

ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED
30 SEPTEMBER 2012

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the quarter ended 30 September 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>9 months ended</u>	
	<u>30.09.2012</u> RM'000	<u>30.09.2011</u> RM'000	<u>30.09.2012</u> RM'000	<u>30.09.2011</u> RM'000
Revenue	54,893	55,460	167,561	164,616
Cost of sales	(33,624)	(35,044)	(104,972)	(105,429)
Gross profit	21,269	20,416	62,589	59,187
Other operating income	2,311	4,101	21,652	13,150
Operating expenses	(24,563)	(21,736)	(70,412)	(66,137)
(Loss)/Profit from operations	(983)	2,781	13,829	6,200
Finance costs	(1,750)	(2,115)	(5,211)	(6,212)
Share of results of associates	(1,082)	864	(302)	5,974
(Loss)/Profit before tax	(3,815)	1,530	8,316	5,962
Income tax expense	(714)	(620)	(2,221)	(1,427)
Net (loss)/profit for the financial period	<u>(4,529)</u>	<u>910</u>	<u>6,095</u>	<u>4,535</u>
Attributable to:				
Owners of the parent	(5,234)	286	(1,201)	2,617
Non-controlling interests	705	624	7,296	1,918
	<u>(4,529)</u>	<u>910</u>	<u>6,095</u>	<u>4,535</u>
(Loss)/Earnings per share attributable to owners of the parent:				
Basic (sen)	<u>(1.02)</u>	<u>0.06</u>	<u>(0.24)</u>	<u>0.53</u>
Diluted (sen)	<u>Anti-dilutive</u>	<u>0.06</u>	<u>Anti-dilutive</u>	<u>0.38</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 9 months ended	
	<u>30.09.2012</u> RM'000	<u>30.09.2011</u> RM'000	<u>30.09.2012</u> RM'000	<u>30.09.2011</u> RM'000
Net (loss)/profit for the financial period	(4,529)	910	6,095	4,535
Other comprehensive income/(expenses):				
Fair value of available-for-sale financial assets	804	(724)	2,411	(804)
Realisation of Available-For-Sale Reserve	-	-	-	(1,139)
Share of other comprehensive income of associates, net of tax	185	-	57	8
Foreign currency translation differences for foreign operations	(763)	1,900	(424)	(1,834)
	_____	_____	_____	_____
Other comprehensive income/(loss) for the financial period	226	1,176	2,044	(3,769)
	_____	_____	_____	_____
Total comprehensive (loss)/income for the financial period	<u>(4,303)</u>	<u>2,086</u>	<u>8,139</u>	<u>766</u>
Attributable to:				
Owners of the parent	(4,877)	1,541	757	(1,068)
Non-controlling interests	574	545	7,382	1,834
	_____	_____	_____	_____
Total comprehensive (loss)/income for the financial period	<u>(4,303)</u>	<u>2,086</u>	<u>8,139</u>	<u>766</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at	Audited	As at
	30.09.2012	As at	As at
	RM'000	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	188,387	190,541	202,182
Investment properties	8,870	8,870	-
Investment in associates	34,020	22,675	30,759
Investment securities	34,287	31,866	32,673
Goodwill on consolidation	93,192	59,860	59,423
Intangible assets	17,322	17,529	16,168
Trade, other receivables and other assets	2,682	2,574	6,400
Deferred tax assets	3,008	3,141	2,870
	381,768	337,056	350,475
<u>Current assets</u>			
Property development costs	31,022	29,854	24,552
Progress billings	2,206	265	1,225
Inventories	29,847	25,599	32,950
Trade and other receivables	55,203	56,866	52,777
Tax recoverable	3,090	2,770	2,721
Investment securities	979	928	919
Short term deposits	110,189	151,635	64,135
Cash and bank balances	38,368	40,051	46,535
	270,904	307,968	225,814
Non-current assets classified as held for sale	7,791	8,038	114,955
TOTAL ASSETS	660,463	653,062	691,244
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	196,772	198,470	195,088
	459,609	460,950	456,876
Non-controlling interests	38,730	31,777	29,670
Total equity	498,339	492,727	486,546
<u>Non-current liabilities</u>			
Borrowings	75,891	75,940	81,469
ICULS - liability component	10,806	12,278	14,391
Other payables	9,829	-	-
Deferred tax liabilities	2,594	2,620	2,748
Provision for retirement benefit obligations	997	876	747
	100,117	91,714	99,355
<u>Current liabilities</u>			
Trade and other payables	55,526	59,454	68,187
Borrowings	5,568	7,995	36,168
Tax payable	913	1,172	988
	62,007	68,621	105,343
Total Liabilities	162,124	160,335	204,698
TOTAL EQUITY AND LIABILITIES	660,463	653,062	691,244

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 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 period	-	-	-	-	-	-	(1,201)	(1,201)	7,296	6,095
Fair value of available-for-sale financial assets	-	-	-	-	-	2,411	-	2,411	-	2,411
Share of other comprehensive income of associates, net of tax	-	-	-	-	-	57	-	57	-	57
Foreign currency translation differences for foreign operations	-	-	-	(3)	(507)	-	-	(510)	86	(424)
Total comprehensive income/(loss) for the financial year	-	-	-	(3)	(507)	2,468	(1,201)	757	7,382	8,139
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 30 September 2012	154,115	108,722	117,317	12,766	(8,896)	4,598	70,987	459,609	38,730	498,339

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2011

	← <i>Attributable to owners of the parent</i> →									
	Share Capital	ICULS- Equity component	← <i>Non-distributable</i>			→ <i>Distributable</i>		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 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 period	-	-	-	-	-	-	2,617	2,617	1,918	4,535
Fair value of available-for-sale financial assets	-	-	-	-	-	(804)	-	(804)	-	(804)
Realisation of Available-For-Sale Reserve	-	-	-	-	-	(1,139)	-	(1,139)	-	(1,139)
Share of other comprehensive income of associates, net of tax	-	-	-	-	-	8	-	8	-	8
Foreign currency translation differences for foreign operations	-	-	-	3	(1,753)	-	-	(1,750)	(84)	(1,834)
Total comprehensive income/(loss) for the financial period	-	-	-	3	(1,753)	(1,935)	2,617	(1,068)	1,834	766
Transactions with owners in their capacity as owners:										
Issue of new ordinary shares pursuant to the conversion of ICULS	4,790	(4,178)	-	-	-	-	-	612	-	612
Issue of new ordinary shares	79	-	-	-	-	-	-	79	-	79
	4,869	(4,178)	-	-	-	-	-	691	-	691
Dividend paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	(496)	(496)
Balance as at 30 September 2011	151,317	111,162	117,317	12,770	(11,229)	2,129	73,033	456,499	31,008	487,507

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

	9 months ended 30.09.2012 RM'000	9 months ended 30.09.2011 RM'000
Operating Activities		
Profit before tax	8,316	5,962
Adjustments for :-		
Non-cash items	(324)	(3,794)
Other investing and financing items	2,356	3,069
Operating profit before working capital changes	<u>10,348</u>	<u>5,237</u>
Changes in working capital		
Property development costs	(1,168)	(4,307)
Inventories	(4,248)	6,888
Receivables	2,407	4,097
Payables	(3,906)	(3,925)
Cash generated from operations	<u>3,433</u>	<u>7,990</u>
Retirement benefit paid	(14)	(5)
Tax paid	(2,733)	(1,246)
Net cash from operating activities	<u><u>686</u></u>	<u><u>6,739</u></u>
Cash flows from investing activities		
Acquisition of intangible assets	(1,798)	(2,158)
Acquisition of a Subsidiary, net of cash acquired	(9,869)	(4)
Acquisition of additional shares in a subsidiary	(360)	(49)
Investment in associates	(13,918)	-
Investment in joint venture	(100)	-
Acquisition of held for trading investments	(63)	(245)
Capital repayment from associates	-	10,906
Dividend income received	39	4,108
Interest received	2,816	3,035
Proceeds from disposal of held for trading investments	63	245
Proceeds from disposal of non-current assets classified as held for sale	372	116,676
Proceeds from disposal of property, plant and equipment	163	1,660
Purchase of property, plant and equipment	(9,438)	(2,682)
Purchase of investment properties	-	(7,926)
Net cash (used in)/from investing activities	<u><u>(32,093)</u></u>	<u><u>123,566</u></u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIOD ENDED 30 SEPTEMBER 2012 (Continued)**

	9 months ended 30.09.2012 RM'000	9 months ended 30.09.2011 RM'000
Cash flows from financing Activities		
Dividends paid	(1,926)	-
Dividends paid to non-controlling interests of a subsidiary	(598)	(496)
Drawdown of hire purchase	-	114
Drawdown of term loans	1,602	1,155
Interest paid	(6,814)	(10,475)
Issue of new shares	-	80
Payments to hire purchase payables	(55)	(182)
Pledge of short term deposits	(8,151)	(752)
Repayment of term loans	(3,619)	(4,768)
Net cash used in financing activities	(19,561)	(15,324)
Effect of exchange rate changes	(724)	(95)
Net (decrease)/increase in cash and cash equivalents	(51,692)	114,886
Cash and cash equivalents as at beginning of financial period		
As previously reported	161,235	83,747
Effect of exchange rate changes	474	135
As restated	161,709	83,882
Cash and cash equivalents as at end of financial period *	110,017	198,768
* Cash and cash equivalents at the end of the financial period comprising the following :		
Short term deposits	110,189	65,736
Cash and bank balances	38,368	161,843
Bank overdrafts	(707)	(1,136)
	147,850	226,443
Less : Deposits placed with lease creditors as security deposit for lease payments	(19,588)	(18,567)
Restricted deposits	(9,000)	-
Cash held under Housing Development Accounts	(512)	(496)
Deposits pledged to licensed banks	(8,733)	(8,612)
	(37,833)	(27,675)
	110,017	198,768

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 ending 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.

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 3	Business Combinations
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 30 September 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 period ended 30 September 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 period ended 30 September 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 period ended 30 September 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	879	53,380	29,441	5,844	62,279	15,738	-	167,561
Inter-segment	570	-	-	7	402	-	(979)	-
Total revenue	1,449	53,380	29,441	5,851	62,681	15,738	(979)	167,561
Results								
Segment results	(6,800)	2,414	16,763	975	840	(5,929)	355	8,618
Share of results of associates	(409)	(11)	118	-	-	-	-	(302)
Consolidated profit/(loss) before tax	(7,209)	2,403	16,881	975	840	(5,929)	355	8,316
Income tax expense								(2,221)
Consolidated profit/(loss) after tax								6,095
Non-controlling interests								(7,296)
Net profit/(loss) for the financial period								(1,201)

9. Segmental Information (Continued)

For the financial period ended 30 September 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	111,818	221,717	159,802	55,464	15,783	47,970	-	612,554
Investment in associates	16,409	17,611	-	-	-	-	-	34,020
Non-current assets classified as held for sale	7,791	-	-	-	-	-	-	7,791
Unallocated corporate assets								6,098
Total assets								660,463
Segment liabilities	16,155	92,389	15,150	5,310	6,741	22,872	-	158,617
Unallocated corporate liabilities								3,507
Total liabilities								162,124
Capital expenditure:								
- Property, plant & equipment	114	1,953	875	1	107	6,388	-	9,438
- Software development expenditure	-	-	1,798	-	-	-	-	1,798

9. Segmental Information (Continued)

For the financial period ended 30 September 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	774	55,279	25,419	4,953	60,929	17,262	-	164,616
Inter-segment	546	-	-	7	306	-	(859)	-
Total revenue	1,320	55,279	25,419	4,960	61,235	17,262	(859)	164,616
Results								
Segment results	(6,156)	5,782	1,833	248	991	(3,302)	592	(12)
Share of results of associates	3,937	(25)	2,062	-	-	-	-	5,974
Consolidated profit/(loss) before tax	(2,219)	5,757	3,895	248	991	(3,302)	592	5,962
Income tax expense								(1,427)
Consolidated profit/(loss) after tax								4,535
Non-controlling interests								(1,918)
Net profit/(loss) for the financial period								2,617

9. Segmental Information (Continued)

For the financial period ended 30 September 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	191,252	223,097	136,942	55,735	15,106	31,865	-	653,997
Investment in associates	16,302	3,958	1,523	-	-	-	-	21,783
Non-current assets held for sale	-	111		247				358
Unallocated corporate assets								5,205
Total assets								681,343
Segment liabilities	46,372	100,311	11,208	7,151	6,315	18,869	-	190,226
Unallocated corporate liabilities								3,610
Total liabilities								193,836
Capital expenditure								
- Property, plant and equipment	269	1,459	933	1	43	91	-	2,796
- Investment properties			7,926					7,926
- Software development expenditure	-	-	2,158	-	-	-	-	2,158

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 subsequent events

- (a) 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 Synergy Cards Sdn Bhd ("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, Advance Synergy Capital Sdn Bhd ("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.

12. Changes in the composition of the Group

- (a) On 16 January 2012, Synergy Tours Sdn Bhd ("Synergy Tours"), an indirect wholly-owned subsidiary of the Company [held via Orient Escape Travel Sdn Bhd, which in turn is a wholly-owned subsidiary of Diversified Gain Sdn Bhd, a wholly-owned subsidiary of the Company] incorporated a 50%-owned company in Italy, Le Indie Viaggi S.R., with a share capital of €100,000.00 through subscription in equal amounts by the two shareholders of €50,000.00 each. Consequential thereto, Le Indie Viaggi S.R.L. became a 50%-owned associate company of Synergy Tours and the Company. The principal activity of Le Indie Viaggi S.R.L is to conduct all types of outbound and incoming 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 ("UHL"), 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 is in the process of completing the purchase price allocation, and to determine the fair value of assets acquired and liabilities assumed and the final goodwill. Details of provisional net assets acquired and provisional goodwill are as follows:

Purchase consideration

	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	829

Purchase Consideration pursuant to the Acquisition of AMSB

22,329

Add: Fair value of 40% equity interest in AMSB previously held as investment in associates *

15,000

37,329

Less: Provisional net assets acquired #

(5,171)

Provisional goodwill

32,158

* Fair value of 40% equity interest in AMSB previously held as investment in associates:

Carrying amount of existing 40% equity interest in AMSB	2,068
Fair value gain on remeasurement of UCSB's 40% equity interest in AMSB	13,165
Effect of exchange fluctuation	(233)
	<u>15,000</u>

The provisional net assets acquired as at 16 January 2012 (the Completion Date) arising from the Acquisition of AMSB are as follows:

	Provisional fair value RM'000
Non-current assets	446
Non-cash current assets	2,695
Cash and cash equivalent	2,631
Current liabilities	(601)
Net assets acquired	<u><u>5,171</u></u>

Pending the completion of the purchase price allocation, intangible assets other than goodwill have not been identified and valued in the provisional numbers above.

Summary effect of cashflow

Purchase consideration paid to date	12,500
Cash and cash equivalent acquired	(2,631)
Net cash outflow	<u><u>9,869</u></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 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 Posthotel Arosa AG ("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 Rüdisser and Mrs Verena Maria Rüdisser.

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 Holiday Villa Assets Sdn Bhd.

- (h) On 2 July 2012, the Company announced that its wholly-owned subsidiaries, Alangka-Suka International Limited ("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 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.

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 2011.

14. Review of performance

For the current 9-month period ended 30 September 2012, the Group's revenue of RM167.6 million was marginally higher by 1.8% from RM164.6 million in the corresponding period last year while the gross profit for the Group was higher by 5.7% at RM62.6 million for the current period ended 30 September 2012 compared to RM59.1 million for the corresponding period last year. The higher margin was mainly from our Information & Communications Technology and Property Development divisions. In the current period under review, included in the other income is the fair value gain of RM13.1 million recorded in the current period 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 completed on 16 January 2012 whilst in the corresponding period last year, the other income comprises gain on disposal of an associate, a subsidiary and property, plant and equipment amounting to about RM4.5 million. The increase in gross margin and the higher other income partly offset by the higher operating expenses in the current period under review, resulted in the Group achieving a higher profit before tax of RM8.3 million for the 9-month period ended 30 September 2012 compared to the profit of RM6.0 million in the corresponding period last year.

Investment Holding

The division recorded a higher loss of RM7.2 million in the current 9-month period ended 30 September 2012 compared to a loss of RM2.2 million in the corresponding period last year. This was mainly due to lower contribution from the associates in the current period partly offset by higher interest income and savings in overheads. Coupled with this, there was gain on disposal of an associate, a subsidiary and property, plant and equipment as mentioned above in the corresponding period last year.

Hotels & Resorts

The Hotels & Resorts division registered a lower revenue for the current 9-month period ended 30 September 2012 of RM53.4 million as compared to RM55.3 million in the corresponding period last year. The lower revenue coupled with higher depreciation and a loss on disposal of a subsidiary of RM0.5 million resulted in a lower profit before tax of RM2.4 million in the current period ended 30 September 2012 compared to RM5.8 million in the corresponding period last year.

Information & Communications Technology

The revenue for the Information & Communications Technology division in the current 9-month period ended 30 September 2012 of RM29.4 million is higher by approximately RM4.0 million compared to the revenue of RM25.4 million for the same period last 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 Operation Support System Business Unit. This division recorded a profit before tax of RM16.9 million in the current period compared to RM3.9 million for the period ended 30 September 2011 mainly due to a fair value gain of RM13.1 million recorded in the current period 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.

Property Development

The Property Development division registered a higher revenue for the current 9-month period ended 30 September 2012 of RM5.9 million as compared to RM5.0 million in the corresponding period last year. With the higher revenue and a gain on disposal of a property, our Property Development division recorded a higher profit before tax of RM0.98 million in the current period ended 30 September 2012 compared to RM0.25 million in the corresponding period last year.

Travel & Tours

For the 9-month period ended 30 September 2012, our Travel & Tours division achieved a higher revenue of RM62.7 million as compared to a revenue of RM61.2 million in the same period last year. Despite the higher revenue achieved in the period under review, the profit before tax for this period is lower at RM0.84 million as compared to the corresponding period last year of RM0.99 million due mainly to higher overhead in the current period under review.

14. Review of performance (Continued)

Others

Other divisions registered lower revenue of RM15.7 million in the period under review compared to a revenue of RM17.3 million in the corresponding period last year. This resulted in a higher loss for the current 9-month period ended 30 September 2012 of RM5.9 million compared to a loss of RM3.3 million in the corresponding period last year. The higher loss was mainly from the Card and Payment Services and Manufacturing divisions whilst the loss from the Traditional Chinese Medicine division was incorporated only in this current period under review.

15. Comparison of results with preceding quarter

The Group revenue of RM54.9 million for the current quarter ended 30 September 2012 was lower by 7.7% from the revenue in the previous quarter ended 30 June 2012 of RM59.5 million due mainly to the lower revenue from the Information & Communications Technology division. With the lower revenue coupled with higher operating expenses and lower contribution from associates in the current quarter, the Group recorded a higher loss before tax of RM3.8 million for this quarter compared to the previous quarter loss of RM0.09 million.

Investment Holding

The Investment Holding division recorded a loss before tax of RM3.8 million for the current quarter compared to a loss of RM0.9 million for the preceding quarter. The higher loss in this quarter is mainly due to lower contribution from the associates.

Hotels & Resorts

The Hotels & Resorts division recorded a lower profit before tax for this quarter of RM0.2 million compared to RM0.4 million in the preceding quarter. The lower profit is mainly due to marginal decrease in revenue from RM17.9 million in the previous quarter to RM17.7 million in the current quarter and also a loss on disposal of a subsidiary of RM0.5million.

Information & Communications Technology

The Information & Communications Technology division registered lower revenue this quarter of RM9.0 million compared to RM12.3 million in the preceding quarter, a decline in revenue of 26.8% mainly due to decrease in revenue in Operation Support System Business Unit from their South East Asia market. The lower revenue is partly mitigated by higher other operating income arising from higher interest income resulting in a lower profit before tax by 17.6% from RM1.7 million profit in the preceding quarter to RM1.4 million in the current quarter.

Property Development

The Property Development division recorded a profit before tax of RM0.25 million for the current quarter compared to a profit before tax of RM0.34 million for the preceding quarter. The lower profit is mainly due to lower revenue achieved by the division in the current quarter.

Travel & Tours

The Travel & Tours division recorded a lower revenue this quarter of RM20.4 million compared to RM22.0 million in the preceding quarter. Despite the lower revenue achieved in the current quarter, the division recorded a higher profit before tax this quarter of RM0.4 million compared to RM0.2 million in the preceding quarter mainly due to higher income from the currency exchange gain.

Others

For the current quarter, the other divisions made a higher loss of RM2.3 million compared to a loss of RM1.8 million in the previous quarter mainly attributable to higher overheads in the current quarter.

16. Prospects

With the uncertainty in the global economic outlook and the euro zone debt crisis coupled with the risk of lower growth for China and many economies, the Directors expect the Group's operating environment to remain challenging for the financial year ending 31 December 2012.

However, each business within the Group will continue to assess and execute their respective 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 continue to execute its key strategies to aggressively secure hotel management and operating agreements in various countries.

The Information & Communications Technology division will continue to defend its existing businesses and to re-establish its growth path organically and by way of acquisition of and/or strategic investment in complementary businesses. The division is optimistic of extending its track record of profitable performance, but expects the year ahead to continue to be challenging due to factors such as intensified competition for many of the division's more mature products and technologies, staff recruitment and retention issues on talents to support its growth and development plans, and changes in management, ownership and/or strategic emphasis of their existing and prospective customers.

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

The inbound travel and tours business may experience volatility in its overseas market, but 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>30.09.2012</u> RM'000	Year to date ended <u>30.09.2012</u> RM'000
On current quarter/period results		
- Malaysian income tax	727	2,188
- Overseas taxation	2	1
Over provision in prior year	(39)	(39)
Transfer (to)/from deferred taxation	24	71
	<u>714</u>	<u>2,221</u>

The effective tax rate of the Group for the financial period ended 30 September 2012 is slightly 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) Antara Holiday Villas Sdn Bhd, 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 is currently 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 the Purchaser had on 14 September 2012 entered into a Sale and Purchase Agreement with the Vendor for the abovementioned proposed acquisition.

21. Group borrowings

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

	<u>As At</u> <u>30.09.2012</u> RM'000	<u>As At</u> <u>31.12.2011</u> RM'000
Short term - secured		
- Term loans	3,252	5,588
- Bank overdraft	707	768
- Hire purchase payables	59	91
- Finance lease payable	1,550	1,548
	<u>5,568</u>	<u>7,995</u>
Long term - secured		
- Term loans	48,383	48,467
- Hire purchase payables	68	92
- Finance lease payable	21,228	21,132
Long term - unsecured		
- Term loans	6,212	6,249
	<u>75,891</u>	<u>75,940</u>
Total borrowings	<u>81,459</u>	<u>83,935</u>

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

	<u>As At</u> <u>30.09.2012</u> RM'000	<u>As At</u> <u>31.12.2011</u> RM'000
Australian Dollars	6,212	6,223
Sterling Pounds	844	1,011
Euro	11,185	13,119

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

The Company's solicitors are of the view that the learned Judicial Commissioner erred in deciding that the Company's claim is time-barred and have appealed the decision of 13 January 2011 to the Court of Appeal of Malaysia vide Civil Appeal No. K-01-85-2011.

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 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 Star 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. 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:

	9 months ended <u>30.09.2012</u> RM'000	9 months ended <u>30.09.2011</u> RM'000
Amortisation of intangible assets	(1,717)	(1,247)
Bad debts written off	(19)	(122)
Depreciation	(9,426)	(5,532)
Fair value gain on remeasurement of UCSB's 40% equity interest in an associate	13,165	-
Gain/(loss) on disposal of:		
- property, plant and equipment	142	703
- non-current assets classified as held for sale	126	3,790
- subsidiary	(533)	200
- held for trading investment	10	18
Gross dividend income	39	108
Impairment loss on:		
- loan and receivables	(12)	(47)
- inventories	-	19
Interest expenses	(5,211)	(6,212)
Interest income	2,816	3,035
Net unrealised (loss)/gain on foreign exchange	(999)	188
Property, plant and equipment written off	(17)	(17)
Provision for retirement plan	(135)	(79)
Write back of impairment loss on:		
- inventories	-	19
- available-for-sale investment securities	41	(54)

25. Retained Earnings

	As At <u>30.09.2012</u> RM'000	As At <u>30.09.2011</u> RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries		
- Realised	(406,138)	(391,278)
- Unrealised	(11,152)	(19,239)
Total retained profits/(accumulated losses) from associates		
- Realised	(2,749)	(2,075)
- Unrealised	215	237
Total retained profits/(accumulated losses) from jointly controlled entities		
- Realised	(759)	(531)
- Unrealised	-	-
Consolidation adjustments	(420,583)	(412,886)
Total Group retained profits as per consolidated financial statements	<u>70,987</u>	<u>73,033</u>

26. Dividend

The Directors do not recommend the payment of any dividend for the financial period ended 30 September 2012.

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 loss attributable to equity holders of the Company of RM5,234,000 and RM1,201,000 respectively, divided by the weighted average number of ordinary shares of 513,666,040 and 510,192,828 for the current quarter and current year-to-date respectively as follows:

	3 months ended		Year to date ended	
	<u>30.09.2012</u>	<u>30.09.2011</u>	<u>30.09.2012</u>	<u>30.09.2011</u>
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the year	513,356,530	500,280,230	504,391,530	488,160,030
Weighted average number of new ordinary shares arising from ICULS converted to date	309,510	2,651,102	5,801,298	10,020,518
Weighted average number of new issuance of ordinary shares	-	-	-	203,846
Weighted average number of ordinary shares	<u>513,666,040</u>	<u>502,931,332</u>	<u>510,192,828</u>	<u>498,384,394</u>
	3 months ended		Year to date ended	
	<u>30.09.2012</u>	<u>30.09.2011</u>	<u>30.09.2012</u>	<u>30.09.2011</u>
Basic (loss)/earnings per share (sen)	<u>(1.02)</u>	<u>0.06</u>	<u>(0.24)</u>	<u>0.53</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 (loss)/profit attributable to equity holders of the Company of (RM4,936,000) and RM(307,000) respectively, after adjusting for interest saving on ICULS, divided by the weighted average number of ordinary shares of 929,194,951 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>30.09.2012</u>	<u>30.09.2011</u>	<u>30.09.2012</u>	<u>30.09.2011</u>
	RM'000		RM'000	
Net (loss)/profit attributable to equity holders	(5,234)	286	(1,201)	2,617
Profit impact of assumed conversion-interest on ICULS	298	291	894	901
	<u>(4,936)</u>	<u>577</u>	<u>(307)</u>	<u>3,518</u>

Weighted average number of ordinary shares (diluted)

	3 months ended		Year to date ended	
	<u>30.09.2012</u>	<u>30.09.2011</u>	<u>30.09.2012</u>	<u>30.09.2011</u>
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the year	513,356,530	500,280,230	504,391,530	488,160,030
Weighted average number of new ordinary shares arising from ICULS converted to date	309,510	2,651,102	5,801,298	10,020,518
Weighted average number of new issuance of ordinary shares	-	-	-	203,846
Weighted average number of new ordinary shares assuming conversion of the remaining ICULS	415,528,911	426,247,314	419,002,125	430,751,902
Weighted average number of ordinary shares	<u>929,194,951</u>	<u>929,178,646</u>	<u>929,194,953</u>	<u>929,136,296</u>

	3 months ended		Year to date ended	
	<u>30.09.2012</u>	<u>30.09.2011</u>	<u>30.09.2012</u>	<u>30.09.2011</u>
Diluted earnings/(loss) per share (sen)	<u>Anti-dilutive</u>	<u>0.06</u>	<u>Anti-dilutive</u>	<u>0.38</u>

28. Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
29 November 2012