

ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE THREE MONTHS ENDED
31 DECEMBER 2007

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the three months ended 31 December 2007.

This interim report is prepared in accordance with Financial Reporting Standards (“FRS”) No. 134 “Interim Financial Reporting” and paragraph 9.22 of the Bursa Malaysia Securities Berhad’s Listing Requirements, and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2006.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	<u>3 months ended</u>		<u>Year to date</u>	
	<u>31.12.2007</u>	<u>31.12.2006</u>	<u>31.12.2007</u>	<u>31.12.2006</u>
	<u>Unaudited</u>		<u>Unaudited</u>	<u>Audited</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	75,664	63,562	223,500	230,674
Cost of sales	<u>(41,979)</u>	<u>(47,195)</u>	<u>(133,390)</u>	<u>(153,981)</u>
Gross profit	33,685	16,367	90,110	76,693
Other operating income	1,327	4,076	6,052	19,402
Operating expenses	<u>(35,388)</u>	<u>(63,440)</u>	<u>(104,273)</u>	<u>(142,171)</u>
Profit/(Loss) from operations	(376)	(42,997)	(8,111)	(46,076)
Finance costs	(4,036)	(5,554)	(17,997)	(17,815)
Share of results of associated companies	<u>5,235</u>	<u>(803)</u>	<u>10,243</u>	<u>8,002</u>
Profit/(Loss) before taxation	823	(49,354)	(15,865)	(55,889)
Taxation	<u>696</u>	<u>2,614</u>	<u>(2,393)</u>	<u>254</u>
Net Profit/(loss) for the financial year	<u><u>1,519</u></u>	<u><u>(46,740)</u></u>	<u><u>(18,258)</u></u>	<u><u>(55,635)</u></u>
Attributable to:				
Equity holders of the Company	(2,278)	(23,319)	(14,646)	(27,903)
Minority Interests	<u>3,797</u>	<u>(23,421)</u>	<u>(3,612)</u>	<u>(27,732)</u>
	<u><u>1,519</u></u>	<u><u>(46,740)</u></u>	<u><u>(18,258)</u></u>	<u><u>(55,635)</u></u>
Profit/(Loss) per share attributable to equity holders of the Company				
(i) Basic (based on 337,793,619 shares) (sen)	<u>(0.67)</u>	<u>(6.90)</u>	<u>(4.34)</u>	<u>(8.26)</u>
(ii) Fully diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited As at <u>31.12.2007</u> RM'000	Audited As at <u>31.12.2006</u> RM'000 (Restated)
ASSETS		
<u>Non current assets</u>		
Property, plant and equipment	317,951	345,469
Prepaid lease payment	8,364	8,707
Investment in associated companies	73,132	74,598
Land held for development	-	5,893
Investment securities	62,224	73,884
Goodwill on consolidation	103,541	103,542
Purchased goodwill	1,346	1,346
Intangible assets	2,982	4,758
Receivables	516	4,435
Deferred tax assets	1,047	1,711
	571,103	624,343
<u>Current assets</u>		
Property development costs	36,968	39,028
Progress billings	5,102	17,210
Inventories	22,287	29,019
Receivables	88,095	64,216
Tax recoverable	4,029	15,156
Marketable securities	2,019	3,003
Short term deposits	30,072	33,772
Cash and bank balances	26,801	24,312
	215,373	225,716
Non-current assets held for sale	244	-
TOTAL ASSETS	<u>786,720</u>	<u>850,059</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	337,794	337,794
Reserves	(5,188)	11,429
	<u>332,606</u>	<u>349,223</u>
Minority interests	<u>140,925</u>	<u>144,653</u>
Total equity	473,531	493,876
<u>Non current liabilities</u>		
Term loans	62,377	80,328
Finance lease creditor	108,155	108,008
Hire purchase creditors	804	1,007
Deferred tax liabilities	2,896	6,216
Retirement benefits	340	303
Deferred income	45	31
	<u>174,617</u>	<u>195,893</u>
<u>Current liabilities</u>		
Payables	79,034	78,786
Bank overdrafts	570	8,367
Short term borrowings	57,969	70,522
Taxation	999	2,615
	<u>138,572</u>	<u>160,290</u>
Total Liabilities	313,189	356,183
TOTAL EQUITY AND LIABILITIES	<u>786,720</u>	<u>850,059</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Attributable to equity holders of the Company									
				Non-distributable						
	Share Capital	Share Premium	Capital Reserve	Revaluation Reserve	Exchange Fluctuation Reserve	Reserve on Consolidation	Accumulated Losses	Total	Minority Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at										
1 January 2007	337,794	430,437	-	43,436	(1,250)	-	(461,194)	349,223	144,653	493,876
Translation gain/(loss)		-	-	(4)	(1,966)	-	-	(1,971)	(116)	(2,087)
Net gain/(loss) recognised in equity statements	-	-	-	(4)	(1,966)	-	-	(1,971)	(116)	(2,087)
Net loss for the financial year	-	-	-	-	-	-	(14,646)	(14,646)	(3,612)	(18,258)
Balance as at 31 December 2007	337,794	430,437	-	43,432	(3,216)	-	(475,840)	332,606	140,925	473,531

FOR THE YEAR ENDED 31 DECEMBER 2006

	Attributable to equity holders of the Company									
				Non-distributable						
	Share Capital	Share Premium	Capital Reserve	Revaluation Reserve	Exchange Fluctuation Reserve	Reserve on Consolidation	Accumulated Losses	Total	Minority Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at										
1 January 2006 as previously stated	337,794	430,437	(1,792)	50,866	12,214	9,219	(442,046)	396,692	173,901	570,593
Effect of adopting FRS 3	-	-	-	-	-	(9,219)	9,219	-	-	-
Balance as at 1 January 2006 (Restated)	337,794	430,437	(1,792)	50,866	12,214	-	(432,827)	396,692	173,901	570,593
Translation gain/(loss)	-	-	-	-	(12,136)	-	-	(12,136)	(56)	(12,192)
Deficit on revaluation of properties	-	-	-	(7,430)	-	-	-	(7,430)	(28)	(7,458)
Effect of new acquisition	-	-	-	-	-	-	-	-	(833)	(833)
Effect of share buy back	-	-	-	-	-	-	-	-	(86)	(86)
Share of dividend receivable	-	-	-	-	-	-	-	-	(513)	(513)
Transfer to accumulated losses	-	-	1,792	-	-	-	(1,792)	-	-	-
Realisation of exchange fluctuation reserve	-	-	-	-	(1,328)	-	1,328	-	-	-
Net gain/(loss) recognised in equity statements	-	-	1,792	(7,430)	(13,464)	-	(464)	(19,566)	(1,516)	(21,082)
Net loss for the financial year	-	-	-	-	-	-	(27,903)	(27,903)	(27,732)	(55,635)
Balance as at 31 December 2006	337,794	430,437	-	43,436	(1,250)	-	(461,194)	349,223	144,653	493,876

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Unaudited 12 months ended 31.12.2007 RM'000	Audited 12 months ended 31.12.2006 RM'000 (Restated)
Operating Activities		
Loss before taxation	(15,865)	(55,889)
Adjustments for :-		
Depreciation / Amortisation	20,791	21,519
Other investing and financing items and non-cash items	15,901	31,733
Operating profit/(loss) before working capital changes	<u>20,827</u>	<u>(2,637)</u>
Net changes in working capital		
Decrease in current assets	5,980	14,169
(Decrease)/Increase in current liabilities	454	8,286
Cash generated from operating activities	<u>27,261</u>	<u>19,818</u>
Taxes refunded/(paid)	7,118	(7,361)
Net cash from operating activities	<u><u>34,379</u></u>	<u><u>12,457</u></u>
Investing Activities		
Equity investments	17,509	43,009
Property, plant and equipment	(4,055)	(16,068)
Other investments	980	(4,369)
Net cash from investing activities	<u><u>14,434</u></u>	<u><u>22,572</u></u>
Financing Activities		
Dividend paid	-	(505)
Acquisition of treasury shares	-	(15)
Repayment of borrowings	(14,868)	(11,499)
Other payments	(17,833)	(17,679)
Net cash used in financing activities	<u><u>(32,701)</u></u>	<u><u>(29,698)</u></u>
Effect of exchange rate changes	(6,242)	(14,933)
Net increase/(decrease) in cash and cash equivalents	<u><u>9,870</u></u>	<u><u>(9,602)</u></u>
Cash and cash equivalents as at beginning of financial year		
As previously reported	<u>24,568</u>	<u>34,409</u>
Effect of exchange rate changes	<u>(40)</u>	<u>(239)</u>
As restated	24,528	34,170
Cash and cash equivalents as at end of financial year *	<u><u>34,398</u></u>	<u><u>24,568</u></u>
* Cash and cash equivalents at the end of the financial year comprise the following :		
Short term deposits	30,072	33,772
Cash and bank balances	26,801	24,312
Bank overdrafts	(570)	(8,367)
	<u>56,303</u>	<u>49,717</u>
Less : Deposits placed with finance lease creditor	<u>(15,301)</u>	<u>(15,301)</u>
Deposits pledged to licensed banks	<u>(6,604)</u>	<u>(9,848)</u>
	<u>(21,905)</u>	<u>(25,149)</u>
	<u><u>34,398</u></u>	<u><u>24,568</u></u>

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

The unaudited interim financial report has been prepared in compliance with FRS 134 - "Interim Financial Reporting" and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2006.

Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2006 except for the adoption of the new/revised Financial Reporting Standards ("FRS") 124 (Related Party Disclosures) and 117 (Leases) effective for the financial year beginning 1 January 2007 and 1 April 2007 respectively.

The adoption of revised FRS 124 does not result in significant changes in accounting policies of the Group and the Company. The principal change in the accounting policies and their effect resulting from the adoption of FRS 117 are discussed below:-

FRS 117: Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The upfront payment made for the leasehold land represents prepaid lease payment and are amortised on a straight line basis over the lease term.

Prior to 1 April 2007, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and accumulated impairment loss.

Upon adoption of the revised FRS 117 as at 1 April 2007, the reclassification of leasehold land as prepaid lease payment has been accounted for retrospectively as follows:-

	Previously stated RM'000	FRS 117 RM'000	Restated RM'000
<u>As at 31 December 2006</u>			
Property, plant and equipment	354,176	(8,707)	345,469
Prepaid lease payment	-	8,707	8,707
<u>As at 31 March 2007</u>			
Property, plant and equipment	354,311	(8,690)	345,621
Prepaid lease payment	-	8,690	8,690

2. Audit report

The auditors' report on the financial statements for the year ended 31 December 2006 was not subject to any qualification.

3. Seasonal or cyclical factors

The operations of the Group for the quarter ended 31 December 2007 were not materially affected by any seasonal or cyclical factors except for the transportation operations under Advance Synergy Capital Berhad ("ASC") Group, whereby ASC Group normally benefits from the higher levels of passenger loading during the festive seasons and school holidays in

4. Unusual items

There were no unusual items for the financial year under review.

5. Changes in estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the quarter under review.

6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial year ended 31 December 2007.

7. Dividends paid

There was no payment of any dividend during the financial year ended 31 December 2007.

8. Segmental Reporting

For the year ended 31 December 2007

	Investment Holding	Property Development	Hotels and Resorts	Information and Communications Technology	Bus Transportation Services	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External	6,047	22,871	82,396	56,713	10,511	44,962	-	223,500
Inter-segment	6,796	78	-	-	-	337	(7,211)	-
Total revenue	12,843	22,949	82,396	56,713	10,511	45,299	(7,211)	223,500
Results								
Segment results	2,468	935	10,942	(9,879)	(20,342)	(8,858)	(1,374)	(26,108)
Share of results of associated companies	10,243	-	-	-	-	-	-	10,243
Consolidated loss before taxation								(15,865)
Taxation								(2,393)
Consolidated loss after taxation								(18,258)
Minority interests								3,612
Net loss for the financial period								(14,646)

	Investment Holding	Property Development	Hotels and Resorts	Information and Communications Technology	Bus Transportation Services	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information								
Segment assets	159,974	65,142	320,491	124,808	12,228	25,869	-	708,512
Investment in associated companies	73,132	-	-	-	-	-	-	73,132
Unallocated corporate assets								5,076
Total assets								786,720
Segment liabilities	62,542	10,127	193,353	22,343	1,593	19,336	-	309,294
Unallocated corporate liabilities								3,895
Total liabilities								313,189
Capital expenditure	1,183	36	3,066	1,882	546	180	-	6,893
Depreciation	1,305	195	6,879	4,135	5,494	1,008	-	19,016
Impairment loss on:								
- property, plant and	-	-	-	-	7,540	-	-	7,540
- investment security	-	-	-	-	-	-	-	-
- associated companies	-	-	-	-	-	-	-	-
Write back impairment loss on investment in quoted securities	4,340	-	-	-	-	-	-	4,340
Amortisation on intangible	-	-	-	1,776	-	-	-	1,776
Non cash expenses other than depreciation	877	-	66	10,293	1,528	80	-	12,844

8.Segmental Reporting (Continued)
For the year ended 31 December 2006

	Investment Holding	Property Development	Hotels and Resorts	Information and Communications Technology	Bus Transportation Services	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External	4,116	39,075	81,101	36,903	20,196	49,283	-	230,674
Inter-segment	3,979	78	-	99	-	406	(4,562)	-
Total revenue	8,095	39,153	81,101	37,002	20,196	49,689	(4,562)	230,674
Results								
Segment results	(27,970)	2,394	19,165	(11,580)	(42,623)	130	(3,407)	(63,891)
Share of results of associated companies	8,002							8,002
Consolidated loss before taxation								(55,889)
Taxation								254
Consolidated loss after taxation								(55,635)
Minority interests								27,732
Net loss for the financial period								(27,903)

	Investment Holding	Property Development	Hotels and Resorts	Information and Communications Technology	Bus Transportation Services	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information								
Segment assets	172,591	82,073	321,726	124,504	26,516	31,184	-	758,594
Investment in associated companies	74,598	-	-	-	-	-	-	74,598
Unallocated corporate assets								16,867
Total assets								850,059
Segment liabilities	79,360	23,632	197,299	13,667	5,449	27,945	-	347,352
Unallocated corporate liabilities								8,831
Total liabilities								356,183
Capital expenditure	3,752	230	2,869	1,258	7,857	419	-	16,385
Depreciation	1,237	241	6,722	4,572	7,137	1,610	-	21,519
Impairment loss on:								
- property, plant and	-	-	1,621	441	15,334	-	-	17,396
- investment security	12,393	-	-	-	-	-	-	12,393
- associated companies	5,458	-	-	-	-	-	-	5,458
Amortisation on intangible	-	-	-	1,396	-	-	-	1,396
Non cash expenses other than depreciation	1,146	-	235	2,780	100	23	-	4,284

9. Property, plant and equipment

The valuations of land and buildings have been brought forward without amendment from the financial statements for the year ended 31 December 2006.

10. Events subsequent to the balance sheet date

There are no events subsequent to the balance sheet date.

11. Changes in the composition of the Group

On 12 April 2007, Alangka-Suka Hotels & Resorts Berhad (“ASHR”), a 99.63%-owned subsidiary of the Company, acquired 40% equity interest in Greenvox Development Sdn Bhd (“Greenvox”), comprising 4 issued and paid-up ordinary shares of RM1.00 each. On 17 May 2007, Greenvox changed its name to Holiday Villa Kuala Lumpur Sdn Bhd.

ASHR had received the Certificate of Incorporation of Private Company dated 20 April 2007 for the incorporation of a 40%-owned associated company in Malaysia, known as Holiday Villa Hotels & Resorts Sdn Bhd.

On 4 June 2007, the Company had announced that its 58.3%-owned subsidiary, Unified Communications Sdn Bhd, incorporated a wholly-owned subsidiary, known as GlobeOSS Pte Ltd, with an issued and paid-up share capital of SGD2.00 in the Republic of Singapore on 4 June 2007.

On 6 July 2007, the Company announced the following changes in the Group structure:-

- a) ASHR had acquired the entire issued and paid-up share capital of Super Leisure Sdn Bhd (“SLSB”), a wholly-owned subsidiary of the Company held through Excellent Display Sdn Bhd, another wholly-owned subsidiary of the Company, at a nominal cash consideration of RM100.00. Consequently, SLSB became a wholly-owned subsidiary of ASHR.
- b) The issued and paid-up capital of Suntop Corporation Sdn Bhd (“Suntop”), a wholly-owned subsidiary of ASHR, had been enlarged with the allotment of new shares to other new investors to facilitate the development of the resort and holiday homes project in Kota Tinggi, Johor to be undertaken by Suntop. Consequently, the equity interest of ASHR in Suntop has been reduced from 100% to 40%. Suntop therefore ceased to be a subsidiary of the Company.

There were no other changes in the composition of the Group for the current financial year to date.

12. Changes in contingent liabilities

There were no changes in contingent liabilities since 31 December 2007.

13. Review of performance

The Group recorded a lower loss after taxation of RM18.3 million for the year ended 31 December 2007 as compared to a loss after taxation of RM55.6 million for the year ended 31 December 2006. The improved results is mainly due to lower impairment loss on property, plant and equipment, lower impairment loss on investments, reduction in the Group's operating expenses as well as higher contribution from associated companies.

14. Comparison of results with preceding quarter

For the quarter under review, the Group made a profit after taxation of RM1.5 million compared to a loss after taxation of RM11.3 million for the preceding quarter ended 30 September 2007. The improvement in results is mainly attributable to lower impairment loss on property, plant and equipment, higher dividend income received from investment securities and higher contribution from associated companies.

15. Prospects

Barring unforeseen circumstances, the Directors expect the Group's performance for the financial year ending 31 December 2008 to be satisfactory.

16. Board of Directors' opinion on revenue or profit estimate, forecast, projection or internal targets

The Group did not previously announce or disclose any revenue or profit estimate, forecast, projection or internal targets in a public document.

17. Profit variance and shortfall in profit guarantee

Not Applicable.

18. Taxation

	3 months ended <u>31.12.2007</u> RM'000	Year to date <u>31.12.2007</u> RM'000
On current year's results		
- Malaysian income tax	2,641	5,198
- Overseas taxation	(474)	95
(Over) / under provision in prior year	(2,839)	(2,839)
Transfer from deferred taxation	(25)	(62)
	<u>(696)</u>	<u>2,393</u>

The effective tax rate of the Group for the financial year under review is higher than the statutory tax rate. This is mainly due to certain expenses which were not deductible for taxation purposes and the non-availability of group relief where tax losses of certain subsidiary companies cannot be set off against the taxable income of other subsidiary companies.

19. Profit/ (loss) on Sale of Unquoted Investments and/or Properties

There were no profit/(loss) on sales of unquoted investments and/or properties for the current quarter and financial year to date.

20. Quoted securities

Details of purchases and sales of quoted securities by the Group are as follows :-

	3 months ended <u>31.12.2007</u> RM'000	Year to date <u>31.12.2007</u> RM'000
Total purchases	<u>322</u>	<u>1,550</u>
Total disposals	<u>726</u>	<u>2,847</u>
Total gain on disposals	<u>-</u>	<u>460</u>

Details of investment in quoted securities by the Group as at 31 December 2007 are as follows :-

	RM'000
- at cost	<u>22,635</u>
- at carrying value	<u>14,255</u>
- at market value	<u>14,676</u>

21. Status of corporate proposals

- (a) On 25 March 1996, the Company announced that it had accepted the offer from Perbadanan Kemajuan Negeri Kedah ("PKNK") to purchase from the Company 52,500,000 ordinary shares of RM1.00 each representing 70% equity interest in Kedah Marble Sdn Bhd ("KMSB") for a total cash consideration of RM59,797,500 ("Proposed Sale of KMSB"). While the Proposed Sale of KMSB is still pending implementation, 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.

The Company had on 14 June 2004 instituted legal action vide Alor Setar High Court Civil Suit No. 22-95-2004 against PKNK to recover its investment in KMSB. Details of this legal suit are set out in Note 24(b).

- (b) On 20 February 2006, 22 June 2006 and 5 April 2007, CIMB Investment Bank Berhad (“CIMB”) announced on the Company's behalf that the Company is proposing to implement the following:-
- (i) Proposed Capital Reduction which comprises :-
 - proposed reduction of the issued and paid-up share capital of the Company from a maximum of RM506,690,428 comprising 506,690,428 ordinary stock units in the Company (“ASB Stock Units”) of RM1.00 each (assuming that all of the Company's 168,896,809 warrants constituted by Deed Poll dated 28 April 2000 and Supplemental Deed Poll dated 24 July 2003 (“ASB Warrants”) are exercised and 168,896,809 new ASB Stock Units arising therefrom are issued before the cut-off date for the Proposed Capital Reduction) to RM152,007,128 comprising 506,690,428 ASB Stock Units of RM0.30 each, by cancelling RM0.70 of par value from every ASB Stock Unit of RM1.00 each to reduce the accumulated losses in the Company (“Proposed Par Value Reduction”); and
 - proposed reduction of up to the entire amount in the share premium account of the Company to reduce the accumulated losses in the Company (“Proposed Share Premium Account Reduction”).
 - (ii) Proposed renounceable rights issue of up to RM266,012,475 nominal value of 2% 10-year irredeemable convertible unsecured loan stocks (“ICULS”) at 100% of the nominal amount of RM0.15 each (or equivalent of up to 1,773,416,498 ICULS) on the basis of RM0.525 nominal value of ICULS (or equivalent to 3.5 ICULS) for every one (1) ASB Stock Unit held, which may be implemented on a two (2)-call basis (where the first call will be settled via cash payment while the second call will be settled via capitalisation of the Company's share premium account) on an entitlement date and at a cash call amount to be determined and announced later (“Proposed Rights Issue”);
 - (iii) Proposed increase in the authorised share capital of the Company from RM800,000,000 divided into 800,000,000 ordinary shares of RM1.00 each to RM900,000,000 divided into 900,000,000 ordinary shares of RM1.00 each (“Proposed Increase in Authorised Share Capital”); and
 - (iv) Proposed conversion of stock units to ordinary shares (“Proposed Conversion”)

On 5 December 2007, CIMB announced on behalf of the Company that the Company has resolved to do the following:-

- (i) to implement the Proposed Rights Issue on a two (2)-call basis;
- (ii) to fix the first cash call amount at RM0.07 per ICULS; and
- (iii) to fix the second non-cash call amount at RM0.08 per ICULS which will be paid out of the share premium account of the Company.

(Collectively, referred to as the “Proposals”)

The Proposed Rights Issue and the Proposed Capital Reduction are inter-conditional upon one another. The Proposed Increase in Authorised Share Capital and the Proposed Conversion are not conditional on any other proposals.

The proceeds from the Proposed Rights Issue will be primarily used for repayment of bank borrowings and working capital of the Group

The Proposals are subject to the approvals of various parties and authorities as announced which has been obtained in the course of implementing the Proposals.

On 29 June 2007, the shareholders of the Company approved all the resolutions pertaining to the Proposals at the Extraordinary General Meeting held on the same date. Consequently, the Proposed Increase in Authorised Share Capital and the Proposed Conversion were effected.

Following the receipt of the sealed Order of the High Court of Malaya confirming the Proposed Capital Reduction and reduction of the Company's share premium account to pay up the second non-cash call amounting to RM0.08 per ICULS (“Share Premium Account Reduction for Second Call”) in relation to the Proposed Rights Issue and the lodgement of the same with the Registrar of Companies on 28 January 2008, the Proposed Capital Reduction and Share Premium Account Reduction for Second Call became effective on that date.

On 31 January 2008, the 1,182,277,666 ICULS issued pursuant to the Proposed Rights Issue were listed on the Main Board of Bursa Malaysia Securities Berhad.

In view of the above, CIMB has, on behalf of the Company, announced on 31 January 2008 that the Proposed Capital Reduction and Proposed Rights Issue have been completed.

- (c) On 10 December 2007, the Company announced that based on the provisions under the deed poll dated 28 April 2000 (as amended by a supplemental deed poll dated 24 July 2003) constituting the ASB Warrants, the exercise price of the ASB Warrants of RM1.00 per ASB Share will be adjusted to RM0.71 per ASB Share with effect from 27 December 2007 ("Adjustment to the Exercise Price").

On 31 December 2007, the Company announced that the duration and exercise period of the 168,896,809 outstanding ASB Warrants will be extended for a further period of two (2) years from 28 August 2008 up to and including 28 August 2010 in view of the condition for further extension being triggered ("Further Extension"). Details of the condition for Further Extension are set out in the said announcement.

On 17 January 2008, a Notice to Warranholders was despatched to the Company's Warranholders in relation to the Further Extension and the Adjustment to the Exercise Price.

22. Group borrowings

- (a) Details of the bank borrowings by the Group are as follows :-

	<u>As At</u> <u>31.12.2007</u> RM'000	<u>As At</u> <u>31.12.2006</u> RM'000
Short term - secured	53,256	71,008
- unsecured	5,283	7,881
Long term - secured	62,377	80,328
- unsecured	-	-
Finance lease creditor	108,155	108,008
	<u>229,071</u>	<u>267,225</u>

- (b)

	<u>As At</u> <u>31.12.2007</u> RM'000	<u>As At</u> <u>31.12.2006</u> RM'000
US Dollars	-	757
Australian Dollars	5,213	7,881
Sterling Pounds	2,560	2,917
Singapore Dollars	226	771

23. Off balance sheet financial instruments

The Group does not have any financial instruments with off balance sheet risk as at the date of this report.

24. Material litigation

- (a) A third party action was filed by American Home Assurance Company ("AHA") on 24 October 2002 against Rewardstreet.com (Malaysia) Sdn Bhd ("Rewardstreet.com"), a wholly-owned subsidiary of iSynergy. 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 interest at 8% per annum. An application filed by Rewardstreet.com 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 Rewardstreet.com, was not successful. The case is fixed for mention on 4 March 2008 for the court to transfer the file to Court (D5). The solicitors acting for Rewardstreet.com are of the opinion that they may negate any liability, which is alleged by the Defendant in this suit.

(b) The Company had on 14 June 2004 instituted legal action against PKNK to recover its investment of RM52,500,000 in KMSB together with other sums, damages, interests and costs. The Company's solicitors had 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 allowed PKNK's application to set aside the Default Judgment. As a procedural step to progress the suit to a trial, the Company's solicitor 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 solicitors, PKNK's new solicitors had asked for an adjournment on the grounds that they require time to take their client's instructions and there is a likelihood for an application to amend the Statement of Defence. The Court had fixed the Pre-Trial Case Management for mention on 21 November 2006. PKNK's new solicitors filed an application to amend PKNK's Statement of Defence and the application was also fixed for hearing on 21 November 2006. On 21 November 2006, the Court granted leave to PKNK to amend their Statement of Defence. The Court has fixed for further Case Management on 31 March 2008 to enable the parties to comply with the Court's directions. The Company's solicitors for the litigation are of the opinion that the Company has a good cause of action against PKNK and the likely outcome of the proceedings would be a decision in favour of the Company.

25. Dividend

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2007.

26 Loss per share

The calculation of basic loss per share for the three months ended 31 December 2007 is based on the Group's net loss attributable to equity holders of the Company for the financial period of RM2,278,000 divided by the number of shares in issue during the period of 337,793,619.

27. Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
Date: 29 February 2008