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ADVANCE SYNERGY BERHAD

(Company No. 1225-D)
(Incorporated in Malaysia)

INFORMATION CIRCULAR TO STOCKHOLDERS

IN RELATION TO THE

**PROPOSED SALE AND LEASEBACK WITH AMANAH RAYA BERHAD
TOGETHER WITH OPTION TO BUYBACK OF HOLIDAY VILLA ALOR SETAR,
HOLIDAY VILLA CHERATING AND HOLIDAY VILLA LANGKAWI BY ALOR SETAR
HOLIDAY VILLA SDN BHD, CHERATING HOLIDAY VILLA BERHAD
AND LANGKAWI HOLIDAY VILLA SDN BHD RESPECTIVELY**

DEFINITIONS

Except where the context requires, the following terms and abbreviations shall apply throughout this Information Circular:-

- Act : Companies Act, 1965, as amended from time to time.
- ARB : Amanah Raya Berhad
- ASB or Company : Advance Synergy Berhad
- ASHR : Alangka-Suka Hotels & Resorts Berhad
- ASHV : Alor Setar Holiday Villa Sdn Bhd
- Board : Board of Directors of ASB
- CHV : Cherating Holiday Vila Berhad
- FIC : Foreign Investment Committee
- Hotels : Collectively, Holiday Villa Alor Setar, Holiday Villa Cherating and Holiday Villa Langkawi.
- Lease Agreement(s) : Lease Agreements all dated 20 February 2006 entered into by ASHV, CHV and LHV respectively with ARB and Supplemental Lease Agreements all dated 21 April 2006 entered into by ASHV and LHV respectively with ARB, as the case may be.
- Leaseback : Comprising:-
- a. ASHV Leaseback
Leaseback of Holiday Villa Alor Setar by ASHV commencing from the date of completion of the ASHV Proposed Sale on terms and conditions as set out in the Lease Agreement.
 - b. CHV Leaseback
Leaseback of Holiday Villa Cherating by CHV commencing from the date of completion of the CHV Proposed Sale on terms and conditions as set out in the Lease Agreement.
 - c. LHV Leaseback
Leaseback of Holiday Villa Langkawi by LHV commencing from the date of completion of the LHV Proposed Sale on terms and conditions as set out in the Lease Agreement.
- LHV : Langkawi Holiday Villa Sdn Bhd
- Option to Buy Back : Comprising:-
- a. ASHV Option to Buy Back
Option to buy back Holiday Villa Alor Setar pursuant to the ASHV Proposed Sale and on terms and conditions as set out in the Lease Agreement.
 - b. CHV Option to Buy Back
Option to buy back Holiday Villa Cherating pursuant to the CHV Proposed Sale and on terms and conditions as set out in the Lease Agreement.
 - c. LHV Option to Buy Back
Option to buy back Holiday Villa Langkawi pursuant to the LHV Proposed Sale and on terms and conditions as set out in the Lease Agreement.

DEFINITIONS (continued)

- Proposal : Collectively, Proposed Sale, Leaseback and Option to Buy Back.
- Proposed Sale : Comprising:-
- a. ASHV Proposed Sale
Proposed sale of a 155 room hotel known as Holiday Villa Alor Setar within Menara MPKS, which is erected on the master titles of HS (D) 1100/1985 and Geran 7040, Lot 162 both situated in Bandar Alor Setar, Daerah Kota Setar, Negeri Kedah (“Holiday Villa Alor Setar”) for a cash consideration of RM31.0 million, by ASHV as vendor and ARB (as Trustee for Kumpulan Wang Am) as purchaser on terms and conditions as set out in the SPA.
 - b. CHV Proposed Sale
Proposed sale of a hotel known as Holiday Villa Cherating erected on five (5) parcels of freehold land held under issued documents of title HS (M) 1096 PT 1300, GM 1126 PT 1301, GM 424 PT 1302, GM 857 Lot 1303 and GM 405 PT 1305 all situated in Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang (“Holiday Villa Cherating”) for a cash consideration of RM21.872 million (“CHV Purchase Price”), by CHV as vendor and ARB (as Trustee for Kumpulan Wang Am) as purchaser on terms and conditions as set out in the SPA.
 - c. LHV Proposed Sale
Proposed sale of a 238 room beach resort known as Holiday Villa Langkawi erected on two (2) parcels of land held under issued documents of title HS (M) 13-86 for PT 344 and HS (M) 49-96 for PT 725 both situated in Mukim Kedawang, Daerah Langkawi, Negeri Kedah (“Holiday Villa Langkawi”) for a cash consideration of RM55.0 million, by Azman Shah Bin Haron (as trustee for LHV) as vendor and ARB (as Trustee for Kumpulan Wang Am) as purchaser on terms and conditions as set out in the SPA.
- Registered Valuer : Colliers, Jordan Lee & Jaafar Sdn Bhd
- RM and sen : Ringgit Malaysia and sen, respectively.
- SPA(s) : The Sale and Purchase Agreements all dated 20 February 2006 entered into by ASHV, CHV and LHV respectively with ARB and Supplemental Sale and Purchase Agreements all dated 21 April 2006 entered into by ASHV and LHV respectively with ARB, as the case may be.
- Vendor(s) : Collectively, ASHV, CHV and LHV.

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ADVANCE SYNERGY BERHAD

(Company No. 1225-D)
(Incorporated in Malaysia)

Registered Office:-

Level 3, Wisma ASCAP-QBC
No. 72, Pesiaran Jubli Perak
Seksyen 22
40000 Shah Alam
Selangor Darul Ehsan

6 June 2006

Directors:-

Dato' Ahmad Sebi Bakar (Executive Chairman)
Sng Ngiap Koon (Executive Director)
Datin Masri Khaw Binti Abdullah (Non-Independent Non-Executive Director)
Aznan Bin Haji Ismail (Independent Non-Executive Director)
Wong Ah Nam @ Wong Joon Tuang (Independent Non-Executive Director)
Chim Wai Khuan (Independent Non-Executive Director)

To : The Stockholders of Advance Synergy Berhad

Dear Sir/Madam,

PROPOSED SALE AND LEASEBACK WITH AMANAH RAYA BERHAD TOGETHER WITH OPTION TO BUYBACK OF HOLIDAY VILLA ALOR SETAR, HOLIDAY VILLA CHERATING AND HOLIDAY VILLA LANGKAWI BY ALOR SETAR HOLIDAY VILLA SDN BHD, CHERATING HOLIDAY VILLA BERHAD AND LANGKAWI HOLIDAY VILLA SDN BHD RESPECTIVELY

The purpose of this Information Circular is to set out the relevant details of the Proposal and is intended for your information only. No action is required to be taken by the stockholders of ASB.

1. INTRODUCTION

On 13 December 2005, ASB had announced that its subsidiaries, ASHV, CHV and LHV had each accepted an offer from ARB to acquire the respective Hotels at a final cash purchase price to be agreed by the parties and subject to a valuation by a Registered Valuer appointed by ARB. Simultaneously, ARB will leaseback each of the Hotels to ASHV, CHV and LHV separately. ASHV, CHV and LHV shall each have an option to buy back from ARB the respective Hotels upon the expiry of the Leaseback period.

The appointment of the Registered Valuer was made by ARB with the understanding by both parties that the values will be taken as the basis of determining the ASHV Purchase Price, CHV Purchase Price and LHV Purchase Price.

Subsequently, ASB had on 20 February 2006 announced that formal agreements had been executed in relation to the Proposed Sale, Leaseback and Option to Buy Back which were varied by supplemental agreements as announced by ASB on 24 April 2006. The final cash purchase price agreed are RM31.0 million, RM21.872 million and RM55.0 million for Holiday Villa Alor Setar, Holiday Villa Cherating and Holiday Villa Langkawi respectively. In conjunction with the Proposed Sale and Leaseback, ASHV, CHV and LHV each have been granted an Option to Buy Back the respective Hotels. Upon the completion of the Proposed Sale, the Leaseback will commence.

2. DETAILS OF THE PROPOSAL

On 13 December 2005, ASB had announced that its subsidiaries, ASHV, CHV and LHV had each accepted an offer from ARB to acquire the respective Hotels at a final cash purchase price to be agreed by the parties but subject always to a maximum amount of RM30 million, RM23 million and RM52 million for each of the respective Hotels and subject to the valuation by a Registered Valuer appointed by ARB.

Simultaneously, ARB will leaseback each of the Hotels to ASHV, CHV and LHV separately for a period of ten (10) years with an option to extend for another period of five (5) years ("Leaseback Period"). The Leaseback is guaranteed by ASHR, a subsidiary of the Company and the holding company for ASHV, CHV and LHV. The rental per annum for the Leaseback shall be at a rental equivalent to a rate ranging from 6.7% per annum to 7.3% per annum of the respective final purchase price over the initial ten (10) year term of the Leaseback Period ("Lease Rental") and the rental of the Leaseback for the extended period of five (5) years will be at a rate to be mutually agreed by both parties.

ASHV, CHV and LHV each have an option to buy back from ARB the respective Hotels at the same consideration paid by ARB now for each of the Hotels amounting to a total consideration of up to RM105 million upon the expiry of the Leaseback Period.

Subsequently, ASB had on 20 February 2006 announced that formal agreements had been executed in relation to the Proposed Sale, Leaseback and Option to Buy Back. The final cash purchase price agreed by the parties based on the valuation report by a Registered Valuer appointed by ARB are RM28.0 million, RM21.872 million and RM50.0 million for Holiday Villa Alor Setar, Holiday Villa Cherating and Holiday Villa Langkawi respectively. The ASHV Leaseback, CHV Leaseback and LHV Leaseback shall be for the Leaseback Period and the Lease Rental as agreed upon. Pursuant to the Proposed Sale and Leaseback, ASHV, CHV and LHV each have been granted an option at the end of the Leaseback Period to purchase the Hotels at a price of RM29.0 million, RM23.0 million and RM53.0 million respectively. Upon the completion of the Proposed Sale, expected to be by the end of June 2006, the Leaseback will commence.

ASB had on 24 April 2006 further announced that supplemental agreements have been entered into with ARB to vary certain terms and conditions of the Proposed Sale, Leaseback and Option to Buy Back of Holiday Villa Alor Setar and Holiday Villa Langkawi. The principal variations are as follows:-

- (a) The purchase price of Holiday Villa Alor Setar shall be increased from RM28 million to RM31 million ("ASHV Purchase Price") and the purchase price of Holiday Villa Langkawi shall be increased from RM50 million to RM55 million ("LHV Purchase Price").
- (b) The Leaseback Period of ASHV Leaseback and LHV Leaseback shall now be for an initial term of ten (10) years with an option to extend for a further term of ten (10) years instead of five (5) years.
- (c) The Lease Rental of both leases shall now be at a rental equivalent to an average rental rate of 7% per annum on the ASHV Purchase Price and LHV Purchase Price (as the case may be) for the initial term of ten (10) years of the Leaseback Period.
- (d) The price for the ASHV Option to Buy Back and LHV Option to Buy Back shall be at the then prevailing market value of Holiday Villa Alor Setar and Holiday Villa Langkawi to be determined based on the Discounted Cash Flow Method and the Comparable Method adopted by the Registered Valuer in arriving at the ASHV Purchase Price and LHV Purchase Price and shall be subject to the then existing Guidelines on Real Estate Investment Trusts issued by the Securities Commission.

The terms and conditions of the CHV Proposed Sale, CHV Leaseback and CHV Option to Buy Back remain unchanged.

2.1 Salient terms of the Proposed Sale

The salient terms of the Proposed Sale are as follows:-

- (a) The ASHV Purchase Price, CHV Purchase Price and LHV Purchase Price shall be paid by ARB to the Vendors in the following manner:-
 - (i) A total deposit of 10% of the ASHV Purchase Price, CHV Purchase Price and LHV Purchase Price shall be paid as follows:-
 - (aa) Initial Deposits of RM350,000, RM275,000 and RM625,000 out of the ASHV Purchase Price, CHV Purchase Price and LHV Purchase Price respectively have been paid to the Vendors prior to the execution of the SPAs; and
 - (bb) Balance Deposits for the ASHV Purchase Price, CHV Purchase Price and LHV Purchase Price shall be released to Vendors' solicitors as stakeholders upon execution of the SPAs; and
 - (ii) The balance sum of 90% of the ASHV Purchase Price, CHV Purchase Price and LHV Purchase Price ("Balance Purchase Price") shall be paid by ARB to the Vendors' solicitors as stakeholders on or before sixty (60) days from the Unconditional Date (as referred to in item (d) below) or such extension of time as shall be mutually agreed upon. Thereafter, the Proposed Sale shall be completed.
- (b) ARB is authorised to redeem the Hotels from the Vendors' financier, Affin Bank Berhad.
- (c) The Hotels shall be disposed of free from all encumbrances and with legal possession together with all erected buildings and structures on site and all the fixtures or fixed assets including major M&E equipments which are attached to the Hotels and are necessary for the operation as a hotel.
- (d) The Proposed Sale is subject to the following conditions precedent being fulfilled within sixty (60) days from the date of the SPAs or such extended date as the parties may mutually agree in writing:-
 - (i) Vendors obtaining the approval or consent or authorisation from the Developer or any relevant authorities or State Authorities for the sale and assignment/transfer of the Hotels to ARB;
 - (ii) Both parties shall obtain the approval of their respective shareholders in respect of the Proposed Sale;
 - (iii) The Vendors shall procure for a Guarantee to be executed by ASHR in the form and substance satisfactory to ARB to guarantee all payments due and owing under the Lease Agreements by the Vendors to ARB, simultaneously with the execution of the SPAs;
 - (iv) ARB shall have received the engineering due diligence report from a qualified Civil & Structural and Mechanical & Electrical Engineers in form and substance satisfactory to ARB and certifying that the Hotels are safe for occupation;
 - (v) The Vendors are found to be capable of selling or transferring the Hotels to ARB;
 - (vi) ARB obtaining the approval from the FIC for the purchase of the Hotels;
 - (vii) The Vendors shall execute Lease Agreements simultaneously with the execution of the SPAs for the Leaseback of the Hotels;
 - (viii) In the event the conditions precedent cannot be fulfilled due to no fault of the Vendors within the condition period or any extension of time as ARB shall in its absolute discretion grant to the Vendors, ARB shall be entitled to terminate the SPAs by giving a written notice to the Vendors, whereupon within three (3) working

days from receipt of such notice, the Vendors shall refund all monies paid by ARB together with interests earned thereon, failing which the Vendors shall pay to ARB interest at the rate of 7.5% per annum on the outstanding sums to be calculated on a daily basis from the expiry of the said three (3) working days until the date of full refund. Upon such refund, the SPAs shall be deemed to be null and void and cease to be of any effect and neither party shall have or make any claim whatsoever against the other.

The date on which the SPAs become unconditional shall be the date of receipt by ARB's Solicitors and the Vendors' Solicitors of the proof of fulfillment of the last of the conditions precedent ("Unconditional Date").

2.2 Salient terms of the Leaseback

The salient terms of the Leaseback are as follows:-

- (a) The initial term of the Leaseback shall be for a term of ten (10) years to commence from the date of completion of the Proposed Sale;
- (b) The rentals for each of the ASHV Leaseback, CHV Leaseback and LHV Leaseback shall be for an amount equivalent to the rental rate as stated below:-

<u>Year</u>	<u>Rental</u>
Year 1 to 3	6.7% per annum on the ASHV Purchase Price, CHV Purchase Price and LHV Purchase Price, as the case may be
Year 4 to 7	7.0% per annum on the ASHV Purchase Price, CHV Purchase Price and LHV Purchase Price, as the case may be
Year 8 to 10	7.3% per annum on the ASHV Purchase Price, CHV Purchase Price and LHV Purchase Price, as the case may be

The rental shall be payable in advance on the first day of each and every month.

- (c) A sum equivalent to two (2) years' rental ("Security Deposit") based on the average rental rate of 7% per annum on the ASHV Purchase Price, CHV Purchase Price and LHV Purchase Price, as the case may be, shall be deposited by each of the Vendors into an Institutional Trust Account opened under the name of the Vendors and to be administered by ARB as security deposit for the rentals. ARB is authorised to set off the Security Deposit against the Balance Purchase Price payable by ARB to the Vendors. All interest together with all benefit and dividends arising from such Security Deposit shall be accrued for the absolute benefit of each Vendor subject to any deductions by ARB pursuant to the Lease Agreements.
- (d) ASHV and LHV shall each have the option to renew the lease of Holiday Villa Alor Setar and Holiday Villa Langkawi respectively for a further term of ten (10) years after the initial term of the Leaseback and the rental of the extended lease shall be based upon the then prevailing market rental of properties similar to Holiday Villa Alor Setar and Holiday Villa Langkawi and taking into consideration the lease rental for the initial term of the Leaseback. CHV shall also have an option to renew the lease of Holiday Villa Cherating after the initial term of the Leaseback for a further term of five (5) years at the rent and terms to be mutually agreed by both parties.
- (e) Holiday Villa Alor Setar and Holiday Villa Langkawi will be injected into Real Estate Investment Trust ("REIT") schemes undertaken by ARB and the REIT shall be bound by all the terms and conditions contained in the respective Lease Agreements in particular but not limited to the Leaseback and Option to Buy Back of Holiday Villa Alor Setar and Holiday Villa Langkawi.

2.3 Salient terms of the Option to Buy Back

CHV has been granted an option at the end of the CHV Leaseback Period to buy back Holiday Villa Cherating at RM23.0 million. ASHV and LHV have each been granted an option at the end of the ASHV Leaseback Period and LHV Leaseback Period respectively for the buyback of Holiday Villa Alor Setar and Holiday Villa Langkawi separately at the then prevailing market value of Holiday Villa Alor Setar and Holiday Villa Langkawi to be determined based on the Discounted Cash Flow Method and the Comparable Method adopted by the Registered Valuer in arriving at the ASHV Purchase Price and LHV Purchase Price and shall be subject to the then existing Guidelines on Real Estate Investment Trusts issued by the Securities Commission. The exercise of the Option to Buy Back by the Vendors shall be subject to the Vendors giving notice to ARB at least six (6) months preceding the expiry date of the initial term or extended term (as the case may be) of the Leaseback.

2.4 Information on ARB

ARB is a trustee company established as the Department of Public Trustee and Official Administrator on 1 May 1921. ARB has served the nation for over 80 years and is the market leader in providing trust, deceased estate administration and Will services. The Department of Public Trustee & Official Administrator was corporatised on 29 May 1995 and on 1 August 1995 commenced its operations as Amanah Raya Berhad. ARB is wholly-owned by the Government of Malaysia with its shares held by the Minister of Finance (Incorporated).

2.5 Information on the Hotels

(a) Holiday Villa Alor Setar

ASHV is a company incorporated in Malaysia on 23 February 1995 and owns a hotel property known as Holiday Villa Alor Setar held under Master Titles Nos. Geran 7040 (Freehold) and HS(D) 1100/85 (Leasehold - expiring on 23 March 2084), Section 5, Town of Alor Setar, District of Kota Setar, Kedah. The postal address of this hotel property is Holiday Villa Alor Setar, Lot 162 & 163, Jalan Tunku Ibrahim, 05000 Alor Setar, Kedah. Holiday Villa Alor Setar has 160 guest rooms and suites, meeting rooms, restaurants, shopping arcade and karaoke lounge. This hotel property is approximately 9 years' old and was acquired by ASHV in 1995 at a cost of RM24.0 million. Based on the audited financial statements of ASHV for the financial year ended 31 December 2005, the net book value of the hotel property was RM31.01 million. The market value of Holiday Villa Alor Setar determined based on the Discounted Cash Flow Method and the Comparable Method is RM31.0 million as stated in the valuation report dated 6 December 2005 issued by the Registered Valuer appointed by ARB.

(b) Holiday Villa Cherating

CHV is a company incorporated in Malaysia on 26 April 1984 and owns a resort hotel property known as Holiday Villa Cherating held on five (5) parcels of land (Freehold), Lot nos. 1301, 1302, 1303, 1305, PT1300 held under title nos. H.S.(M) 1096 and G.M. 1126, 424, 857 and 405, Mukim Sungai Karang, District of Kuantan, Pahang. The postal address of this hotel property is Holiday Villa Cherating, Lot 1303, Mukim of Sungai Karang, 26080 Cherating, Pahang. Holiday Villa Cherating has 100 guest rooms and 12 exclusive Malaysian Boutique Villas, 4 meeting rooms, restaurants, pub and karaoke lounge. The hotel property is approximately 19 years' old and was acquired by CHV in 1987 at a cost of RM16.3 million. The hotel property was revalued in 2000 and based on the audited financial statements of CHV for the financial year ended 31 December 2005, the net book value of the hotel property was RM34.17 million. The market value of Holiday Villa Cherating determined based on the Discounted Cash Flow Method and the Comparable Method is RM24.0 million as stated in the valuation report dated 16 December 2005 issued by the Registered Valuer appointed by ARB.

(c) Holiday Villa Langkawi

LHV is a company incorporated in Malaysia on 2 November 1989 and beneficially owns a beach hotel property known as Holiday Villa Langkawi held under two (2) parcels of land (Freehold) held under Titles Nos. HS(M) 13/86-PT 344 and HS(M) 49/96-PT 725, Mukim of

Kedawang, District of Langkawi, Kedah. The postal address of this hotel property is Holiday Villa Langkawi, Lot 1698, Pantai Tengah, Mukim Kedawang, 07000 Langkawi, Kedah. Holiday Villa Langkawi has 258 sea-facing guest rooms and suites, 3 meeting rooms, restaurants and karaoke lounge. The hotel property is approximately 14 years' old and was acquired by LHV in 1991 at a cost of 28.7 million. The hotel property was revalued in 2000 and based on the audited financial statements of LHV for the financial year ended 31 December 2005, the net book value of the hotel property was RM72.05 million. The market value of Holiday Villa Langkawi determined based on the Discounted Cash Flow Method and the Comparable Method is RM55.0 million as stated in the valuation report dated 16 December 2005 issued by the Registered Valuer appointed by ARB.

Since the valuations on the Hotels are conducted at the request of ARB, valuation certificates and valuation reports in respect of the Hotels are issued by the Registered Valuer to ARB exclusively. As such, no valuation certificates will be incorporated in this Information Circular. However, the said valuation reports will be made available for inspection.

The Hotels are presently charged to Affin Bank Berhad as securities for banking facilities granted by Affin Bank Berhad to ASHV and its holding company, ASHR.

2.6 Estimated time frame for completion

Barring any unforeseen circumstances and subject to the approvals as stated in Section 8 of this Information Circular, the Proposed Sale is expected to be completed by the end of June 2006, i.e. 120 days from the date of the SPAs.

3. BASIS OF ARRIVING AT THE PURCHASE PRICE

The ASHV Purchase Price, CHV Purchase Price and LHV Purchase Price of RM31.0 million, RM21.872 million and RM55.0 million respectively are based on the valuation reports issued by the Registered Valuer appointed by ARB to perform the valuation on the Hotels.

4. RATIONALE FOR THE PROPOSAL

The Proposal will enable ASB Group to reduce its bank borrowings and re-invest when the opportunity arises. Meanwhile, through the leaseback arrangements, ASB Group will continue to operate and maintain its presence in Alor Setar, Cherating and Langkawi.

5. UTILISATION OF PROCEEDS

The Proposed Sale will result in a net cash inflow of RM92,769,920 after deducting the Security Deposit amounting to RM15,102,080, which will be utilised as follows:-

	RM'000
Repayment of borrowings	90,000
Estimated expenses for the Proposal*	2,770
Total :	92,770

* The estimated total expenses for the Proposal is approximately RM3 million and the difference of RM0.23 million will be financed by internal source of funds.

The total bank borrowings of ASB Group as at 31 March 2006 is approximately RM252.42 million. The repayment of the Group's borrowings would result in a net interest savings of approximately RM0.55 million per annum after taking into consideration the payment of lease rental for each of the Hotels.

6. RISK CONSIDERATION

To the best knowledge and belief of our Board, there are no risk factors relating to the Proposal which could have a material adverse effect on the business or financial position of the Company.

7. EFFECTS OF THE PROPOSAL

The Proposal is not expected to result in any gain or loss to the ASB Group as the sale and leaseback arrangements are treated as finance leases rather than outright disposals.

7.1 Share Capital and Stockholding Structure

The Proposal has no effect on the share capital of ASB and major stockholders' stockholdings in ASB as it does not involve any issuance of securities.

7.2 Earnings

The Proposal as varied by the supplemental agreements is expected to reduce the earnings per stock units of ASB Group by approximately 0.55 sen for the financial year ending 31 December 2006 due mainly to the impact of taxation. However, the Proposal is expected to have future positive effects on the earnings of ASB Group arising from savings in interest.

7.3 Net Assets

The Proposal is not expected to have a material impact on the net assets per stock unit of ASB Group for the financial year ending 31 December 2006.

8. APPROVALS REQUIRED

The Proposal is conditional upon the following approvals:-

- (a) Approval of the FIC for the Proposed Sale to be procured by ARB. The requisite approval of the FIC was obtained on 27 February 2006 and 16 May 2006 respectively;
- (b) Vendors obtaining the approval or consent or authorisation from the Developer or any relevant authorities or State Authorities for the sale and assignment/transfer of the Hotels to ARB;
- (c) ARB and Vendors obtaining the approval of their respective shareholders for the Proposed Sale. The Vendors have obtained the requisite approvals on 2 December 2005 while ARB has obtained the requisite approval from its Investment Committee on 6 December 2005; and
- (d) Approval of any other relevant parties.

9. DIRECTORS' AND/OR MAJOR STOCKHOLDERS' INTERESTS

None of the directors, major stockholders and/or persons connected with the directors and major stockholders of ASB has any interest, direct or indirect, in the Proposal.

10. DIRECTORS' RECOMMENDATION

The Board, having taken into consideration all aspects of the Proposal is of the opinion that the Proposal is fair and reasonable, and is in the best interest of ASB and its stockholders.

11. FURTHER INFORMATION

Stockholders are advised to refer to the Appendix I for further information.

Yours faithfully
For and on behalf of the Board of Directors of
ADVANCE SYNERGY BERHAD

DATO' AHMAD SEBI BAKAR
Executive Chairman

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen and approved this Information Circular. The members of the Board collectively and individually accept full responsibility for the accuracy of the information contained in this Information Circular. The Board confirms that, after making all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Information Circular misleading.

Information relating to ARB as contained in this Information Circular was provided by ARB. The responsibility of the Directors of ASB is therefore limited to ensuring that the aforesaid information is accurately reproduced in this Information Circular.

No representation with regard to the information on three subsidiaries of the Company namely, Kedah Marble Sdn Bhd ("KMSB"), Advance Synergy Furniture Sdn Bhd ("ASF") and Syarikat Fit & Weld Engineering (M) Sdn Bhd ("SFWE"), are made in this Information Circular due to the following factors:-

- (a) A Winding-Up Petition dated 25 March 2002 was served on KMSB, on or about 19 April 2002, by Malaysia Airports Sdn Bhd, a trade creditor of KMSB. On 11 June 2003, a Winding-up Order was granted by the Kuala Lumpur High Court and the Official Receiver was appointed the Provisional Liquidator.
- (b) With regard to ASF, a wholly-owned subsidiary of Excellent Arch Sdn Bhd, which in turn is a wholly-owned subsidiary of ASB, two Special Administrators ("SA") have been appointed by Pengurusan Danaharta Nasional Berhad on 9 September 1999. On 24 October 2002, the SA were terminated with the appointment of a Liquidator. Since the appointment of the SA, the Company has been unable to exercise any further control over ASF.
- (c) A Notice of Winding-up Petition dated 8 April 2000 was served on SFWE, a 70%-owned subsidiary of Nagapura Management Corporation Sdn Bhd, which in turn is a wholly-owned subsidiary of ASB, by the Malaysian Government. On 15 September 2000, a Winding-up Order was granted by the Kuala Lumpur High Court and served on SFWE on 16 November 2001. A Provisional Liquidator was appointed on 15 September 2000.

2. CONSENT

The written consent of the Registered Valuer appointed by ARB, to the inclusion in this Information Circular of their name and all references to their valuations and context in which they appear has been given and has not been withdrawn before the issuance of this Information Circular.

3. MATERIAL CONTRACTS

Save as disclosed below, ASB and/or its subsidiaries have not entered into any contract which is or may be material (not being contracts entered into in the ordinary course of business) during the two (2) years immediately preceding the date of this Information Circular:-

- (a) On 1 April 2005, ASB announced that it was in the midst of negotiation with the respective loan stock holders, namely, AmBank Berhad, Aseambankers (M) Berhad, Affin Bank Berhad, Alliance Bank Berhad, Alliance Merchant Bank Berhad, Public Bank Berhad, SME Bank, Southern Bank Berhad, Oversea-Chinese Banking Corporation Limited (Labuan Branch), United Overseas Bank Limited (Labuan branch), Danaharta Urus Sdn Bhd, Danaharta Managers Sdn Bhd and Danaharta Managers (L) Ltd (Labuan branch) (collectively, "the Holders"), to finalise the terms and conditions for ASB to undertake the proposed early redemption of RM74,978,552 equivalent nominal value of redeemable loan stocks ("RLS") and repurchase of RM182,761,429 equivalent nominal value of convertible loan stocks ("CLS"), being the balance of the respective loan stocks in issue, by 30 April

2005 ("Proposed Settlement"). ASB had subsequently entered into various repurchase and settlement agreements, accepted various letters for extension of time for payment of settlement sum and/or restructured certain of the amounts outstanding into various banking facilities with each of the respective Holders. In connection with the above, ASHR has accepted a transferable term loan facility and term loan facility for an amount of RM120.0 million and RM38.0 million respectively for, among others, the purpose of financing the redemption and/or repurchase of the outstanding RLS and CLS.

- (b) A settlement agreement dated 28 April 2005 was entered into between Advance Synergy Capital Berhad ("ASC") and the vendors of Malpac Holdings Berhad ("Malpac") shares ("Malpac shares vendors") pursuant to which the deposit of RM30 million paid by ASC to the Malpac shares vendors for the proposed acquisition of a 32.9% equity interest comprising 24,675,000 ordinary shares of RM1.00 each in Malpac for a total cash consideration of RM166,556,250 or RM6.75 per ordinary share under a Conditional Sale and Purchase Agreement dated 14 August 1997 ("Agreement") will be retained by the Malpac shares vendors in exchange for 8,037,500 ordinary shares of RM1.00 each (representing approximately 10.716% of Malpac's issued and paid-up share capital) in Malpac at the consideration sum of RM3.7325 per share. Consequently, the Agreement is deemed performed and completed by all the parties concerned and thereafter none of the parties shall have any further claim against each other.
- (c) A sale of shares agreement dated 16 December 2005 ("SSA") was entered into between Alangka-Suka International Limited ("ASIL"), Leeds Property Limited ("the Buyer") and ASHR ("Guarantor") for the sale by ASIL of the entire issued share capital of Interwell International Limited ("IIL") being two (2) issued ordinary shares of USD\$1.00 each ("the Shares") for a cash consideration of £10,100,000.00 less the aggregate of the Secured Loans (as defined in the SSA), Intercompany Loans (as defined in the SSA) and any Apportionment (as defined in the SSA) which shall equal the Net Asset Value (as defined in the SSA). The sale and purchase was completed on 10 February 2006. In consideration of the Buyer entering into the SSA, the Guarantor, at the request of ASIL, unconditionally and irrevocably guarantees as a primary obligation to the Buyer the due and punctual performance and observance by ASIL of all ASIL's obligations, and the punctual discharge by ASIL of all ASIL's liabilities to the Buyer, arising under the SSA. Among others, a tax deed, an option agreement and a lease agreement were required to be executed between the parties in conjunction with the execution of the SSA. The SSA is governed by and is to be construed in accordance with English law.
- (d) A lease agreement dated 16 December 2005 was entered into between IIL, Holiday Villa (UK) Limited ("the Tenant") and the Guarantor for the leasing of all those premises comprising the freehold building known as 35-39 Leinster Gardens, London W2 3AN for a term of ten (10) years ("Term") from and including 10 February 2006 for an average annual lease rental of £739,799.60 for the duration of the Term. In consideration of the grant of the lease by IIL to the Tenant, the Guarantor shall, among others, covenant and agree with IIL that the Tenant will at all times during the Term pay the rents and observe and perform the covenants on the part of the Tenant and the conditions and agreements.
- (e) An option agreement dated 16 December 2005 ("OA") was entered into between ASIL and IIL for ASIL to have the option to purchase the freehold building known as 35-39 Leinster Gardens, London W2 3AN registered under title number NGL178149 ("Property") within a period of no less than six (6) months and no more than eight (8) months prior to the last date of the Term (as defined under lease agreement dated 16 December 2005 between IIL, Holiday Villa (UK) Limited and ASHR) ("Completion Date") at a purchase price to be determined based on the value the Property could be sold on the open market at the Completion Date. The OA is governed by and is to be construed in accordance with English law.
- (f) A sale and purchase agreement dated 20 February 2006 as varied in a supplemental sale and purchase agreement dated 21 April 2006 was entered into between ASHV as vendor and ARB (as Trustee for Kumpulan Wang Am) as purchaser for the sale of, among others, 155 room hotel known as Holiday Villa Alor Setar within Menara MPKS situated in Alor Setar, Kota Setar, Kedah Darul Aman ("Holiday Villa Alor Setar") for a cash consideration of RM31.0 million ("ASHV Purchase Price"). The sale is presently pending completion.

- (g) A lease agreement dated 20 February 2006 as varied in a supplemental lease agreement dated 21 April 2006 was entered into between ARB and ASHV for ASHV to lease Holiday Villa Alor Setar for a term of ten (10) years (“ASHV Term”) commencing from the date of completion of the sale and purchase agreement dated 20 February 2006 made between ASHV (as the vendor) and ARB (as the purchaser) of Holiday Villa Alor Setar for an average annual lease rental of seven (7%) percent of the ASHV Purchase Price for the duration of the ASHV Term. ASHV shall have the option to renew the lease agreement for a further period of ten (10) years commencing from expiry of the ASHV Term at the then prevailing market rental rates after taking into consideration the lease rental during the ASHV Term. ASHV is also granted an option to buy back Holiday Villa Alor Setar at the then prevailing market value of Holiday Villa Alor Setar to be determined based on the Discounted Cash Flow Method and the Comparable Method (“the Valuation Method”) adopted by the Registered Valuer in arriving at the ASHV Purchase Price and shall be subject to the then existing Guidelines on Real Estate Investment Trusts issued by the Securities Commission (“the REIT Guidelines”) by giving notice to ARB at least six (6) months preceding the expiry date of the lease or extended lease (as the case may be).
- (h) A letter of guarantee dated 20 February 2006 was executed by ASHR as guarantor in favour of ARB for, among others, the performance by ASHV of all its obligations to ARB under the terms, covenants and conditions of the lease agreement dated 20 February 2006 (“ASHV Lease Agreement”) in consideration of ARB agreeing to enter into the ASHV Lease Agreement with ASHV.
- (i) A sale and purchase agreement dated 20 February 2006 as varied in a supplemental sale and purchase agreement dated 21 April 2006 was entered into between Azman Shah Bin Haron (as trustee for LHV) as vendor and ARB as purchaser for the sale of, among others, a 238 room beach resort known as Holiday Villa Langkawi situated in Kedawang, Langkawi, Kedah Darul Aman (“Holiday Villa Langkawi”) for a cash consideration of RM55.0 million (“LHV Purchase Price”). The sale is presently pending completion.
- (j) A lease agreement dated 20 February 2006 as varied in a supplemental lease agreement dated 21 April 2006 was entered into between ARB and LHV for LHV to lease Holiday Villa Langkawi for a term of ten (10) years (“LHV Term”) commencing from the date of completion of the sale and purchase agreement dated 20 February 2006 made between LHV (as the vendor) and ARB (as the purchaser) of Holiday Villa Langkawi for an average annual lease rental of seven (7%) percent of the LHV Purchase Price for the duration of the LHV Term. LHV shall have the option to renew the lease agreement for a further period of ten (10) years commencing from expiry of the LHV Term at the then prevailing market rental rates after taking into consideration the lease rental during the LHV Term. LHV is also granted an option to buy back Holiday Villa Langkawi at the then prevailing market value of Holiday Villa Langkawi to be determined based on the Valuation Method adopted by the Registered Valuer in arriving at the LHV Purchase Price and shall be subject to the then existing REIT Guidelines by giving notice to ARB at least six (6) months preceding the expiry date of the lease or extended lease (as the case may be).
- (k) A letter of guarantee dated 20 February 2006 was executed by ASHR as guarantor in favour of ARB for, among others, the performance by LHV of all its obligations to ARB under the terms, covenants and conditions of the lease agreement dated 20 February 2006 (“LHV Lease Agreement”) in consideration of ARB agreeing to enter into the LHV Lease Agreement with LHV.
- (l) A sale and purchase agreement dated 20 February 2006 was entered into between CHV as vendor and ARB as purchaser for the sale of a hotel known as Holiday Villa Cherating situated in Sungai Karang, Kuantan, Pahang Darul Makmur (“Holiday Villa Cherating”) for a cash consideration of RM21.872 million (“CHV Purchase Price”). The sale is presently pending completion.

- (m) A lease agreement dated 20 February 2006 was entered into between ARB and CHV for CHV to lease Holiday Villa Cherating for a term of ten (10) years ("CHV Term") commencing from the date of completion of the sale and purchase agreement dated 20 February 2006 made between the CHV (as the vendor) and ARB (as the purchaser) of Holiday Villa Cherating for an average annual lease rental of seven (7%) percent of the CHV Purchase Price for the duration of the CHV Term. CHV shall have the option to renew the lease agreement for a further period of five (5) years commencing from expiry of the CHV Term at a mutually agreed rental rate. CHV is also granted an option to buy back Holiday Villa Cherating at a purchase price of RM23 million by giving notice to ARB at least six (6) months preceding the expiry date of the lease or extended lease (as the case may be).
- (n) A letter of guarantee dated 20 February 2006 was executed by ASHR as guarantor in favour of ARB for, among others, the performance by CHV of all its obligations to ARB under the terms, covenants and conditions of the lease agreement dated 20 February 2006 ("CHV Lease Agreement") in consideration of ARB agreeing to enter into the CHV Lease Agreement with CHV.

4. MATERIAL LITIGATION

Save as disclosed below, ASB and/or its subsidiaries are not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of ASB and/or its subsidiaries and the Directors of ASB are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially or adversely affect the financial position or business of ASB and/or its subsidiaries:-

- (a) A third party action was filed by American Home Assurance Company ("AHA") on 24 October 2002 against Rewardstreet.com (Malaysia) Sdn Bhd ("RCSB"), a wholly-owned subsidiary of iSynergy Sdn Bhd ("ISB"), which in turn is a 51%-owned subsidiary of ASB. AHA is sued as a Defendant in the main suit filed by Ultra Dimension Sdn Bhd as Plaintiff for, inter alia, the alleged infringement of their copyright via the AHA Privilege Cash-In Rebate Cards. AHA's claim is for general damages, exemplary damages and aggravated damages which are to be assessed by the Court, together with the interest at 8% per annum. An application filed by RCSB to strike-out the third party action by AHA on the basis that AHA was responsible for the design and that no cause of action lay against RCSB, was not successful. The Court has fixed 13 June 2006 as the next mention date for case management, to enable parties to agree on the bundle of documents and issues to be tried. The solicitors are of the opinion that they may negate any liability, which is alleged by the Defendant in this suit.
- (b) ASB had on 14 June 2004 instituted legal action against Perbadanan Kemajuan Negeri Kedah ("PKNK") to recover its investment of RM52,500,000 in KMSB together with other sums, damages, interests and costs. ASB's solicitors have obtained the signed and sealed copy of the Judgment in Default of Appearance dated 1 August 2004 ("Default Judgment") from the Court for the sum of RM52,500,000, interest thereon at the rate of 8% per annum from the date of judgment to the date of realisation and cost of RM225. On 10 November 2004, PKNK applied to the Court to set aside the Default Judgment. On 3 August 2005, the Court has allowed the PKNK's application to set aside the Default Judgment. As a procedural step to progress the suit to a trial, ASB's solicitors had on 29 December 2005 forwarded to the Court for filing of the Notice to Attend Pre-Trial Case Management and the Pre-Trial Case Management was fixed for hearing on 17 May 2006. Due to a change in PKNK's lawyers, the PKNK's lawyers had asked for an adjournment on the grounds that they required time to take their client's instructions and there is a likelihood for an application to amend the statement of defence. The Court has fixed the Pre-Trial Case Management for mention on 18 September 2006. The lawyers have opined that ASB has a good cause of action against PKNK and the likely outcome of the proceedings would be a decision in favour of ASB.

- (c) ASB had on 1 July 2005 announced that it had received a Petition under Section 181 of the Act on minority oppression from an individual, K.K. Gopakumaran Nair A/L Krishna Karnavar (“Petitioner”) in relation to some matters pertaining to Plastic Centre Sdn Bhd (“PCSB”). The Petitioner’s alleged grounds and claims against ASB in the petition dated 6 April 2005 are, among others, to seek for various declaration orders, order for indemnity including but not limiting ASB to jointly and severally pay to and indemnify PCSB with interest the amount that were allegedly written off as bad debts for year 2001. ASB is named as the 7th Respondent, together with eight (8) other parties. ASB has sought legal advice on the matter, and is of the view that the petition principally involved the other shareholders/parties of PCSB, rather than ASB (as ASB has effectively sold its entire shareholding in PCSB since 14 September 2001). ASB have also filed an indemnity and contribution claim against the 8th Respondent, namely Gedong Bakti Sdn Bhd. The matter is scheduled for hearing on 30 June 2006 at the Shah Alam High Court. The lawyers have also opined that although the final outcome of this matter is currently uncertain, the petition has no merit and therefore arguably will not succeed.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company during normal business hours between Monday and Friday (except on public holidays) for a period of two (2) weeks from the date of this Information Circular:-

- (a) the Memorandum and Articles of Association of ASB;
- (b) the audited financial statements of ASB for the past two (2) financial years ended 31 December 2004 and 31 December 2005 and the unaudited financial results for the financial period ended 31 March 2006;
- (c) the letter of consent as referred to in Section 2 above;
- (d) the material contracts referred to in Section 3 above;
- (e) the relevant cause papers in respect of material litigation referred to in Section 4 above; and
- (f) the valuation reports issued by the Registered Valuer.