ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE THREE MONTHS ENDED 30 JUNE 2006

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the three months ended 30 June 2006.

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 2005.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	3 months ended		Year To Date 6 months ended	
	30.06.2006 RM'000	30.06.2005 RM'000	30.06.2006 RM'000	30.06.2005 RM'000
Revenue	55,060	58,957	104,367	113,612
Cost of sales	(33,923)	(32,526)	(64,352)	(63,022)
Gross profit	21,137	26,431	40,015	50,590
Other operating income	1,650	8,471	13,485	14,159
Operating expenses	(25,633)	(30,502)	(53,344)	(55,937)
(Loss)/Profit from operations	(2,846)	4,400	156	8,812
Finance cost	(4,595)	(4,561)	(9,280)	(10,611)
Share of results of associated companies	678	7,147	3,441	13,816
(Loss)/Profit before taxation	(6,763)	6,986	(5,683)	12,017
Taxation	(322)	(633)	(1,227)	(1,526)
(Loss)/Profit after taxation	(7,085)	6,353	(6,910)	10,491
Attributable to:				
Equity Holders of The Parent	(5,538)	2,947	(3,151)	4,649
Minority Interests	(1,547)	3,406	(3,759)	5,842
	(7,085)	6,353	(6,910)	10,491
(Loss)/Earnings per stock unit				
(i) Basic (based on 337,793,619 stock units)	(1.64) sen	0.87 sen	(0.93) sen	1.38 sen
(ii) Fully diluted	N/A	N/A	N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	AS AT 30.06.2006 RM'000	AS AT 31.12.2005 RM'000
NON CURRENT ASSETS		
Property, plant and equipment	383,855	428,834
Investment in associated companies	75,924	82,798
Land held for development	5,893	5,893
Investment securities	94,587	77,863
Goodwill on consolidation	103,302	103,349
Purchased goodwill	1,319	1,342
Intangible assets	4,998	4,923
Deferred tax assets	1,765	1,753
	671,643	706,755
CURRENT ASSETS		
Property development costs	43,935	40,166
Accrued progress billings	7,910	17,909
Inventories	40,909	44,941
Receivables	83,823	80,114
Tax recoverable	13,745	12,978
Marketable securities	3,116	3,742
Short term deposits	24,534	11,928
Cash and bank balances	25,331	33,384
	243,303	245,162
CURRENT LIABILITIES		
Payables	75,889	75,411
Bank overdrafts	8,106	7,168
Short term borrowings	55,158	106,224
Taxation	5,440	7,234
	144,593	196,037
Net Current Assets	98,710	49,125
NON CURRENT LIABILITIES		
Term loans	149,466	175,022
Finance lease creditor	52,872	0
Hire purchase creditors	940	1,305
Deferred tax liabilities	8,619	8,665
Retirement benefits	278	262
Deferred income	47	33
	212,222	185,287
	558,131	570,593
EQUITY		
Share capital	337,794	337,794
Reserves	50,101	58,898
Total Stockholders' equity	387,895	396,692
Minority interests	170,236	173,901
TOTAL EQUITY	558,131	570,593

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Attributable to equity holders of the parent								Minority Interests	Total Equity
		Non-distributable					Distributable			
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Revaluation Reserve RM'000	Exchange Fluctuation Reserve RM'000	Reserve on Consolidation RM'000	Accumulated Losses RM'000	Total 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 (loss)/gain				(2)	(5,644)			(5,646)	20	(5,626)
Effect of new acquisition									673	673
Effect of share buy-back									(86)	(86)
Share of dividend receivable									(513)	(513)
Realisation of exchange fluctuation reserve					(1,328)		1,328		-	
Net (loss)/gain not recognised in the income statement				(2)	(6,972)		1,328	(5,646)	94	(5,552)
Net loss for the period							(3,151)	(3,151)	(3,759)	(6,910)
Balance as at 30 June 2006	337,794	430,437	(1,792)	50,864	5,242	-	(434,650)	387,895	170,236	558,131

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Attributable to equity holders of the parent								Minority Interests	Total Equity
		Non-distributable					Distributable			
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Revaluation Reserve RM'000	Exchange Fluctuation Reserve RM'000	Reserve on Consolidation RM'000	Accumulated Losses RM'000	Total RM'000	RM'000	RM'000
Balance as at 1 January 2005	337,794	430,437	(1,792)	46,724	15,533	10,058	(448,635)	390,119	182,972	573,091
Translation loss					(3,321)			(3,321)	(389)	(3,710)
Effect of share buy-back									(4,491)	(4,491)
Share of dividend receivable									(521)	(521)
Net loss not recognised in the income statements					(3,321)			(3,321)	(5,401)	(8,722)
Amortisation of reserve on consolidation						(419)		(419)		(419)
Net profit for the period							4,649	4,649	5,842	10,491
Balance as at 30 June 2005	337,794	430,437	(1,792)	46,724	12,212	9,639	(443,986)	391,028	183,413	574,441

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2006

	30.06.2006 RM'000	30.06.2005 RM'000
Operating Activities		
(Loss)/Profit before taxation	(5,683)	12,017
Adjustments for :-		
Depreciation / Amortisation	9,562	9,490
Other non-cash expenses	(5,095)	(18,818)
Operating (loss) / profit before working capital changes	(1,216)	2,689
Net changes in working capital		
Decrease/(Increase) in current assets	6,297	(292)
Increase in current liabilities	5,564	4,417
Cash generated from operating activities	10,645	6,814
Taxes paid	(3,792)	(2,790)
Net cash generated from operating activities	6,853	4,024
Investing Activities		
Equity investments	23,542	8,236
Property, plant and equipment	(9,636)	(28,024)
Other investments	82	710
Net cash generated from / (used in) investing activities	13,988	(19,078)
Financing Activities		
Acquisition of treasury shares	(16)	(1,317)
Drawdown/(Repayment) of borrowings	2,934	(26,676)
Other payments	(9,280)	(13,963)
Net cash used in financing activities	(6,362)	(41,956)
Effect of exchange rate changes	(10,784)	542
Net increase / (decrease) in cash and cash equivalents	3,695	(56,468)
Cash and cash equivalents as at beginning of financial period		
As previously reported	34,409	118,816
Effect of exchange rate changes	(80)	(767)
As restated	34,329	118,049
Cash and cash equivalents as at end of financial period*	38,024	61,581

*** Cash and cash equivalents at the end of the financial period comprise the following :**

	30.06.2006 RM'000	30.06.2005 RM'000
Short term deposits	24,534	29,470
Cash and bank balances	25,331	37,218
Bank overdrafts	(8,106)	(1,400)
	41,759	65,288
Less : Deposits pledged to licensed banks	(3,735)	(3,707)
	38,024	61,581

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 2005.

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 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for the financial period beginning 1 January 2006 :-

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investment in Associates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The adoption of the above FRS does not have significant financial impact on the Group except for FRS 3. The principal effects of the changes in accounting policies resulting from the adoption of new/revised FRSs are as follows :-

(a) FRS 3: Business Combinations.

The adoption of this new FRS has resulted in the Group ceasing annual goodwill amortisation. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in the income statement and subsequent reversal is not allowed. Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life. The carrying amount of goodwill on consolidation and purchased goodwill as at 1 January 2006 of RM104,691,000 ceased to be amortised. This has the effect of reducing the amortisation charges by RM1,650,000 for the six months ended 30 June 2006.

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill"), after reassessment, is now recognised immediately in the income statement. Prior to 1 January 2006, negative goodwill was amortised over the useful life of the non-monetary assets acquired. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM9,219,000 has been derecognised with a corresponding increase in retained earnings.

(b) FRS 101: Presentation of Financial Statements

The Group has applied the revised FRS 101 which has resulted in the changes of presentation of share of net after-tax results of associated companies. Prior to 1 January 2006, the Group presented the share of results of associated companies before tax and share of tax expenses of associated companies on the face of consolidated income statement.

Minority interests are now required to be presented within total equity in the consolidated balance sheet. In the consolidated income statement, minority interests are presented as an allocation of the net profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure on the face of statement of changes in equity, total recognized income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statement is based on the revised requirement of FRS 101, with the comparatives restated to conform with the current period's presentation.

2. Audit report

The auditors' report on the financial statements for the year ended 31 December 2005 was not subject to any qualification.

3. Seasonal or cyclical factors

The operations of the Group for the three months ended 30 June 2006 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 Malaysia.

4. Unusual items

There were no unusual items for the financial period 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

During the financial quarter under review, ASC repurchased a total of 49,000 of its ordinary shares from the open market for a total consideration of RM14,809. All the shares bought back were retained as treasury shares. As at 30 June 2006, the total number of treasury shares held were 5,949,735 shares. ASC is a 52.76%-owned subsidiary of the Company as at 30 June 2006.

Apart from the above , there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended 30 June 2006.

7. Dividends paid

There was no payment of any dividend during the six months ended 30 June 2006.

8. Segmental Reporting

For the financial period ended 30 June 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	3,610	13,182	39,484	14,606	10,547	22,938		104,367
Inter-segment	2,396	7					(2,403)	-
Total revenue	6,006	13,189	39,484	14,606	10,547	22,938	(2,403)	104,367
Results								
Segment results	(7,287)	781	17,249	(4,896)	(10,505)	944	(5,410)	(9,124)
Share of results of associated companies								3,441
Consolidated loss before taxation								(5,683)
Taxation								(1,227)
Consolidated loss after taxation								(6,910)
Minority interests								3,759
Net loss for the financial period								(3,151)

	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	206,725	84,065	324,624	131,116	50,102	26,880		823,512
Investment in associated companies	75,924	-	-	-	-	-	-	75,924
Unallocated corporate assets								15,510
Total assets								914,946
Segment liabilities	87,751	22,719	187,596	13,604	4,504	26,582	-	342,756
Unallocated corporate liabilities								14,059
Total liabilities								356,815
Capital expenditure	3,432	220	1,624	565	4,024	157		10,022
Depreciation	610	121	2,494	2,392	2,638	715	-	8,970
Non cash expenses other than depreciation	172	-	140	1,363	-	4	-	1,679

8. Segmental Reporting (Continued)

For the financial period ended 30 June 2005

	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	4,971	8,081	35,335	27,967	9,929	27,329	-	113,612
Inter-segment	2,590	12	-	-	-	-	(2,602)	-
Total revenue	7,561	8,093	35,335	27,967	9,929	27,329	(2,602)	113,612
Results								
Segment results	777	443	7,746	(584)	(5,848)	(5,163)	830	(1,799)
Share of results of associated companies								13,816
Consolidated profit before taxation								12,017
Taxation								(1,526)
Consolidated profit after taxation								10,491
Minority interests								(5,842)
Net profit for the financial period								4,649

	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	217,695	85,860	375,270	147,410	52,628	27,050	-	905,913
Investment in associated companies	74,322	-	-	-	-	-	-	74,322
Unallocated corporate assets								13,700
Total assets								993,935
Segment liabilities	140,332	16,563	187,403	17,754	4,013	40,148	-	406,213
Unallocated corporate liabilities								13,281
Total liabilities								419,494
Capital expenditure	18,550	27	1,629	7,256	2,216	723	-	30,401
Depreciation	521	92	2,527	2,327	1,344	747	-	7,558
Non cash expenses other than depreciation	319	-	205	2,066	-	138	-	2,728

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 2005.

10. Events subsequent to the balance sheet date
For events subsequent to the balance sheet date, please refer to Note 20(c) and (f).

11. Changes in the composition of the Group
On 23 January 2006, the Company had announced that Holiday Villas International Limited, a wholly-owned subsidiary of Alangka-Suka Hotels & Resorts Berhad ("ASHR"), which in turn is a 99.63%-owned subsidiary of the Company, had acquired 7 issued and paid-up ordinary shares of USD1.00 each representing 70% equity interest in a shelf company, Celestial Beauty Limited ("CLB"), a company incorporated in the British Virgin Islands. On 26 January 2006, CLB changed its name to Holiday Villa Middle East Limited.

On 13 February 2006, the Company had announced that the disposal of Alangka-Suka International Limited's entire shareholding of 2 ordinary shares of USD1.00 each representing 100% of the total issued and paid-up share capital in Interwell International Limited ("IIL"), a company incorporated in the British Virgin Islands, had been completed. Consequently, IIL has ceased to be a subsidiary of the Company.

On 1 March 2006, the Company had announced that its subsidiary, Unified Communications Sdn Bhd had received the Certificate of Incorporation of Private Company dated 23 February 2006 for the incorporation of a 51%-owned subsidiary in Malaysia, known as GlobeOSS Sdn Bhd.

The Company's direct equity interest in Synergy Cards Sdn Bhd (formerly known as Super Odyssey Sdn Bhd) ("SCSB") had on 28 April 2006 been diluted from 100% to 51% due to the increase in SCSB's issued and paid-up share capital pursuant to the Restructuring Plan as set out in Note 20(e). However, after taking into consideration the 29% direct equity interest held by ASC, a 52.76%-owned subsidiary of the Company, in SCSB, the Company's effective equity interest in SCSB is 66.30%.

Pursuant to the same Restructuring Plan as set out in Note 20(e), the share capital of the Company's other 51%-owned subsidiary, iSynergy Sdn Bhd ("iSynergy"), had on 28 April 2006 also been restructured to reflect the same shareholding structure as in SCSB. The Company's direct equity interest in iSynergy remained as 51% while the effective equity interest increased from 51% to 66.30% after taking into consideration the 29% direct equity interest held by ASC in iSynergy.

There were no other changes in the composition of the Group for the current financial period todate.

12. Changes in contingent liabilities
There were no changes in contingent liabilities since 31 December 2005.

13. Review of performance
The Group generated a total revenue of RM 104.4 million for the six months ended 30 June 2006 compared to RM 113.6 million for the corresponding period in the previous year, a decline of 8.1%. The decline in revenue coupled with a lower profit contribution from associated companies have resulted in a loss after taxation of RM 6.9 million for the six months ended 30 June 2006 compared to a profit after taxation of RM 10.5 million for the corresponding period in 2005.

14. Comparison of results with preceding quarter
The Group recorded a loss after taxation of RM 7.1 million for the quarter under review compared to a profit after taxation of RM 0.18 million for the preceding quarter ended 31 March 2006. The results for the quarter ended 31 March 2006 includes a gain of RM 10.8 million arising from the disposal of the Group's entire equity interest in Interwell International Limited.

15. Current year prospects
Barring unforeseen circumstances, the Directors expect the Group's performance for the financial year ending 31 December 2006 to be satisfactory.

16. Profit variance and shortfall in profit guarantee
Not applicable.

17. Taxation

	3 months ended 30.06.2006 RM'000	Year to date 30.06.2006 RM'000
On current period's results		
- Malaysian income tax	203	760
- Overseas taxation	120	522
Transfer from deferred taxation	(1)	(55)
	322	1,227

The effective tax rate of the Group for the financial period 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.

18. Unquoted investments and properties

There were no sales of unquoted investments and/or properties for the six months ended 30 June 2006.

19. Quoted securities

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

	3 months ended 30.06.2006 RM'000	Year to date 30.06.2006 RM'000
Total purchases	33	160
Total disposals	750	948
Total gain on disposals	90	202

Details of investment in quoted securities by the Group as at 30 June 2006 are as follows :-

	RM'000
- at cost	58,610
- at carrying value	26,446
- at market value	13,743

20. Status of corporate proposals

(a) On 25 March 1996, the Company had 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 23(b).

(b) The approval of the Securities Commission ("SC") for ASC's Proposed Return of Capital (completed on 31 December 2002), Proposed Bonus Issue (completed on 31 December 2002), Proposed Acquisition of ACE Synergy Insurance Berhad ("ACE") (completed on 15 January 2003) and Proposed Acquisition of Konsortium Bas Ekspres Semenanjung (M) Sdn Bhd ("KBES") (rescinded on 13 November 2002) was subject to, inter alia, the condition that ASC be required to either liquidate or dispose of ASC Equities Sdn Bhd and ASC Credit Sdn Bhd within one (1) year from the date of the completion of the Proposed Acquisition of ACE and Proposed Acquisition of KBES. ASC had on 6 January 2004 written to the SC seeking their approval to waive the said condition.

20. Status of corporate proposals (Continued)

On 20 October 2005, the Board of Directors of ASC announced that the SC had in its letter dated 18 October 2005 waived the condition that ASC be required to either liquidate or dispose of its interests in ASC Equities Sdn Bhd, but did not approve the waiver application in respect of ASC Credit Sdn Bhd.

The Board of Directors of ASC also announced that ASC had accepted the SC's decision in respect of ASC Equities Sdn Bhd but intends to make another appeal to the SC with justification for the retention of ASC Credit Sdn Bhd.

(c) On 13 December 2005, the Company had announced that its subsidiaries, Alor Setar Holiday Villa Sdn Bhd ("ASHV"), Cherating Holiday Villa Berhad ("CHV") and Langkawi Holiday Villa Sdn Bhd ("LHV") had each accepted an offer from Amanah Raya Berhad ("Purchaser") to acquire Holiday Villa Alor Setar, Holiday Villa Cherating and Holiday Villa Langkawi ("the Hotels") respectively 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 the Purchaser ("Proposed Sale").

Simultaneously, the Purchaser 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 ("Extended Lease") ("Leaseback"). The Leaseback is guaranteed by ASHR, a subsidiary of the Company and the holding company for ASHV, CHV and LHV. The net rental per annum for the Leaseback shall range from 6.7% to 7.3% of the respective final purchase price over the lease period. The net 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 the Purchaser the respective Hotels at the same consideration paid by the Purchaser now for each of the Hotels amounting to a total consideration of up to RM105 million upon the expiry of the Leaseback period ("Option to Buy Back").

The Proposed Sale, Leaseback and Option to Buy Back were formalised under three (3) sale and purchase agreements and three (3) lease agreements (with option to buy back) all dated 20 February 2006 entered into between the Purchaser and ASHV, CHV and LHV respectively.

On 20 February 2006, the Company announced that the final cash purchase price of the respective Hotels under the Proposed Sale were RM28.0 million, RM21.872 million and RM50.0 million respectively and ASHV, CHV and LHV shall buy back the respective Hotels at a price of RM29.0 million, RM23.0 million and RM53.0 million respectively at the end of the Leaseback period.

On 24 April 2006, the Company announced that two (2) supplemental sale and purchase agreements and two (2) supplemental lease agreements all dated 21 April 2006 were entered between the Purchaser and ASHV and LHV respectively to vary, among others, the following:-

(i) The final cash purchase price for Holiday Villa Alor Setar and Holiday Villa Langkawi are RM31.0 million and RM55.0 million respectively;

(ii) The duration of the Extended Lease for Holiday Villa Alor Setar and Holiday Villa Langkawi were varied from a period of five (5) years to a period of ten (10) years;

(iii) The average rental of both leases shall be 7% per annum on the purchase price of Holiday Villa Alor Setar and Holiday Villa Langkawi respectively for the initial term of ten (10) years; and

(iv) ASHV and LHV shall have an option at the end of the Leaseback period to buyback Holiday Villa Alor Setar and Holiday Villa Langkawi at a price to be determined based on their respective then prevailing market value to be determined based on the Discounted Cash Flow Method and the Comparable Method adopted by the Registered Valuer in arriving at their respective purchase price and shall be subject to the then existing Guidelines on Real Estate Investment Trusts issued by the Securities Commission.

The proposed sale of Holiday Villa Alor Setar and Holiday Villa Cherating were completed on 23 June 2006 and accordingly, the Leaseback of Holiday Villa Alor Setar and Holiday Villa Cherating have commenced on the same date. The proposed sale of Holiday Villa Langkawi was completed on 13 July 2006 and the Leaseback of Holiday Villa Langkawi has commenced on the same date.

20. Status of corporate proposals (Continued)

(d) On 20 February 2006, the Company had announced the following proposals :-

(i) Proposed Capital Reduction involving :-

- 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 all of the Company's warrants constituted by Deed Poll dated 28 April 2000 ("ASB Warrants") are exercised and the 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 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 the share premium account of the Company of up to RM206,949,328 to reduce the accumulated losses in the Company ("Proposed Share Premium Account Reduction").

(Collectively, referred to as the "Proposed Capital Reduction")

(ii) Proposed renounceable two (2)-call 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 on the basis of RM0.525 nominal value of ICULS (or equivalent to 3.5 ICULS) for every one (1) ASB Stock Unit of RM1.00 each held on an entitlement date and at a cash call amount to be determined and announced later ("Proposed Rights Issue"). The ICULS are proposed to be implemented via two (2)-calls, the first being a cash call and the second call being a capitalisation from the Company's share premium account;

(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 3,000,000,000 ordinary shares of RM0.30 each after the Proposed Capital Reduction ("Proposed Increase in Authorised Share Capital"); and

(iv) Proposed conversion of stock units to ordinary shares ("Proposed Conversion")

(Collectively, referred to as the "Proposals")

The proceeds to be raised from the Proposed Rights Issue will be primarily used for repayment of bank borrowing and working capital of the Group.

The Proposals are subject to the approvals to be obtained from the following parties:-

(i) The SC for the Proposed Rights Issue and the listing of and quotation for the ICULS and new ASB Stock Units to be issued pursuant to the conversion of ICULS;

(ii) The High Court of Malaya for the Proposed Capital Reduction and the utilisation of share premium account of the Company to pay up the second call for the Proposed Rights Issue;

(iii) Bursa Malaysia Securities Berhad for the listing of and quotation for ICULS and new ASB Stock Units to be issued pursuant to the conversion of ICULS;

(iv) The stockholders of the Company for the Proposals at a general meeting to be convened; and

(v) Any other relevant parties and/or authorities.

The Proposed Capital Reduction, the Proposed Rights Issue and the Proposed Increase in Authorised Share Capital are conditional upon one another. The Proposed Conversion is not conditional on any of the Proposals.

On 22 June 2006, the Company announced that the maximum amount to be deducted from the share premium account under the Proposed Capital Reduction would now be RM205,148,989 instead of RM206,949,328 as announced earlier on 20 February 2006. The revision was a result of lower accumulated losses of the Company for the financial year ended 31 December 2005 as compared to the financial year ended 31 December 2004, in which the original amount was derived from.

20. Status of corporate proposals (Continued)

In addition to the above, the Proposed Increase in Authorised Share Capital will be effected after the approval from the stockholders of the Company has been obtained, notwithstanding that the Proposed Capital Reduction and Proposed Rights Issue have yet to be implemented. As such, the Proposed Increase in Authorised Share Capital is not conditional upon the Proposed Capital Reduction and Proposed Rights Issue.

(e) On 10 April 2006, the Company had announced that the Board of Directors of the Company had approved the proposed restructuring plan of its 51%-owned subsidiary, iSynergy ("Restructuring Plan").

Under the Restructuring Plan :-

(i) Designated Payment Instruments ("DPI") business, namely issuing credit cards, charge cards and prepaid cards will be undertaken and housed under SCSB; and

(ii) iSynergy will continue to operate its existing non-DPI business like loyalty cards.

The Company, ASC, and Interpay International Resources Ltd ("IIR") had on 28 April 2006 subscribed in the form of cash for 1,019,998, 580,000 and 400,000 ordinary shares of RM1.00 each at par respectively to increase the issued and paid-up share capital of SCSB to RM2,000,000. As a result, the Company, ASC and IIR now holds 51%, 29% and 20% equity interest respectively in SCSB. In addition, ASC had on 8 May 2006 subscribed in the form of cash for 8,000,000 redeemable non-convertible preference shares of RM1.00 each issued at RM1.00 each by SCSB.

The share capital of iSynergy had on 28 April 2006 also been restructured to reflect the same shareholding structure as in SCSB. The Company, ASC and IIR now holds 51%, 29% and 20% respectively in the enlarged share capital of iSynergy.

The commencement of the DPI business by SCSB is subject to the approval of Bank Negara Malaysia which is still pending.

(f) On 8 August 2006, the Company had announced that its 99.63%-owned subsidiary, ASHR, has agreed to acquire 1,217,000 ordinary shares of RM1.00 each in ASHV, representing the remaining 10% of the total issued and paid-up share capital of ASHV not already owned by ASHR, from Che Din Holdings Sdn Bhd for a cash consideration of RM1,521,250.00 ("Proposed Acquisition").

The Proposed Acquisition was completed on 10 August 2006 and accordingly, ASHV has became a wholly-owned subsidiary of ASHR.

21. Group borrowings

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

	As At 30.06.2006 RM'000	As At 31.12.2005 RM'000
Short term - secured	63,264	113,311
- unsecured	-	81
Long term - secured	125,420	158,866
- unsecured	24,046	16,156
	212,730	288,414

(b) The Ringgit equivalent of Group borrowings denominated in foreign currencies are as follows :-

	As At 30.06.2006 RM'000	As At 31.12.2005 RM'000
US Dollars	789	12,900
Australian Dollars	8,597	12,919
Sterling Pounds	2,950	30,073
Singapore Dollars	2,699	6,866

22. 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.

23. 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 Court has fixed 30 August 2006 as the next mention date for case management. 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 18 September 2006. 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.

(c) The Company had on 1 July 2005 announced that the Company had received a Petition under Section 181 of the Companies Act, 1965 from an individual called K.K. Gopakumaran Nair A/L Krishna Karnavar ("the Petitioner") in relation to some matters connected to Plastic Centre Sdn Bhd ("PCSB"). The Company was named as the 7th Respondent, together with 8 other parties. The Company had on 3 July 2006 announced that the Petition against the Company was fully and effectively withdrawn in the Shah Alam High Court on 30 June 2006 by the Petitioner and as such, the Court had struck out the said Petition with no liberty to file afresh. The Petitioner had paid cost of RM20,000.00 to the Company pursuant to the said withdrawal of the Petition.

24. Dividend

The Directors do not recommend the payment of any interim dividend.

25. Loss per stock unit

The calculation of basic loss per stock unit for the three months ended 30 June 2006 is based on the Group's net loss attributable to equity holders of the parent for the financial period of RM5,538,000 divided by the number of stock units in issue during the period of 337,793,619.

26. Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
Date: 28 August 2006