ADVANCE SYNERGY BERHAD ("ASB" OR THE "COMPANY")
PROPOSED DISPOSAL OF THE ENTIRE SHAREHOLDING AND VOTING RIGHTS IN ALANGKA-SUKA PARIS ("ASP"), HOLIDAY VILLA LAFAYETTE PARIS ("HVLP") [WHOLLY-OWNED SUBSIDIARY HELD VIA ASP] AND LEGENDA DE MALAISIE ("LDM"), INDIRECT SUBSIDIARIES OF ASB HELD VIA ALANGKA-SUKA HOTELS & RESORTS SDN BHD ("ASHR"), A WHOLLY-OWNED SUBSIDIARY OF ASB

Contents:

Reference is made to the Company's announcement dated 10 February 2014 in respect of the aforesaid disposal.

1. INTRODUCTION

The Board of Directors of ASB wishes to announce that ASHR has on 7 May 2014 entered into 2 Share Purchase Agreements ("SPA") with Maranatha, a legal entity incorporated under the Laws of France with a share capital of EURO7,000,000, located at 148 traverse de la Martine Bâtiment A1, 13 011 MARSEILLE, registered with the MARSEILLE Register of Companies under number 500 162 979, represented by Mr Olivier Carvin, the President, or any other representatives ("the Purchaser"), for the Purchaser to acquire the Group's entire shareholding and voting rights ("Shares"), free from all securities, fees, options or other engagements in ASP, HVLP and LDM ("Acquiree Companies") at the value or price as defined in Section 2.3 below ("Proposed Disposal").

ASHR owns 70% of the shares and voting rights of ASP and the remaining 30% shareholding and voting rights is held by Memory Gate Sdn Bhd (862948-K), a non-related company ("MGSB"). MGSB has also entered into the SPA with the Purchaser. The disposal value or price (as defined in Section 2.3 below) shall be proportionate to their equity interest in ASP. HVLP is a wholly-owned subsidiary of ASP. ASHR owns 100% of the shareholding and voting rights of LDM.

(ASHR and MGSB are collectively known as "the Vendors".)

Upon completion of the Proposed Disposal, the Acquiree Companies shall cease to be indirect subsidiaries of ASB.

In conjunction with the Proposed Disposal, the Purchaser will be licensed by Antara Holiday Villas Sdn Bhd (a wholly-owned subsidiary of ASHR)("Licensor") to use the online hotel reservation system and the brand/trade mark "Holiday Villa" for the Hotel Property (as defined below) only for a fixed term of 5 years at a lump sum fee of EURO50,000 subject to the terms and conditions of a licence agreement to be entered into between the Licensor and the Purchaser on the Date of Completion (as defined in Section 2.4).

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Information on the Acquiree Companies

<u>ASP</u>

ASP was incorporated in France on 16 September 2009 with its registered office address at 46 rue de Trévise, 75009 PARIS. The share capital of ASP is EURO30,000, divided into 30,000 shares fully paid-up with a par value of EURO1.00 each.

ASP is the owner of the real estate asset located at 46 rue de Trévise, 75009 PARIS ("Hotel Property") with the exception of the nine rooms located on the 1st floor of the Hotel Property, which are not owned by ASP and are operated under a lease agreement.

HVLP

HVLP was incorporated in France on 16 September 2009 with its registered office address at 46 rue de Trévise, 75009 PARIS. The share capital of HVLP is EURO107,579, divided into 107,579 shares fully paid-up with a par value of EURO1.00 each after a capital cancellation of EURO512,421 on 2 March 2014 pursuant to the Laws of France.

HVLP owns and manages the hotel business located at the Hotel Property and the restaurant business located at the Restaurant Property (as defined below).

LDM

LDM was incorporated in France on 6 July 2010 with its registered office address at 46 rue de Trévise, 75009 PARIS. The share capital of LDM is EURO372,000, divided into 372,000 shares fully paid-up with a par value of EURO1.00 each.

LDM is the owner of the real estate asset located at 46 rue de Trévise, 75 009 PARIS ("Restaurant Property") in which the restaurant business is operated by HVLP.

ASP and HVLP became indirect subsidiaries of the Company on 16 September 2009 whilst LDM became an indirect subsidiary of the Company effective 6 July 2010. The President for the aforesaid companies is Puan Sri Datin Masri Khaw binti Abdullah, a Non-Independent Non-Executive Director of the Company.

2.2 Information of the Hotel Property and Restaurant Property

Hotel Property

The Hotel Property is located at Lot 4, 46 rue de Trévise, 75009 PARIS, France and within the central district of Paris (9th district). It is a freehold and was built more than 100 years ago. The Hotel Property is situated in the shopping and entertainment areas and is only about 10 minutes walk to the famous Garnier Opera, the department stores Galleries Lafayette and Printemps. The Hotel Property features 37 guest rooms (includes the nine rooms under a lease agreement). The land area is 510 square metres while the net floor area is 509 square metres.

The average occupancy rate of the Hotel Property for the financial year ended 31 December 2013 was 78.63% and the net book value of the Hotel Property was EURO3,041,367 as at 31 December 2013. The Hotel Property is currently pledged as one of the securities for bank loans granted by financial institutions.

Restaurant Property

The Restaurant Property is located at Lot 3, 46 rue de Trévise, 75009 PARIS, France and within the central district of Paris (9th district). It is a freehold and was built more than 100 years ago. The land area of this property is 152 square metres. The net book value of the Restaurant Property as at 31 December 2013 is EURO740,004. The Restaurant Property is currently pledged for bank loan granted by a financial institution.

2.3 Basis of arriving at the disposal value or price

The offer price from the Purchaser is EURO10,500,000 (equivalent to approximately RM46,839,450), being the value of the immovable assets and the business ("Asset") of ASP, HVLP and LDM with value assigned to the Asset ("Enterprise Value") of ASP, HVLP and LDM of EURO3,800,000, EURO5,500,000 and EURO1,200,000 respectively.

Pursuant to the SPA, the Initial Price of the Shares refers to the adjusted Enterprise Value after adding the current assets value and deducting the amount of current liabilities, shareholders' loans and existing loans of the Acquiree Companies as at 31 May 2014.

The Initial Price of the Shares shall be paid to the Vendors on the Date of Completion.

The Final Price shall be based on the adjusted Enterprise Value after adding the current assets value and deducting the amount of current liabilities, shareholders' loans and existing bank loans of the Acquiree Companies as at the Date of Completion. The parties agreed that any difference between the Initial Price of the Shares and the Final Price shall be settled within the timeframe as stated in the SPA.

2.4 Salient terms of the Proposed Disposal

The salient terms of the Proposed Disposal as set out in the SPA are as follows:

a. On 7 May 2014, the Purchaser has paid the Vendors a down payment of EURO525,000 ("Down Payment") held in an interest bearing escrow account.

b. Completion shall take place on 7 July 2014 ("Date of Completion").

c. On the Date of Completion, the Vendors shall receive the Initial Price of the Shares less the Guaranteed Amount (as defined below) ("Net Completion Sum").

d. To secure the performance by the Vendors of the indemnification obligations set forth in the SPA, a total of EURO320,000 (the "Guaranteed Amount") shall be kept in escrow with the escrow agent. Out of which, EURO120,000 will be kept until 7 January 2016 from the Date of Completion and the remaining EURO200,000 will be kept until 7 July 2016.

e. If the completion does not occur on or before the Date of Completion, the SPA shall be terminated and the parties shall have no further obligations to each other, except with respect to the confidentiality obligations under the SPA. The Down Payment (together with any accrued interest thereon) shall be paid to the Vendors unless the Vendors have failed to provide to the Purchaser the requisite documents as stated in the SPA by the Date of Completion, in which cases the Down Payment together with any accrued interest thereon shall be paid to the Purchaser.

f. On the Date of Completion, the Purchaser shall transfer the funds required by the Acquiree Companies to repay the shareholders' loans and the existing bank loans fully.

g. The SPA for the disposal of Shares in ASP and HVLP and the SPA for the disposal of Shares in LDM are inter-conditional.

2.5 Utilisation of Proceeds

The net proceeds arising from the Proposed Disposal after repayment of bank borrowings and estimated expenses are expected to be utilised in full within 24 months from the Date of Completion as working capital for ASB Group and/or for strategic investment and acquisition focusing primarily on businesses with growth potentials.

2.6 Assumed Liabilities

There are no liabilities to be assumed by the Purchaser arising from the Proposed Disposal other than the liabilities recorded in the accounts of the Acquiree Companies as at the Date of Completion.

2.7 Original Cost of Investments and Date of Investments

Acquiree Companies	**Date of Investment**	**Original cost of investment (in EURO)**
ASP	10.06.2009 16.09.2009 01.10.2009 16.10.2009	1,000 10,000 5,000 5,000 Total: 21,000
HVLP	16.09.2009 31.01.2014	20,000 600,000 Total: 620,000
LDM	06.07.2010 27.03.2014	10,000 362,000 Total: 372,000

3. RATIONALE

The Proposed Disposal offers a good opportunity for the Company to unlock and realise the value of its investments in the Acquireee Companies.

4. INFORMATION ON ASHR AND THE PURCHASER

4.1 ASHR

ASHR was incorporated on 31 March 1994 under the Companies Act, 1965 as a private company limited by shares. The principal activity of ASHR is investment holdings.

ASHR has an authorised share capital of RM200,000,000 divided into 200,000,000 ordinary shares of RM1.00 each. The issued and fully paid-up share capital of ASHR is RM119,443,000 divided into 119,443,000 ordinary shares of RM1.00 each.

4.2 The Purchaser

Details of the Purchaser have been disclosed under Section 1 of this announcement.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

For illustration purposes only, the financial effects of the Proposed Disposal as set out in the ensuing subsections are based on the ASB Group's audited financial statements as at 31 December 2013 and assuming the Proposed Disposal has been completed as at that date:

5.1 Net Assets ("NA") and Gearing

For illustrative purposes only, the effect of the Proposed Disposal on the NA and gearing of ASB Group based on the audited consolidated financial statements of the ASB Group as at 31 December 2013, and assuming the Proposed Disposal had been completed as at that date are set out as follows:

	Audited as at 31 December 2013 RM'000	Proforma After the Proposed Disposal RM'000
Share capital	154,175	154,175
Share premium	117,317	117,317
Retained earnings	45,466	(1) 55,394
Other reserves	15,501	(2) 17,463
ICULS(3) – equity component	108,669	108,669
	441,128	453,018
No. of shares (4) ('000)	513,917	513,917
NA per share (RM)	0.86	0.88
Borrowings (RM'000)	82,942	(5) 72,307
Gearing (times)	0.19	0.16

Notes:

(1) After net gains arising from the Proposed Disposal of approximately RM9.9 million including reclassification of foreign exchange reserve to income statement and after deducting estimated expenses relating to the Proposed Disposal.

(2) After reclassifying net loss on foreign exchange reserve to income statement.

(3) 2% 10-Year Irredeemable Convertible Unsecured Loan Stocks at 100% of the nominal value of RM0.15 each issued by ASB.

(4) Based on the issued and paid up share capital of ASB as at 31 December 2013.

(5) After deconsolidating ASP Group's borrowing upon completion and repayment of bank borrowing.

5.2 Earnings and Earnings Per Shares ("EPS")

The actual gain or loss arising from the Proposed Disposal will depend on the assets or liabilities position of ASP, HVLP and LDM at the Date of Completion of the Proposed Disposal, Final Price and the actual expenses incurred by ASB Group in connection with the Proposed Disposal.

For illustrative purposes only, based on the latest available audited financial statements of the ASP, HVLP and LDM as at 31 December 2013, and assuming that the Proposed Disposal had been completed as at that date, the Proposed Disposal will result in an estimated net gain on disposal of approximately RM9.9 million as follows:

	Audited as at 31 December 2013 RM'000	**Proforma After the Proposed Disposal RM'000**
Loss attributable to owner of ASB	(24,745)	[1](14,817)
Weighted average number of shares in issue ('000)	513,820	513,820
EPS per share (sen)	(4.82)	(2.88)

Note:

(1) After including net gains arising from the Proposed Disposal of approximately RM9.9 million including reclassification of foreign exchange reserve to income statement and deducting estimated expenses relating to the Proposed Disposal.

Upon completion of the Proposed Disposal, ASB Group will no longer be able to consolidate the earnings of ASP, HVLP and LDM.

5.3 <u>Share Capital and Substantial Shareholders' Shareholding</u>

The Proposed Disposal will not have any effect on the share capital and substantial shareholders' shareholding of ASB.

6. CASH COMPANY OR PRACTICE NOTE 17 COMPANY

The Proposed Disposal will not result in ASB becoming a cash company or a Practice Note 17 company, as defined under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

7. APPROVALS REQUIRED

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

8. 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 Disposal.

9. DIRECTORS' STATEMENT

The Board of Directors having considered all aspects of the Proposed Disposal is of the opinion that the Proposed Disposal is in the best interest of the Company.

10. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Main LR of Bursa Securities is 8.67%.

11. ESTIMATED TIMEFRAME FOR COMPLETION OF THE PROPOSED DISPOSAL

Bearing any unforeseen circumstances, the Proposed Disposal is expected to be completed by 7 July 2014.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The Letter of Intent and the SPA 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.

This announcement is dated 9 May 2014.