

ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED
30 JUNE 2013

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the quarter ended 30 June 2013.

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 audited financial statements for the year ended 31 December 2012.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	<u>3 months ended</u>		<u>Year-to-date</u> <u>6 months ended</u>	
	<u>30.06.2013</u> RM'000	<u>30.06.2012</u> RM'000	<u>30.06.2013</u> RM'000	<u>30.06.2012</u> RM'000
Revenue	66,400	59,498	125,020	112,668
Cost of sales	(43,844)	(38,375)	(80,378)	(71,348)
Gross profit	22,556	21,123	44,642	41,320
Other operating income	2,364	2,774	4,850	19,341
Operating expenses	(22,982)	(23,363)	(46,611)	(45,849)
Profit from operations	1,938	534	2,881	14,812
Finance costs	(1,241)	(1,760)	(2,542)	(3,460)
Share of results of associates	(1,357)	1,135	(1,760)	779
Profit/(Loss) before tax	(660)	(91)	(1,421)	12,131
Income tax expense	(1,124)	(730)	(1,956)	(1,507)
Net profit/(loss) for the financial period	<u>(1,784)</u>	<u>(821)</u>	<u>(3,377)</u>	<u>10,624</u>
Attributable to:				
Owners of the parent	(2,570)	(1,751)	(4,739)	4,033
Non-controlling interests	786	930	1,362	6,591
	<u>(1,784)</u>	<u>(821)</u>	<u>(3,377)</u>	<u>10,624</u>
Earnings/(Loss) per share attributable to owners of the parent:				
Basic (sen)	<u>(0.50)</u>	<u>(0.34)</u>	<u>(0.92)</u>	<u>0.79</u>
Diluted (sen)	<u>(0.50)</u>	<u>(0.34)</u>	<u>(0.92)</u>	<u>0.49</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 6 months ended	
	<u>30.06.2013</u> RM'000	<u>30.06.2012</u> RM'000	<u>30.06.2013</u> RM'000	<u>30.06.2012</u> RM'000
Net profit/(loss) for the financial period	(1,784)	(821)	(3,377)	10,624
Other comprehensive income/(expenses):				
Item that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Item that are or may be reclassified subsequently to profit or loss:				
Fair value of available-for-sale financial assets	(2,974)	(1,206)	(1,366)	1,607
Share of other comprehensive income of associates, net of tax	1	(128)	(2)	(128)
Foreign currency translation differences for foreign operations	<u>1,699</u>	<u>3,936</u>	<u>939</u>	<u>339</u>
Total item that are or may be reclassified subsequently to profit or loss	<u>(1,274)</u>	<u>2,602</u>	<u>(429)</u>	<u>1,818</u>
Other comprehensive income/(loss) for the financial period	<u>(1,274)</u>	<u>2,602</u>	<u>(429)</u>	<u>1,818</u>
Total comprehensive income/(loss) for the financial period	<u><u>(3,058)</u></u>	<u><u>1,781</u></u>	<u><u>(3,806)</u></u>	<u><u>12,442</u></u>
Attributable to:				
Owners of the parent	(3,668)	678	(4,750)	5,634
Non-controlling interests	<u>610</u>	<u>1,103</u>	<u>944</u>	<u>6,808</u>
Total comprehensive income/(loss) for the financial period	<u><u>(3,058)</u></u>	<u><u>1,781</u></u>	<u><u>(3,806)</u></u>	<u><u>12,442</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at <u>30.06.2013</u> RM'000	As at <u>31.12.2012</u> RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	150,154	155,457
Investment properties	8,870	8,870
Investment in associates	34,574	34,341
Investment securities	32,920	34,286
Goodwill on consolidation	92,027	92,027
Intangible assets	17,115	17,153
Trade, other receivables and other assets	2,418	2,417
Deferred tax assets	3,085	3,139
	341,163	347,690
<u>Current assets</u>		
Progress billings	3,518	546
Inventories	58,827	60,498
Trade and other receivables	67,729	61,292
Tax recoverable	3,932	4,213
Investment securities	498	518
Short term deposits	81,637	92,068
Cash and bank balances	39,940	37,948
	256,081	257,083
Non-current assets classified as held for sale	29,327	29,327
TOTAL ASSETS	<u><u>626,571</u></u>	<u><u>634,100</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to owners of the parent</u>		
Share capital	154,175	154,115
Irredeemable Convertible Unsecured Loan		
Stocks ("ICULS") - equity component	108,669	108,722
Reserves	192,618	196,533
	455,462	459,370
Non-controlling interests	38,089	38,079
Total equity	<u><u>493,551</u></u>	<u><u>497,449</u></u>
<u>Non-current liabilities</u>		
Borrowings	49,682	51,179
ICULS - liability component	9,870	10,486
Other payables	5,745	5,746
Deferred tax liabilities	2,553	2,553
Provision for retirement benefit obligations	1,118	1,042
	68,968	71,006
<u>Current liabilities</u>		
Trade and other payables	51,985	58,047
Borrowings	10,803	6,314
Tax payable	1,264	1,284
	64,052	65,645
Total Liabilities	<u><u>133,020</u></u>	<u><u>136,651</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>626,571</u></u>	<u><u>634,100</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2013

	← <i>Attributable to owners of the parent</i> →									
	Share Capital	ICULS- Equity Component	Share Premium	← <i>Non-distributable</i>		→ <i>Distributable</i>		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 2013	154,115	108,722	117,317	12,766	(9,421)	4,661	71,210	459,370	38,079	497,449
Net profit/(loss) for the financial period	-	-	-	-	-	-	(4,739)	(4,739)	1,362	(3,377)
Fair value of available-for-sale financial assets	-	-	-	-	-	(1,366)	-	(1,366)	-	(1,366)
Share of other comprehensive income of associates, net of tax	-	-	-	-	(2)	-	-	(2)	-	(2)
Foreign currency translation differences for foreign operations	-	-	-	-	1,357	-	-	1,357	(418)	939
Total comprehensive income/(loss) for the financial period	-	-	-	-	1,355	(1,366)	(4,739)	(4,750)	944	(3,806)
Transactions with owners in their capacity as owners:										
Acquisition of additional shares in a subsidiary	-	-	-	-	-	-	835	835	(934)	(99)
Issue of new ordinary shares pursuant to the conversion of ICULS	60	(53)	-	-	-	-	-	7	-	7
Issue of new ordinary shares	-	-	-	-	-	-	-	-	-	-
	60	(53)	-	-	-	-	835	842	(934)	(92)
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2013	154,175	108,669	117,317	12,766	(8,066)	3,295	67,306	455,462	38,089	493,551

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2012

	← 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 2012	151,318	111,162	117,317	12,769	(8,389)	2,130	74,643	460,950	31,777	492,727
Net profit for the financial period	-	-	-	-	-	-	4,033	4,033	6,591	10,624
Fair value of available-for-sale financial assets	-	-	-	-	-	1,607	-	1,607	-	1,607
Share of other comprehensive income of associates, net of tax	-	-	-	-	-	(128)	-	(128)	-	(128)
Foreign currency translation differences for foreign operations	-	-	-	(2)	124	-	-	122	217	339
Total comprehensive income/(loss) for the financial period	-	-	-	(2)	124	1,479	4,033	5,634	6,808	12,442
Transactions with owners in their capacity as owners:										
Deemed partial disposal of interest in a subsidiary	-	-	-	-	-	-	(21)	(21)	21	-
Issue of new ordinary shares pursuant to the conversion of ICULS	2,689	(2,346)	-	-	-	-	-	343	-	343
	2,689	(2,346)	-	-	-	-	(21)	322	21	343
Balance as at 30 June 2012	154,007	108,816	117,317	12,767	(8,265)	3,609	78,655	466,906	38,606	505,512

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIOD ENDED 30 JUNE 2013**

	6 months ended <u>30.06.2013</u> RM'000	6 months ended <u>30.06.2012</u> RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	(1,421)	12,131
Adjustments for :-		
Non-cash items	10,646	(6,516)
Other investing and financing items	859	1,687
Operating profit before working capital changes	<u>10,084</u>	<u>7,302</u>
Changes in working capital		
Property development costs	-	28
Inventories	1,671	(4,086)
Receivables	(9,368)	1,354
Payables	(1,556)	(1,713)
Cash generated from operations	<u>831</u>	<u>2,885</u>
Retirement benefit paid	(19)	-
Tax paid	(1,640)	(1,861)
Net cash (used in)/from operating activities	<u>(828)</u>	<u>1,024</u>
Cash flows from investing activities		
Acquisition of intangible assets	(1,130)	(1,026)
Acquisition of a Subsidiary, net of cash acquired	-	(9,869)
Acquisition of additional shares in a subsidiary	(106)	-
Investment in associates	(1,991)	(13,918)
Investment in joint venture	-	(100)
Acquisition of held for trading investments	(20)	(63)
Dividend income received	-	27
Interest received	1,683	1,746
Payment to contingent consideration	(3,246)	-
Proceeds from disposal of held for trading investments	20	63
Proceeds from disposal of non-current assets classified as held for sale	-	372
Proceeds from disposal of property, plant and equipment	68	112
Purchase of property, plant and equipment	(1,376)	(8,739)
Net cash used in investing activities	<u>(6,098)</u>	<u>(31,395)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIOD ENDED 30 JUNE 2013 (Continued)**

	6 months ended 30.06.2013 RM'000	6 months ended 30.06.2012 RM'000
Cash flows from financing Activities		
Drawdown of term loans	200	1,602
Interest paid	(4,361)	(5,461)
Payments to hire purchase payables	(14)	(37)
Pledge of short term deposits	2,990	(8,085)
Repayment of term loans	(1,297)	(2,277)
Net cash used in financing activities	(2,482)	(14,258)
Effect of exchange rate changes	(515)	(1,530)
Net decrease in cash and cash equivalents	(9,923)	(46,159)
Cash and cash equivalents as at beginning of financial year		
As previously reported	91,249	161,235
Effect of exchange rate changes	205	851
As restated	91,454	162,086
Cash and cash equivalents as at end of financial period *	81,531	115,927
* Cash and cash equivalents at the end of the financial period comprising the following :		
Short term deposits	81,637	115,013
Cash and bank balances	39,940	39,374
Bank overdrafts	(5,007)	(694)
	116,570	153,693
Less : Deposits placed with lease creditors as security deposit for lease payments	(20,400)	(19,079)
Restricted deposits	(6,899)	(9,000)
Cash held under Housing Development Accounts	(523)	(508)
Deposits pledged to licensed banks	(7,217)	(9,179)
	(35,039)	(37,766)
	81,531	115,927

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 2012.

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 2012, except for the adoption of the following new and revised Malaysian Financial Reporting Standards ("MFRS"), amendments/improvements to MFRSs, IC Interpretations ("IC Int") and amendment to IC Int:

New MFRSs

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosures in 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

MRFS 1	First-time Adoption of Malaysian Financial Reporting Standards
MRFS 7	Financial Instruments : Disclosures - Offsetting Financial Assets and Financial Liabilities
MRFS 10	Consolidated Financial Statements : Transition Guidance
MRFS 11	Joint Arrangements : Transition Guidance
MFRS 12	Disclosure of Interests in Other Entities : Transition Guidance
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, plant and equipment (Annual Improvements 2009-2011 Cycle)
MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
MFRS 134	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)

Amendments to IC Int

IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments
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The adoption of the above MFRSs and Amendments/Improvements to MFRSs will have no significant impact on the financial statements of the Group upon their initial application.

MFRSs, Amendments to MFRSs and IC Int issued but not yet effective

The following MFRSs, Amendments/Improvements to MFRSs, 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
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Amendments/Improvements to MFRSs

MFRS 10	Consolidated Financial Statements : Investment Entities
MFRS 12	Disclosure of Interests in Other Entities : Investment Entities
MFRS 127	Separate Financial Statements : Investment Entities
MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

3. Audit report

The auditors' report on the financial statements for the year ended 31 December 2012 was not subject to any qualification.

4. Seasonal or cyclical factors

The operations of the Group for the quarter ended 30 June 2013 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 period ended 30 June 2013, a total of 400,000 2% 10-Year Irredeemable Convertible Unsecured Loan Stocks at 100% of the nominal value of RM0.15 each ("ICULS") have been converted into 200,000 new ordinary shares of RM0.30 each of the Company by surrendering for cancellation two ICULS for every one new ordinary share of RM0.30 each in the Company.

Apart from the above, there were no issuances, cancellations, repurchases, resale and/or repayments of debt and equity securities during the financial period ended 30 June 2013.

8 Dividends paid

There was no payment of any dividend during the financial period ended 30 June 2013.

9. Segmental Information

For the financial period ended 30 June 2013

	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	519	36,584	22,232	4,332	46,993	14,360	-	125,020
Inter-segment	379	-	-	7	171	-	(557)	-
Total revenue	898	36,584	22,232	4,339	47,164	14,360	(557)	125,020
Results								
Segment results	(3,416)	2,156	3,269	475	1,119	(3,299)	35	339
Share of results of associates	(491)	(1,122)	-	-	(147)	-	-	(1,760)
Consolidated profit/(loss) before tax	(3,907)	1,034	3,269	475	972	(3,299)	35	(1,421)
Income tax expense								(1,956)
Consolidated profit/(loss) after tax								(3,377)
Non-controlling interests								(1,362)
Net profit/(loss) for the financial period								(4,739)

9. Segmental Information (Continued)

For the financial period ended 30 June 2013

	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	51,417	224,250	160,231	55,900	15,626	48,229	-	555,653
Investment in associates	15,835	18,739	-	-	-	-	-	34,574
Non-current assets classified as held for sale	-	29,327	-	-	-	-	-	29,327
Unallocated corporate assets								7,017
Total assets								626,571
Segment liabilities	14,825	70,908	14,510	5,099	5,581	18,280	-	129,203
Unallocated corporate liabilities								3,817
Total liabilities								133,020
Capital expenditure:								
- Property, plant & equipment	21	904	305	-	28	118	-	1,376
- Software development expenditure	-	-	1,130	-	-	-	-	1,130

9. Segmental Information (Continued)

For the financial period ended 30 June 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	612	35,633	20,406	3,942	41,983	10,092	-	112,668
Inter-segment	381	-	-	5	318	-	(704)	-
Total revenue	993	35,633	20,406	3,947	42,301	10,092	(704)	112,668
Results								
Segment results	(4,072)	2,262	15,390	726	422	(3,612)	236	11,352
Share of results of associates	670	(9)	118	-	-	-	-	779
Consolidated profit/(loss) before tax	(3,402)	2,253	15,508	726	422	(3,612)	236	12,131
Income tax expense								(1,507)
Consolidated profit/(loss) after tax								10,624
Non-controlling interests								(6,591)
Net profit/(loss) for the financial year								4,033

9. Segmental Information (Continued)

For the financial period ended 30 June 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	123,143	225,220	161,215	55,741	14,397	42,455	-	622,171
Investment in associates	17,303	17,611	-	-	-	-	-	34,914
Non-current assets held for sale	7,791	-	-	-	-	-	-	7,791
Unallocated corporate assets								5,960
Total assets								670,836
Segment liabilities	16,733	95,531	16,974	5,950	5,582	21,029	-	161,799
Unallocated corporate liabilities								3,525
Total liabilities								165,324
Capital expenditure								
- Property, plant and equipment	278	1,837	536	1	7	6,080	-	8,739
- Software development expenditure	-	-	1,026	-	-	-	-	1,026

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 2012.

11. Significant events after the reporting period

- (a) Holiday Villa Assets Sdn Bhd ("HV Assets"), an indirect wholly-owned subsidiary of the Company has on 11 July 2013 acquired an additional 0.1% equity interest in Posthotel Arosa AG ("Arosa") comprising 2 fully paid up registered shares of CHF 500 each registered under Dr. Alfred Assal et Mme Elsie Assal for a total cash consideration of CHF 2'500 and consequently, Arosa became a 48.7%-owned associate company of the Company.
- (b) On 25 July 2013, Triton Express Sdn Bhd and Triton Khidmat Sdn Bhd have respectively received a notice of striking off pursuant to Section 308(2) of the Companies Act, 1965 from the Registrar of Companies ("ROC") for their Applications as detailed in Note 12(f) below.

Apart from the above, there are no significant events after the reporting period.

12. Changes in the composition of the Group

- (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 ("ASHR"), 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 Jeffrey Budiman Rahardja. Consequential thereto, P.T. Diwangkara became an indirect wholly-owned subsidiary of the Company held via ASIL.
- (b) HV Assets, an indirect wholly-owned subsidiary of the Company, has on 5 January 2013 acquired an additional 8.6% equity interest in Posthotel Arosa AG ("Arosa") comprising 172 fully paid up registered shares of CHF 500 each from 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 company 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 ASHR, 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. On 9 May 2013, the JV Company, namely THV Management Services Sdn Bhd was incorporated.
- (d) 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, a company in which the Group Executive Chairman of the Company has an interest, holds the remaining 30%.
- (e) 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 tours business.
- (f) 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 ROC to strike-off the name of the company from the register pursuant to Section 308(1) of the Companies Act, 1965 ("Applications") and the Applications have been submitted to the ROC on 26 December 2012. On 27 June 2013, Triton Express Sdn Bhd and Triton Khidmat Sdn Bhd have respectively received a notice of striking off pursuant to Section 308(1) of the Companies Act, 1965 from ROC for their Applications. However, as at 30 June 2013, Triton Engineering Sdn Bhd has yet to receive any notification from the ROC on the status of its application.
- (g) On 24 June 2013, Holiday Villas International Limited ("HVIL"), an indirect wholly-owned subsidiary of the Company [held via ASHR, which is in turn a wholly-owned subsidiary of the Company], acquired the remaining 3 ordinary shares of USD1.00 each representing 10% equity interest in Holiday Villa Middle East Limited ("HV Middle East") not already owned by HVIL for a total cash consideration of USD3.00 from Mr Hossam Ahmed Wahid Eldin Naguib Suwailem. Consequential thereto, HV Middle East became an indirect wholly-owned subsidiary of the Company held via HVIL.

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 statements of financial position as at 31 December 2012.

14. Review of performance

For the current six-month period ended 30 June 2013, all our divisions except Investment Holding division recorded higher revenue resulting in a higher Group revenue of RM125.0 million compared to a revenue of RM112.7 million in the corresponding period last year. In line with the higher revenue, the gross profit for the Group was also higher by 8.0% at RM44.6 million for the current period ended 30 June 2013 compared to RM41.3 million in the 6-month period last year. Despite the improved results in the current period ended 30 June 2013, the Group recorded a loss before tax of RM1.4 million compared to a profit before tax of RM12.1 million in the same period last year. This is primarily due to the fair value gain of RM13.1 million included in the other income for the 6-month period last year arising from accounting standard MFRS 3 Business Combinations on remeasuring the existing 40% equity interest in Ahead Mobile Sdn Bhd ("AMSB"), following the acquisition of the remaining 60% equity interest in this former associated company by our Information & Communications Technology division which was completed on 16 January 2012 ("Fair Value Gain"). In the current period under review, there was a share of loss in the associates of RM1.8 million compared to a share of profit of RM0.8 million in the same period last year although this was partly offset by lower finance costs.

Investment Holding

The division recorded a loss of RM3.9 million in the current period ended 30 June 2013 compared to a loss of RM3.4 million in the corresponding period last year attributable mainly to savings in interest expense offset by lower contribution from associates in this period.

Hotels & Resorts

The Hotels & Resorts division registered a marginally higher revenue for this period under review of RM36.6 million as compared to RM35.6 million for the corresponding period last year. Despite the marginally higher revenue, the division recorded a lower profit before tax of RM1.0 million in the current period compared to a profit of RM2.3 million in the same period last year mainly due to the higher loss from associates and higher depreciation cost.

Information & Communications Technology

The Information & Communications Technology division registered a higher revenue for the 6-month period ended 30 June 2013 of RM22.2 million compared to RM20.4 million in the 6-month period last year. The increase revenue is attributable to the improved revenue performance of Mobile Technology ("TECH"), Value Added Services ("VAS") and Operation Support System ("OSS") Business Units ("BU"). The improvement in TECH BU's revenue was mainly due to higher system sale contract revenues realised in the South East Asia ("SEA") region while the VAS BU generated higher revenue from its system sale and new managed service contract in the SEA and South Asia ("SA") regions that had more than offset the decline in the revenues of its managed service contracts in the Middle East Asia ("MEA") region. The increase in OSS BU's revenue is largely due to the higher managed service contract revenues realised by OSS BU in the SEA region. Despite the higher revenue, this division recorded a lower profit before tax of RM3.3 million in the current period ended 30 June 2013 compared to RM15.5 million in the same period last year due mainly to the Fair Value Gain recorded in 2012. Excluding the effect of the Fair Value Gain, the division recorded an improvement in its profit before tax for the period under review as compared to the same period last year attributable mainly to the improvement in revenue.

Property Development

The Property Development division registered a higher revenue for the 6-month period ended 30 June 2013 of RM4.3 million compared to RM3.9 million in the corresponding period last year. However, the profit of RM0.5 million in this period under review is lower than the profit of RM0.7 million recorded in the same period last year. Last year, there was a gain on disposal of an asset of RM0.12 million. In addition, the division incurred higher operating expenses in the current period as compared to the same period in 2012.

Travel & Tours

For the 6-month period ended 30 June 2013, our Travel & Tours division achieved a higher revenue of RM47.2 million compared to a revenue of RM42.3 million in the same period last year. In line with the higher revenue achieved in the period under review, the division recorded a higher profit before tax for this period of RM0.97 million as compared to the corresponding period last year of RM0.42 million.

Others

Other divisions registered higher revenue of RM14.4 million for the 6 months ended 30 June 2013 compared to a revenue of RM10.1 million achieved in the same period last year. This resulted in a marginally lower loss for the current period ended 30 June 2013 of RM3.3 million compared to a loss of RM3.6 million in the same period last year. The lower loss was mainly attributable to the improved performance of the Coach Building and Manufacturing divisions.

15. Comparison of results with preceding quarter

The Group achieved revenue of RM66.4 million for the current quarter ended 30 June 2013 which was higher by 13.3% from the revenue in the previous quarter ended 31 March 2013 of RM58.6 million. This was mainly due to higher revenue from Travel & Tours, Hotels & Resorts, Information & Communications Technology and Other divisions. However, this was partly offset by lower revenue from Property Development division. The improved revenue resulted in higher profit from operations for the Group of RM1.9 million in the quarter ended 30 June 2013 compared to a profit of RM0.9 million in the preceding quarter. Despite the improved results, the Group recorded a marginally lower loss before tax of RM0.7 million in the quarter under review compared to a loss of RM0.8 million in the preceding quarter due mainly to a higher share of loss of the associated companies.

Investment Holding

The Investment Holding division recorded a loss before tax of RM1.7 million for the quarter ended 30 June 2013 compared to a loss before tax of RM2.2 million for the preceding quarter ended 31 March 2013. The lower loss compared to previous quarter was mainly due to higher contribution from an associate and lower overhead expenses.

Hotels & Resorts

Despite the higher revenue for this quarter under review of RM18.5 million compared to RM18.1 million in the preceding quarter, our Hotels & Resorts division recorded a loss before tax of RM0.3 million compared to a profit of RM1.3 million in the last quarter. This is mainly due to losses from the share of results of associates of RM1.3 million in this quarter compared to a profit contribution from the associates of RM0.16 million in the last quarter.

Information & Communications Technology

The Information & Communications Technology division registered a higher revenue in the second quarter ended 30 June 2013 of RM12.2 million compared to RM10.1 million in the preceding quarter. The higher revenue in the quarter under review is mainly due to higher system sale contract revenues recorded by Mobile Technology, Value-added-services and Operation Support System Business Units in South East Asia (SEA). This division also recorded a higher profit before tax in the current quarter ended 30 June 2013 of RM1.9 million as compared to RM1.3 million in the last quarter. The higher profit is mainly attributable to higher revenue achieved but partly offset by higher operating expenses.

Property Development

The Property Development division recorded a lower revenue of RM1.8 million for the second quarter ended 30 June 2013 compared to RM2.6 million in the preceding quarter which resulted in a lower profit before tax of RM0.1 million compared to the previous quarter's profit of RM0.4 million compounded by an increase in overhead expenses in the quarter under review.

Travel & Tours

The Travel & Tours division recorded a higher revenue for the quarter ended 30 June 2013 of RM25.6 million compared to RM21.6 million in the preceding quarter. With the higher revenue, the division recorded a higher profit before tax of RM0.7 million compared to the previous quarter's profit of RM0.2 million.

Others

For the current quarter under review, the other divisions showed an improvement in their revenue of RM8.3 million compared to RM6.1 million in the preceding quarter, an increase of 36.1%. However, the percentage growth in revenue was not reflected in the improvement of loss in the current quarter of RM1.5 million as compared to loss of RM1.8 million in the previous quarter due mainly to lower gross profit as a result of a less favourable sales mix.

16. Prospects

The Directors expect the Group's operating environment to remain challenging for the remaining quarters of this financial year largely due to the uncertainty in economic outlook and any recovery in global condition is expected to be gradual.

Besides existing development projects which will continue to contribute to its earnings in 2013, the Property Development division will launch a new project situated in Matang, Kuching in last quarter of 2013.

Our Hotels & Resorts division will continue to identify opportunities to expand its operations and will implement strategies to aggressively secure hotel management and operating agreements in various countries in 2013.

The Information & Communications Technology division expects the remaining quarters of the 2013 financial year to remain challenging largely due to the persistent downward pressure on the pricing of solutions that are delivered on a system sale model. However the relatively soft system sale market conditions are expected to be cushioned somewhat by progress in growing the managed services contract portfolio of the division. The division will continue to search for opportunities for strategic investment and acquisition in the remainder of the 2013 financial year.

The inbound travel and tours business may continue to experience volatility in its overseas market but expects the situation in the second half of the year to stabilise due to our continued intensified marketing efforts and resurgence of bookings from key markets. Our outbound travel and tours business is expected to continue to enjoy strong demand from the domestic market.

The other divisions are still under-performing and we expect to face continued challenges in our efforts to improve their organic growth. The focus for these other divisions would be to seek out opportunities and implement strategies to drive up revenue.

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>30.06.2013</u> RM'000	Year- to-date ended <u>30.06.2013</u> RM'000
On current quarter/period results		
- Malaysian income tax	1,046	1,824
- Overseas taxation	41	77
Over provision in prior year	8	-
Transfer (to)/from deferred taxation	29	55
	<u>1,124</u>	<u>1,956</u>

The effective tax rate of the Group for the financial quarter and year-to-date ended 31 December 2013 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. MT2-22-95-2004 against PKNK to recover its investment in KMSB. Details of this legal suit are set out in Note 23(a).

21. Group borrowings

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

	As At <u>30.06.2013</u> RM'000	As At <u>31.12.2012</u> RM'000
Short term - secured		
- Term loans	2,934	2,646
- Bank overdraft	5,007	738
- Hire purchase payables	23	28
- Finance lease payable	1,560	1,556
Short term - unsecured		
- Term loans	<u>1,279</u>	<u>1,346</u>
	<u>10,803</u>	<u>6,314</u>
Long term - secured		
- Term loans	23,863	25,024
- Hire purchase payables	51	63
- Finance lease payable	21,302	21,253
Long term - unsecured		
- Term loans	<u>4,466</u>	<u>4,839</u>
	<u>49,682</u>	<u>51,179</u>
Total borrowings	<u><u>60,485</u></u>	<u><u>57,493</u></u>

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

	As At <u>30.06.2013</u> RM'000	As At <u>31.12.2012</u> RM'000
Australian Dollars	5,745	6,185
Sterling Pounds	637	777
Euro	<u>11,011</u>	<u>11,225</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 initiated the Alor Setar High Court Civil Suit No. MT2-22-95-2004 on 14 June 2004 against Perbadanan Kemajuan Negeri Kedah (“PKNK”) to recover its investment of RM52,500,000 representing 70% equity interest in Kedah Marble Sdn Bhd (“KMSB”) together with other sums, damages, interests and costs.

PKNK then applied for the determination of points or issues of law pursuant to Order 14A and/or Order 33 Rule 2 of the Rules of High Court, 1980. The application was heard on 13 January 2011 and allowed by the High Court on the basis that the Company’s claim was time barred under the Public Authorities Protection Act (“PAPA”) and/or the Limitation Act. In the result, the suit was dismissed with costs. The Judgment of the High Court was appealed to the Court of Appeal of Malaysia vide Civil Appeal No.: K-01-85-2011. The appeal was heard on the 27 September 2012 and allowed with costs. In the result, the order of the High Court dated 13 January 2011 was set aside and the matter remitted to the High Court for trial. Following the order of the Court of Appeal of Malaysia, PKNK has filed an application for leave to appeal to the Federal Court of Malaysia vide Civil Application No.: 08-772-10/2012. The application for leave has not been heard and is currently fixed for case management on 12 September 2013. A hearing date will only be fixed by the Federal Court of Malaysia once the written Grounds of Judgment are made available to the parties by the Court of Appeal of Malaysia. The Company expects the leave application to be heard before the end of the year.

24. Notes To The Statement of Comprehensive Income

Included in the operating profit are:

	6 months ended <u>30.06.2013</u> RM’000	6 months ended <u>30.06.2012</u> RM’000
Amortisation of intangible assets	(1,434)	(1,168)
Depreciation	(7,940)	(5,428)
Bad debts written off	(12)	(12)
Fair value gain on remeasurement of UCSB’s 40% equity interest in an associate	-	13,070
Gain/(loss) on disposal of:		
- held for trading investment	(20)	5
- non-current assets classified as held for sale	-	126
- property, plant and equipment	20	99
Gross dividend income	-	27
Impairment loss on:		
- loan and receivables	(12)	(4)
Interest expenses	(2,542)	(3,460)
Interest income	1,683	1,746
Net unrealised (loss)/gain on foreign exchange	670	(853)
Property, plant and equipment written off	(62)	(18)
Provision for retirement plan	(95)	(90)
Write back of impairment loss on:		
- held for trading investment	-	10

25. Retained Earnings

	<u>As At</u> <u>30.06.2013</u> RM'000	<u>As At</u> <u>30.06.2012</u> RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries		
- Realised	(381,638)	(389,754)
- Unrealised	(5,341)	(6,749)
Total retained profits/(accumulated losses) from associates		
- Realised	(4,910)	(2,470)
- Unrealised	(3)	217
Total retained profits/(accumulated losses) from jointly controlled entities		
- Realised	(761)	(761)
- Unrealised	-	-
	<u>(392,653)</u>	<u>(399,517)</u>
Consolidation adjustments	459,959	478,172
Total Group retained profits as per consolidated financial statements	<u>67,306</u>	<u>78,655</u>

26. Dividend

The first and final dividend in respect of the financial year ended 31 December 2012 was paid on 5 August 2013 after the approval from the shareholders of the Company at the Annual General Meeting held on 24 June 2013.

The Board does not recommend any dividend in respect of the financial period ended 30 June 2013.

27. (Loss)/Earnings per share

Basic (loss)/earnings per share

The basic (loss)/earnings 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 (RM2,570,000) and (RM4,739,000) respectively, divided by the weighted average number of ordinary shares of 513,731,215 and 513,723,565 for the current quarter and current year-to-date respectively as follows:

	3 months ended		Year-to-date ended	
	<u>30.06.2013</u>	<u>30.06.2012</u>	<u>30.06.2013</u>	<u>30.06.2012</u>
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the year	513,715,830	508,571,830	513,715,830	504,391,530
Weighted average number of new ordinary shares arising from ICULS converted to date	15,385	2,039,890	7,735	4,045,609
Weighted average number of ordinary shares	<u>513,731,215</u>	<u>510,611,720</u>	<u>513,723,565</u>	<u>508,437,139</u>
	3 months ended		Year-to-date ended	
	<u>30.06.2013</u>	<u>30.06.2012</u>	<u>30.06.2013</u>	<u>30.06.2012</u>
Basic (loss)/earnings per share (sen)	<u>(0.50)</u>	<u>(0.34)</u>	<u>(0.92)</u>	<u>0.79</u>

27. (Loss)/Earnings per share (Continued)**Diluted (loss)/earnings per share**

The diluted (loss)/earnings 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 (RM2,220,000) and (RM4,056,000) respectively, after adjusting for interest saving on ICULS, divided by the weighted average number of ordinary shares of 929,194,953 and 929,194,953 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>30.06.2013</u>	<u>30.06.2012</u>	<u>30.06.2013</u>	<u>30.06.2012</u>
	RM'000		RM'000	
Net (loss)/profit attributable to equity holders	(2,570)	(1,751)	(4,739)	4,033
Profit impact of assumed conversion-interest on ICULS	350	279	683	562
	<u>(2,220)</u>	<u>(1,472)</u>	<u>(4,056)</u>	<u>4,595</u>

Weighted average number of ordinary shares (diluted)

	3 months ended		Year-to-date ended	
	<u>30.06.2013</u>	<u>30.06.2012</u>	<u>30.06.2013</u>	<u>30.06.2012</u>
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the year	513,715,830	508,571,830	513,715,830	504,391,530
Weighted average number of new ordinary shares arising from ICULS converted to date	15,385	2,039,890	7,735	4,045,609
Weighted average number of new ordinary shares assuming conversion of the remaining ICULS	415,463,738	418,583,231	415,471,388	420,757,814
Weighted average number of ordinary shares	<u>929,194,953</u>	<u>929,194,951</u>	<u>929,194,953</u>	<u>929,194,953</u>

	3 months ended		Year-to-date ended	
	<u>30.06.2013</u>	<u>30.06.2012</u>	<u>30.06.2013</u>	<u>30.06.2012</u>
Diluted (loss)/earnings per share (sen)	<u>(0.50)</u>	<u>(0.34)</u>	<u>(0.92)</u>	<u>0.49</u>

The diluted loss per share and basic loss per share for the current quarter, current year-to-date and corresponding quarter last year are reported to be the same as the effect arising from the deemed conversion of ICULS is anti-dilutive.

28. Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
28 August 2013