ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2014

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the quarter ended 30 September 2014.

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 2013.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	3 months ended		Year-to-date 9 months ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
Revenue	61,263	63,041	194,983	188,061
Cost of sales	(39,473)	(40,120)	(129,485)	(120,497)
Gross profit	21,790	22,921	65,498	67,564
Other operating income	13,944	2,227	19,424	7,076
Operating expenses	(27,604)	(24,951)	(78,915)	(71,562)
Profit from operations	8,130	197	6,007	3,078
Finance costs	(1,102)	(1,392)	(3,794)	(3,934)
Share of results of associates	(466)	(148)	(778)	(1,908)
Profit/(Loss) before tax	6,562	(1,343)	1,435	(2,764)
Income tax expense	(1,498)	(1,163)	(3,595)	(3,119)
Net profit/(loss) for the financial period	5,064	(2,506)	(2,160)	(5,883)
Attributable to:				
Owners of the parent	4,662	(2,456)	(2,638)	(7,196)
Non-controlling interests	402	(50)	478	1,313
	5,064	(2,506)	(2,160)	(5,883)
Earning/(Loss) per share attributable to owners of the parent:				
Basic (sen)	0.82	(0.48)	(0.50)	(1.40)
Diluted (sen)	0.48	(0.48)	(0.50)	(1.40)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 9 months ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
Net profit/(loss) for the financial period	5,064	(2,506)	(2,160)	(5,883)
Other comprehensive income/(expenses):				
Item that will not be reclassified subsequently to profit or loss	-	-	-	-
Items that are or may be reclassified subsequently to profit or loss:				
Fair value of available-for-sale financial assets	(483)	1,688	1,044	322
Realisation of revaluation reserve	-	(62)	-	(62)
Share of other comprehensive income of associates, net of tax	132	92	158	90
Foreign currency translation differences for foreign operations	1,591	2,674	(677)	3,613
Total items that are or may be reclassified subsequently to profit or loss	1,240	4,392	525	3,963
Other comprehensive income for the financial period	1,240	4,392	525	3,963
Total comprehensive income/(loss) for the financial period	6,304	1,886	(1,635)	(1,920)
Attributable to:				
Owners of the parent	6,131	1,533	(1,777)	(3,217)
Non-controlling interests	173	353	142	1,297
Total comprehensive income/(loss) for the financial period	6,304	1,886	(1,635)	(1,920)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited as at 30.09.2014 RM'000	Audited as at 31.12.2013 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	159,910	187,407
Investment properties	8,870	8,870
Investment in associates	35,145	35,667
Investment securities	20,763	19,719
Goodwill on consolidation	92,027	92,027
Intangible assets	7,207	17,798
Deferred tax assets	820	1,239
	324,742	362,727
Current assets		
Progress billings	5,775	12,449
Inventories	69,037	58,434
Trade and other receivables	92,125	72,419
Tax recoverable	3,124	2,520
Investment securities	409	499
Short term deposits	75,002	85,383
Cash and bank balances	47,308	44,993
	292,780	276,697
TOTAL ASSETS	617,522	639,424
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	198,587	154,175
Irredeemable Convertible Unsecured Loan Stocks ("ICULS") - equity component	65,471	108,669
Reserves	177,854	178,284
	441,912	441,128
Non-controlling interests	34,615	34,625
Total equity	476,527	475,753
Non-current liabilities		
Borrowings	39,315	56,097
ICULS - liability component	4,610	9,231
Deferred tax liabilities	1,808	1,811
Provision for retirement benefit obligations	1,512	1,374
	47,245	68,513
Current liabilities		
Trade and other payables	62,537	65,717
Borrowings	29,915	26,845
Tax payable	1,298	2,596
	93,750	95,158
Total Liabilities	140,995	163,671
TOTAL EQUITY AND LIABILITIES	617,522	639,424

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2014

	Attributable to owners of the parent									
			Non-distributable				*Distributable*			
	Share Capital RM'000	**ICULS-Equity Component RM'000**	**Share Premium RM'000**	**Revaluation Reserve RM'000**	**Exchange Translation Reserve RM'000**	**Available-For-Sale Reserve RM'000**	**Retained Profits RM'000**	**Total RM'000**	**Non-Controlling Interests RM'000**	**Total Equity RM'000**
Balance as at 1 January 2014	154,175	108,669	117,317	15,998	(5,489)	4,992	45,466	441,128	34,625	475,753
Net loss for the financial period	-	-	-	-	-	-	(2,638)	(2,638)	478	(2,160)
Fair value of available-for-sale financial assets	-	-	-	-	-	1,044	-	1,044	-	1,044
Share of other comprehensive income of associates, net of tax	-	-	-	-	26	132	-	158	-	158
Foreign currency translation differences for foreign operations	-	-	-	-	(341)	-	-	(341)	(336)	(677)
Total comprehensive loss for the financial period	-	-	-	-	(315)	1,176	(2,638)	(1,777)	142	(1,635)
Transactions with owners in their capacity as owners:										
Disposal of interest in subsidiaries	-	-	-	-	-	-	412	412	404	816
Dividends paid	-	-	-	-	-	-	(1,339)	(1,339)	-	(1,339)
Issue of new ordinary shares pursuant to the conversion of ICULS	44,412	(43,198)	-	-	-	-	2,274	3,488	-	3,488
	44,412	(43,198)	-	-	-	-	1,347	2,561	404	2,965
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	(556)	(556)
Balance as at 30 September 2014	198,587	65,471	117,317	15,998	(5,804)	6,168	44,175	441,912	34,615	476,527

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2013

	Attributable to owners of the parent									
			Non-distributable				*Distributable*			
	Share Capital RM'000	ICULS-Equity Component RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Exchange Translation Reserve RM'000	Available-For-Sale Reserve RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity 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 loss for the financial period	-	-	-	-	-	-	(7,196)	(7,196)	1,313	(5,883)
Fair value of available-for-sale financial assets	-	-	-	-	-	322	-	322	-	322
Share of other comprehensive income of associates, net of tax	-	-	-	-	-	90	-	90	-	90
Realisation of revaluation reserves	-	-	-	(62)	-	-	-	(62)	-	(62)
Foreign currency translation differences for foreign operations	-	-	-	(2)	3,631	-	-	3,629	(16)	3,613
Total comprehensive loss for the financial period	-	-	-	(64)	3,631	412	(7,196)	(3,217)	1,297	(1,920)
Transactions with owners in their capacity as owners:										
Dividends paid	-	-	-	-	-	-	(1,927)	(1,927)	-	(1,927)
Acquisition of additional shares in a subsidiary	-	-	-	-	-	-	899	899	(934)	(35)
Issue of new ordinary shares pursuant to the conversion of ICULS	60	(53)	-	-	-	-	-	7	-	7
	60	(53)	-	-	-	-	(1,028)	(1,021)	(934)	(1,955)
Dividend paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	(1,085)	(1,085)
Balance as at 30 September 2013	154,175	108,669	117,317	12,702	(5,790)	5,073	62,986	455,132	37,357	492,489

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2014

	9 months ended 30.09.2014 RM'000	9 months ended 30.09.2013 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	1,435	(2,764)
Adjustments for :-		
Non-cash items	7,211	16,232
Other investing and financing items	1,739	1,465
Operating profit before working capital changes	10,385	14,933
Changes in working capital		
Inventories	(9,585)	(926)
Receivables	5,068	(13,802)
Payables	180	(175)
Cash generated from/(used in) operations	6,048	30
Retirement benefit paid	(11)	(19)
Tax paid	(5,136)	(1,109)
Net cash from/(used in) operating activities	901	(1,098)
Cash flows from investing activities		
Acquisition of intangible assets	(769)	(1,706)
Acquisition of a subsidiary, net of cash acquired	21	-
Acquisition of additional shares in subsidiaries	-	(110)
Investment in associates	(98)	(1,991)
Acquisition of held for trading investments	-	(20)
Dividend income received	4	-
Interest received	2,051	2,469
Payment to contingent consideration	(2,372)	(3,277)
Proceeds from disposal of held for trading investments	-	20
Proceeds from disposal of property, plant and equipment	9	77
Proceeds from disposal of subsidiaries, net of cash disposed	8,018	-
Purchase of property, plant and equipment	(4,570)	(6,763)
Net cash from/(used) in investing activities	2,294	(11,301)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2014 (Continued)

	9 months ended 30.09.2014 RM'000	9 months ended 30.09.2013 RM'000
Cash flows from financing activities		
Dividends paid	(1,339)	(1,927)
Dividends paid to non-controlling interests of a subsidiary	(556)	(1,085)
Drawdown of term loans, banker acceptance and revolving credit	7,318	3,845
Interest paid	(5,909)	(5,348)
Payment to hire purchase payables	(13)	(21)
Withdrawal of pledged short term deposits	4,162	2,585
Repayment of term loans	(4,274)	(2,127)
Net cash used in financing activities	(611)	(4,078)
Effect of exchange rate changes	(3,559)	(1,155)
Net decrease in cash and cash equivalents	(975)	(17,632)
Cash and cash equivalents as at beginning of financial period		
As previously reported	90,901	91,249
Effect of exchange rate changes	(465)	1,793
As restated	90,436	93,042
Cash and cash equivalents as at end of financial period *	89,461	75,410

*** Cash and cash equivalents at the end of the financial period comprising the following :**

Short term deposits	75,002	74,294
Cash and bank balances	47,308	43,648
Bank overdrafts	-	(7,088)
	122,310	110,854
Less : Deposits placed with lease creditors as security deposit for lease payments	(21,693)	(20,594)
Restricted deposits	(1,039)	(7,090)
Cash held under Housing Development Accounts	(543)	(527)
Deposits pledged to licensed banks	(9,574)	(7,233)
	(32,849)	(35,444)
	89,461	75,410

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 2013.

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 2013, 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:

<u>Amendments to MFRSs</u>

MRFS 10 Consolidated Financial Statements : Investment Entities
MRFS 12 Disclosure of Interests in Other Entities : Investment Entities
MRFS 127 Separate Financial Statements : Investment Entities
MRFS 132 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
MFRS 136 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets
MFRS 139 Novation of Derivatives and Continuation of Hedge Accounting

<u>New IC Int</u>

IC Int 21 Levies

The adoption of the above amendments to MFRSs and IC Interpretation 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:

<u>New MFRS</u>

MFRS 9 Financial Instruments (effective 1 January 2018)
MFRS 14 Regulatory Deferral Accounts (effective from 1 January 2016)
MFRS 15 Revenue from Contracts with Customers (effective from 1 January 2017)

<u>Amendments/Improvements to MFRSs / IC Int</u>

MFRS 119 Defined Benefit Plans : Employee Contributions (effective from 1 July 2014)
Annual Improvements to MFRSs 2010 - 2012 Cycle (effective from 1 July 2014)
Annual Improvements to MFRSs 2011 - 2013 Cycle (effective from 1 July 2014)
Annual Improvements to MFRSs 2012 - 2014 Cycle (effective from 1 January 2016)
MFRS 11 Accounting for Acquisitions of Interests in Joint Operations (effective from 1 January 2016)
MFRS 116 Clarification of Acceptable Methods of Depreciation and Amortisation (effective from 1 January 2016)
MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation (effective from 1 January 2016)
MFRS 10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective from 1 January 2016)
MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective from 1 January 2016)
MFRS 116 Agriculture : Bearer Plants (effective from 1 January 2016)
MFRS 141 Agriculture : Bearer Plants (effective from 1 January 2016)
MFRS 127 Equity Method in Separate Financial Statements (effective from 1 January 2016)

3 Audit report

The auditors’ report on the financial statements for the year ended 31 December 2013 was not subject to any qualification.

4 Seasonal or cyclical factors

The operations of the Group for the quarter ended 30 September 2014 were not materially affected by any seasonal or cyclical factors.

5. Unusual items

There were no unusual significant items for the quarter under review other than as disclosed in the notes herein.

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 2014:

(a) a total of 296,079,702 2% 10-Year Irredeemable Convertible Unsecured Loan Stocks at 100% of the nominal value of RM0.15 each ("ICULS") have been converted into 148,039,851 new ordinary shares of RM0.30 each in the Company by surrendering for cancellation two ICULS for every one new ordinary share of RM0.30 each in the Company; and

(b) 1 ordinary share of RM0.30 each in the Company was issued consequential to a conversion of ICULS by surrendering for cancellation one ICULS and cash payment of RM0.15 for one new ordinary share of RM0.30 each in the Company.

Apart from the above, there were no issuances, cancellations, repurchases, resale and/or repayments of debt and equity securities during the financial period ended 30 September 2014.

8 Dividends paid

The first and final single tier dividend of 0.25 sen per ordinary share of RM0.30 each in respect of the financial year ended 31 December 2013 was paid on 5 August 2014 after obtaining the approval from the shareholders of the Company at the Annual General Meeting held on 30 June 2014.

9. Segmental Information

For the financial period ended 30 September 2014

	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	819	50,999	41,368	9,918	69,472	22,407	-	194,983
Inter-segment	1,175	-	-	8	414	-	(1,597)	-
Total revenue	1,994	50,999	41,368	9,926	69,886	22,407	(1,597)	194,983
Results								
Segment results	(5,999)	8,864	4,708	1,530	2,623	(9,559)	46	2,213
Share of results of associates	909	(1,624)	-	-	(63)	-	-	(778)
Consolidated profit/(loss) before tax	(5,090)	7,240	4,708	1,530	2,560	(9,559)	46	1,435
Income tax expense								(3,595)
Consolidated profit/(loss) after tax								(2,160)
Non-controlling interests								(478)
Net profit/(loss) for the financial period attributable to owners of the parent								(2,638)

9. Segmental Information (Continued)

For the financial period ended 30 September 2014

	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
Other information								
Segment assets	83,667	193,347	162,206	59,612	17,751	61,850	-	578,433
Investment in associates	16,588	18,193	-	-	364	-	-	35,145
Unallocated corporate assets								3,944
Total assets								617,522
Segment liabilities	10,966	74,543	15,442	6,401	5,863	24,674	-	137,889
Unallocated corporate liabilities								3,106
Total liabilities								140,995
Capital expenditure:								
- Property, plant & equipment	5	2,346	1,882	1	74	262	-	4,570
- Software development expenditure	-	-	769	-	-	-	-	769

9. Segmental Information (Continued)

For the financial period ended 30 September 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>Revenue</u>								
External	767	55,735	32,942	7,089	71,345	20,183	-	188,061
Inter-segment	568	-	-	11	283	-	(862)	-
Total revenue	1,335	55,735	32,942	7,100	71,628	20,183	(862)	188,061
<u>Results</u>								
Segment results	(5,633)	4,250	3,916	860	1,972	(6,270)	49	(856)
Share of results of associates	(628)	(1,133)	-	-	(147)	-	-	(1,908)
Consolidated profit/(loss) before tax	(6,261)	3,117	3,916	860	1,825	(6,270)	49	(2,764)
Income tax expense								(3,119)
Consolidated profit/(loss) after tax								(5,883)
Non-controlling interests								(1,313)
Net profit/(loss) for the financial period attributable to owners of the parent								(7,196)

9. Segmental Information (Continued)

For the financial period ended 30 September 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
Other information								
Segment assets	49,849	229,241	160,064	56,229	17,416	51,183	-	563,982
Investment in associates	15,778	18,729	-	-	-	-	-	34,507
Non-current assets held for sale	-	29,327	-	-	-	-	-	29,327
Unallocated corporate assets								4,707
Total assets								632,523
Segment liabilities	14,343	74,789	15,428	5,276	6,565	20,426	-	136,827
Unallocated corporate liabilities								3,207
Total liabilities								140,034
Capital expenditure								
- Property, plant and equipment	63	3,627	600	-	67	2,406	-	6,763
- Software development expenditure	-	-	1,706	-	-	-	-	1,706

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 2013.

11. Significant events after the reporting period

(a) On 1 October 2014, Synergy Realty Incorporated ("SRI"), an indirect wholly-owned subsidiary of the Company [held via Advance Synergy Property Sdn Bhd, a wholly-owned subsidiary of the Company], subscribed for 6,400,000 ordinary shares of USD1.00 each at par in Helenium Holdings Limited ("Helenium"), a company incorporated in the British Virgin Islands, for cash consideration of USD6,400,000 (equivalent to approximately RM20,601,600) pursuant to a rights issue undertaken by Helenium ("Proposed Subscription"). Upon completion of the Proposed Subscription, SRI's shareholding in Helenium remain unchanged at 40%.

(b) On 20 November 2014, the Company announced that its 58.3%-owned subsidiary [held via Worldwide Matrix Sdn Bhd, a wholly-owned subsidiary of the Company], Captii Limited [formerly known as Unified Communications Holdings Limited ("Captii")] has on 20 November 2014 incorporated a wholly-owned subsidiary, namely Captii Ventures Pte Ltd ("Captii Ventures") in Singapore. The principal activity of Captii Ventures is to undertake investment activities in technology companies.

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

12. Changes in the composition of the Group

(a) On 19 March 2014, the Company announced that its 58.3%-owned subsidiary of the Company [held via Worldwide Matrix Sdn Bhd, a wholly-owned subsidiary of the Company], Unified Communications Holdings Limited (now known as Captii Limited ("Captii")) had received an Affidavit of Liquidation from the Partnership and Companies Registration Office of Bangkok, Thailand on 18 March 2014 that Unified (Thailand) Limited, a subsidiary of Captii in Thailand, had been voluntarily wound up on 17 March 2014.

(b) On 8 April 2014, the Company announced that Antara Holiday Villas Sdn Bhd ("AHV"), an indirect wholly-owned subsidiary of the Company (held via ASHR, a wholly-owned subsidiary of the Company), entered into a Share Sale Cum Settlement Agreement with TH Hotel & Residence Sdn Bhd ("THHR") for the disposal of AHV's entire shareholding of 350,0000 shares representing 70% equity interest in THV Management Services Sdn Bhd ("THV") to THHR, a company which is currently holding the remaining 30% equity interest in THV, for a consideration of RM350,000.00 only ("Proposed Disposal").

On 6 June 2014, the Company announced that the Proposed Disposal was completed on 6 June 2014 and accordingly, THV ceased to be a subsidiary of AHV, ASHR and the Company.

(c) On 29 April 2014, SRI subscribed for 2 new ordinary shares of USD1.00 each representing 50% of the equity interest in Helenium. Consequential thereto, Helenium became a 50%-owned indirect associated company of the Company held via SRI.

(d) On 29 May 2014, Triton Engineering Sdn Bhd ("Triton Engineering"), an inactive wholly-owned subsidiary of the Company [held via Advance Synergy Capital Sdn Bhd ("ASCAP")], received the notice of striking-off pursuant to Section 308(4) of the Companies Act, 1965 ("CA 1965") from the Registrar of Companies for its application to strike-off the name of the company from the register pursuant to Section 308(1) of the CA 1965.

(e) On 16 May 2014, the Company announced a re-organisation of the Group structure, whereby ASCAP, a wholly-owned subsidiary of the Company, transferred its entire holding of 10 ordinary shares of AUD1.00 each, representing 50% equity interest in Quality Bus & Coach Pty Ltd ("QBC Australia"), to Quality Bus & Coach (M) Sdn Bhd, a 61%-owned subsidiary of ASCAP ("QBC Malaysia") for a cash consideration of AUD 10.00. The remaining 50% equity interest in QBC Australia not held by ASB Group was also transferred to QBC Malaysia (hereinafter referred to as "Transfer of QBC Australia").

As a result of the Transfer of QBC Australia, Autobus Australia Pty Ltd ("Autobus Australia"), the wholly-owned subsidiary of QBC Australia, became an indirect wholly-owned subsidiary of QBC Malaysia.

Consequential to the above, QBC Australia ceased to be an indirect associate of the Company [held via ASCAP] and became an indirect subsidiary of the Company [held via QBC Malaysia].

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

(f) On 7 July 2014, the Company announced that the proposed disposal of the Group's entire shareholding and voting rights, free from all securities, fees, options or other engagements in Alangka-Suka Paris SAS ("ASP"), Holiday Villa Lafayette Paris SAS ("HVLP") and Legenda De Malaisie SAS ("LDM")("Acquiree Companies") to Maranatha, a limited liability company registered with the MARSEILLE Register of Companies under the number 500 162 979 ("Proposed Disposal") pursuant to the 2 Share Purchase Agreements entered into on 7 May 2014 was completed on 7 July 2014. Following the completion of the Proposed Disposal, ASP, HVLP and LDM ceased to be indirect subsidiaries of the Company.

(g) On 16 July 2014, Synergy Tours Sdn Bhd, an indirect wholly-owned subsidiary of the Company [held via Orient Escape Travel Sdn Bhd ("OET"), a wholly-owned subsidiary of Diversified Gain Sdn Bhd which in turn is a wholly-owned subsidiary of the Company] incorporated a 50%-owned associated company, Synergy Holidays Company Limited, in the Republic of The Union of Myanmar. The principal activity of Synergy Holidays Company Limited is to operate the travel and tours business.

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 2013.

14. Review of performance

For the current nine-month period ended 30 September 2014 ("9M 2014"), the Group recorded a higher revenue of RM195.0 million compared to a revenue of RM188.1 million recorded in corresponding period of 2013 ("9M 2013"), an increase of RM6.9 million or 3.7%. The bulk of the increase in revenue was recorded by our Information & Communications Technology, Property Development and Others divisions while our Hotels and Resorts division showed a drop in revenue. The Group recorded a profit before tax of RM1.4 million in the 9M 2014 compared to a loss before tax of RM2.8 million in the 9M 2013. The main contributing factor to the profit in 9M 2014 was the gain on disposal of overseas subsidiaries under the Hotels & Resorts division of RM11.3 million. The Group profit is however affected by lower gross profit margin and higher operating expenses, offset partly by lower loss from the associates. The Group's gross profit margin was lower at 33.6% in 9M 2014 compared to 35.8% in 9M 2013. Our operating expenses were higher by RM7.4 million or an increase of 10.3% in 9M 2014 compared to the corresponding period last year. In the operating expenses, there was an impairment loss on goodwill of RM1.5 million arising from the acquisition of remaining shares in a former associated company in Australia and realisation of foreign exchange loss of RM1.8 million.

Investment Holding

The division recorded a lower loss of RM5.1 million in the 9M 2014 compared to a loss of RM6.3 million in the 9M 2013 attributable mainly to the better results from associates.

Hotels & Resorts

The Hotels & Resorts division registered a lower revenue for 9M 2014 of RM51.0 million compared to RM55.7 million in 9M 2013 mainly due to the lower occupancy rates in the local hotels coupled with absence of revenue from an overseas hotel which was disposed in July 2014. Arising from the disposal of the overseas hotel, a gain was recorded of RM11.3 million contributing to the higher profit in 9M 2014 of RM7.2 million compared to a profit of RM3.1 million in 9M 2013.

Information & Communications Technology

The Information & Communications Technology division registered a higher revenue for 9M 2014 of RM41.4 million compared to RM32.9 million in the 9M 2013, an increase of 25.6%. The higher revenue was mainly attributable to the improved revenue performance of Value Added Services ("VAS") and Operation Support System ("OSS") Business Units ("BU"). The improvement in revenue of VAS BU was driven primarily by the higher system sale and revenue share contract revenues in the Middle East and Africa ("MEA") and South East Asia ("SEA") regions respectively while the increase in OSS BU's revenue is largely due to the higher system sale contracts revenue realised by OSS BU in the SEA region.

This division recorded a higher profit before tax of RM4.7 million in 9M 2014 compared to RM3.9 million in the 9M 2013 due to the higher revenue partly offset by lower gross profit margin of OSS system sale contracts and increased technical support expenses.

Property Development

The Property Development division registered a higher revenue for the 9M 2014 of RM9.9 million compared to RM7.1 million in 9M 2013. With the higher revenue, this division also recorded a higher profit before tax of RM1.5 million for the 9M 2014 compared to RM0.9 million in 9M 2013.

14. Review of performance (Continued)

Travel & Tours

For the 9M 2014, our Travel & Tours division achieved a lower revenue of RM69.9 million as compared to a revenue of RM71.6 million in the 9M 2013, an decrease of RM1.7 million or 2.4%. Despite the lower revenue, this division recorded a higher profit before tax of RM2.6 million for the 9M 2014 compared to RM1.8 million for 9M 2013 due to better profit margin and higher other operating income.

Others

The Others division registered a higher revenue of RM22.4 million in the 9M 2014 compared to a revenue of RM20.2 million achieved in 9M 2013. Despite the higher revenue, the division recorded a higher loss before tax of RM9.6 million compared to loss before tax of RM6.3 million in 9M 2013. The increased loss in this period under review is mainly attributable to the higher operating expenses and impairment loss on goodwill arising from the acquisition of remaining shares in a former associated company in Australia of RM1.5 million.

15. Comparison of results with preceding quarter

The Group achieved a revenue of RM61.3 million for the current quarter ended 30 September 2014 ("Q3 2014") which was lower compared to the revenue in the previous quarter ended 30 June 2014 ("Q2 2014") of RM72.8 million, a decrease of RM11.5 million. This was mainly due to lower revenue from all operating divisions. However, despite the lower Group revenue in the quarter under review, the Group recorded a profit before tax of RM6.6 million compared to a loss of RM3.8 million in the preceding quarter. This was due mainly to the gain on disposal of overseas subsidiaries under the Hotels & Resorts division of RM11.3 million offset by the higher expenses recorded by the Group. The Hotels & Resorts and Information & Communications Technology divisions and associates recorded improved results while the rest of the other divisions recorded unfavourable results.

Investment Holding

The Investment Holding division recorded a loss before tax of RM2.3 million for Q3 2014 compared to a loss before tax of RM1.6 million for Q2 2014. The higher loss was mainly due to higher operating costs and lower contribution from associates.

Hotels & Resorts

The Hotels & Resorts division registered a slightly lower revenue for Q3 2014 of RM16.2 million as compared to RM16.8 million in Q2 2014. For the current quarter, this division made a profit of RM9.1 million compared to a loss of RM2.4 million in Q2 2014 mainly attributable to the gain on disposal of overseas subsidiaries and better results from associates partly offset by realisation of foreign exchange loss.

Information & Communications Technology

The Information & Communications Technology division registered a lower revenue in Q3 2014 of RM12.1 million compared to RM16.1 million in Q2 2014. Despite the lower revenue in the quarter under review, a higher profit of RM2.0 million was achieved compared to a profit of RM1.6 million in Q2 2014. The higher profit in the quarter under review as compared to the previous quarter was mainly attributable to better gross profit achieved from improvement in system sale contracts gross profit margin partly offset by higher operating expenses.

Property Development

The Property Development division recorded a lower revenue of RM2.2 million for Q3 2014 compared to RM5.2 million in Q2 2014. With the lower revenue, the division recorded a lower profit before tax of RM0.3 million compared to the previous quarter's profit of RM1.0 million.

Travel & Tours

The Travel & Tours division recorded a lower revenue for Q3 2014 of RM22.5 million compared to RM25.3 million in Q2 2014. With the lower revenue, the division recorded a lower profit before tax of RM0.7 million in Q3 2014 compared to the profit of RM1.1 million in Q2 2014.

Others

The Others division recorded a lower revenue for Q3 2014 of RM8.1 million compared to RM9.2 million in the Q2 2014. The decrease in revenue was attributable mainly to the Bus Manufacturing division. Despite the decreased revenue in this quarter, the Others division recorded a lower loss of RM3.3 million in Q3 2014 compared to a loss of RM3.6 million in Q2 2014. In Q2 2014 results there was an impairment loss on goodwill arising from the acquisition of remaining shares in a former associated company in Australia of RM1.5 million.

16. Prospects

The Directors expect the Group's operating environment to continue to be challenging for the last quarter of the financial year due to the uncertainty in the global economy and the increasing inflationary pressures domestically.

The Group will continue to execute key strategies to further develop and enhance its range of products and/or services, strengthen its marketing activities, seek opportunities via exploring new markets overseas and improve competitiveness through higher productivity and operational efficiency. With the expected surge in operating costs due to the inflationary pressures, the Group will also focus on action plans to manage costs effectively.

Despite the margin pressure on the Property Development division's operating profit due to the increased costs of material, fuel and energy, and labour costs, this division will focus on the delivery of its on-going development projects and the new project comprising residential units and shophouses situated in Matang, Kuching to continue contributing to the earnings of the Group for the remainder of the year.

Our Hotels & Resorts division also expects the remaining of 2014 to be challenging as the local hotels' occupancy rates have dropped as a result of lower tourist arrivals from China and Europe markets and the surge in operating costs such as labour and electricity costs which will have an impact on our profit margins. The division will intensify its efforts in marketing and cost management, apart from leveraging on its branding and expertise in hotel management to secure hotel management and operations agreements, and explore viable joint venture opportunities to expand and further strengthen its Holiday Villa brand presence globally.

The Information & Communications Technology division expects the remainder of 2014 to continue to be challenging largely due to the persistent soft system sale market conditions notwithstanding the favourable progress in growing the managed services contract portfolio. With the ramping up of internet usage, the division expects that internet-delivered application services and mobile and digital advertising solutions will continue to offer strong growth portfolio. The division will continue to explore opportunities for strategic investment and acquisition focusing primarily on these growth businesses in the SEA and South Asia regions.

The outbound travel and tours business expects the domestic market to be challenging due to inflationary pressure but it will leverage on its products expertise to enhance its performance and provide sustainable growth in the increasingly competitive environment. The inbound travel & tours business faces a challenging outlook for the last quarter of 2014 in anticipation of lower tourist arrivals due to geopolitical tension crisis and the residual impact from the recent airline and security issue incidents. This division will continue its intensed marketing efforts to offer competitive and unique services and / or innovative packages to secure bookings from key markets and new market segments.

The Others division expects to face continued challenges in its effort to drive up the revenue growth plan and will focus on seeking opportunities, strengthening its marketing activities and implementation of cost management and operational efficiency plans to turnaround its performance.

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 30.09.2014 RM'000	Year-to-date ended 30.09.2014 RM'000
On current quarter/period results		
- Malaysian income tax	1,365	3,345
Under provision in prior years	(84)	(48)
Transfer (to)/from deferred taxation	217	298
	1,498	3,595

The effective tax rate of the Group for the financial quarter and year-to-date ended 31 September 2014 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

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 30.09.2014 RM'000	**As At 31.12.2013 RM'000**
Short term - secured		
- Term loans	1,505	3,294
- Bank overdraft	-	2,464
- Banker acceptance	418	-
- Hire purchase payables	24	23
- Finance lease payable	1,568	1,564
- Revolving credit	26,400	19,500
	29,915	26,845
Long term - secured		
- Term loans	15,394	28,960
- Hire purchase payables	21	39
- Finance lease payable	21,408	21,351
Long term - unsecured		
- Term loans	2,492	5,747
	39,315	56,097
Total borrowings	69,230	82,942

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

	As At 30.09.2014 RM'000	**As At 31.12.2013 RM'000**
Australian Dollars	2,492	5,747
Sterling Pounds	355	574
Euro	-	11,553

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 ("Leave Application") to appeal to the Federal Court of Malaysia vide Civil Application No.: 08-772-10/2012.

The Leave Application was heard by the Federal Court of Malaysia on 6 May 2014 and unanimously dismissed with costs of RM10,000.00 payable by PKNK to the Company. In the result, the suit will be tried by the High Court in Alor Setar. The suit is currently set down for case management in the High Court in Alor Setar on 12 January 2015 when the parties expect to obtain directions and possibly trial dates.

(b) On 20 November 2013, Captii announced that Unified Telecom Private Limited ("UTPL"), a joint venture entity of Captii in India, had on 19 November 2013 filed a petition to the High Court of Delhi, New Delhi under Section 9 of India's Arbitration and Conciliation Act, 1996 ("Act") to obtain interim relief on the protection of Assets (i.e. the required systems comprising hardware, software and services implemented at the Telco's sites for the Project) currently under the custody of a mobile telecoms network operator and service provider in India ("Telco") and to deny the penalty claims by the Telco against UTPL.

In October 2008, UTPL entered into a revenue sharing contract with the Telco for the provision of mobile advertising services on a turnkey basis ("Project"). UTPL had decided not to pursue renewal upon the expiry of the said contract in March 2012 and had made repeated attempts to recover the Assets that remain in the custody of the Telco. Telco had via a letter issued in July 2013 alleged that UTPL is liable for a sum of INR 10.7 crore (approximately SGD2.1 million or RM5.4 million) for damages and expenditure incurred in connection with the said contract during its currency.

Having assessed the legal opinion obtained from the law firms consulted, the Board of Captii is of the view that UTPL has the full rights and title to the Assets and should be entitled to demand their return, and that the Telco's financial claim against UTPL has no legal merit.

Subsequent to the announcement above, the High Court of Delhi has scheduled the petition to be heard on 23 April 2014. On 25 April 2014, Captii announced that the Telco has sought further time to file a reply to the petition under Section 9 of the Act and the matter was heard on 23 May 2014. Captii further announced on 26 May 2014 that the Telco has filed a reply to the petition and the High Court of Delhi has scheduled the matter to be heard on 28 July 2014. On 31 July 2014, Captii announced that the High Court of Delhi has adjourned the aforesaid matter to be heard on 19 September 2014. Subsequently on 22 September 2014, Captii announced that the hearing was further adjourned to 14 January 2015 at the request of the Telco.

Based on the assessment of the matter, Captii has set aside an impairment loss of approximately RM2.07 million (or SGD0.82 million) on the net carrying value of the Assets in the custody of the Telco for the financial year ended 31 December 2013 to recognise the loss associated with the potential failure to recover the Assets.

24. Notes To The Statement of Comprehensive Income

Included in the operating profit are:

	9 months ended **30.09.2014** RM'000	9 months ended **30.09.2013** RM'000
Amortisation of intangible assets	(2,220)	(2,185)
Depreciation	(11,760)	(12,140)
Bad debts written off	-	(19)
Gain/(loss) on disposal of:		
- held for trading investment	-	(3)
- property, plant and equipment	6	27
- subsidiaries	11,198	-
Gross dividend income	4	-
Impairment loss on:		
- goodwill	(1,496)	-
- held for trading investment	(91)	-
- loan and receivables	(67)	(16)
Interest expenses	(3,794)	(3,934)
Interest income	2,051	2,469
Net unrealised gain on foreign exchange	63	171
Property, plant and equipment written off	(90)	(17)
Provision for retirement plan	(149)	(143)
Realisation of foreign exchange reserve	(1,827)	-

25. Retained Earnings

	As At **30.09.2014** RM'000	As At **30.09.2013** RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries		
- Realised	(428,071)	(387,363)
- Unrealised	3,319	(2,601)
Total retained profits/(accumulated losses) from associates		
- Realised	(6,444)	(5,093)
- Unrealised	7	(8)
Total retained profits/(accumulated losses) from jointly controlled entities		
- Realised	(803)	(787)
- Unrealised	-	-
	(431,992)	(395,852)
Consolidation adjustments	476,167	458,838
Total Group retained profits as per consolidated financial statements	44,175	62,986

26. Dividend

The first and final single tier dividend in respect of the financial year ended 31 December 2013 was paid on 5 August 2014 after the approval from the shareholders of the Company at the Annual General Meeting held on 30 June 2014.

The Board does not recommend the payment of any dividend during the financial period ended 30 September 2014.

27. Earning/(Loss) per share

Basic earning/(loss) per share

The basic earning/(loss) per share for the current quarter and current year-to-date are computed based on the Group's net profit/(loss) attributable to equity holders of the Company of RM4,662,000 and (RM2,638,000) respectively, divided by the weighted average number of ordinary shares of 566,813,714 and 532,641,999 for the current quarter and current year-to-date respectively as follows:

	3 months ended		Year-to-date ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the period	529,873,030	513,915,830	513,915,830	513,715,830
Weighted average number of new ordinary shares arising from ICULS converted todate	36,940,684	-	18,726,169	72,527
Weighted average number of ordinary shares	566,813,714	513,915,830	532,641,999	513,788,357

	3 months ended		Year-to-date ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
Basic earning/(loss) per share (sen)	0.82	(0.48)	(0.50)	(1.40)

Diluted earning/(loss) per share

The diluted earning/(loss) per share for the current quarter and current year-to-date are computed based on the Group's net profit/(loss) attributable to equity holders of the Company of RM4,424,000 and (RM2,085,000) 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	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000		RM'000	
Net loss attributable to equity holders	4,662	(2,456)	(2,638)	(7,196)
Profit impact of assumed conversion-interest on ICULS	(238)	197	553	1,015
	4,424	(2,259)	(2,085)	(6,181)

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

Diluted earning/(loss) per share (Continued)

Weighted average number of ordinary shares (diluted)

	3 months ended		Year-to-date ended	
	30.09.2014	**30.09.2013**	**30.09.2014**	**30.09.2013**
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the period	529,873,030	513,915,830	513,915,830	513,715,830
Weighted average number of new ordinary shares arising from ICULS converted todate	36,940,684	-	18,726,169	72,527
Weighted average number of new ordinary shares assuming conversion of the remaining ICULS	362,381,239	415,279,123	396,552,954	415,406,596
Weighted average number of ordinary shares	929,194,953	929,194,953	929,194,953	929,194,953

	3 months ended		Year-to-date ended	
	30.09.2014	**30.09.2013**	**30.09.2014**	**30.09.2013**
Diluted earning/(loss) per share (sen)	0.48	(0.48)	(0.50)	(1.40)

The diluted loss per share and basic loss per share for the current year-to-date, corresponding quarter last year and corresponding year-to-date 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
26 November 2014