

ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED
30 JUNE 2011

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the quarter and period ended 30 June 2011.

This interim report is prepared in accordance with Financial Reporting Standards (“FRS”) No. 134 “Interim Financial Reporting” and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2010.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	<u>3 months ended</u>		<u>Year-to-date</u>	
	<u>Unaudited</u>		<u>6 months ended</u>	
	<u>30.06.2011</u>	<u>30.06.2010</u>	<u>30.06.2011</u>	<u>30.06.2010</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	56,444	50,549	109,157	104,973
Cost of sales	(36,112)	(31,323)	(70,385)	(63,894)
Gross profit	20,332	19,226	38,772	41,079
Other operating income	6,826	2,449	9,049	4,596
Operating expenses	(24,878)	(22,181)	(44,402)	(44,984)
Profit/(Loss) from operations	2,280	(506)	3,419	691
Finance costs	(2,157)	(1,995)	(4,097)	(3,931)
Share of results of associates	3,438	3,569	5,110	9,147
Profit/(Loss) before taxation	3,561	1,068	4,432	5,907
Taxation	(384)	222	(807)	(232)
Net profit/(loss) for the financial period	<u>3,177</u>	<u>1,290</u>	<u>3,625</u>	<u>5,675</u>
Attributable to:				
Owners of the parent	2,402	976	2,331	3,923
Non-controlling interests	775	314	1,294	1,752
	<u>3,177</u>	<u>1,290</u>	<u>3,625</u>	<u>5,675</u>
Earnings/(Loss) per share attributable to owners of the parent:				
Basic (sen)	<u>0.48</u>	<u>0.21</u>	<u>0.47</u>	<u>0.83</u>
Diluted (sen)	<u>0.29</u>	<u>0.14</u>	<u>0.31</u>	<u>0.50</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<u>3 months ended</u>		<u>Year-to-date</u>	
	<u>30.06.2011</u>	<u>30.06.2010</u>	<u>30.06.2011</u>	<u>30.06.2010</u>
	<u>Unaudited</u>		<u>Unaudited</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Net profit/(loss) for the financial period	3,177	1,290	3,625	5,675
Other comprehensive income/(expenses):				
Fair value of available-for-sale financial assets	(964)	(885)	(80)	482
Realisation of Available-For-Sale Reserve	(1,139)	-	(1,139)	-
Share of other comprehensive income of associates, net of tax	8	699	8	616
Foreign currency translation differences for foreign operations	1,121	(2,289)	(3,734)	(8,596)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other comprehensive income/(loss) for the financial period	(974)	(2,475)	(4,945)	(7,498)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total comprehensive income/(loss) for the financial period	<u>2,203</u>	<u>(1,185)</u>	<u>(1,320)</u>	<u>(1,823)</u>
Attributable to:				
Owners of the parent	1,461	(1,689)	(2,609)	(3,099)
Non-controlling interests	742	504	1,289	1,276
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total comprehensive income/(loss) for the financial period	<u>2,203</u>	<u>(1,185)</u>	<u>(1,320)</u>	<u>(1,823)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited	Audited
	As at	As at
	<u>30.06.2011</u>	<u>31.12.2010</u>
	RM'000	RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	203,638	202,182
Investment in associates	22,321	30,759
Investment securities	32,593	32,673
Goodwill on consolidation	59,423	59,423
Intangible assets	17,865	16,168
Trade and other receivables	2,150	6,400
Deferred tax assets	2,757	2,870
	340,747	350,475
<u>Current assets</u>		
Property development costs	28,266	24,552
Progress billings	1,350	1,225
Inventories	27,427	32,950
Trade and other receivables	54,227	52,777
Tax recoverable	2,208	2,721
Investment securities	943	919
Short term deposits	61,972	64,135
Cash and bank balances	166,774	46,535
	343,167	225,814
Non-current assets classified as held for sale	1,288	114,955
TOTAL ASSETS	<u>685,202</u>	<u>691,244</u>
EQUITY AND LIABILITIES		
<u>Equity attributable to owners of the parent</u>		
Share capital	150,084	146,448
Irredeemable Convertible Unsecured Loan		
Stocks ("ICULS") - equity component	112,237	115,340
Reserves	192,479	195,088
	454,800	456,876
Non-controlling interests	30,761	29,670
Total equity	485,561	486,546
<u>Non-current liabilities</u>		
Borrowings	78,517	81,469
ICULS - liability component	13,135	14,391
Deferred tax liabilities	2,738	2,748
Provision for retirement benefit obligations	800	747
	95,190	99,355
<u>Current liabilities</u>		
Trade and other payables	63,702	68,187
Borrowings	39,832	36,168
Tax payable	917	988
	104,451	105,343
Total Liabilities	199,641	204,698
TOTAL EQUITY AND LIABILITIES	<u>685,202</u>	<u>691,244</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2011

	← Attributable to owners of the parent →									
	Share Capital	ICULS- Equity Component	Share Premium	← Non-distributable →		Available-For- Sale Reserve	→ Distributable →		Non- Controlling Interests	Total Equity
				Revaluation Reserve	Exchange Translation Reserve		Retained Profits	Total		
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 2011	146,448	115,340	117,317	12,767	(9,476)	4,064	70,416	456,876	29,670	486,546
Net profit/(loss) for the financial period	-	-	-	-	-	-	2,331	2,331	1,294	3,625
Fair value of available-for-sale financial assets	-	-	-	-	-	(80)	-	(80)	-	(80)
Realisation of Available-For-Sale Reserve	-	-	-	-	-	(1,139)	-	(1,139)	-	(1,139)
Share of other comprehensive income of associates, net of tax	-	-	-	-	-	8	-	8	-	8
Foreign currency translation differences for foreign operations	-	-	-	-	(3,729)	-	-	(3,729)	(5)	(3,734)
Total comprehensive income/(loss) for the financial period	-	-	-	-	(3,729)	(1,211)	2,331	(2,609)	1,289	(1,320)
Transactions with owners in their capacity as owners:										
Issue of new ordinary shares pursuant to the conversion of ICULS	3,557	(3,103)	-	-	-	-	-	454	-	454
Issue of new ordinary shares	79	-	-	-	-	-	-	79	-	79
	3,636	(3,103)	-	-	-	-	-	533	-	533
Balance as at 30 June 2011	150,084	112,237	117,317	12,767	(13,205)	2,853	72,747	454,800	30,761	485,561

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2010

	← Attributable to owners of the parent →									
	Share Capital	ICULS- Equity component	← Non-distributable →			→ Distributable		Total	Non- Controlling Interests	Total Equity
			Share Premium	Revaluation Reserve	Exchange Translation Reserve	Available-For- Sale Reserve	Retained Profits			
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 2010	142,014	119,208	117,317	12,591	5,862	-	67,054	464,046	27,422	491,468
Effect arising on adoption of FRS139	-	-	-	-	-	1,280	35	1,315	-	1,315
Balance as at	142,014	119,208	117,317	12,591	5,862	1,280	67,089	465,361	27,422	492,783
1 January 2010, as restated	142,014	119,208	117,317	12,591	5,862	1,280	67,089	465,361	27,422	492,783
Net profit/(loss) for the financial period	-	-	-	-	-	-	3,923	3,923	1,752	5,675
Fair value of available-for-sale financial assets	-	-	-	-	-	482	-	482	-	482
Share of other comprehensive income of associates, net of tax	-	-	-	-	-	616	-	616	-	616
Foreign currency translation differences for foreign operations	-	-	-	(4)	(8,116)	-	-	(8,120)	(476)	(8,596)
Total comprehensive income/(loss) for the financial period	-	-	-	(4)	(8,116)	1,098	3,923	(3,099)	1,276	(1,823)
Transactions with owners in their capacity as owners:										
Issue of new ordinary shares pursuant to the conversion of ICULS	194	(170)	-	-	-	-	-	24	-	24
Dividend paid to minority interest of a subsidiary	194	(170)	-	-	-	-	-	24	-	24
	-	-	-	-	-	-	-	-	(98)	(98)
Balance as at	142,208	119,038	117,317	12,587	(2,254)	2,378	71,012	462,286	28,600	490,886
30 June 2010	142,208	119,038	117,317	12,587	(2,254)	2,378	71,012	462,286	28,600	490,886

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIOD ENDED 30 JUNE 2011**

	Unaudited 6 months ended <u>30.06.2011</u> RM'000	Unaudited 6 months ended <u>30.06.2010</u> RM'000
Operating Activities		
Profit/(Loss) before taxation	4,432	5,907
Adjustments for :-		
Depreciation/Amortisation	4,663	4,400
Other investing and financing items and non-cash items	(5,705)	(2,908)
Operating profit/(loss) before working capital changes	<u>3,390</u>	<u>7,399</u>
Net changes in working capital		
(Increase)/Decrease in current assets	4,382	20,707
Increase/(Decrease) in current liabilities	(888)	(2,400)
Cash generated from/(used in) operating activities	<u>6,884</u>	<u>25,706</u>
Tax paid	(333)	(822)
Net cash from/(used in) operating activities	<u><u>6,551</u></u>	<u><u>24,884</u></u>
Investing Activities		
(Increase)/ Decrease in equity investments	130,208	3,800
(Increase)/ Decrease in property, plant and equipment	(9,178)	(5,730)
(Increase)/ Decrease in other investments	(452)	(501)
Net cash from/(used in) investing activities	<u><u>120,578</u></u>	<u><u>(2,431)</u></u>
Financing Activities		
Proceeds from issuance of new ordinary shares	79	-
Net drawdown/(repayment) of borrowings	(2,508)	(3,521)
Other payments	(8,590)	(6,136)
Net cash from/(used in) financing activities	<u><u>(11,019)</u></u>	<u><u>(9,657)</u></u>
Effect of exchange rate changes	(854)	679
Net increase in cash and cash equivalents	<u>115,256</u>	<u>13,475</u>
Cash and cash equivalents as at beginning of financial year		
As previously reported	<u>83,747</u>	<u>77,967</u>
Effect of exchange rate changes	573	(3,764)
As restated	<u>84,320</u>	<u>74,203</u>
Cash and cash equivalents as at end of financial period *	<u><u>199,576</u></u>	<u><u>87,678</u></u>
* Cash and cash equivalents at the end of the financial period comprising the following :		
Short term deposits	61,972	54,132
Cash and bank balances	166,774	59,668
Bank overdrafts	(2,014)	(181)
	<u>226,732</u>	<u>113,619</u>
Less : Deposits placed with lease creditors as security deposit for lease payments	<u>(18,510)</u>	<u>(17,646)</u>
Deposits pledged to licensed banks	(8,646)	(8,295)
	<u>(27,156)</u>	<u>(25,941)</u>
	<u><u>199,576</u></u>	<u><u>87,678</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 2010.

2. Significant 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 2010, except for the adoption of the following revised Financial Reporting Standards ("FRSs"), amendments/improvements to FRSs, IC Interpretations ("IC Int") and amendments to IC Int:

Revised FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements

Amendments/Improvements to FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments: Disclosure
FRS 101	Presentation of Financial Statements
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 128	Investment in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Presentation
FRS 134	Interim Financial Reporting
FRS 138	Intangible Assets
FRS 139	Financial Instruments : Recognition and Measurement

IC Int

IC Int 4	Determining Whether an Arrangement contains a Lease
IC Int 12	Service Concession Arrangements
IC Int 16	Hedges of a Net Investment in a Foreign Operation
IC Int 17	Distributions of Non-cash Assets to Owners
IC Int 18	Transfers of Assets from Customers

Amendment to IC Int

IC Int 9	Reassessment of Embedded Derivatives
IC Int 13	Customer Loyalty Programmes

2. Significant accounting policies (Continued)

Except for the changes in accounting policies arising from the adoption of the revised FRS 3 and the amendments to FRS 127, as well as the new disclosures required under the Amendments to FRS 7, the Directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3 and the amendments to FRS 127 are described as below.

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interest in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests.

Revised FRSs, Amendments/Improvements to FRSs, IC Int and Amendments to IC Int that are issued, but are not yet effective, and have yet to be adopted by the Group:

Revised FRSs

FRS 124 Related Party Disclosures

IC Int

IC Int 15 Agreements for the Construction of Real Estate

IC Int 19 Extinguishing Financial Liabilities with Equity Instruments

Amendment to IC Int

IC Int 14 Prepayments of a Minimum Funding Requirements

3 Audit report

The auditors' report on the financial statements for the year ended 31 December 2010 was not subject to any qualification.

4 Seasonal or cyclical factors

The operations of the Group for the quarter ended 30 June 2011 were not materially affected by any seasonal or cyclical factors.

5. Unusual items

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

6. 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.

7 Debt and equity securities

For the 6-month period ended 30 June 2011:-

- (a) a total of 23,190,400 2% 10-Year Irredeemable Convertible Unsecured Loan Stocks at 100% of the nominal value of RM0.15 each ("ICULS") have been converted into 11,595,200 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; and
- (b) a total of 525,000 ordinary shares of RM0.30 each were issued consequential to a conversion by surrendering for cancellation one ICULS of nominal value of RM0.15 and cash payment of RM0.15 for 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 June 2011.

8 Dividends paid

There was no payment of any dividend during the financial period ended 30 June 2011.

9. Segmental Information

For the financial period ended 30 June 2011

	Investment Holding	Property Development	Hotels & Resorts	Information & Communications Technology	Coach Building	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	531	4,527	36,362	17,408	1,399	39,118	9,812	-	109,157
Inter-segment	617	5	-	-	-	210	-	(832)	-
Total revenue	1,148	4,532	36,362	17,408	1,399	39,328	9,812	(832)	109,157
Results									
Segment results	(4,110)	310	3,679	1,045	(1,079)	413	(3,186)	2,250	(678)
Share of results of associates	3,792	-	(20)	1,338	-	-	-	-	5,110
Consolidated profit/(loss) before taxation	(318)	310	3,659	2,383	(1,079)	413	(3,186)	2,250	4,432
Taxation									(807)
Consolidated profit/(loss) after taxation									3,625
Non-controlling interests									(1,294)
Net profit/(loss) for the financial period									2,331

9.Segmental Information (Continued)

For the financial period ended 30 June 2011

	Investment Holding	Property Development	Hotels & Resorts	Information & Communications Technology	Coach Building	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Other information</u>									
Segment assets	196,536	55,877	219,931	137,320	7,001	13,423	26,540	-	656,628
Investment in associates	16,822	-	3,972	1,527	-	-	-	-	22,321
Non-current assets classified as held for sale	930	247	111	-	-	-	-	-	1,288
Unallocated corporate assets									4,965
Total assets									685,202
Segment liabilities	49,269	7,188	101,438	13,428	1,636	5,268	17,759	-	195,986
Unallocated corporate liabilities									3,655
Total liabilities									199,641
Capital expenditure:									
- Property, plant & equipment	117	1	1,018	8,149	40	30	32	-	9,387
- Software development expenditure	-	-	-	1,592	-	-	-	-	1,592
Depreciation	242	23	2,571	741	103	107	72	-	3,859
Interest income	221	59	413	367	-	38	41	-	1,139
Finance costs	2,774	-	1,122	-	-	34	2,226	(2,059)	4,097
Write back of impairment loss on:									
- held for trading investments	-	-	17	-	-	-	-	-	17
Amortisation of intangible assets	-	-	2	802	-	-	-	-	804
Other non cash expenses	-	-	53	3	-	84	22	-	162

9. Segmental Information (Continued)

For the financial period ended 30 June 2010

	Investment Holding	Property Development	Hotels & Resorts	Information & Communications Technology	Coach Building	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	569	8,015	35,826	18,501	853	31,181	10,028	-	104,973
Inter-segment	485	37	-	-	102	284	-	(908)	-
Total revenue	1,054	8,052	35,826	18,501	955	31,465	10,028	(908)	104,973
Results									
Segment results	(6,320)	558	3,667	1,462	(1,898)	381	(2,741)	1,651	(3,240)
Share of results of associates	7,756	-	(9)	1,400	-	-	-	-	9,147
Consolidated profit/(loss) before taxation	1,436	558	3,658	2,862	(1,898)	381	(2,741)	1,651	5,907
Taxation									(232)
Consolidated profit/(loss) after taxation									5,675
Non-controlling interests									(1,752)
Net profit/(loss) for the financial period									3,923

9.Segmental Information (Continued)

For the financial period ended 30 June 2010

	Investment Holding	Property Development	Hotels & Resorts	Information & Communications Technology	Coach Building	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Other information</u>									
Segment assets	89,779	60,863	219,224	131,047	13,480	11,947	25,732	-	552,072
Investment in associates	133,578	-	-	1,974	-	-	-	-	135,552
Unallocated corporate assets									4,690
Total assets									692,314
Segment liabilities	53,195	8,602	96,768	12,863	4,360	4,272	17,869	-	197,929
Unallocated corporate liabilities									3,499
Total liabilities									201,428
Capital expenditure									
- Property, plant and equipment	848	1	2,280	2,333	114	248	199	-	6,023
- Software development expenditure	-	-	-	2,165	-	-	-	-	2,165
Depreciation	237	46	2,446	686	108	86	95	-	3,704
Interest income	160	57	199	648	-	16	17	-	1,097
Finance costs	2,678	-	1,082	2	-	8	2,139	(1,978)	3,931
Impairment loss on:									
- property, plant and equipment	-	-	-	274	-	-	-	-	274
- investment in associates	1,954	-	-	-	-	-	-	-	1,954
Write back of impairment loss on:									
- held for trading investments	90	-	(6)	-	-	-	-	-	84
Amortisation of intangible assets	-	-	-	696	-	-	-	-	696
Other non cash expenses	23	1	82	2	-	75	7	-	190

10. 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 2010.

11. Events subsequent to the balance sheet date

On 7 July 2011, the Company announced that its wholly-owned subsidiary, Alangka-Suka Hotels & Resorts Sdn Bhd ("ASHR"), had entered into an agreement for the disposal of its entire shareholding of 143,500 shares representing 70% equity interest in Suntop Corporation Sdn Bhd ("Suntop") for a cash consideration of RM3,269,000.00 only ("Disposal"). Upon completion of the Disposal, Suntop shall cease to be a subsidiary of the Company.

Apart from the above, there were no events subsequent to the balance sheet date.

12. Changes in the composition of the Group

(a) On 10 February 2011, the Company announced that Triton Feeder Services Sdn Bhd ("TFS"), a wholly-owned subsidiary of ASC, had on 10 February 2011 received a notice of striking off pursuant to Section 308(4) of the Companies Act, 1965 from Suruhanjaya Syarikat Malaysia informing that TFS has been struck off from the register of the Registrar of Companies.

(b) On 17 March 2011, the Company announced that ASHR, had acquired additional 30% equity interest in Suntop comprising 61,500 ordinary shares of RM1.00 each ("Acquisition"). Consequential to the increase in ASHR's equity interest in Suntop from 40% to 70% after the Acquisition, Suntop became a subsidiary of the Company.

(c) On 19 May 2011, the Company announced that a resolution has been passed to strike off Triton Express (S) Pte Ltd ("TES"), an indirect wholly-owned subsidiary of ASB [held via Triton Express Sdn Bhd, a wholly-owned subsidiary of Advance Synergy Capital Sdn Bhd ("ASC"), which in turn is a wholly-owned subsidiary of the Company] ("Striking Off") and an application for the Striking Off of TES will be submitted to the Accounting and Corporate Regulatory Authority, Singapore ("ACRA") in due course. TES was incorporated in Singapore on 20 November 2002 as a private limited company under The Companies Act (Chapter 50), Singapore. The authorised and issued and paid up share capital of TES are SGD100,000.00 and SGD2.00 respectively. As per a notice dated 1 June 2011 from ACRA to TES, it was stated that if no response from TES is received by ACRA within one month from the date of such notice, another notice will be published in the Gazette and upon the expiration of three months from this notice, the name of TES will be struck off the register.

(d) On 31 May 2011, the Company announced that Unified Communications Pte Ltd, a wholly-owned subsidiary of Unified Communications Holdings Limited, which in turn is a 58.3%-owned subsidiary of the Company (held via Worldwide Matrix Sdn Bhd, a wholly-owned subsidiary of the Company) had disposed its 51% equity interest in Unified Communications Limited ("UCL"), a subsidiary incorporated in Hong Kong, to the current director and management of UCL, Mr. Ching Ming Wai.

(e) ACE Synergy Insurance Berhad ("ASIB") had ceased to be an associated company of ASC consequential to the Proposed Disposal as detailed in Note 22(b) which was deemed completed on 14 June 2011.

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

13. Changes in contingent liabilities

There were no changes in contingent liabilities since the last annual balance sheet as at 31 December 2010.

14. Review of performance

Despite the higher Group revenue for the 6-month period ended 30 June 2011 compared to the revenue in the corresponding period last year, the Group recorded a lower profit after taxation of RM3.6 million as compared to RM5.7 million in the same period last year. During the current period under review, there was also a gain on disposal of an associated company. The lower profit recorded for the period under review as compared to the same period last year was mainly attributable to lower gross profit as a result of increased cost of sales and lower contribution from associates arising from the disposal of an associated company.

15. Comparison of results with preceding quarter

The Group recorded a higher profit after taxation of RM3.2 million for the current quarter ended 30 June 2011 as compared to a profit after taxation of RM0.5 million in the preceding quarter ended 31 March 2011. The higher revenue and gross profit in the current quarter coupled with the gain on disposal of an associated company and higher contribution from associates have resulted in the better performance compared to the preceding quarter. However, these were partly offset by the higher Group operating expenses for this quarter.

16. Prospects

Barring unforeseen circumstances, the Directors expect the Group's operating environment to remain challenging for the financial year ending 31 December 2011.

17. 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.

18. Profit variance and shortfall in profit guarantee

Not Applicable.

19. Taxation

	3 months ended <u>30.06.2011</u> RM'000	Year to date ended <u>30.06.2011</u> RM'000
On current quarter/year results		
- Malaysian income tax	364	750
Transfer (to)/from deferred taxation	20	57
	<u>384</u>	<u>807</u>

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 subsidiaries cannot be set off against the taxable income of other subsidiaries.

20. Profit/(Loss) on Sale of Unquoted Investments and/or Properties

During the current quarter ended 30 June 2011, there was a disposal of an associated company by a subsidiary of the Company. The gain on disposal of the associated company was RM3.8 million.

Other than the above, there were no other sales of unquoted investments and/or properties for the current quarter and financial period ended 30 June 2011.

21. Quoted securities

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

	3 months ended 30.06.2011		Year to date ended 30.06.2011	
	Held for trading investments RM'000	Available- for-sale investments RM'000	Held for trading investments RM'000	Available- for-sale investments RM'000
Total purchases	80	-	207	-
Total disposals	38	-	245	-
Fair value gain/ (loss) recognised in profit and loss	12	-	17	-
Fair value gain/ (loss) recognised in other comprehensive income	-	(964)	-	(80)
Gain/ (loss) on disposals	(7)	-	8	-

Details of investment in quoted securities by the Group as at 30 June 2011 are as follows :-

	Held for trading investments RM'000	Available- for-sale investments RM'000
- at cost	730	20,289
- at carrying amount	943	11,186
- at market value	943	11,186

22. 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 26(a).

- (b) On 2 February 2011, the Company announced that the Board of Directors of the Company had resolved to seek the approval from its shareholders for the proposed disposal by ASC of its entire shareholding of 49,000,000 ordinary shares of RM1.00 each representing 49% of the total issued and paid-up share capital in ASIB to ACE INA International Holdings, Ltd. ("ACE INA") for a total cash consideration of RM117.0 million ("Proposed Disposal").

At the Extraordinary General Meeting of the Company held on 6 June 2011, shareholders of the Company approved the Proposed Disposal. On 14 June 2011, the Company announced that the Proposed Disposal was deemed completed following the receipt by ASC of the cash proceed arising from the Proposed Disposal.

The legal proceedings in respect of the Proposed Disposal are set out in Note 26(b).

23. Utilisation of proceeds from disposal by ASC of its entire shareholding of 49,000,000 ordinary shares of RM1.00 each representing 49% of the total issued and paid-up share capital in ASIB to ACE INA for a total cash consideration of RM117.0 million ("Disposal of ASIB").

The status of utilisation of proceeds raised from the Disposal of ASIB as at 30 June 2011 is as follows:

	Proposed Utilisation RM'000	Utilisation to-date RM'000	Balance unutilised RM'000
Repayment of Bank Borrowings*	61,600	-	61,600
Working Capital	55,000	-	55,000
Estimated expenses for the Disposal of ASIB*	400	324	76
	<u>117,000</u>	<u>324</u>	<u>116,676</u>

*Any shortfall or excess in the funds allocated for repayment of bank borrowings and estimated expenses will be funded from or used for working capital of the Group.

24. Group borrowings

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

	As At <u>30.06.2011</u> RM'000	As At <u>31.12.2010</u> RM'000
Short term - secured		
- Term loans	36,162	34,513
- Bank overdraft	2,014	-
- Hire purchase payables	113	115
- Finance lease payable	1,543	1,540
	<u>39,832</u>	<u>36,168</u>
Long term - secured		
- Term loans	51,117	54,302
- Hire purchase payables	43	81
- Finance lease payable	21,076	21,019
Long term - unsecured		
- Term loans	6,281	6,067
	<u>78,517</u>	<u>81,469</u>
Total borrowings	<u>118,349</u>	<u>117,637</u>

(b)

	As At <u>30.06.2011</u> RM'000	As At <u>31.12.2010</u> RM'000
Australian Dollars	6,280	6,067
Sterling Pounds	1,125	1,227
Euro	13,503	13,106
	<u>11,908</u>	<u>10,400</u>

25. Financial Instruments

(a) Derivatives

The Group does not have any outstanding derivatives as at the date of this report.

(b) Gain/Loss arising from fair value changes of financial liabilities

There were no gain/loss arising from the fair value changes in financial liabilities for the current financial period.

26. 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.

Following case management, PKNK made an application to the High Court for the determination of a point of law and/or preliminary issue pursuant to Order 14A and/or Order 33 Rule 2 of the Rules of the High Court, 1980. Specifically, the issue raised by PKNK was whether the suit was barred by limitation. On 13 January 2011, the High Court resolved the application in favour of PKNK and held that the action was barred by limitation pursuant to the Public Authorities Protection Act, 1948 or alternatively, the Limitation Act, 1953.

The Company's solicitors are of the view that the learned Judicial Commissioner erred in deciding that the Company's claim is time-barred and have appealed the decision of 13 January 2011 to the Court of Appeal of Malaysia vide Civil Appeal No. K-01-85-2011. The appeal is pending disposal and has not been fixed for hearing.

Earlier updates of this material litigation can be referred to in the Company's latest announcement on quarterly results (under Note 25(a)) released to Bursa Securities on 25 May 2011.

- (b) Further to the originating summons no. D-24NCC-72-2009 dated 3 November 2009 which was issued on the application of ACE INA (as "Plaintiff") and served on ASC (as "Defendant") on 9 November 2009 ("Originating Summons"), ASC had on 13 September 2010 received a letter dated 9 September 2010 from Bank Negara Malaysia in response to ASC's letter which was submitted pursuant to a Court Order; notifying ASC that the Minister of Finance has approved the proposed disposal by ASC of its 49% equity interest in ASIB to ACE INA pursuant to Section 67 of the Insurance Act 1996 ("Transaction").

Subsequently on 22 September 2010, the Company announced that ASC has received a letter dated 20 September 2010 from the solicitors of ACE INA ("ACE INA Solicitors") notifying ASC that ACE INA has accepted the terms of the Minister of Finance's approval ("MOF Approval") in respect of the Transaction. In the said letter, ACE INA Solicitors informed ASC that the relevant sale and purchase agreement must be executed by ASC and the Company within 3 days from the date of the letter, failing which the agreement is deemed to have become effective and binding on ASC and the Company. ACE INA Solicitors also informed ASC that completion of the Transaction shall occur on 28 September 2010.

On 29 November 2010, the Kuala Lumpur High Court granted with costs various orders sought by ACE INA, the effect of which is to compel ASC to perform the aforesaid Transaction ("Court Order").

The following legal proceedings between ASC and ACE INA in connection with the Court Order/Transaction have been dismissed:-

- (i) ASC's motion to the Federal Court filed on 8 April 2011 for an Order that:-

- (aa) the Order made by the Federal Court on 8 November 2010 dismissing the ASC's motion in the Federal Court for Leave to Appeal to the Federal Court against the decision of the Court of Appeal made on 9 July 2010 dismissing ASC's Appeal against the Order made in the Originating Summons on 12 May 2010, be set aside; and
- (bb) in the alternative, Leave be granted to Appeal against the decision of the Court of Appeal given on 9 July 2010.

26. Material litigation (Continued)

(ii) ASC's motion for Leave for Appeal to the Federal Court filed on 8 April 2011 against the dismissal by the Court of Appeal on 16 February 2011 of ASC's Intervention Appeal arising from the Intervention Order granted to ACE INA in the Judicial Review Proceedings.

(iii) ASC's appeal against the Court Order filed on 19 April 2011.

(iv) ASC's Application for Leave for Judicial Review at the High Court filed on 21 April 2011, and consequently, no order was made on ASC's application to stay the MOF Approval for the Transaction.

ACE INA commenced committal proceedings against ASC, the Company and their directors for alleged disobedience of the Court Order. The committal proceedings was heard on 29 April 2011 and the Court has on 20 May 2011 delivered its decision and issued orders for committal against ASC, the Company and their directors. The Company had in its last quarterly result released on 25 May 2011 stated that appeals to the Court of Appeal against the said orders of the High Court will be filed.

By order dated 13 June 2011, the Company and the directors of ASC and the Company were discharged from the committal order dated 20 May 2011.

With the aforesaid discharge, the Company will withdraw the appeals filed against the said committal order. The only outstanding appeal is ASC's appeal to the Court of Appeal against the decision of the High Court refusing leave for judicial review of the MOF Approval.

27. Retained Earnings

	As At 30.06.2011 RM'000	As At 31.12.2010 RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries		
- Realised	(398,029)	(448,054)
- Unrealised	(21,654)	(22,948)
Total retained profits/(accumulated losses) from associates		
- Realised	(1,495)	65,586
- Unrealised	199	(658)
Total retained profits/(accumulated losses) from jointly controlled entities		
- Realised	(457)	(289)
- Unrealised	-	-
	<u>(421,436)</u>	<u>(406,363)</u>
Add/(Less): Consolidation adjustments	494,183	476,779
Total Group retained profits as per Consolidated financial statements	<u>72,747</u>	<u>70,416</u>

28. Dividend

The Directors do not recommend the payment of any dividend for the financial period ended 30 June 2011.

29. 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 RM2,402,000 and RM2,331,000 respectively, divided by the weighted average number of ordinary shares of 499,369,450 and 496,064,958 for the current quarter and current year-to-date respectively as follows:

	3 months ended		Year to date ended	
	<u>30.06.2011</u>	<u>30.06.2010</u>	<u>30.06.2011</u>	<u>30.06.2010</u>
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the year	497,800,430	474,028,927	488,160,030	473,378,927
Weighted average number of new ordinary shares arising from ICULS converted to date	1,394,987	-	7,730,895	559,116
Weighted average number of new issuance of ordinary shares	174,033	-	174,033	-
Weighted average number of ordinary shares	<u>499,369,450</u>	<u>474,028,927</u>	<u>496,064,958</u>	<u>473,938,043</u>
	3 months ended		Year to date ended	
	<u>30.06.2011</u>	<u>30.06.2010</u>	<u>30.06.2011</u>	<u>30.06.2010</u>
Basic earnings/(loss) per share (sen)	<u>0.48</u>	<u>0.21</u>	<u>0.47</u>	<u>0.83</u>

29. 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 RM2,695,000 and RM2,925,000 respectively, after adjusting for interest saving on ICULS, divided by the weighted average number of ordinary shares of 929,194,953 and 929,106,485 for the current quarter and current year-to-date respectively assuming conversion of the remaining ICULS as follows:

	3 months ended		Year to date ended	
	<u>30.06.2011</u>	<u>30.06.2010</u>	<u>30.06.2011</u>	<u>30.06.2010</u>
	RM'000		RM'000	
Net profit/(loss) attributable to equity holders	2,402	976	2,331	3,923
Profit impact of assumed conversion- Interest on ICULS	<u>293</u>	<u>351</u>	<u>594</u>	<u>727</u>
	<u>2,695</u>	<u>1,327</u>	<u>2,925</u>	<u>4,650</u>

Weighted average number of ordinary shares (diluted)

	3 months ended		Year to date ended	
	<u>30.06.2011</u>	<u>30.06.2010</u>	<u>30.06.2011</u>	<u>30.06.2010</u>
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the year	497,800,430	474,028,927	488,160,030	473,378,927
Weighted average number of new ordinary shares arising from ICULS converted to date	1,394,987	-	7,730,895	559,116
Weighted average number of new issuance of ordinary shares	174,033	-	174,033	-
Weighted average number of new ordinary shares assuming conversion of the remaining ICULS	429,825,503	454,903,525	433,041,527	454,994,409
Weighted average number of ordinary shares	<u>929,194,953</u>	<u>928,932,452</u>	<u>929,106,485</u>	<u>928,932,452</u>

	3 months ended		Year to date ended	
	<u>30.06.2011</u>	<u>30.06.2010</u>	<u>30.06.2011</u>	<u>30.06.2010</u>
Diluted earnings/(loss) per share (sen)	<u>0.29</u>	<u>0.14</u>	<u>0.31</u>	<u>0.50</u>

30. Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
24 August 2011