

ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED
31 DECEMBER 2012

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the quarter and year ended 31 December 2012.

This interim report is prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 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 2011.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

| | <u>3 months ended</u> | | <u>Year-to-date</u> <u>12 months ended</u> | |
|---|-----------------------------|-----------------------------|---|-----------------------------|
| | <u>31.12.2012</u> RM’000 | <u>31.12.2011</u> RM’000 | <u>31.12.2012</u> RM’000 | <u>31.12.2011</u> RM’000 |
| Revenue | 62,140 | 57,669 | 229,701 | 222,285 |
| Cost of sales | (35,965) | (33,119) | (140,936) | (138,547) |
| Gross profit | 26,175 | 24,550 | 88,765 | 83,738 |
| Other operating income | 8,490 | 11,891 | 30,142 | 25,041 |
| Operating expenses | (31,949) | (32,352) | (102,360) | (98,489) |
| Profit from operations | 2,716 | 4,089 | 16,547 | 10,290 |
| Finance costs | (1,576) | (2,004) | (6,787) | (8,216) |
| Share of results of associates | (191) | 861 | (493) | 6,835 |
| Profit before tax | 949 | 2,946 | 9,267 | 8,909 |
| Income tax expense | (1,139) | (592) | (3,360) | (2,019) |
| Net profit for the financial period/year | <u>(190)</u> | <u>2,354</u> | <u>5,907</u> | <u>6,890</u> |
| Attributable to: | | | | |
| Owners of the parent | 248 | 1,609 | (951) | 4,227 |
| Non-controlling interests | (438) | 745 | 6,858 | 2,663 |
| | <u>(190)</u> | <u>2,354</u> | <u>5,907</u> | <u>6,890</u> |
| (Loss)/Earnings per share attributable to owners of the parent: | | | | |
| Basic (sen) | <u>0.05</u> | <u>0.32</u> | <u>(0.19)</u> | <u>0.85</u> |
| Diluted (sen) | <u>Anti-dilutive</u> | <u>0.21</u> | <u>Anti-dilutive</u> | <u>0.59</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | 3 months ended | | Year-to-date 12 months ended | |
|---|---|---|---|---|
| | <u>31.12.2012</u> RM'000 | <u>31.12.2011</u> RM'000 | <u>31.12.2012</u> RM'000 | <u>31.12.2011</u> RM'000 |
| Net profit for the financial period/year | (190) | 2,354 | 5,907 | 6,890 |
| Other comprehensive income/(expenses): | | | | |
| Fair value of available-for-sale financial assets | - | (3) | 2,411 | (807) |
| Realisation of Available-For-Sale Reserve | - | - | - | (1,139) |
| Share of other comprehensive income of associates, net of tax | 62 | 4 | 119 | 12 |
| Foreign currency translation differences for foreign operations | (984) | (2,044) | (1,408) | (3,878) |
| Realisation of foreign exchange reserve | - | 4,908 | - | 4,908 |
| | _____ | _____ | _____ | _____ |
| Other comprehensive (loss)/income for the financial period/year | (922) | 2,865 | 1,122 | (904) |
| | _____ | _____ | _____ | _____ |
| Total comprehensive (loss)/income for the financial period/year | <u>(1,112)</u> | <u>5,219</u> | <u>7,029</u> | <u>5,986</u> |
| Attributable to: | | | | |
| Owners of the parent | (410) | 4,449 | 348 | 3,382 |
| Non-controlling interests | (702) | 770 | 6,681 | 2,604 |
| | _____ | _____ | _____ | _____ |
| Total comprehensive (loss)/income for the financial period/year | <u>(1,112)</u> | <u>5,219</u> | <u>7,029</u> | <u>5,986</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | As at <u>31.12.2012</u> RM'000 | Audited As at <u>31.12.2011</u> RM'000 | As at <u>01.01.2011</u> RM'000 |
|---|---|---|---|
| ASSETS | | | |
| <u>Non-current assets</u> | | | |
| Property, plant and equipment | 155,459 | 190,541 | 202,182 |
| Investment properties | 8,870 | 8,870 | - |
| Investment in associates | 34,080 | 22,675 | 30,759 |
| Investment securities | 34,286 | 31,866 | 32,673 |
| Goodwill on consolidation | 92,288 | 59,860 | 59,423 |
| Intangible assets | 17,154 | 17,529 | 16,168 |
| Trade, other receivables and other assets | 2,418 | 2,574 | 6,400 |
| Deferred tax assets | 1,477 | 3,141 | 2,870 |
| | 346,032 | 337,056 | 350,475 |
| <u>Current assets</u> | | | |
| Property development costs | 30,860 | 29,854 | 24,552 |
| Progress billings | 546 | 265 | 1,225 |
| Inventories | 29,638 | 25,599 | 32,950 |
| Trade and other receivables | 61,833 | 56,866 | 52,777 |
| Tax recoverable | 4,210 | 2,770 | 2,721 |
| Investment securities | 518 | 928 | 919 |
| Short term deposits | 92,063 | 151,635 | 64,135 |
| Cash and bank balances | 37,893 | 40,051 | 46,535 |
| | 257,561 | 307,968 | 225,814 |
| Non-current assets classified as held for sale | 29,327 | 8,038 | 114,955 |
| TOTAL ASSETS | <u>632,920</u> | <u>653,062</u> | <u>691,244</u> |
| EQUITY AND LIABILITIES | | | |
| <u>Equity attributable to owners of the parent</u> | | | |
| Share capital | 154,115 | 151,318 | 146,448 |
| Irredeemable Convertible Unsecured Loan | | | |
| Stocks ("ICULS") - equity component | 108,722 | 111,162 | 115,340 |
| Reserves | 196,363 | 198,470 | 195,088 |
| | 459,200 | 460,950 | 456,876 |
| Non-controlling interests | 38,029 | 31,777 | 29,670 |
| Total equity | <u>497,229</u> | <u>492,727</u> | <u>486,546</u> |
| <u>Non-current liabilities</u> | | | |
| Borrowings | 51,179 | 75,940 | 81,469 |
| ICULS - liability component | 10,486 | 12,278 | 14,391 |
| Other payables | 9,911 | - | - |
| Deferred tax liabilities | 970 | 2,620 | 2,748 |
| Provision for retirement benefit obligations | 1,042 | 876 | 747 |
| | 73,588 | 91,714 | 99,355 |
| <u>Current liabilities</u> | | | |
| Trade and other payables | 55,171 | 59,454 | 68,187 |
| Borrowings | 6,313 | 7,995 | 36,168 |
| Tax payable | 619 | 1,172 | 988 |
| | 62,103 | 68,621 | 105,343 |
| Total Liabilities | <u>135,691</u> | <u>160,335</u> | <u>204,698</u> |
| TOTAL EQUITY AND LIABILITIES | <u>632,920</u> | <u>653,062</u> | <u>691,244</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

| | ← Attributable to owners of the parent → | | | | | | | | | |
|---|--|-------------------------------|------------------|------------------------|------------------------------------|-----------------------------------|---------------------|---------|----------------------------------|-----------------|
| | Share Capital | ICULS- Equity Component | Share Premium | ← Non-distributable → | | → Distributable → | | Total | Non- Controlling Interests | Total Equity |
| | | | | 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 2012 | 151,318 | 111,162 | 117,317 | 12,769 | (8,389) | 2,130 | 74,643 | 460,950 | 31,777 | 492,727 |
| Net (loss)/profit for the financial year | - | - | - | - | - | - | (951) | (951) | 6,858 | 5,907 |
| Fair value of available-for-sale financial assets | - | - | - | - | - | 2,411 | - | 2,411 | - | 2,411 |
| Share of other comprehensive income of associates, net of tax | - | - | - | - | - | 119 | - | 119 | - | 119 |
| Foreign currency translation differences for foreign operations | - | - | - | (3) | (1,228) | - | - | (1,231) | (177) | (1,408) |
| Total comprehensive income/(loss) for the financial year | - | - | - | (3) | (1,228) | 2,530 | (951) | 348 | 6,681 | 7,029 |
| Transactions with owners in their capacity as owners: | | | | | | | | | | |
| Deemed partial disposal of interest in a subsidiary | - | - | - | - | - | - | (21) | (21) | 21 | - |
| Dividends paid | - | - | - | - | - | - | (1,926) | (1,926) | - | (1,926) |
| Acquisition of additional shares in subsidiary | - | - | - | - | - | - | (508) | (508) | 148 | (360) |
| Issue of new ordinary shares pursuant to the conversion of ICULS | 2,797 | (2,440) | - | - | - | - | - | 357 | - | 357 |
| | 2,797 | (2,440) | - | - | - | - | (2,455) | (2,098) | 169 | (1,929) |
| Dividend paid to non-controlling interests of a subsidiary | - | - | - | - | - | - | - | - | (598) | (598) |
| Balance as at 31 December 2012 | 154,115 | 108,722 | 117,317 | 12,766 | (9,617) | 4,660 | 71,237 | 459,200 | 38,029 | 497,229 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

| | ← 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 | 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 for the financial year | - | - | - | - | - | - | 4,227 | 4,227 | 2,663 | 6,890 | |
| Fair value of available-for-sale financial assets | - | - | - | - | - | (807) | - | (807) | - | (807) | |
| Realisation of Available-For-Sale Reserve | - | - | - | - | - | (1,139) | - | (1,139) | - | (1,139) | |
| Share of other comprehensive income of associates, net of tax | - | - | - | - | - | 12 | - | 12 | - | 12 | |
| Realisation of revaluation and foreign exchange reserve | - | - | - | - | 4,908 | - | - | 4,908 | - | 4,908 | |
| Foreign currency translation differences for foreign operations | - | - | - | 2 | (3,821) | - | - | (3,819) | (59) | (3,878) | |
| Total comprehensive income/(loss) for the financial year | - | - | - | 2 | 1,087 | (1,934) | 4,227 | 3,382 | 2,604 | 5,986 | |
| Transactions with owners in their capacity as owners: | | | | | | | | | | | |
| Issue of new ordinary shares pursuant to the conversion of ICULS | 4,791 | (4,178) | - | - | - | - | - | 613 | - | 613 | |
| Issue of new ordinary shares | 79 | - | - | - | - | - | - | 79 | - | 79 | |
| | 4,870 | (4,178) | - | - | - | - | - | 692 | - | 692 | |
| Dividend paid to non-controlling interest of a subsidiary | - | - | - | - | - | - | - | - | (497) | (497) | |
| Balance as at 31 December 2011 | 151,318 | 111,162 | 117,317 | 12,769 | (8,389) | 2,130 | 74,643 | 460,950 | 31,777 | 492,727 | |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2012**

| | 12 months ended 31.12.2012 RM'000 | 12 months ended 31.12.2011 RM'000 |
|---|--|--|
| Operating Activities | | |
| Profit before tax | 9,267 | 8,909 |
| Adjustments for :- | | |
| Non-cash items | 2,796 | (5,132) |
| Other investing and financing items | 3,429 | 3,831 |
| Operating profit before working capital changes | <u>15,492</u> | <u>7,608</u> |
| Changes in working capital | | |
| Property development costs | (1,006) | (5,302) |
| Inventories | (4,056) | 7,366 |
| Receivables | (194) | 541 |
| Payables | (4,831) | (4,835) |
| Cash generated from operations | <u>5,405</u> | <u>5,378</u> |
| Retirement benefit paid | (14) | (27) |
| Tax paid | (5,016) | (2,363) |
| Net cash from operating activities | <u><u>375</u></u> | <u><u>2,988</u></u> |
| Cash flows from investing activities | | |
| Acquisition of intangible assets | (2,502) | (2,789) |
| Acquisition of a Subsidiary, net of cash acquired | (9,869) | (568) |
| Acquisition of additional shares in a subsidiary | (360) | - |
| Investment in associates | (14,115) | (25) |
| Acquisition of held for trading investments | (329) | (323) |
| Capital repayment from associates | - | 10,906 |
| Dividend income received | 48 | 4,406 |
| Interest received | 3,310 | 3,979 |
| Proceeds from disposal of held for trading investments | 790 | 323 |
| Proceeds from disposal of non-current assets classified as held for sale | 11,116 | 118,071 |
| Proceeds from disposal of property, plant and equipment | 195 | 257 |
| Proceeds from disposal of a subsidiary, net of cash disposed | 179 | (4) |
| Proceeds from disposal of an associate | - | 2,985 |
| Purchase of property, plant and equipment | (12,069) | (6,678) |
| Purchase of investment properties | - | (7,926) |
| Net cash (used in)/from investing activities | <u><u>(23,606)</u></u> | <u><u>122,614</u></u> |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2012 (Continued)**

| | 12 months ended 31.12.2012 RM'000 | 12 months ended 31.12.2011 RM'000 |
|--|--|--|
| Cash flows from financing Activities | | |
| Dividends paid | (1,926) | - |
| Dividends paid to non-controlling interests of a subsidiary | (598) | (497) |
| Drawdown of hire purchase | - | 114 |
| Drawdown of term loans | 3,955 | 1,155 |
| Interest paid | (8,036) | (9,509) |
| Issue of new shares | - | 79 |
| Payments to hire purchase payables | (83) | (234) |
| Pledge of short term deposits | (8,436) | (2,759) |
| Repayment of term loans | (30,210) | (35,996) |
| Net cash used in financing activities | (45,334) | (47,647) |
| Effect of exchange rate changes | (2,204) | (386) |
| Net (decrease)/increase in cash and cash equivalents | (70,769) | 77,569 |
| Cash and cash equivalents as at beginning of financial year | | |
| As previously reported | 161,236 | 83,747 |
| Effect of exchange rate changes | 633 | (80) |
| As restated | 161,869 | 83,667 |
| Cash and cash equivalents as at end of financial year * | 91,100 | 161,236 |
| * Cash and cash equivalents at the end of the financial year comprising the following : | | |
| Short term deposits | 92,063 | 151,635 |
| Cash and bank balances | 37,893 | 40,051 |
| Bank overdrafts | (738) | (768) |
| | 129,218 | 190,918 |
| Less : Deposits placed with lease creditors as security deposit for lease payments | (19,840) | (19,079) |
| Restricted deposits | (9,000) | - |
| Cash held under Housing Development Accounts | (515) | (500) |
| Deposits pledged to licensed banks | (8,763) | (10,103) |
| | (38,118) | (29,682) |
| | 91,100 | 161,236 |

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

The unaudited interim financial report has been prepared in compliance with MFRS 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 2011.

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 2011, except for the adoption of the new Malaysian Accounting Standard Board ("MASB") approved accounting standards, and the Malaysian Financial Reporting Standards ("MFRSs") Framework.

The Group adopted the MFRSs framework for the annual periods beginning on 1 January 2012 (ie: for financial year ended 31 December 2012).

The Group has adopted the MFRS framework and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards, for the first time in these condensed consolidated interim financial statements. The transition to MFRS framework does not have any significant impact on the financial position, financial performance and cash flows of the Group.

Amendments to MFRS 112 Income Taxes

The following New and revised MFRSs, Amendments/Improvements to MFRSs, IC Interpretations ("IC Int") and Amendments to IC Int that are issued but are not yet effective, have yet to be adopted by the Group:

New MFRS

| | |
|---------|--|
| MFRS 9 | Financial Instruments |
| MFRS 10 | Consolidated Financial Statements |
| MFRS 11 | Joint Arrangements |
| MFRS 12 | Disclosures of Interests in Other Entities |
| MFRS 13 | Fair Value Measurement |

Revised MFRSs

| | |
|----------|--|
| MFRS 119 | Employee Benefits |
| MFRS 127 | Separate Financial Statements |
| MFRS 128 | Investments in Associates and Joint Ventures |

Amendments/Improvements to MFRSs

| | |
|----------|--|
| MFRS 1 | First time adoption of Malaysian Financial Reporting Standards |
| MFRS 7 | Financial Instruments: Disclosure |
| MFRS 10 | Consolidated Financial Statements |
| MFRS 11 | Joint Arrangements |
| MFRS 12 | Disclosure of Interests in Other Entities |
| MFRS 101 | Presentation of Financial Statements |
| MFRS 132 | Financial Instruments: Presentation |
| MFRS 134 | Interim Financial Reporting |

Amendment to IC Int

| | |
|-----------|--|
| IC Int 2 | Members' Shares in Co-operative Entities and Similar Instruments |
| IC Int 20 | Stripping Costs in the Production Phase of a Surface Mine |

3. Audit report

The auditors' report on the financial statements for the year ended 31 December 2011 was not subject to any qualification.

4. Seasonal or cyclical factors

The operations of the Group for the quarter ended 31 December 2012 were not materially affected by any seasonal or cyclical factors.

5. Unusual items

There were no unusual items for the financial year 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 financial year ended 31 December 2012, a total of 18,648,600 2% 10-Year Irredeemable Convertible Unsecured Loan Stocks at 100% of the nominal value of RM0.15 each ("ICULS") have been converted into 9,324,300 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 year ended 31 December 2012.

8 Dividends paid

The first and final gross dividend of 0.50 sen per ordinary share less 25% income tax totalling RM1,926,108 in respect of the financial year ended 31 December 2011 was paid on 8 August 2012 after the approval from the shareholders of the Company was obtained at the Annual General Meeting held on 26 June 2012.

9. Segmental Information

For the financial year ended 31 December 2012

| | Investment Holding | Hotels & Resorts | Information & Communications Technology | Property Development | Travel & Tours | Others | Eliminations | Total |
|--|--------------------|------------------|---|----------------------|----------------|---------------|-----------------|----------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | | | | | | | |
| External | 1,049 | 74,266 | 41,106 | 7,913 | 84,031 | 21,336 | - | 229,701 |
| Inter-segment | 16,403 | - | - | 9 | 537 | - | (16,949) | - |
| Total revenue | 17,452 | 74,266 | 41,106 | 7,922 | 84,568 | 21,336 | (16,949) | 229,701 |
| Results | | | | | | | | |
| Segment results | 10,191 | 2,826 | 17,037 | 1,342 | 1,322 | (5,121) | (17,837) | 9,760 |
| Share of results of associates | (548) | (13) | 118 | - | (50) | - | - | (493) |
| Consolidated profit/(loss) before tax | 9,643 | 2,813 | 17,155 | 1,342 | 1,272 | (5,121) | (17,837) | 9,267 |
| Income tax expense | | | | | | | | (3,360) |
| Consolidated profit/(loss) after tax | | | | | | | | 5,907 |
| Non-controlling interests | | | | | | | | (6,858) |
| Net profit/(loss) for the financial year | | | | | | | | (951) |

9. Segmental Information (Continued)

For the financial year ended 31 December 2012

| | Investment Holding | Hotels & Resorts | Information & Communications Technology | Property Development | Travel & Tours | Others | Eliminations | Total |
|--|--------------------|------------------|---|----------------------|----------------|--------|--------------|---------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Other information</u> | | | | | | | | |
| Segment assets | 60,183 | 222,327 | 161,977 | 56,106 | 14,411 | 48,822 | - | 563,826 |
| Investment in associates | 16,326 | 17,607 | - | - | 147 | - | - | 34,080 |
| Non-current assets classified as held for sale | - | 29,327 | - | - | - | - | - | 29,327 |
| Unallocated corporate assets | | | | | | | | 5,687 |
| Total assets | | | | | | | | 632,920 |
| Segment liabilities | 19,187 | 68,954 | 19,424 | 5,621 | 5,370 | 15,546 | - | 134,102 |
| Unallocated corporate liabilities | | | | | | | | 1,589 |
| Total liabilities | | | | | | | | 135,691 |
| Capital expenditure: | | | | | | | | |
| - Property, plant & equipment | 195 | 3,559 | 1,309 | 1 | 138 | 6,867 | - | 12,069 |
| - Software development expenditure | - | - | 2,502 | - | - | - | - | 2,502 |

9. Segmental Information (Continued)

For the financial year ended 31 December 2011

| | Investment Holding | Hotels & Resorts | Information & Communications Technology | Property Development | Travel & Tours | Others | Eliminations | Total |
|--|---------------------------|-----------------------------|--|-----------------------------|---------------------------|---------------|---------------------|----------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | | | | | | | |
| External | 1,132 | 76,236 | 34,019 | 5,784 | 81,584 | 23,530 | - | 222,285 |
| Inter-segment | 728 | - | - | 8 | 363 | - | (1,099) | - |
| Total revenue | 1,860 | 76,236 | 34,019 | 5,792 | 81,947 | 23,530 | (1,099) | 222,285 |
| Results | | | | | | | | |
| Segment results | (5,139) | 6,268 | 3,411 | 474 | 797 | (4,528) | 791 | 2,074 |
| Share of results of associates | 4,385 | (43) | 2,493 | - | - | - | - | 6,835 |
| Consolidated profit/(loss) before tax | (754) | 6,225 | 5,904 | 474 | 797 | (4,528) | 791 | 8,909 |
| Income tax expense | | | | | | | | (2,019) |
| Consolidated profit/(loss) after tax | | | | | | | | 6,890 |
| Non-controlling interests | | | | | | | | (2,663) |
| Net profit/(loss) for the financial year | | | | | | | | 4,227 |

9. Segmental Information (Continued)

For the financial year ended 31 December 2011

| | Investment Holding | Hotels & Resorts | Information & Communications Technology | Property Development | Travel & Tours | Others | Eliminations | Total |
|------------------------------------|--------------------|------------------|---|----------------------|----------------|--------|--------------|---------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Other information</u> | | | | | | | | |
| Segment assets | 150,032 | 223,369 | 135,513 | 55,588 | 13,943 | 37,993 | - | 616,438 |
| Investment in associates | 16,767 | 3,958 | 1,950 | - | - | - | - | 22,675 |
| Non-current assets held for sale | 7,791 | - | - | 247 | - | - | - | 8,038 |
| Unallocated corporate assets | | | | | | | | 5,911 |
| Total assets | | | | | | | | 653,062 |
| Segment liabilities | 17,454 | 96,510 | 9,171 | 6,179 | 5,022 | 22,207 | - | 156,543 |
| Unallocated corporate liabilities | | | | | | | | 3,792 |
| Total liabilities | | | | | | | | 160,335 |
| Capital expenditure | | | | | | | | |
| - Property, plant and equipment | 346 | 4,681 | 1,546 | 1 | 43 | 174 | - | 6,791 |
| - Investment properties | - | - | 7,926 | - | - | - | - | 7,926 |
| - Software development expenditure | - | - | 2,789 | - | - | - | - | 2,789 |

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 2011.

11. Significant events after the reporting period

- (a) On 3 January 2013, Alangka-Suka International Limited ("ASIL"), an indirect wholly-owned subsidiary of the Company [held via Alangka-Suka Hotels & Resorts Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company], acquired the remaining 10,000 ordinary shares of USD1.00 each representing 10% equity interest in P.T. Diwangkara Holiday Villa Bali ("P.T. Diwangkara") not already owned by ASIL for a total cash consideration of USD34,114.60 from Mr Jeffry Budiman Rahardja. Consequential thereto, P.T. Diwangkara became an indirect wholly-owned subsidiary of the Company held via ASIL.
- (b) Subsequent to the acquisition of the 40% equity interest in Posthotel Arosa AG ("Arosa") by the Company's indirect wholly-owned subsidiary, Holiday Villa Assets Sdn Bhd ("HV Assets") as detailed in Note 12(g) below, HV Assets entered into a Share Purchase and Obligation of Purchase Agreement on 5 January 2013 to acquire an additional 8.6% equity interest in Arosa comprising 172 fully paid up registered shares of CHF 500 each held by Mr Jacques Rüdissler and Mrs Verena Maria Rüdissler for a total cash consideration of CHF 596'999.96 and consequently, Arosa became a 48.6%-owned associate of the Company.
- (c) On 10 January 2013, the Company announced that Antara Holiday Villas Sdn Bhd ("AHV"), an indirect wholly-owned subsidiary of the Company [held via Alangka-Suka Hotels & Resorts Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company], entered into a Joint Venture Agreement on 10 January 2013 with TH Hotel & Residence Sdn Bhd ("THHR") to incorporate a private limited company in Malaysia ("JV Company") with a view to jointly manage the Hotel to be developed by Lembaga Tabung Haji at Kuala Nerus, Kuala Terengganu, Terengganu ("Hotel") under the Holiday Villa brand upon completion of the Hotel which is expected to be by middle of 2013. Upon the incorporation of the JV Company, the JV Company will become a 70%-owned subsidiary of the Company held via AHV.
- (d) On 10 January 2013, the Company announced that the proposed acquisition by AHV as detailed in Note 20(b) below is deemed completed.
- (e) On 11 January 2013, the Company announced its acquisition of 100% equity interest comprising 2 issued and paid-up ordinary shares of RM1.00 each in a shelf company, Segi Koleksi Sdn Bhd ("SKSB"). On 5 February 2013, the equity structure of SKSB was reconstituted to facilitate the Company's investment in the educational business via SKSB, resulting in the Company holding 70% of the enlarged share capital of SKSB while Pacific Existence Sdn Bhd ("PESB") holds the remaining 30%. The Group Executive Chairman of the Company, Dato' Ahmad Sebi Bakar, has an interest in PESB by virtue of his directorship and shareholding in PESB.
- (f) On 16 January 2013, Synergy Tours Sdn Bhd ("Synergy Tours"), an indirect wholly-owned subsidiary of the Company [held via Orient Escape Travel Sdn Bhd, a wholly-owned subsidiary of Diversified Gain Sdn Bhd which in turn is a wholly-owned subsidiary of the Company] incorporated a 49%-owned associate company in Indonesia, PT Panorama Synergy Indonesia. The principal activity of PT Panorama Synergy Indonesia is to operate the travel and tour business.

12. Changes in the composition of the Group

- (a) On 16 January 2012, Synergy Tours, an indirect wholly-owned subsidiary of the Company [held via Orient Escape Travel Sdn Bhd, a wholly-owned subsidiary of Diversified Gain Sdn Bhd which in turn is a wholly-owned subsidiary of the Company] incorporated a 50%-owned associate company in Italy, Le Indie Viaggi S.R.L., with a share capital of €100,000.00. The principal activity of Le Indie Viaggi S.R.L. is to conduct outbound and inbound travel businesses for distribution through internet.
- (b) On 16 January 2012, the Company announced that the acquisition of the remaining 228,000 ordinary shares of RM1.00 each representing 60% equity interest in Ahead Mobile Sdn Bhd ("AMSB") not already owned by Unified Communications Sdn Bhd ("UCSB"), a wholly-owned subsidiary of Unified Communications Holdings Limited ("UOHL") 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), for a total cash consideration of up to RM22.5 million was completed and accordingly, AMSB became a wholly-owned subsidiary of UCSB and an indirect 58.3%-owned subsidiary of the Company.

12. Changes in the composition of the Group (Continued)

As at the reporting date, UCHL Group has completed the purchase price allocation for determining the fair value of assets acquired and liabilities assumed as well as goodwill. Details of net assets acquired and goodwill are as follows:

| <u>Purchase consideration</u> | RM'000 |
|---|-------------------|
| (1) Purchase consideration paid to date | 12,500 |
| (2) Fair value of purchase consideration to be settled by tranches in accordance with the terms and conditions of the Acquisition of AMSB ("Contingent Consideration") comprising the following: | |
| (i) RM9.0 million deposited with an escrow agent which shall be released to the vendor in accordance with the terms and conditions of the Acquisition of AMSB; and | 9,000 |
| (ii) RM1.0 million to be paid upon AMSB having procured the launch of a new service under a revenue sharing contract with a mobile network operator in South East Asia on or before 31 December 2013; and | 816 |
| Purchase Consideration pursuant to the Acquisition of AMSB | 22,316 |
| Add: Fair value of 40% equity interest in AMSB previously held as investment in an associate * | 14,849 |
| | <u>37,165</u> |
| Less: Net assets acquired # | (5,101) |
| Goodwill | 32,064 |
| * Fair value of 40% equity interest in AMSB previously held as investment in an associate: | |
| Carrying amount of existing 40% equity interest in AMSB | 2,040 |
| Fair value gain on remeasurement of UCHL Group's 40% equity interest in AMSB | 12,809 |
| | <u>14,849</u> |
| # The net assets acquired as at 16 January 2012 (the Completion Date) arising from the Acquisition of AMSB are as follows: | |
| | Fair value |
| | RM'000 |
| Non-current assets | 376 |
| Non-cash current assets | 2,695 |
| Cash and cash equivalent | 2,631 |
| Current liabilities | (601) |
| Net assets acquired | <u>5,101</u> |

12. Changes in the composition of the Group (Continued)

- (c) On 31 January 2012, the transfer of 20% of the enlarged share capital of Dama TCM Sdn Bhd ("Dama TCM") from Excellent Display Sdn Bhd ("EDSB") to Lee Thiam Huat at a nominal value of RM1.00 has been completed and accordingly, Dama TCM became an 80%-owned subsidiary of EDSB and the Company.
- (d) On 20 February 2012, the Company announced that a notice from the Australian Securities & Investments Commission ("ASIC") dated 16 February 2012 was received informing that Alangka-Suka Australia Pty Ltd ("ASAPL") and Holiday Villa Australia Pty Ltd ("HVAPL") were deregistered on 16 February 2012.
- (e) On 22 March 2012, the Company announced that Unified Communications (Shenzhen) 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 been voluntarily wound up on 20 March 2012.
- (f) On 1 June 2012, the Company announced that Advance Synergy Capital Sdn Bhd ("ASC"), a wholly-owned subsidiary of the Company, acquired the remaining ordinary shares of RM1.00 each in iSynergy Sdn Bhd ("iSynergy") and Synergy Cards Sdn Bhd ("SCSB") not already owned by the Group (the Company and ASC) from Interpay International Resources Ltd for a total cash consideration of RM360,001.00 as detailed below:-

| Company | Issued and paid-up capital (Number of Shares of RM1.00 each) | Equity interest (%) | Consideration (RM) |
|----------|--|------------------------|-----------------------|
| iSynergy | 2,450,000 | 20 | 1.00 |
| SCSB | 400,000 | 8 | 360,000.00 |

- (g) On 4 June 2012, the Company announced that its indirect wholly-owned subsidiary, Holiday Villa Subang Sdn Bhd ("HV Subang"), (held via Alangka-Suka Hotels & Resorts Sdn Bhd, a wholly-owned subsidiary of the Company), entered into a Share Purchase and Obligation of Purchase Agreement ("Agreement") on 2 June 2012 to acquire 40% equity interest in Arosa comprising 800 fully paid up registered shares of CHF500 each ("Shares") for a cash consideration of CHF 4'157'002 (equivalent to RM13,718,107) from the existing shareholders of Arosa, namely, Mr Jacques Rüdissler and Mrs Verena Maria Rüdissler.

Pursuant to the Agreement, HV Subang has also agreed to purchase 11.25% additional equity interest in Arosa comprising 225 Shares at CHF 5'314.29 per Share within a period of 5 years after execution of the Agreement ("Additional Purchase"). Upon completion of the Additional Purchase, HV Subang will hold a total of 1,025 Shares representing 51.25% equity interest in Arosa and Arosa shall become an indirect subsidiary of the Company held via HV Subang.

On 21 June 2012, the Company announced that the said proposed acquisition of the 40% equity interest in Arosa has been completed and accordingly, Arosa became an indirect associated company of the Company held via HV Subang, now known as HV Assets.

- (h) On 2 July 2012, the Company announced that its wholly-owned subsidiaries, ASIL and Holiday Villas International Limited ("HVIL"), had on 2 July 2012 entered into an agreement for the disposal of their respective 90% and 10% equity interest in Grand Holiday Villa Khartoum Co. Ltd. ("GHVK"), an indirect wholly-owned subsidiary of the Company, to Renaissance International For Services Co. for a cash consideration of USD100.00 and USD10.00 respectively.

The parties have agreed that the completion date for the disposal of ASIL's 90% equity interest in GHVK was 2 July 2012. The completion date for the remaining 10% equity interest in GHVK to be disposed by HVIL or its nominees shall be upon the expiry of the term as stated in the said agreement (i.e. a period of 36 months from 4 April 2012). Following the completion of the disposal of the 90% equity interest in GHVK by ASIL, GHVK ceased to be a subsidiary of ASIL and the Company.

- (i) On 13 July 2012, the equity interest held by Alangka-Suka Hotels & Resorts Sdn Bhd in Alangka-Suka Paris SAS ("AS Paris") was reduced from 100% to 70% upon conversion into equity of the part borrowings for the acquisition of Holiday Villa Lafayette Paris in 2009. Accordingly, AS Paris became a 70%-owned subsidiary of Alangka-Suka Hotels & Resorts Sdn Bhd and the Company.

12. Changes in the composition of the Group (Continued)

- (j) On 7 November 2012, the Company announced that following the proposed reorganisation of the Group structure for better management, the Company had transferred its entire direct shareholding of 51% of the total issued and paid-up share capital of SCSB comprising 2,550,000 ordinary shares of RM1.00 each at par for a cash consideration of RM2,550,000.00 to its wholly-owned subsidiary, ASC.

Consequential to the above, SCSB became an indirect wholly-owned subsidiary of the Company held via ASC. Prior to the abovementioned reorganisation, the Company and ASC respectively held 51% and 49% equity interest in SCSB.

- (k) Pursuant to the Letter of Agreement dated 18 December 2012 entered into by Autobus Australia Pty Ltd ("Autobus Australia"), Quality Bus & Coach Pty Ltd ("QBC Australia", currently a 50%-associated company of ASC) and Mr Frank Michael Turrisi ("Mr Frank", being the other shareholder of QBC Australia holding the remaining 50% equity interest not held by ASC and the sole shareholder of Autobus Australia), QBC Australia had on 18 December 2012 acquired from Mr Frank the entire equity interest in Autobus Australia of AUD1,000 comprising 1,000 ordinary shares free from any encumbrances at a nominal value of AUD1.00 only and Autobus Australia became a wholly-owned subsidiary of QBC Australia.
- (l) On 26 December 2012, the Company announced that the inactive wholly-owned subsidiaries of the Company held via ASC, namely Triton Engineering Sdn Bhd, Triton Express Sdn Bhd and Triton Khidmat Sdn Bhd, have respectively passed resolutions to apply to the Registrar of Companies to strike-off the name of the company from the register pursuant to Section 308(1) of the Companies Act, 1965 ("Applications") and accordingly, the Applications have been submitted to the Registrar of Companies on 26 December 2012.

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

13. Changes in contingent liabilities

There were no changes in contingent liabilities since the last annual statements of financial position as at 31 December 2011.

14. Review of performance

For the current year ended 31 December 2012, all divisions except Hotels and Resorts and Other divisions recorded higher revenue resulting in a higher Group revenue of RM229.7 million compared to a revenue of RM222.3 million in the previous year. The gross profit for the Group was also higher by 6.0% at RM88.8 million for the current year ended 31 December 2012 compared to RM83.7 million last year. The higher gross profit was mainly from our Information & Communications Technology division. In the current year under review, included in the other income are the fair value gain of RM12.8 million arising from accounting standard MFRS 3 Business Combinations on remeasuring the existing 40% equity interest in AMSB, following the acquisition of the remaining 60% equity interest in this former associate by our Information & Communications Technology division which was completed on 16 January 2012 ("Acquisition of AMSB"), and the fair value gain of RM2.4 million on contingent consideration of the Acquisition of AMSB arising from foreseeable lower balance consideration that is expected to be paid in 2013 and 2014. In 2011, the other income comprised gain on disposal of an associate, a subsidiary and non-current assets classified as held for sale amounting to about RM7.4 million. The increase in gross profit and the higher other income partly offset by the lower contribution from associates and higher operating expenses in the current year under review, resulted in the Group achieving a higher profit before tax of RM9.3 million for the year ended 31 December 2012 compared to the profit of RM8.9 million in 2011.

Investment Holding

The division recorded a profit of RM9.6 million in the current year ended 31 December 2012 compared to a loss of RM0.8 million in the previous year attributable mainly to dividends received from subsidiaries (eliminated at group level) and gain on disposal of property, plant and equipment partly offset by lower contribution from the associates in the current year.

Hotels & Resorts

The Hotels & Resorts division registered a lower revenue for the current year ended 31 December 2012 of RM74.3 million as compared to RM76.2 million for the financial year 2011. This division also recorded a lower profit before tax of RM2.8 million this year compared to a profit of RM6.2 million in the last financial year mainly due to the lower revenue coupled with higher depreciation and a loss on disposal of subsidiaries of RM0.9 million for this year. Last year there was a realisation of foreign exchange loss which was partly offset by the gain on disposal of non-current assets classified as held for sale.

14. Review of performance (Continued)

Information & Communications Technology

The Information & Communications Technology division registered a higher revenue for the current year ended 31 December 2012 of RM41.1 million compared to RM34.0 million in the previous year. The higher revenue is mainly contributed by the consolidation of AMSB as a subsidiary following the acquisition of the remaining 60% equity interest in AMSB which was completed on 16 January 2012 partly offset by the decrease in system sale revenue under all Business Units in South East Asia and Middle East and Africa. This division recorded a profit before tax of RM17.2 million in the current financial year compared to RM5.9 million last year mainly due to a fair value gain of RM12.8 million recorded in the current year under review arising from accounting standard MFRS 3 Business Combinations on remeasuring the existing 40% equity interest in AMSB, following the acquisition of the remaining 60% equity interest in this former associate by UCSB and fair value gain on contingent consideration on the acquisition of AMSB arising from the foreseeable lower balance consideration that is expected to be paid in 2013 and 2014.

Property Development

The Property Development division registered a higher revenue for the current year ended 31 December 2012 of RM7.9 million compared to RM5.8 million in the previous year. With the higher revenue and a gain on disposal of a property, our Property Development division recorded a higher profit before tax of RM1.3 million for the year ended 31 December 2012 compared to RM0.5 million last year.

Travel & Tours

For the year ended 31 December 2012, our Travel & Tours division achieved a higher revenue of RM84.6 million as compared to a revenue of RM81.9 million in the last financial year. With the higher revenue achieved in 2012, the profit before tax for this year is higher at RM1.3 million as compared to a profit of RM0.8 million in the last financial year.

Others

Other divisions registered lower revenue of RM21.3 million in the financial year ended 31 December 2012 compared to a revenue of RM23.5 million last year. This resulted in a higher loss for the current year ended 31 December 2012 of RM5.1 million compared to a loss of RM4.5 million in the previous financial year. The higher loss was mainly from the Coach Building and Manufacturing divisions whilst the loss from the Traditional Chinese Medicine division was incorporated only in this current financial year 2012.

15. Comparison of results with preceding quarter

The Group revenue of RM62.1 million for the current quarter ended 31 December 2012 was higher by 13.2% from the revenue in the previous quarter ended 30 September 2012 of RM54.9 million due mainly to the higher revenue from the Hotels & Resorts, Information & Communications Technology and Travel & Tours divisions. With the higher revenue coupled with a gain on disposal of property and fair value gain on contingent consideration of the Acquisition of AMSB in the current quarter, the Group recorded a profit before tax of RM0.9 million for this quarter compared to the previous quarter loss of RM3.8 million.

Investment Holding

The Investment Holding division recorded a profit before tax of RM16.9 million for the current quarter compared to a loss of RM3.8 million for the preceding quarter ended 30 September 2012. The profit in this quarter was mainly attributable to dividends received from subsidiaries (eliminated at group level), gain on disposal of property, plant and equipment and higher contribution from the associates.

Hotels & Resorts

The Hotels & Resorts division recorded a higher profit before tax for this quarter ended 31 December 2012 of RM0.4 million compared to RM0.2 million in the preceding quarter ended 30 September 2012. The higher profit in this quarter is mainly due to higher revenue recorded by the Hotels & Resorts division of RM20.9 million compared to a revenue of RM17.7 million in the previous quarter.

Information & Communications Technology

The Information & Communications Technology division registered higher revenue this quarter of RM11.7 million compared to RM9.0 million in the preceding quarter ended 30 September 2012. The higher revenue in this quarter is mainly due to improvement in Operation Support Systems and Mobile Technology Business Units' system sale revenue in South East Asia. Despite the higher revenue and the fair value gain on contingent consideration on the acquisition of AMSB arising from the foreseeable lower balance consideration that is expected to be paid in 2013 and 2014, this division recorded a lower profit before tax of RM0.3 million for the current quarter as compared to RM1.4 million in the preceding quarter ended 30 September 2012. The lower profit in the current quarter is mainly due to lower gross profit margin and higher overhead from impairment on project assets, other assets and development cost for the current quarter.

Property Development

The Property Development division recorded a marginally higher profit before tax of RM0.37 million for the current quarter under review compared to a profit before tax of RM0.25 million for the preceding quarter. The higher profit is mainly due to higher revenue achieved by the division in the current quarter.

15. Comparison of results with preceding quarter (Continued)

Travel & Tours

The Travel & Tours division recorded a higher revenue for the quarter ended 31 December 2012 of RM21.9 million compared to RM20.4 million in the preceding quarter. Despite the higher revenue achieved in the current quarter, the division recorded only a marginally higher profit before tax this quarter of RM0.43 million compared to RM0.42 million in the preceding quarter due mainly to higher operating expenses in the current quarter.

Others

The other divisions made a profit of RM0.8 million in the quarter under review compared to a loss of RM2.3 million in the previous quarter mainly attributable to higher profit from the Manufacturing division and higher other income arising from internal restructuring of capital for the Card & Payment Services division which has no impact at group level.

16. Prospects

With the global economic outlook expected to remain uncertain and any recovery in global condition envisaged to be gradual, the Directors expect the Group's operating environment to remain challenging for the financial year ending 31 December 2013.

The Group will continue to execute key strategies including implementing growth and development plans which may include geographical expansion, increasing distribution channels, and market and product development.

Our Hotels & Resorts division is continuously expanding its operations and in this respect, the division will implement strategies to aggressively secure hotel management and operating agreements in various countries.

The Information & Communications Technology division is optimistic of extending its track record of profitable performance, but expects the year ahead to remain challenging due to the intensification of competitive pressure for the division's more mature products and technologies that are sold primarily on a system-sale model. This is however expected to be countervailed by the revenue contribution of the growing managed services contract portfolio of the division.

The Property Development division has existing development projects which will continue to contribute to its earnings in the coming financial year.

The inbound travel and tours business may continue to experience some volatility in its overseas market although this is expected to stabilise in the second half of the year while the outbound travel and tours business is expected to enjoy strong demand from the domestic market.

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. Income tax expense

| | 3 months ended <u>31.12.2012</u> RM'000 | Year to date ended <u>31.12.2012</u> RM'000 |
|--------------------------------------|--|--|
| On current quarter/period results | | |
| - Malaysian income tax | 858 | 3,046 |
| - Overseas taxation | 200 | 201 |
| Over provision in prior year | (6) | (46) |
| Transfer (to)/from deferred taxation | 87 | 159 |
| | <u>1,139</u> | <u>3,360</u> |

The effective tax rate of the Group for the financial quarter and year ended 31 December 2012 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. 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 23(a).

- (b) AHV, an indirect wholly-owned subsidiary of the Company [held via Alangka-Suka Hotels & Resorts Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company], had via a letter of acceptance dated 17 August 2012 accepted an offer to purchase a property bearing the postal address of B-16-8, Megan Avenue II, No. 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur ("Office Premise") for a cash consideration of RM2,200,000.00 from ASH Holdings Sdn Bhd ("ASH"). The Office Premise was owned by ASH, a company which Puan Sri Datin Masri Khaw Binti Abdullah, a Non-Independent Non-Executive Director of the Company, holds 50% equity interest.

On 14 September 2012, the Company announced that AHV had on 14 September 2012 entered into a Sale and Purchase Agreement ("Agreement") with ASH for the abovementioned proposed acquisition.

On 10 January 2013, the Company announced that the balance purchase price of RM1,980,000.00 has been paid by AHV on 10 January 2013 in accordance with the Agreement and accordingly, the abovementioned proposed acquisition is deemed completed.

21. Group borrowings

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

| | As At 31.12.2012 RM'000 | As At 31.12.2011 RM'000 |
|-------------------------------|--|--|
| Short term - secured | | |
| - Term loans | 2,645 | 5,588 |
| - Bank overdraft | 738 | 768 |
| - Hire purchase payables | 28 | 91 |
| - Finance lease payable | 1,556 | 1,548 |
| Short term - unsecured | | |
| - Term loans | 1,346 | - |
| | <u>6,313</u> | <u>7,995</u> |
| Long term - secured | | |
| - Term loans | 25,024 | 48,467 |
| - Hire purchase payables | 63 | 92 |
| - Finance lease payable | 21,253 | 21,132 |
| Long term - unsecured | | |
| - Term loans | 4,839 | 6,249 |
| | <u>51,179</u> | <u>75,940</u> |
| Total borrowings | <u>57,492</u> | <u>83,935</u> |

- (b) Group borrowings denominated in foreign currency are as follows:-

| | As At 31.12.2012 RM'000 | As At 31.12.2011 RM'000 |
|--------------------|--|--|
| Australian Dollars | 6,185 | 6,223 |
| Sterling Pounds | 777 | 1,011 |
| Euro | <u>11,225</u> | <u>13,119</u> |

22. 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.

23. 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 in Alor Setar 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 in Alor Setar 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.

On 27 September 2012, the appeal was heard and allowed with costs by the Court of Appeal of Malaysia. In the result, the order of the High Court in Alor Setar dated 13 January 2011 striking out the suit with costs has been set aside. The suit has been remitted to the High Court in Alor Setar for full trial.

On 29 October 2012, the Company announced that its solicitors have been served with an application by PKNK for leave to appeal to the Federal Court of Malaysia against the decision of the Court of Appeal of Malaysia handed down on 27 September 2012. No hearing date has been fixed in respect of the leave application. The leave application is fixed for case management on 10 April 2013 pending receipt of the Grounds of Judgement of the Court of Appeal of Malaysia. In view of the aforesaid, parties will have to hold off any action vis-à-vis proceedings at the High Court level pending the hearing and disposal of the leave application by the Federal Court of Malaysia.

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

- (b) Further to the announcement on quarterly results (under Note 23(b)) made on 29 August 2012 concerning the updates on the legal proceedings relating to disposal by Advance Synergy Capital Sdn Bhd ("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 Ace Synergy Insurance Berhad ("ASIB") to ACE INA International Holdings, Ltd. ("ACE INA") for a total cash consideration of RM117.0 million ("Disposal of ASIB"), on 2 October 2012, the Company announced the withdrawal of the only pending appeal by ASC to the Court of Appeal of Malaysia against the order of the High Court dated 21 April 2011 refusing leave for judicial review against the Minister of Finance's approval in respect of the Disposal of ASIB vide Civil Appeal No.: W-01-283-2011 with no order as to costs. The Notice of Withdrawal dated 20 September 2012 was filed with the Registry of the Court of Appeal of Malaysia on 27 September 2012 effectively bringing the appeal to an end.

24. Notes To The Statement of Comprehensive Income

Included in the operating profit are:

| | 12 months ended <u>31.12.2012</u> RM'000 | 12 months ended <u>31.12.2011</u> RM'000 |
|---|---|---|
| Amortisation of intangible assets | (2,435) | (1,715) |
| Depreciation | (14,206) | (7,175) |
| Bad debts written off | (192) | (574) |
| Fair value gain on remeasurement of UCSB's 40% equity interest in an associate | 12,808 | - |
| Fair value gain on remeasurement of contingent consideration on acquisition of a subsidiary | 2,418 | - |
| Gain/(loss) on disposal of: | | |
| - an associate | - | 2,936 |
| - held for trading investment | 41 | 19 |
| - non-current assets classified as held for sale | 3,078 | 4,269 |
| - property, plant and equipment | 160 | 231 |
| - subsidiaries | (870) | 201 |
| Gross dividend income | 48 | 406 |
| Impairment loss on: | | |
| - available-for-sale investment | (1) | - |
| - development expenditure | (349) | - |
| - goodwill | - | (2) |
| - held for trading investment | - | (10) |
| - inventories | (18) | (15) |
| - loan and receivables | (260) | (164) |
| - property, plant and equipment | (1,167) | - |
| Interest expenses | (6,787) | (8,216) |
| Interest income | 3,310 | 3,979 |
| Write back of payables | 2 | 3,932 |
| Net unrealised (loss)/gain on foreign exchange | (872) | (53) |
| Property, plant and equipment written off | (482) | (57) |
| Fair value gain on investment property | - | 946 |
| Bad debts recovered | 70 | 299 |
| Provision for retirement plan | (180) | (156) |
| Provision for contingencies & commitments | - | (42) |
| Write back of impairment loss on: | | |
| - held for trading investment | 10 | - |
| - loan and receivables | 142 | 171 |
| - property, plant and equipment | - | 165 |
| Realisation of foreign exchange reserve | - | (4,908) |

25. Retained Earnings

| | As At 31.12.2012 RM'000 | As At 31.12.2011 RM'000 |
|---|--|--|
| Total retained profits/(accumulated losses) of the Company and its subsidiaries | | |
| - Realised | (375,619) | (378,264) |
| - Unrealised | (8,840) | (18,542) |
| Total retained profits/(accumulated losses) from associates | | |
| - Realised | (2,675) | (1,193) |
| - Unrealised | 11 | 212 |
| Total retained profits/(accumulated losses) from jointly controlled entities | | |
| - Realised | (761) | (634) |
| - Unrealised | - | - |
| | <u>(387,884)</u> | <u>(398,421)</u> |
| Consolidation adjustments | 459,121 | 473,064 |
| Total Group retained profits as per consolidated financial statements | <u>71,237</u> | <u>74,643</u> |

26. Dividend

The Board will decide on the recommendation of dividend after finalisation of the audited financial results for the financial year ended 31 December 2012.

27. (Loss)/Earnings per share

Basic (loss)/earnings 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 RM248,000 and RM(951,000) respectively, divided by the weighted average number of ordinary shares of 513,715,830 and 511,078,392 for the current quarter and current year-to-date respectively as follows:

| | 3 months ended | | Year to date ended | |
|---|---------------------------|--------------------|-------------------------------|--------------------|
| | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 |
| | No. of shares | | No. of shares | |
| Issued ordinary shares at beginning of the year | 513,715,830 | 504,391,530 | 504,391,530 | 488,160,030 |
| Weighted average number of new ordinary shares arising from ICULS converted to date | - | - | 6,686,862 | 11,519,862 |
| Weighted average number of new issuance of ordinary shares | - | - | - | 218,630 |
| Weighted average number of ordinary shares | <u>513,715,830</u> | <u>504,391,530</u> | <u>511,078,392</u> | <u>499,898,522</u> |
| | | | | |
| | 3 months ended | | Year to date ended | |
| | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 |
| Basic earnings/(loss) per share (sen) | <u>0.05</u> | <u>0.32</u> | <u>(0.19)</u> | <u>0.85</u> |

27. (Loss)/Earnings per share (Continued)

Diluted (loss)/earnings 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 attributable to equity holders of the Company of RM556,000 and RM281,000 respectively, after adjusting for interest saving on ICULS, divided by the weighted average number of ordinary shares of 929,194,952 and 929,194,952 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>31.12.2012</u> | <u>31.12.2011</u> | <u>31.12.2012</u> | <u>31.12.2011</u> |
| | RM'000 | | RM'000 | |
| Net (loss)/profit attributable to equity holders | 248 | 1,609 | (951) | 4,227 |
| Profit impact of assumed conversion-interest on ICULS | 308 | 312 | 1,232 | 1,246 |
| | <u>556</u> | <u>1,921</u> | <u>281</u> | <u>5,473</u> |

Weighted average number of ordinary shares (diluted)

| | 3 months ended | | Year to date ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | <u>31.12.2012</u> | <u>31.12.2011</u> | <u>31.12.2012</u> | <u>31.12.2011</u> |
| | No. of shares | | No. of shares | |
| Issued ordinary shares at beginning of the year | 513,715,830 | 504,391,530 | 504,391,530 | 488,160,030 |
| Weighted average number of new ordinary shares arising from ICULS converted to date | - | - | 6,686,862 | 11,519,862 |
| Weighted average number of new issuance of ordinary shares | - | - | - | 218,630 |
| Weighted average number of new ordinary shares assuming conversion of the remaining ICULS | 415,479,122 | 424,803,422 | 418,116,560 | 429,252,559 |
| Weighted average number of ordinary shares | <u>929,194,952</u> | <u>929,194,952</u> | <u>929,194,952</u> | <u>929,151,081</u> |

| | 3 months ended | | Year to date ended | |
|---|----------------------|-------------------|----------------------|-------------------|
| | <u>31.12.2012</u> | <u>31.12.2011</u> | <u>31.12.2012</u> | <u>31.12.2011</u> |
| Diluted earnings/(loss) per share (sen) | <u>Anti-dilutive</u> | <u>0.21</u> | <u>Anti-dilutive</u> | <u>0.59</u> |

28. Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
27 February 2013