ADVANCE SYNERGY BERHAD ("ASB")
PROPOSED ACQUISITION OF UP TO 51.25% EQUITY INTEREST IN POSTHOTEL AROSA AG ("Arosa") BY HOLIDAY VILLA SUBANG SDN BHD ("HV Subang"), AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF ASB (HELD VIA ALANGKA-SUKA HOTELS & RESORTS SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF ASB)

Contents:

1. Introduction

We wish to inform the Exchange that ASB had via its indirect wholly-owned subsidiary, HV Subang, (held via Alangka-Suka Hotels & Resorts Sdn Bhd, a wholly-owned subsidiary of ASB), entered into a Share Purchase and Obligation of Purchase Agreement ("Agreement") on 2 June 2012 to acquire 40% equity interest in Arosa comprising 800 fully paid up registered shares of CHF500 each ("Shares") for a cash consideration of CHF 4'157'002 (equivalent to RM13,718,107) from the existing shareholders of Arosa, namely Mr Jacques Rüdisser and Mrs Verena Maria Rüdisser ("Sellers")("Proposed Acquisition").

The Agreement was entered into between HV Subang and Kibar Konsep Sdn Bhd ("Kibar Konsep"), a company related to a director of ASB, (hereinafter referred to as "Purchasers") and the Sellers for HV Subang and Kibar Konsep to each acquire 800 Shares in Arosa representing 40% equity interest in Arosa.

Pursuant to the Agreement, HV Subang has also agreed to purchase 11.25% additional equity interest in Arosa comprising 225 Shares at CHF 5'314.29 per Share within a period of 5 years after execution of the Agreement ("Additional Purchase"). Upon completion of the Additional Purchase, HV Subang will hold a total of 1,025 Shares representing 51.25% equity interest in Arosa and Arosa shall become an indirect subsidiary of ASB held via HV Subang.

2. Information on Arosa

Arosa is a Swiss stock corporation (Aktiengesellschaft) with its corporate domicile in Arosa, registered under the registration number CH-350.3.005.060-7 in the commercial register of the canton of Grisons. Arosa was formed on 12 February 1926 and its principal activities are in the hotel operations. Its share capital is CHF1'000'000 divided into 2'000 fully paid up registered shares with a nominal value of CHF 500 each.

Arosa owns a hotel known as Posthotel Arosa (hereinafter referred to as "Posthotel Arosa" or "Hotel") located at Oberseepromenade, CH 7050 Arosa, in the holiday ski resort of Arosa, Switzerland. Posthotel Arosa is strategically located near the railway station, ski lift and cable car station and overlooking the lake "Obersee" with a beautiful mountain view. Posthotel Arosa features a 6-storey building with 58 guest rooms. The room size ranges from 16 to 28 square metres. The land surface area is 1,606 square metres while the net floor area is 4,180 square metres. Posthotel Arosa is a freehold property and was built in 1929. There are 5 restaurants, 1 disco lounge and 1 night club, a spa and 1 solarium room in Posthotel Arosa.

A summary of the financial results of Arosa is as follows:-

Financial Year ended	Audited 30 April 2012 (CHF)	Audited 30 April 2012^ (RM equivalent)
Profit after tax	698,093*	2,274,007*
Net assets	2,044,007	6,745,223
Bank Borrowings	4,600,000#	15,180,000#

Notes:

* Included gain on disposal of shares and a property totalling of CHF 973,400.

Secured by Posthotel Arosa.

^ Exchange rate: RM3.30 to CHF 1.00.

3. **Details of the Proposed Acquisition**

HV Subang shall pay the consideration in cash at completion. The consideration of the Proposed Acquisition will be funded by bank borrowing and/or internal resources.

The salient features of the Agreement are as follows:-

a. The completion of this Agreement is conditional upon the Purchasers being satisfied in all respects prior to the closing date with the results of its due diligence into the affairs of Arosa comprising legal, tax and financial based on the documents received then by the Purchasers.

b. With the transfer of the Shares, the Purchasers shall receive unrestricted ownership in the Shares as well as unrestricted status as a shareholder including the right to a dividend for the business year 2012/2013.

c. HV Subang is obligated to purchase an additional 225 Shares representing 11.25% of the share capital of Arosa from the Sellers within a period of 5 years after execution of the Agreement, at a purchase price of CHF5'314.29 for each Share. HV Subang may purchase these Shares at anytime within this period by making a written unilateral declaration for the attention of the Sellers.

d. If the purchase price is not paid at the closing date, latest on 15 June 2012 or with a delay of 5 days ("Completion Date"), the Sellers may resign from the Agreement anytime by giving written notice to the Purchasers.

e. The Sellers warrant that at the Completion Date, the Agreement will not lead to early termination of the Framework Agreement, dated November 11, 2009, with the Bank Linth AG and the Agreement of Products, dated June 16, 2011, with the Bank Linth AG in CH-Lachen.

f. The period for claiming warranties shall be 24 months after the Completion Date.

Other than the liabilities in Arosa, there will be no liabilities to be assumed by HV Subang under the terms of the Agreement. The Shares are acquired with all rights attaching to them with effect from the Completion Date.

A valuation report for Posthotel Arosa dated 24 March 2012 was prepared by Mr Luzius U. Graf, Dipl. Architekt FH of Wingertweg 11 7000 Chur (“Valuation Report”) and the market value for the Hotel amounts to CHF13’564’000. Together with the inventory and the belongings in the Hotel, the total value is CHF17’164’000.

The consideration of the Proposed Acquisition and Additional Purchase is arrived at on a willing-buyer willing-seller basis after taking into consideration, amongst others, the market value of Hotel.

The Proposed Acquisition is expected to be completed on 15 June 2012. Upon completion of the Proposed Acquisition, Arosa shall become an indirect associated company of ASB held via HV Subang.

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

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

The highest percentage ratio pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that is applicable to the Proposed Acquisition is 17.14%.

4. Information on HV Subang

HV Subang was incorporated in Malaysia on 23 February 1995. HV Subang is currently dormant and has an authorised share capital of RM100,000 divided into 100,000 ordinary shares of RM1.00 each, of which 2 ordinary shares are issued and fully paid.

5. Information on the Sellers

The Sellers, citizens of Switzerland, are the legal owners, fully entitled to dispose the Shares. The business of the Hotel is operated by the Sellers.

6. Effect of the Proposed Acquisition

The Proposed Acquisition has no effect on the share capital and substantial shareholders' shareholdings of ASB as it does not involve issuance of securities.

Other than any fair value adjustment pursuant to the accounting standard Malaysian Financial Reporting Standards (“MFRS”) 128 Investments in Associates which will be determined only after the completion of the Proposed Acquisition, the Proposed Acquisition is not expected to have any material effect on the earnings per share and net assets per share of ASB Group for the financial year ending 31 December 2012.

7. **Rationale and Prospects**

The Proposed Acquisition represents a unique opportunity for our hotel and resorts division to acquire a real estate in Switzerland. The Proposed Acquisition is also in line with our intention to have a greater presence in Europe and this will further enhance our hospitality operations in major cities around the world. In addition to that, our hotel and resorts division believes that the inclusion of this hotel property will be a big boost to the overall strategic planning for the expansion of a home grown Malaysian brand into the Europe market.

8. **Risks Factors**

The risks involved in the Proposed Acquisition would be industry specific and general risks associated with the tourism and hospitality industry, for example, risks relating to general economic and political climate, customer preferences as well as seasonal vagaries, natural disasters, epidemic and terrorism. With our experienced personnel in the hospitality industry, our hotel and resorts division 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 our hotel and resorts division in the course of running the business.

The hotel property is located in the holiday ski resort of Arosa, Switzerland with several competitors around its vicinity. However, our hotel and resorts division is confident that it is able to compete with the other competitors given that the hotel property is strategically located near the train station, ski lift and cable car station and is 5 minutes away from the golf course and that the regular clientele of the Holiday Villa hotels will be most supportive of a Malaysian based hotel in Switzerland.

Fluctuations in the exchange rate between the Swiss Franc and Malaysian Ringgit may affect investment returns of the Group. However, the Group will endeavour to match its income with expenditure in Swiss Franc to minimize movement in currency exchange. Also, the Group may use certain financial instruments for hedging purpose in the future depending on costs.

The Board of Directors of ASB is not aware of any other risks arising from the Proposed Acquisition which could have any material adverse effect on the financial and operating conditions of ASB Group.

9. **Directors' and major shareholders' interest**

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. **Directors' Recommendation**

The Board of Directors of ASB is of the opinion that the Proposed Acquisition is in the best interests of ASB Group.

[This announcement is dated 4 June 2012.]