

ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE THREE MONTHS ENDED
30 SEPTEMBER 2009

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the three months ended 30 September 2009.

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 2008.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	<u>Unaudited</u>		<u>Unaudited</u>	
	<u>3 months ended</u>		<u>Year to date</u>	
	<u>30.09.2009</u>	<u>30.09.2008</u>	<u>30.09.2009</u>	<u>30.09.2008</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	54,463	58,163	158,856	149,179
Cost of sales	<u>(33,762)</u>	<u>(33,491)</u>	<u>(99,477)</u>	<u>(84,231)</u>
Gross profit/(loss)	20,701	24,672	59,379	64,948
Other operating income	5,530	4,213	10,988	9,467
Operating expenses	<u>(24,435)</u>	<u>(31,269)</u>	<u>(68,401)</u>	<u>(80,331)</u>
Profit/(Loss) from operations	1,796	(2,384)	1,966	(5,916)
Finance costs	(2,041)	(2,238)	(5,587)	(6,385)
Share of results of associates	4,482	5,108	15,836	9,376
Profit/(Loss) before taxation	4,237	486	12,215	(2,925)
Taxation	<u>(626)</u>	<u>(674)</u>	<u>(2,050)</u>	<u>(1,696)</u>
Net profit/(loss) for the financial period	<u>3,611</u>	<u>(188)</u>	<u>10,165</u>	<u>(4,621)</u>
Attributable to:				
Equity holders of the Company	2,833	(749)	7,614	(3,123)
Minority interests	778	561	2,551	(1,498)
	<u>3,611</u>	<u>(188)</u>	<u>10,165</u>	<u>(4,621)</u>
Earnings/(Loss) per share attributable to equity holders of the Company:				
Basic (sen)	<u>0.60</u>	<u>(0.16)</u>	<u>1.63</u>	<u>(0.71)</u>
Diluted (sen)	<u>0.34</u>	<u>n/a</u>	<u>0.94</u>	<u>n/a</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited As at <u>30.09.2009</u> RM'000	Audited As at <u>31.12.2008</u> RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	192,873	202,123
Prepaid lease payments for land	2,455	2,529
Investment in associates	107,706	107,326
Other investments	58,345	56,175
Goodwill on consolidation	59,376	59,357
Intangible assets	5,573	4,469
Receivables	427	761
Deferred tax assets	3,135	3,242
	429,890	435,982
<u>Current assets</u>		
Property development costs	24,937	26,924
Progress billings	6,323	1,835
Inventories	36,934	38,922
Receivables	53,639	67,437
Tax recoverable	478	1,432
Marketable securities	1,712	1,314
Short term deposits	54,506	56,518
Cash and bank balances	46,025	38,887
	224,554	233,269
Non-current assets held for sale	-	1,176
TOTAL ASSETS	654,444	670,427
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	142,013	138,572
Irredeemable Convertible Unsecured Loan		
Stocks ("ICULS") - equity component	119,208	122,210
Reserves	165,916	147,246
	427,137	408,028
Minority interests	42,415	52,735
Total equity	469,552	460,763
<u>Non-current liabilities</u>		
Term loans	50,431	58,249
Irredeemable Convertible Unsecured Loan		
Stocks ("ICULS") - liability component	16,827	18,377
Finance lease creditor	20,789	20,789
Hire purchase creditors	283	372
Deferred tax liabilities	3,000	3,000
Retirement benefits	597	500
Deferred income	-	28
	91,927	101,315
<u>Current liabilities</u>		
Payables	59,059	73,488
Bank overdrafts	938	226
Short term borrowings	32,404	33,636
Taxation	564	999
	92,965	108,349
Total Liabilities	184,892	209,664
TOTAL EQUITY AND LIABILITIES	654,444	670,427

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2009

	← Attributable to equity holders of the Company →						Total	Minority Interests	Total Equity
	Share Capital	ICULS-Equity portion	← Non-distributable →			Retained Profits/ (Accumulated Losses)			
			Share Premium	Revaluation Reserve	Exchange Translation Reserve				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2009	138,572	122,210	117,317	12,725	3,222	13,982	408,028	52,735	460,763
Foreign currency translation	-	-	-	-	2,618	-	2,618	(684)	1,934
Realisation of revaluation and exchange translation reserve	-	-	-	(173)	(1,036)	-	(1,209)	-	(1,209)
Issue of new ordinary shares pursuant to the conversion of ICULS	3,441	(3,002)	-	-	-	-	439	-	439
Acquisition of additional interest from minority shareholders	-	-	-	-	-	9,647	9,647	(12,187)	(2,540)
Net (loss)/gain recognised in equity statements	3,441	(3,002)	-	(173)	1,582	9,647	11,495	(12,871)	(1,376)
Net profit/(loss) for the financial period	-	-	-	-	-	7,614	7,614	2,551	10,165
Balance as at 30 September 2009	142,013	119,208	117,317	12,552	4,804	31,243	427,137	42,415	469,552

FOR THE PERIOD ENDED 30 SEPTEMBER 2008

	← Attributable to equity holders of the Company →						Total	Minority Interests	Total Equity
	Share Capital	ICULS-Equity portion	← Non-distributable →			Retained Profits/ (Accumulated Losses)			
			Share Premium	Revaluation Reserve	Exchange Translation Reserve				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2008	337,794	-	430,437	12,721	6,006	(468,544)	318,414	140,836	459,250
Foreign currency translation	-	-	-	3	1,836	-	1,839	29	1,868
Par value reduction	(236,456)	-	-	-	-	236,456	-	-	-
Share premium reduction	-	-	(216,122)	-	-	216,122	-	-	-
Effect of share buy back	-	-	-	-	-	-	-	(32,355)	(32,355)
Issue of new ICULS	-	154,688	(94,582)	-	-	-	60,106	-	60,106
Issue of new ordinary shares pursuant to the conversion of ICULS	37,234	(32,478)	-	-	-	-	4,756	-	4,756
Expenses incurred in connection with issue of Right Issue	-	-	(2,414)	-	-	-	(2,414)	-	(2,414)
Net (loss)/gain recognised in equity statements	(199,222)	122,210	(313,118)	3	1,836	452,578	64,287	(32,326)	31,961
Net profit/(loss) for the financial period	-	-	-	-	-	(3,123)	(3,123)	(1,498)	(4,621)
Balance as at 30 September 2008	138,572	122,210	117,319	12,724	7,842	(19,089)	379,578	107,012	486,590

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2009**

	Unaudited 9 months ended <u>30.09.2009</u> RM'000	Unaudited 9 months ended <u>30.09.2008</u> RM'000
Operating Activities		
Profit before taxation	12,215	(2,925)
Adjustments for :-		
Depreciation / Amortisation	8,494	10,403
Other investing and financing items and non-cash items	(13,095)	1,581
Operating profit before working capital changes	<u>7,614</u>	<u>9,059</u>
Net changes in working capital		
(Increase)/Decrease in current assets	13,972	(1,953)
Increase/(Decrease) in current liabilities	(15,499)	(9,443)
Cash generated from/(used in) operating activities	<u>6,087</u>	<u>(2,337)</u>
Tax paid	(1,560)	(1,826)
Net cash from/(used in) operating activities	<u><u>4,527</u></u>	<u><u>(4,163)</u></u>
Investing Activities		
(Increase)/ Decrease in equity investments	9,746	(1,282)
(Increase)/ Decrease in property, plant and equipment	1,239	(1,012)
(Increase)/ Decrease in other investments	(663)	(1,818)
Net cash from investing activities	<u><u>10,322</u></u>	<u><u>(4,112)</u></u>
Financing Activities		
Acquisition of treasury shares	-	(4,092)
Proceeds from issuance of ICULS	-	82,759
Net drawdown/(repayment) of borrowings	(9,755)	(48,930)
Other payments	(5,587)	(6,385)
Net cash (used in)/from financing activities	<u><u>(15,342)</u></u>	<u><u>23,352</u></u>
Effect of exchange rate changes	5,777	811
Net increase in cash and cash equivalents	<u><u>5,284</u></u>	<u><u>15,888</u></u>
Cash and cash equivalents as at beginning of financial period		
As previously reported	71,130	39,532
Effect of exchange rate changes	(1,084)	125
As restated	70,046	39,657
Cash and cash equivalents as at end of financial period *	<u><u>75,330</u></u>	<u><u>55,545</u></u>
* Cash and cash equivalents at the end of the financial period comprising the following :		
Short term deposits	54,506	54,798
Cash and bank balances	46,025	27,407
Bank overdrafts	(938)	(1,770)
	<u>99,593</u>	<u>80,435</u>
Less : Deposits placed with lease creditors as security deposit for lease payments	(17,163)	(16,049)
Deposits pledged to licensed banks	(7,100)	(8,841)
	<u>(24,263)</u>	<u>(24,890)</u>
	<u><u>75,330</u></u>	<u><u>55,545</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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). 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 2008.

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 2008.

2. Audit report

The auditors' report on the financial statements for the year ended 31 December 2008 was not subject to any qualification.

3. Seasonal or cyclical factors

The operations of the Group for the quarter ended 30 September 2009 were not materially affected by any seasonal or cyclical factors.

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

For the nine-month period ended 30 September 2009, a total of 22,941,100 2% 10-Year Irredeemable Convertible Unsecured Loan Stocks at 100% of the nominal value of RM0.15 each ("ICULS") have been converted into 11,470,550 new ordinary shares of RM0.30 each of the Company by surrendering for cancellation two ICULS for every one new ordinary share of RM0.30 each in the Company.

Apart from the above, there were no issuances, cancellations, repurchases, resale and/or repayments of debt and equity securities during the financial period ended 30 September 2009.

7. Dividends paid

There was no payment of any dividend during the financial period ended 30 September 2009.

8. Segmental Reporting

For the nine months ended 30 September 2009

	Investment Holding	Property Development	Hotels & Resorts	Information & Communications Technology	Bus Transportation Services	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue									
External	233	14,490	52,861	28,742	9,602	41,065	11,863	-	158,856
Inter-segment	679	50	-	-	-	510	39	(1,278)	-
Total revenue	912	14,540	52,861	28,742	9,602	41,575	11,902	(1,278)	158,856
Results									
Segment results	(18,970)	1,020	4,452	3,490	(2,250)	1,373	(6,443)	13,707	(3,621)
Share of results of associates	15,836	-	-	-	-	-	-	-	15,836
Consolidated profit/ (loss) before taxation									12,215
Taxation									(2,050)
Consolidated profit/ (loss) after taxation									10,165
Minority interests									(2,551)
Net profit/ (loss) for the financial period									7,614

	Investment Holding	Property Development	Hotels & Resorts	Information & Communications Technology	Bus Transportation Services	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information									
Segment assets	92,052	67,601	207,566	127,936	10,126	13,546	24,298	-	543,125
Investment in associates	107,706	-	-	-	-	-	-	-	107,706
Unallocated corporate assets									3,613
Total assets									654,444
Segment liabilities	53,066	8,643	82,511	13,938	1,763	4,941	16,466	-	181,328
Unallocated corporate liabilities									3,564
Total liabilities									184,892
Capital expenditure	1,684	5	2,115	6,839	83	274	162	-	11,162
Depreciation	259	82	4,287	1,872	640	127	335	-	7,602
Amortisation	-	-	66	-	13	-	-	-	79
Impairment loss on: - investment in associates	3,174	-	-	-	-	-	-	-	3,174
Write back of impairment loss on: - investment securities	2,170	-	-	-	-	-	-	-	2,170
- investment in marketable securities	408	-	-	-	-	-	-	-	408
- inventories	-	-	-	-	554	-	-	-	554
Amortisation of intangible assets	-	-	-	813	-	-	-	-	813
Other non cash expenses	62	167	553	41	-	-	11	-	834

8.Segmental Reporting (Continued)
For the nine months ended 30 September 2008

	Investment Holding	Property Development	Hotels & Resorts	Information & Communications Technology	Bus Transportation Services	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue									
External	4,524	4,705	56,342	31,948	6,354	31,065	14,241	-	149,179
Inter-segment	616	52	-	-	-	163	-	(831)	-
Total revenue	5,140	4,757	56,342	31,948	6,354	31,228	14,241	(831)	149,179
Results									
Segment results	(18,846)	(121)	5,949	1,603	(3,295)	866	(6,606)	8,149	(12,301)
Share of results of associates	9,376	-	-	-	-	-	-	-	9,376
Consolidated profit/ (loss) before taxation									(2,925)
Taxation									(1,696)
Consolidated profit/ (loss) after taxation									(4,621)
Minority interests									1,498
Net profit/ (loss) for the financial period									(3,123)

	Investment Holding	Property Development	Hotels & Resorts	Information & Communications Technology	Bus Transportation Services	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information									
Segment assets	123,741	60,455	220,213	129,505	9,586	11,229	23,753	-	578,482
Investment in associates	89,093	-	-	-	-	-	-	-	89,093
Unallocated corporate assets									6,439
Total assets									674,014
Segment liabilities	34,039	8,831	97,130	20,922	1,801	5,244	16,051	-	184,018
Unallocated corporate liabilities									3,406
Total liabilities									187,424
Capital expenditure	343	4	1,545	496	158	103	36	-	2,685
Depreciation	1,138	135	3,348	2,499	1,341	92	583	-	9,136
Amortisation	-	-	-	68	13	-	-	-	81
Impairment loss on:									
- property, plant and equipment	3,792	-	-	-	1,371	-	-	-	5,163
- investment securities	4,260	-	-	-	-	-	-	-	4,260
- investment in associates	2,199	-	-	-	-	-	-	-	2,199
- investment in marketable securities	746	-	-	-	-	-	-	-	746
Amortisation of intangible assets	-	-	-	1,186	-	-	-	-	1,186
Other non cash expenses	477	-	43	276	1,220	-	-	-	2,016

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 2008.

10. Events subsequent to the balance sheet date

There are no events subsequent to the balance sheet date, save for those disclosed in Note 21(b) and Note 21(c).

11. Changes in the composition of the Group

(a) The following changes were made pursuant to the group-wide internal reorganisation exercise of Unified Communications Holdings Limited ("UCHL"), a 58.3%-owned subsidiary of the Company (held via Worldwide Matrix Sdn Bhd, another wholly-owned subsidiary of the Company):-

- (i) On 5 January 2009, Unified Communications Sdn Bhd ("UCSB") acquired the entire issued and paid-up share capital of Attrix Technology Pte Ltd ("ATPL") from Unified Communications Pte Ltd ("UCPL"), comprising 100,000 ordinary shares for a consideration of Singapore Dollar 1.00 only. Both UCSB and UCPL are wholly-owned subsidiaries of UCHL. Consequently, ATPL became a wholly-owned subsidiary of UCSB.
 - (ii) On 15 January 2009, the Company announced that UCHL had incorporated three wholly-owned subsidiaries in Malaysia, namely Unified Communications (VAS) Sdn Bhd ("UC(VAS)") (held via UCPL), Unified Communications (OSS) Sdn Bhd ("UC(OSS)") and Unified Communications (OHQ) Sdn Bhd ("UC(OHQ)"). All these subsidiaries have an issued and paid-up share capital of RM100.00. UC(VAS) was incorporated on 12 January 2009 while UC(OSS) and UC(OHQ) were both incorporated on 13 January 2009.
 - (iii) On 12 February 2009, UC(OSS) acquired 51,000 ordinary shares of RM1.00 each representing 51% equity interest in GlobeOSS Sdn Bhd ("GlobeOSS"), from UCSB for a total cash consideration of RM236,573.00. Consequently, GlobeOSS became a 51%-owned subsidiary of UC(OSS).
 - (iv) On 14 May 2009, UCPL acquired 2 ordinary shares of RM1.00 each representing the entire equity interest in Attritex Sdn Bhd ("ATSB"), from UCSB for a total cash consideration of RM2.00. Consequently, ATSB became a wholly-owned subsidiary of UCPL. Following the new allotment of shares by ATSB on 4 June 2009, UCPL's entire equity interest in ATSB is now represented by 1,932,513 ordinary shares of RM1.00 each.
- (b) On 4 March 2009, the Company acquired 443,000 ordinary shares of RM1.00 each, representing the remaining 0.37% equity interest in Alangka-Suka Hotels & Resorts Berhad ("ASHR") not already owned by the Company, for a total cash consideration of RM1,010,376.68. Consequently, ASHR became a wholly-owned subsidiary of the Company.
- (c) On 23 March 2009, Holiday Villas International Limited ("HVIL"), a wholly-owned subsidiary of ASHR acquired 25 ordinary shares of USD1.00 each, representing additional 25% equity interest in Holiday Villa China International Limited ("HV China") for a nominal cash consideration of USD25.00 only. Consequently, HV China became a 95%-owned subsidiary of HVIL.
- (d) On 8 July 2009, Synergy Cards Sdn Bhd ("SCSB") had allotted and issued 1,530,000 and 1,470,000 new ordinary shares of RM1.00 each to the Company and ASC respectively by way of a restricted renounceable rights issue to the existing shareholders of SCSB and capitalisation of advances from shareholders of SCSB. Consequently, ASC's equity interest in SCSB had been increased from 29% to 41% and the Company's effective equity interest in SCSB had accordingly increased to 89.28%.
- (e) On 28 August 2009, the Company announced that UCHL had incorporated a wholly-owned subsidiary in Malaysia, namely Mobilization Sdn Bhd with an issued and paid-up share capital of RM100.00.
- (f) On 17 September 2009, the Company announced that its wholly-owned subsidiary, ASHR, had incorporated the following subsidiaries in France to undertake the Acquisition as detailed in Note 21(b):-
- (i) a wholly-owned subsidiary of ASHR namely, Alangka-Suka Paris ("ASP"), a French Société par Actions Simplifiée (simplified joint stock company) with a share capital of 10,000 Euros; and
 - (ii) a wholly-owned subsidiary of ASP namely, Holiday Villa Lafayette Paris ("HVLP"), a French Société par Actions Simplifiée (simplified joint stock company) with a share capital of 20,000 Euros.
- (g) On 29 September 2009, the Company acquired 900,000 ordinary shares of RM1.00 each, representing the remaining 45% equity interest not already owned by the Company, in Bornion Sawmill Sdn Bhd ("Bornion") from Ausborn Sawmill Sdn Bhd, another wholly-owned subsidiary of the Company, for a total cash consideration of RM900,000.00. Consequently, Bornion became a direct wholly-owned subsidiary of the Company.

Other than the above, there were no other changes in the composition of the Group for the current financial period.

12. Changes in contingent liabilities

There were no changes in contingent liabilities since 31 December 2008.

13. Review of performance

The Group recorded a profit after taxation of RM10.2 million in the nine-month period ended 30 September 2009 compared to a loss after taxation of RM4.6 million in corresponding period last year. The improved results is mainly attributable to overall better operating results for the Group coupled with the higher contribution from an associated company arising from a one-off gain from disposal of assets and liabilities.

14. Comparison of results with preceding quarter

Profit from operations for the Group (excluding the finance cost and share of results of associates) in this quarter remains at about the same level as the preceding quarter of RM1.8 million. However, the Group recorded a profit after taxation of RM3.6 million for the current quarter ended 30 September 2009 as compared to a loss after taxation of RM0.7 million in the preceding quarter ended 30 June 2009 mainly attributable to profit contribution from associated companies of RM4.5M as opposed to a loss of RM0.3M in the preceding quarter.

15. Prospects

Barring unforeseen circumstances, the Directors expect the Group's operating environment to remain challenging for the financial year ending 31 December 2009.

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>30.09.2009</u> RM'000	Year to date <u>30.09.2009</u> RM'000
On current year's results		
- Malaysian income tax	521	1,634
- Overseas taxation	109	138
Under provision in prior year	-	232
Transfer (to)/from deferred taxation	(4)	46
	<u>626</u>	<u>2,050</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

During the previous quarter ended 30 June 2009, there was a disposal of property with net book value of RM1.18 million by a subsidiary of the Company. The gain on disposal of the property was RM0.24 million.

In the current quarter, a hotel property in Sydney, Australia known as Manor House Boutique Hotel, with net book value of RM9.9 million (after realisation of exchange translation reserve) was sold by a subsidiary of the Company. The gain on disposal of such hotel property was RM0.17 million.

Other than the above, there was no other sale of unquoted investments and/or properties for the current quarter and financial period.

20. Quoted securities

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

	3 months ended <u>30.09.2009</u> RM'000	Year to date <u>30.09.2009</u> RM'000
Total purchases	<u>-</u>	<u>50</u>
Total disposals	<u>-</u>	<u>59</u>
Total gain/(loss) on disposals	<u>-</u>	<u>(11)</u>

Details of investment in quoted securities by the Group as at 30 September 2009 are as follows :-

	RM'000
- at cost	<u>22,390</u>
- at carrying value	<u>11,376</u>
- at market value	<u>11,500</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. In the meantime, 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 25.

- (b) On 18 May 2009, the Company announced that its indirect wholly-owned subsidiary, Launceston Developments Limited ("Launceston") [held via ASHR, a wholly-owned subsidiary of the Company] had received acceptance from the owners of the on-going business ("Fonds de Commerce") of the Hotel Marciano Lafayette and the real estate ("Real Estate") in which the Fonds de Commerce is carried out (collectively, referred to as "Sellers") on Launceston's offer for Launceston or its nominee(s) to acquire from the Sellers the Fonds de Commerce and the Real Estate of Hotel Marciano Lafayette, a city centre hotel with 38 rooms, located at 46 rue de Tréville, 75009 Paris ("Acquisition"). The total cash consideration for the Acquisition is 5,450,000 Euros.

On 22 June 2009, the Company announced that Launceston had on 19 June 2009 entered into the Bilateral Undertakings with the Sellers to acquire from the Sellers the Fonds de Commerce and the Real Estate for a total cash consideration of 5,450,000 Euros comprising 3,100,000 Euros for the Real Estate and 2,350,000 Euros for the Fonds de Commerce. The Acquisition is subject to such terms and conditions as set out in the said Bilateral Undertakings.

On 17 September 2009, the Company announced that ASHR had incorporated ASP and HVLP as detailed in Note 11(f) to undertake the Acquisition in place of LDL. ASP will own the Real Estate and HVLP will own the Fonds de Commerce.

On 29 October 2009, the Company announced that following the execution of the two separate Deeds of Sale by ASP and HVLP on 28 October 2009 for the transfer of ownership of the Real Estate and the Fonds de Commerce respectively, the Acquisition is now completed.

- (c) On 17 August 2009, the Company served a proposal to the Board of Directors of ASC for ASC to undertake a selective capital reduction and repayment exercise under Section 64 of the Companies Act, 1965 ("Act") ("Proposal"). The Proposal involves a selective capital reduction and repayment exercise under Section 64 of the Act, by way of cancellation of 9,413,190 ASC Shares held by shareholders other than the Company which will result in the reduction of ASC's total existing issued and paid-up capital from RM156,860,835 to RM147,447,645 (excluding the 14,916,535 ASC Shares held as treasury shares). The entire ASC Shares after the Proposal (excluding the 14,916,535 ASC Shares held as treasury shares) will be held by the Company.

Under the Proposal, the shareholders of ASC other than the Company, whose name appear in ASC's Record of Depositors at the close of business on a date to be determined by the Board of Directors of ASC ("Entitlement Date"), shall receive a repayment of a cash amount of RM0.60 for each ASC Share held.

On 17 November 2009, the Company announced that the Board of Directors of ASC has determined that the Entitlement Date shall be 17 November 2009 and that the Proposal has taken effect on 17 November 2009 with the lodgement of the office copy of the order granted by the High Court of Malaya with the Registrar of Companies confirming the shareholders' approval for the Proposal.

Upon completion of the Proposal, ASC will become a wholly-owned subsidiary of the Company.

22 Utilisation of proceeds from Rights Issue of ICULS

The status of utilisation of proceeds raised from the Rights Issue of ICULS as at 30 September 2009 is as follows:

	Proposed Utilisation RM'000	Utilisation to-date RM'000	Balance unutilized RM'000	Timeframe for Utilisation
Repayment of Bank Borrowings	50,259	50,259	-	24 months from
Working Capital	30,000	30,000	-	the date of
Expenses	2,500	2,500	-	listing of ICULS
	<u>82,759</u>	<u>82,759</u>	<u>-</u>	

23 Group borrowings

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

	<u>As At</u> <u>30.09.2009</u> RM'000	<u>As At</u> <u>31.12.2008</u> RM'000
Short term - secured	30,881	32,339
- unsecured	938	-
Long term - secured	45,544	53,642
- unsecured	5,170	4,979
ICULS- liability portion	16,827	18,377
Finance lease creditor		
- Short term	1,523	1,523
- Long term	20,789	20,789
	<u>121,672</u>	<u>131,649</u>

(b)

	<u>As At</u> <u>30.09.2009</u> RM'000	<u>As At</u> <u>31.12.2008</u> RM'000
Australian Dollars	5,170	4,979
Sterling Pounds	1,774	1,773
Singapore Dollars	-	226

24 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.

25 Material litigation

(a) 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 have obtained the signed and sealed copy of the Judgment in Default of Appearance dated 1 August 2004 ("Default Judgment") from the High Court of Alor Setar 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 solicitors had on 29 December 2005 forwarded to the court for filing of the Notice to Attend Pre-Trial Case Management and the Pre-Trial Case Management was fixed for hearing on 17 May 2006. Due to a change in PKNK's solicitors, PKNK's new solicitors had asked for an adjournment on the grounds that they required time to take their client's instructions and there was a likelihood for an application to amend the Statement of Defence. The court had fixed the Pre-Trial Case Management ("PTCM") 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 the case for further PTCM on 13 December 2009 before the Timbalan Pendaftar. 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 Material litigation (Continued)

- (b) On 10 November 2009 and 12 November 2009, the Company released announcements on an originating summons no. D-24NCC-72-2009 dated 3 November 2009 which was issued on the application of ACE INA International Holdings Ltd ("ACE INA") (as "Plaintiff") and served on ASC (as "Defendant") on 9 November 2009 ("Originating Summons").

By this Originating Summons, ACE INA is claiming against ASC declaratory reliefs pertaining to the call option notice issued by ACE INA over the remaining 49,000,000 ordinary shares of RM1.00 each in ACE Synergy Insurance Berhad ("ACE Synergy Malaysia") held by ASC ("Call Option"), amongst others the following:-

- (i) Orders for ASC to give its written consent and/or provide any requested documents and/or information to Bank Negara Malaysia ("BNM") and/or Minister of Finance and/or where requested, to meet with the relevant officers of BNM that are necessary to allow ACE INA to proceed with (i) its application for the requisite approval of the Minister of Finance ("MOF Approval") under Section 67 of the Insurance Act 1996 ("Insurance Act") for the acquisition and disposal of the Defendant's 49% equity interest in ACE Synergy Malaysia to the Plaintiff, or in the alternative, its application for the MOF Approval to enter into the Amended and Restated Shareholders' Agreement and/or the Call Option contained therein in the event the Court determines that MOF Approval under the Insurance Act is required; and (ii) any appeals arising therefrom;
- (ii) Costs of the application of the Originating Summons to be borne by ASC; and
- (iii) Such further relief and orders that the Court deems fit and just.

As these legal proceedings are at a very initial stage, the Company is unable to precisely ascertain the actual financial impact to the Group. However, the Group is not expected to suffer adverse financial impact from these proceedings except for costs and legal expenses. There is no operational impact of the Originating Summons on the Group.

On 17 November 2009, ASC obtained leave of Court to file and serve a Conditional Appearance to the Originating Summons with a view to applying for a stay of the Originating Summons proceedings in order to refer the dispute to arbitration.

ASC has sought legal advice on the matter and the solicitors are of the view that ASC has merits in its defence to the claim of ACE INA.

26 Dividend

The Directors do not recommend the payment of any dividend for the financial period ended 30 September 2009.

27 Earnings/(Loss) per share

Basic earnings/(loss) per share

The basic earnings/(loss) per share for the current quarter and current year-to-date are computed based on the Group's net profit/(loss) attributable to equity holders of the Company of RM2,833,000 and RM7,614,000 respectively, divided by the weighted average number of ordinary shares of 473,378,927 and 466,307,882 for the current quarter and current year-to-date respectively as follows:

	3 months ended <u>30.09.2009</u> No. of shares	Year to date <u>30.09.2009</u> No. of shares
Issued ordinary shares at beginning of the period	473,378,927	461,908,377
Weighted average number of new ordinary shares arising from ICULS converted to date	-	4,399,505
Weighted average number of ordinary shares	<u>473,378,927</u>	<u>466,307,882</u>
	3 months ended <u>30.09.2009</u>	Year to date <u>30.09.2009</u>
Basic earnings/(loss) per share (sen)	<u>0.60</u>	<u>1.63</u>

27 Earnings/(Loss) per share (Continued)

Diluted earnings/(loss) per share

The diluted earnings/(loss) per share for the current quarter and current year-to-date are computed based on the Group's net profit/(loss) attributable to equity holders of the Company of RM3,195,000 and RM8,688,000 respectively, after adjusting for interest saving on ICULS, divided by the weighted average number of ordinary shares of 928,932,452 and 928,974,469 for the current quarter and current year-to-date respectively as follows:

	3 months ended <u>30.09.2009</u> RM'000	Year to date <u>30.09.2009</u> RM'000
Net profit/(loss) attributable to equity holders	2,833	7,614
Profit impact of assumed conversion- Interest on ICULS	362	1,074
	<u>3,195</u>	<u>8,688</u>

Weighted average number of ordinary shares (diluted)

	3 months ended <u>30.09.2009</u> No. of shares	Year to date <u>30.09.2009</u> No. of shares
Issued ordinary shares at beginning of the period	473,378,927	461,908,377
Weighted average number of new ordinary shares arising from ICULS converted to date	-	4,399,505
Weighted average number of new ordinary shares assuming conversion of the remaining ICULS	455,553,525	462,666,587
Weighted average number of ordinary shares	<u>928,932,452</u>	<u>928,974,469</u>

	3 months ended <u>30.09.2009</u>	Year to date <u>30.09.2009</u>
Diluted earnings/(loss) per share (sen)	<u>0.34</u>	<u>0.94</u>

28 Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
19 November 2009