CHF100,000 divided into 100 fully paid-up registered shares with a nominal value of CHF1'000 each.

Postresidenz am See AG is a company incorporated by Mr Marcel Niederer. As of this announcement, Mr Marcel Niederer is a shareholder and sole director of Postresidenz am See AG.

2.3 Basis of arriving at the Purchase Price

The Purchase Price was arrived at on a willing-buyer willing-seller basis through direct negotiation after taking into consideration the net book value of the Land as at 31 December 2019 and the market value on 25 June 2020.

The Purchase Price shall be satisfied in cash or via irrevocable promise of payment from a Swiss Bank.

2.4 Liability to be assumed

The Purchaser will not assume any other liabilities, contingent liabilities or guarantees pursuant to the transaction contemplated under the Proposed Disposal. No liability, including contingent liabilities, will remain with ASB and no guarantees have been given by ASB to the Purchaser.

2.5 Salient terms of the Agreement

2.5.1 The sale of the Land by the Seller to the Purchaser shall be on the following basis:-

- a. on "as is where is" basis;
- b. free from all encumbrances;
- c. with legal possession;
- d. the claim against the building insurance in the amount CHF3,292,488 (for any reconstruction only) shall be transferred to the Purchaser without any conditions upon the completion of the transfer of ownership. The Seller does not warrant on the insurance claim amount and the Purchaser shall be responsible for ensuring that the relevant conditions for payment of the insurance amount are met;
- e. all transfer taxes for the Land (Handänderungssteuer) shall be borne by the Purchaser; and
- f. Soil contamination investigation on the Land shall be conducted by the Purchaser at its own expense and no price adjustments shall be made, even if any contaminants are found.

2.5.2 The Purchaser shall pay the Purchase Price in the following manner:-

- a. CHF250'000, to be paid in cash or via an irrevocable promise of payment from a Swiss Bank to the Seller in the form of a down payment and compensation for the granting of the purchase right, on the day of the public recording of the present contract. This down payment will be forfeited if the Purchaser does not legally exercise the purchase right by 31 December 2020.
- b. CHF600'000, to be paid via an irrevocable promise of payment from a Swiss Bank on the day of the possession of the Land by the Purchaser to the account in the name of the tax authorities of the Canton of Graubünden, 7001 Chur, Switzerland as advance payment of tax by the Seller for the disposal of the Land. Any difference will be paid out by the tax authorities to the Seller or subsequently paid by the Seller. The Seller is entitled to any interest arising and will be settled with the tax authorities of the Canton of Graubünden
- c. Remaining CHF5'100'000, to be paid on the day of the transfer of ownership of the Land to the Purchaser via an irrevocable promise of payment from a Swiss Bank.

2.6 Original cost and date of investment

On 2 June 2012, HVA acquired 40% equity interest in Arosa at CHF4'157'002. Since then, HVA has gradually increased its investment in Arosa to 65% and the total investment so far is approximately CHF8.2 million.

The original cost and date of investment in Arosa is based on net asset value of Arosa at the point of investment by HVA in the shares of Arosa on 2 June 2012. The value of the Land at the time of investment by HVA in 2012 is approximately CHF1.9 million based on the valuation of the Cantonal Valuation District.

2.7 Estimated gain to the Group

Based on the Purchase Price of CHF5.95 million (equivalent to RM26.768 million) only, the Group is expected to record a net gain of approximately RM2.418 million after the Proposed Disposal taking into account the following:-

- 2.7.1 net book value of the Land of CHF4'473'238 (equivalent to RM20.125 million) as at 31 December 2019 at Group level based on the fair value of the Land after the purchase price allocation upon Arosa becoming a subsidiary of HVA ; and
- 2.7.2 estimated expenses in relation to the Proposed Disposal which include tax, legal fee and other related expenses.

3. PROPOSED UTILISATION OF PROCEEDS FROM THE PROPOSED DISPOSAL

The proceeds from the Proposed Disposal are intended to be utilised to finance the working capital of ASB and its subsidiaries (collectively, "Group" or "ASB Group") and expenses in relation to the Proposed Disposal as set out below:-

Purpose	Notes	Amount (CHF' million)	Expected timeframe for the utilisation of proceeds (from the completion of the Proposed Disposal)
Working capital	(1)	5.300	within 24 months
Estimated expenses for the Proposed Disposal	(2)	0.650	within 12 months
Total		5.950	

Notes:-

- (1) The proceeds shall be utilised for, amongst others, the working capital of the Seller and its subsidiary, 57-59 Philbeach Gardens Limited, which owns a hotel property in London.
- (2) Estimated expenses mainly comprise tax, legal fees and other related expenses. Any shortfall or excess in the funds allocated for estimated expenses will be funded from or used for working capital of the Group.

In the event that the Proposed Disposal could not be completed, our Group would utilise its internally generated resources and/or alternative method of funding to implement any of the proposed activities as stated above.

The actual utilisation has not been determined at this juncture and may differ at the time of utilisation. The expected timeframe for utilisation of proceeds is within 24 months from the completion of the Proposed Disposal.

4. RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal provides an opportunity for the Group to unlock the immediate value of the Land at a value higher than its net book value since the Group has decided not to rebuild the hotel and the proceeds from the Proposed Disposal will strengthen the cash flow position of the Group.

5. EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal are set out below:-

5.1 Share capital and shareholdings of substantial shareholders

The Proposed Disposal will not have any effect on the share capital and substantial shareholders' shareholdings of ASB as the Proposed Disposal does not involve any issuance of shares or other securities by the Company.

5.2 Earnings and earnings per share ("EPS")

The Proposed Disposal is expected to result in a net gain of approximately RM2.418 million or 0.26 sen per ordinary share. For illustrative purposes, based on the latest audited consolidated financial statements of the Company for the financial year ended 2019, the proforma effects of the Proposed Disposal on the earnings and EPS of ASB Group, assuming that the Proposed Disposal had been completed at the beginning of the said financial year are set out below:-

	Audited 31 December 2019	Proforma effects after the Proposed Disposal
Net profit/(loss) attributable to the owners of the Company (RM'000)	74,944	77,362
No. of ASB shares in issue ('000)	929,195	929,195
Earnings/(Loss) per share (sen)	8.07	8.33

5.3 Net Assets ("NA") and gearing

The Proposed Disposal is not expected to have any material effect on the net assets per share and gearing of ASB Group for the financial year ending 31 December 2020.

6. RISK FACTORS

If any of the terms and conditions of the Agreement is not fulfilled or waived within the stipulated period as stated in the Agreement, the Proposed Disposal may be delayed or terminated.

Our Board and management will take all reasonable steps to ensure that the terms and conditions of the Agreement are met within the stipulated timeframe and that every effort is taken to complete the Proposed Disposal in a timely manner.

7. APPROVALS REQUIRED

The Proposed Disposal is not subject to ASB shareholders' approval or the approval of any other relevant authorities and/or third parties.

8. ESTIMATED TIMEFRAME FOR COMPLETION OF THE PROPOSED DISPOSAL

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by 31 December 2020.

9. HIGHEST APPLICABLE PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Disposal pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 5.56% based on the Group's latest audited consolidated financial statements for the year ended 31 December 2019.

10. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

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

11. STATEMENT BY DIRECTORS

The Board, having taken into consideration all aspects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interests of the Group.

12. DOCUMENTS FOR INSPECTION

The Agreement is 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 from Mondays to Fridays (except public holidays) during normal office hours for a period of three (3) months from the date of this announcement.

This announcement is dated 9 July 2020.