ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2006

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the three months ended 30 September 2006.

This interim report is prepared in accordance with Financial Reporting Standards ("FRS") No. 134 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad's Listing Requirements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2005.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	3 months ended		Year To Date 9 months ended	
	30.09.2006 RM'000	30.09.2005 RM'000	30.09.2006 RM'000	30.09.2005 RM'000
Revenue	62,745	66,545	167,112	180,157
Cost of sales	(42,434)	(43,380)	(106,786)	(106,402)
Gross profit	20,311	23,165	60,326	73,755
Other operating income	1,841	7,052	15,326	21,211
Operating expenses	(25,385)	(26,724)	(78,729)	(82,661)
(Loss)/Profit from operations	(3,233)	3,493	(3,077)	12,305
Finance cost	(2,981)	(5,229)	(12,261)	(15,840)
Share of results of associated companies	5,364	2,664	8,805	16,480
(Loss)/Profit before taxation	(850)	928	(6,533)	12,945
Taxation	(1,133)	(1,399)	(2,360)	(2,925)
(Loss)/Profit after taxation	(1,983)	(471)	(8,893)	10,020
Attributable to:				
Equity Holders of The Parent	(1,431)	369	(4,582)	5,018
Minority Interests	(552)	(840)	(4,311)	5,002
	(1,983)	(471)	(8,893)	10,020
(Loss)/Earnings per stock unit				
(i) Basic (based on 337,793,619 stock units)	(0.42) sen	0.11 sen	(1.36) sen	1.49 sen
(ii) Fully diluted	N/A	N/A	N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	AS AT 30.09.2006 RM'000	AS AT 31.12.2005 RM'000
NON CURRENT ASSETS		
Property, plant and equipment	382,597	428,834
Investment in associated companies	81,287	82,798
Land held for development	5,893	5,893
Investment securities	94,596	77,863
Goodwill on consolidation	103,606	103,349
Purchased goodwill	1,337	1,342
Intangible assets	4,758	4,923
Deferred tax assets	1,773	1,753
	675,847	706,755
CURRENT ASSETS		
Property development costs	43,012	40,166
Accrued progress billings	10,866	17,909
Inventories	41,772	44,941
Receivables	89,806	80,114
Tax recoverable	14,251	12,978
Marketable securities	3,204	3,742
Short term deposits	16,684	11,928
Cash and bank balances	22,220	33,384
	241,815	245,162
CURRENT LIABILITIES		
Payables	74,844	75,411
Bank overdrafts	8,166	7,168
Short term borrowings	53,562	106,224
Taxation	5,653	7,234
	142,225	196,037
Net Current Assets	99,590	49,125
NON CURRENT LIABILITIES		
Term loans	100,997	175,022
Finance lease creditor	107,872	0
Hire purchase creditors	923	1,305
Deferred tax liabilities	8,627	8,665
Retirement benefits	284	262
Deferred income	47	33
	218,750	185,287
	556,687	570,593
EQUITY		
Share capital	337,794	337,794
Reserves	50,336	58,898
Total Stockholders' equity	388,130	396,692
Minority interests	168,557	173,901
TOTAL EQUITY	556,687	570,593

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

	Attributable to equity holders of the parent								Minority Interests	Total Equity
		Non-distributable					Distributable			
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Revaluation Reserve RM'000	Exchange Fluctuation Reserve RM'000	Reserve on Consolidation RM'000	Accumulated Losses RM'000	Total RM'000	RM'000	RM'000
Balance as at 1 January 2006 as previously stated	337,794	430,437	(1,792)	50,866	12,214	9,219	(442,046)	396,692	173,901	570,593
Effect of adopting FRS 3						(9,219)	9,219			
Balance as at 1 January 2006 (Restated)	337,794	430,437	(1,792)	50,866	12,214	-	(432,827)	396,692	173,901	570,593
Translation (loss)/gain				(2)	(3,978)			(3,980)	110	(3,870)
Effect of new acquisition									(544)	(544)
Effect of share buy-back									(86)	(86)
Share of dividend receivable									(513)	(513)
Realisation of exchange fluctuation reserve					(1,328)		1,328		-	
Net (loss)/gain not recognised in the income statements				(2)	(5,306)		1,328	(3,980)	(1,033)	(5,013)
Net loss for the period							(4,582)	(4,582)	(4,311)	(8,893)
Balance as at 30 September 2006	337,794	430,437	(1,792)	50,864	6,908	-	(436,081)	388,130	168,557	556,687

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005

	Attributable to equity holders of the parent								Minority Interests	Total Equity
		Non-distributable					Distributable			
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Revaluation Reserve RM'000	Exchange Fluctuation Reserve RM'000	Reserve on Consolidation RM'000	Accumulated Losses RM'000	Total RM'000	RM'000	RM'000
Balance as at 1 January 2005	337,794	430,437	(1,792)	46,724	15,533	10,058	(448,635)	390,119	182,972	573,091
Translation loss					(5,187)			(5,187)	(410)	(5,597)
Effect of share buy-back									(5,307)	(5,307)
Share of dividend receivable									(522)	(522)
Net loss not recognised in the income statements					(5,187)			(5,187)	(6,239)	(11,426)
Amortisation of reserve on consolidation						(629)		(629)		(629)
Net profit for the period							5,018	5,018	5,002	10,020
Balance as at 30 September 2005	337,794	430,437	(1,792)	46,724	10,346	9,429	(443,617)	389,321	181,735	571,056

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

	30.09.2006 RM'000	30.09.2005 RM'000
Operating Activities		
(Loss)/Profit before taxation	(6,533)	12,945
Adjustments for :-		
Depreciation / Amortisation	15,367	14,895
Other non-cash expenses	(11,565)	(22,970)
Operating (loss) / profit before working capital changes	(2,731)	4,870
Net changes in working capital		
Increase in current assets	(6,590)	(12,358)
Increase in current liabilities	3,380	15,700
Cash (used in) / generated from operating activities	(5,941)	8,212
Taxes paid	(5,228)	(6,296)
Net cash (used in) / generated from operating activities	(11,169)	1,916
Investing Activities		
Equity investments	26,424	8,259
Property, plant and equipment	(13,481)	(32,458)
Other investments	280	5,812
Net cash generated from / (used in) investing activities	13,223	(18,387)
Financing Activities		
Dividends paid	(498)	(510)
Acquisition of treasury shares	(16)	(1,546)
Drawdown/(Repayment) of borrowings	7,735	(37,816)
Other payments	(12,260)	(19,192)
Net cash used in financing activities	(5,039)	(59,064)
Effect of exchange rate changes	(7,678)	626
Net decrease in cash and cash equivalents	(10,663)	(74,909)
Cash and cash equivalents as at beginning of financial period		
As previously reported	34,409	118,816
Effect of exchange rate changes	7	(1,092)
As restated	34,416	117,724
Cash and cash equivalents as at end of financial period*	23,753	42,815

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

Short term deposits	16,684	26,401
Cash and bank balances	22,220	25,961
Bank overdrafts	(8,166)	(5,841)
	30,738	46,521
Less : Deposits pledged to licensed banks	(6,985)	(3,706)
	23,753	42,815

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

The unaudited interim financial report has been prepared in compliance with FRS 134 - "Interim Financial Reporting" and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. 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 2005.

Changes in 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 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for the financial period beginning 1 January 2006 :-

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investment in Associates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The adoption of the above FRS does not have significant financial impact on the Group except for FRS 3. The principal effects of the changes in accounting policies resulting from the adoption of new/revised FRSs are as follows :-

(a) FRS 3: Business Combinations.

The adoption of this new FRS has resulted in the Group ceasing annual goodwill amortisation. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in the income statement and subsequent reversal is not allowed. Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life. The carrying amount of goodwill on consolidation and purchased goodwill as at 1 January 2006 of RM104,691,000 ceased to be amortised. This has the effect of reducing the amortisation charges by RM2,476,000 for the nine months ended 30 September 2006.

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill"), after reassessment, is now recognised immediately in the income statement. Prior to 1 January 2006, negative goodwill was amortised over the useful life of the non-monetary assets acquired. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM9,219,000 has been derecognised with a corresponding increase in retained earnings.

(b) FRS 101: Presentation of Financial Statements

The Group has applied the revised FRS 101 which has resulted in the changes of presentation of share of net after-tax results of associated companies. Prior to 1 January 2006, the Group presented the share of results of associated companies before tax and share of tax expenses of associated companies on the face of consolidated income statement.

Minority interests are now required to be presented within total equity in the consolidated balance sheet. In the consolidated income statement, minority interests are presented as an allocation of the net profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure on the face of statement of changes in equity, total recognized income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statement is based on the revised requirement of FRS 101, with the comparatives restated to conform with the current period's presentation.

2. Audit report
The auditors' report on the financial statements for the year ended 31 December 2005 was not subject to any qualification.

3. Seasonal or cyclical factors
The operations of the Group for the three months ended 30 September 2006 were not materially affected by any seasonal or cyclical factors except for the transportation operations under Advance Synergy Capital Berhad ("ASC") Group, whereby ASC Group normally benefits from the higher levels of passenger loading during the festive seasons and school holidays in Malaysia.

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

5. 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.

6. Debt and equity securities
During the quarter ended 30 June 2006, ASC repurchased a total of 49,000 of its ordinary shares from the open market for a total consideration of RM 14,809. All the shares bought back were retained as treasury shares. As at 30 September 2006, the total number of treasury shares held were 5,949,735 shares. ASC is a 52.76%-owned subsidiary of the Company as at 30 September 2006.

Apart from the above, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended 30 September 2006.

7. Dividends paid
There was no payment of any dividend during the nine months ended 30 September 2006.

8. Segmental Reporting

For the financial period ended 30 September 2006

	Investment Holding	Property Development	Hotels and Resorts	Information and Communications Technology	Bus Transportation Services	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External	3,946	26,268	59,924	25,002	16,355	35,617	-	167,112
Inter-segment	3,306	56	-	-	-	-	(3,362)	-
Total revenue	7,252	26,324	59,924	25,002	16,355	35,617	(3,362)	167,112
Results								
Segment results	(10,719)	1,073	20,414	(5,827)	(15,678)	(170)	(4,431)	(15,338)
Share of results of associated companies								8,805
Consolidated loss before taxation								(6,533)
Taxation								(2,360)
Consolidated loss after taxation								(8,893)
Minority interests								4,311
Net loss for the financial period								(4,582)

	Investment Holding	Property Development	Hotels and Resorts	Information and Communications Technology	Bus Transportation Services	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information								
Segment assets	195,328	82,960	333,213	128,557	49,235	31,058	-	820,351
Investment in associated companies	81,287	-	-	-	-	-	-	81,287
Unallocated corporate assets								16,024
Total assets								917,662
Segment liabilities	80,740	21,742	195,912	11,899	6,257	30,145	-	346,695
Unallocated corporate liabilities								14,280
Total liabilities								360,975
Capital expenditure	3,592	230	2,411	2,701	5,189	206	-	14,329
Depreciation	972	182	3,743	3,460	5,001	970	-	14,328
Non cash expenses other than depreciation	240	-	195	1,075	-	5	-	1,515

8. Segmental Reporting (Continued)

For the financial period ended 30 September 2005

	Investment Holding	Property Development	Hotels and Resorts	Information and Communications Technology	Bus Transportation Services	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External	6,176	23,915	54,673	38,675	14,830	41,888	-	180,157
Inter-segment	3,488	23	-	-	-	-	(3,511)	-
Total revenue	9,664	23,938	54,673	38,675	14,830	41,888	(3,511)	180,157
Results								
Segment results	2,427	166	12,587	(3,502)	(9,066)	(7,388)	1,241	(3,535)
Share of results of associated companies								16,480
Consolidated profit before taxation								12,945
Taxation								(2,925)
Consolidated profit after taxation								10,020
Minority interests								(5,002)
Net profit for the financial period								5,018

	Investment Holding	Property Development	Hotels and Resorts	Information and Communications Technology	Bus Transportation Services	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information								
Segment assets	206,961	84,791	374,490	145,531	54,342	28,209	-	894,324
Investment in associated companies	76,977	-	-	-	-	-	-	76,977
Unallocated corporate assets								15,764
Total assets								987,065
Segment liabilities	132,281	18,393	187,566	19,019	4,451	41,424	-	403,134
Unallocated corporate liabilities								12,875
Total liabilities								416,009
Capital expenditure	19,068	48	3,035	8,424	4,022	989	-	35,586
Depreciation	857	140	4,029	3,778	2,027	1,165	-	11,996
Non cash expenses other than depreciation	556	-	299	3,243	-	203	-	4,301

9. 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 2005.

10. Events subsequent to the balance sheet date

For events subsequent to the balance sheet date, please refer to Note 20(b) and (c).

11. Changes in the composition of the Group

On 23 January 2006, the Company had announced that Holiday Villas International Limited, a wholly-owned subsidiary of Alangka-Suka Hotels & Resorts Berhad ("ASHR"), which in turn is a 99.63%-owned subsidiary of the Company, had acquired 7 issued and paid-up ordinary shares of USD1.00 each representing 70% equity interest in a shelf company, Celestial Beauty Limited ("CLB"), a company incorporated in the British Virgin Islands. On 26 January 2006, CLB changed its name to Holiday Villa Middle East Limited.

On 13 February 2006, the Company had announced that the disposal of Alangka-Suka International Limited's entire shareholding of 2 ordinary shares of USD1.00 each representing 100% of the total issued and paid-up share capital in Interwell International Limited ("IIL"), a company incorporated in the British Virgin Islands, had been completed. Consequently, IIL has ceased to be a subsidiary of the Company.

On 1 March 2006, the Company had announced that its subsidiary, Unified Communications Sdn Bhd had received the Certificate of Incorporation of Private Company dated 23 February 2006 for the incorporation of a 51%-owned subsidiary in Malaysia, known as GlobeOSS Sdn Bhd.

The Company's direct equity interest in Synergy Cards Sdn Bhd ("SCSB") had on 28 April 2006 been diluted from 100% to 51% due to the increase in SCSB's issued and paid-up share capital pursuant to the Restructuring Plan as set out in Note 20(d). However, after taking into consideration the 29% direct equity interest held by ASC, a 52.76%-owned subsidiary of the Company, in SCSB, the Company's effective equity interest in SCSB is 66.30%.

Pursuant to the same Restructuring Plan as set out in Note 20(d), the share capital of the Company's other 51%-owned subsidiary, iSynergy Sdn Bhd ("iSynergy"), had on 28 April 2006 also been restructured to reflect the same shareholding structure as in SCSB. The Company's direct equity interest in iSynergy remained as 51% while the effective equity interest increased from 51% to 66.30% after taking into consideration the 29% direct equity interest held by ASC in iSynergy.

On 8 August 2006, the Company announced that its 99.63%-owned subsidiary, ASHR, agreed to acquire 1,217,000 ordinary shares of RM1.00 each in Alor Setar Holiday Villa Sdn Bhd ("ASHV"), representing the remaining 10% of the total issued and paid-up share capital of ASHV not already owned by ASHR, from Che Din Holdings Sdn Bhd for a cash consideration of RM1,521,250.00. The aforesaid acquisition was completed on 10 August 2006 and consequently, ASHV became a wholly-owned subsidiary of ASHR.

There were no other changes in the composition of the Group for the current financial year todate.

12. Changes in contingent liabilities

There were no changes in contingent liabilities since 31 December 2005.

13. Review of performance

The Group generated a total revenue of RM 167.11 million for the nine months ended 30 September 2006 compared to RM 180.16 million for the corresponding period in the previous year, a decline of 7.2%. The decline in revenue coupled with a lower profit contribution from associated companies have resulted in a loss after taxation of RM 8.89 million for the nine months ended 30 September 2006 compared to a profit after taxation of RM 10.02 million for the corresponding period in 2005.

14. Comparison of results with preceding quarter

The Group recorded a loss after taxation of RM 1.98 million for the quarter under review compared to a loss after taxation of RM 7.08 million for the preceding quarter ended 30 June 2006. The improvement in results for the current quarter is attributable mainly to the higher profit contribution from associated companies.

15. Current year prospects

Barring unforeseen circumstances, the Directors expect the Group's performance for the financial year ending 31 December 2006 to be satisfactory.

16. Profit variance and shortfall in profit guarantee

Not applicable.

17. Taxation

	3 months ended 30.09.2006 RM'000	Year to date 30.09.2006 RM'000
On current period's results		
- Malaysian income tax	838	1,598
- Overseas taxation	295	817
Transfer from deferred taxation	-	(55)
	1,133	2,360

The effective tax rate of the Group for the financial period under review is higher than the statutory tax rate. This is mainly due to certain expenses which were not deductible for taxation purposes and the non-availability of group relief where tax losses of certain subsidiary companies cannot be set off against the taxable income of other subsidiary companies.

18. Unquoted investments and properties

There were no sales of unquoted investments and/or properties for the nine months ended 30 September 2006.

19. Quoted securities

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

	3 months ended 30.09.2006 RM'000	Year to date 30.09.2006 RM'000
Total purchases	109	269
Total disposals	106	1,054
Total gain on disposals	21	223

Details of investment in quoted securities by the Group as at 30 September 2006 are as follows :-

	RM'000
- at cost	58,717
- at carrying value	26,542
- at market value	14,444

20. Status of corporate proposals

(a) On 25 March 1996, the Company had 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 ("Proposed Sale of KMSB"). While the Proposed Sale of KMSB is still pending implementation, 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(b).

20. Status of corporate proposals (Continued)

(b) The approval of the Securities Commission ("SC") for ASC's Proposed Return of Capital (completed on 31 December 2002), Proposed Bonus Issue (completed on 31 December 2002), Proposed Acquisition of ACE Synergy Insurance Berhad ("ACE") (completed on 15 January 2003) and Proposed Acquisition of Konsortium Bas Ekspres Semenanjung (M) Sdn Bhd ("KBES") (rescinded on 13 November 2002) was subject to, inter alia, the condition that ASC be required to either liquidate or dispose of ASC Equities Sdn Bhd and ASC Credit Sdn Bhd within one (1) year from the date of the completion of the Proposed Acquisition of ACE and Proposed Acquisition of KBES. ASC had on 6 January 2004 written to the SC seeking their approval to waive the said condition.

On 20 October 2005, the Board of Directors of ASC announced that the SC had in its letter dated 18 October 2005 waived the condition that ASC be required to either liquidate or dispose of its interests in ASC Equities Sdn Bhd, but did not approve the waiver application in respect of ASC Credit Sdn Bhd.

The Board of Directors of ASC also announced that ASC had accepted the SC's decision in respect of ASC Equities Sdn Bhd but intends to make another appeal to the SC with justification for the retention of ASC Credit Sdn Bhd.

ASC had on 20 October 2006 submitted an application to the SC to re-appeal against the SC's decision to liquidate or dispose of ASC Credit Sdn Bhd ("Re-appeal"). ASC will make the necessary announcement on the outcome of the Re-appeal in due course.

(c) On 20 February 2006, the Company had announced the following proposals:-

(i) Proposed Capital Reduction involving :-
- proposed reduction of the issued and paid-up share capital of the Company from a maximum of RM506,690,428 comprising 506,690,428 ordinary stock units in the Company ("ASB Stock Units") of RM1.00 each (assuming all of the Company's warrants constituted by Deed Poll dated 28 April 2000 ("ASB Warrants") are exercised and the new ASB Stock Units arising therefrom are issued before the cut-off date for the Proposed Capital Reduction) to RM152,007,128 comprising 506,690,428 ASB Stock Units of RM0.30 each, by cancelling RM0.70 par value from every ASB Stock Unit of RM1.00 each to reduce the accumulated losses in the Company ("Proposed Par Value Reduction"); and

- proposed reduction of the share premium account of the Company of up to RM206,949,328 to reduce the accumulated losses in the Company ("Proposed Share Premium Account Reduction").

(Collectively, referred to as the "Proposed Capital Reduction")

(ii) Proposed renounceable two (2)-call rights issue of up to RM266,012,475 nominal value of 2% 10-year irredeemable convertible unsecured loan stocks ("ICULS") at 100% of the nominal amount of RM0.15 each on the basis of RM0.525 nominal value of ICULS (or equivalent to 3.5 ICULS) for every one (1) ASB Stock Unit of RM1.00 each held on an entitlement date and at a cash call amount to be determined and announced later ("Proposed Rights Issue"). The ICULS are proposed to be implemented via two (2)-calls, the first being a cash call and the second call being a capitalisation from the Company's share premium account;

(iii) Proposed increase in the authorised share capital of the Company from RM800,000,000 divided into 800,000,000 ordinary shares of RM1.00 each to RM900,000,000 divided into 3,000,000,000 ordinary shares of RM0.30 each after the Proposed Capital Reduction ("Proposed Increase in Authorised Share Capital"); and

(iv) Proposed conversion of stock units to ordinary shares ("Proposed Conversion")

(Collectively, referred to as the "Proposals")

The proceeds to be raised from the Proposed Rights Issue will be primarily used for repayment of bank borrowing and working capital of the Group.

The Proposals are subject to the approvals to be obtained from the following parties:-

(i) The SC for the Proposed Rights Issue and the listing of and quotation for the ICULS and new ASB Stock Units to be issued pursuant to the conversion of ICULS;

(ii) The High Court of Malaya for the Proposed Capital Reduction and the utilisation of share premium account of the Company to pay up the second call for the Proposed Rights Issue;

(iii) Bursa Malaysia Securities Berhad for the listing of and quotation for the ICULS and new ASB Stock Units to be issued pursuant to the conversion of ICULS;

(iv) The stockholders of the Company for the Proposals at a general meeting to be convened; and

(v) Any other relevant parties and/or authorities.

20. Status of corporate proposals (Continued)

The Proposed Capital Reduction, the Proposed Rights Issue and the Proposed Increase in Authorised Share Capital are conditional upon one another. The Proposed Conversion is not conditional on any of the Proposals.

On 22 June 2006, the Company announced that the maximum amount to be deducted from the share premium account under the Proposed Capital Reduction would now be RM205,148,989 instead of RM206,949,328 as announced earlier on 20 February 2006. The revision was a result of lower accumulated losses of the Company for the financial year ended 31 December 2005 as compared to the financial year ended 31 December 2004, in which the original amount was derived from.

In addition to the above, the Proposed Increase in Authorised Share Capital will be effected after the approval from the stockholders of the Company has been obtained, notwithstanding that the Proposed Capital Reduction and Proposed Rights Issue have yet to be implemented. As such, the Proposed Increase in Authorised Share Capital is not conditional upon the Proposed Capital Reduction and Proposed Rights Issue.

On 19 September 2006, the Company announced that the SC had, vide its letter dated 14 September 2006, informed that they were unable to consider the application made for the Proposed Rights Issue ("Application") then, as ASC had not fulfilled a condition imposed earlier by the SC in its letter dated 18 October 2005 in relation to a corporate proposal by ASC involving the proposed acquisition of ACE and KBES by ASC.

The Company had on 17 October 2006 written to the SC seeking its approval to allow the Company to re-submit its application for the Proposed Rights Issue irrespective of the fulfilment of the condition imposed by the SC on ASC ("Resubmission"). The Company will make the necessary announcement on the outcome of the application for Resubmission in due course.

(d) On 10 April 2006, the Company had announced that the Board of Directors of the Company had approved the proposed restructuring plan of its 51%-owned subsidiary, iSynergy ("Restructuring Plan").

Under the Restructuring Plan:-

(i) Designated Payment Instruments ("DPI") business, namely issuing credit cards, charge cards and prepaid cards will be undertaken and housed under SCSB; and

(ii) iSynergy will continue to operate its existing non-DPI business like loyalty cards.

The Company, ASC, and Interpay International Resources Ltd ("IIR") had on 28 April 2006 subscribed in the form of cash for 1,019,998, 580,000 and 400,000 ordinary shares of RM1.00 each at par respectively to increase the issued and paid-up share capital of SCSB to RM2,000,000. As a result, the Company, ASC and IIR now holds 51%, 29% and 20% equity interest respectively in SCSB. In addition, ASC had on 8 May 2006 subscribed in the form of cash for 8,000,000 redeemable non-convertible preference shares of RM1.00 each issued at RM1.00 each by SCSB.

The share capital of iSynergy had on 28 April 2006 also been restructured to reflect the same shareholding structure as in SCSB. The Company, ASC and IIR now holds 51%, 29% and 20% respectively in the enlarged share capital of iSynergy.

The commencement of the DPI business by SCSB is subject to the approval of Bank Negara Malaysia which is still pending.

21. Group borrowings

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

		As At 30.09.2006 RM'000	**As At 31.12.2005 RM'000**
Short term	- secured	61,728	113,311
	- unsecured	-	81
Long term	- secured	76,940	158,866
	- unsecured	24,057	16,156
		162,725	288,414

21. Group borrowings (Continued)

(b) The Ringgit equivalent of Group borrowings denominated in foreign currencies are as follows :-

	As At 30.09.2006 RM'000	As At 31.12.2005 RM'000
US Dollars	789	12,900
Australian Dollars	9,218	12,919
Sterling Pounds	2,962	30,073
Singapore Dollars	1,288	6,866

22. Off balance sheet financial instruments

The Group does not have any financial instruments with off balance sheet risk as at the date of this report.

23. Material litigation

(a) A third party action was filed by American Home Assurance Company ("AHA") on 24 October 2002 against Rewardstreet.com (Malaysia) Sdn Bhd ("Rewardstreet.com"), a wholly-owned subsidiary of iSynergy. AHA is sued as a Defendant in the main suit filed by Ultra Dimension Sdn Bhd as Plaintiff for, inter alia, the alleged infringement of their copyright via the AHA Privilege Cash-In Rebate Cards. AHA's claim is for general damages, exemplary damages and aggravated damages which are to be assessed by the Court, together with interest at 8% per annum. An application filed by Rewardstreet.com to strike-out the third party action by AHA on the basis that AHA was responsible for the design and that no cause of action lay against Rewardstreet.com , was not successful. The Court has fixed the 19th till the 22nd November 2007 as the trial dates. The solicitors acting for Rewardstreet.com are of the opinion that they **may negate any liability**, which is alleged by the Defendant in this suit.

(b) 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. The Company's solicitors had obtained the signed and sealed copy of the Judgment in Default of Appearance dated 1 August 2004 ("Default Judgment") from the Court for the sum of RM52,500,000, interest thereon at the rate of 8% per annum from the date of Judgment to the date of realisation and cost of RM225. On 10 November 2004, PKNK applied to the Court to set aside the Default Judgment. On 3 August 2005, the Court allowed PKNK's application to set aside the Default Judgment. As a procedural step to progress the suit to a trial, the Company's solicitor had on 29 December 2005 forwarded to the Court for filing of the Notice to Attend Pre-Trial Case Management and the Pre-Trial Case Management was fixed for hearing on 17 May 2006. Due to a change in PKNK's solicitors, PKNK's new solicitors had asked for an adjournment on the grounds that they require time to take their client's instructions and there is a likelihood for an application to amend the Statement of Defence. The Court had fixed the Pre-Trial Case Management for mention on 21 November 2006. PKNK's new solicitors filed an application to amend PKNK's Statement of Defence and the application was also fixed for hearing on 21 November 2006. On 21 November 2006, the Court granted leave to PKNK to amend their Statement of Defence. The suit is now fixed for mention on 5 March 2007 to enable the Amended Statement of Defence to be filed, extracted and served. The Company's solicitors for the litigation are of the opinion that the Company has a good cause of action against PKNK and the likely outcome of the proceedings would be a decision in favour of the Company.

24. Dividend

The Directors do not recommend the payment of any interim dividend.

25. Loss per stock unit

The calculation of basic loss per stock unit for the three months ended 30 September 2006 is based on the Group's net loss attributable to equity holders of the parent for the financial period of RM1,431,000 divided by the number of stock units in issue during the period of 337,793,619.

26. Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
Date: 24 November 2006