

ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE THREE MONTHS ENDED
31 DECEMBER 2006

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the three months ended 31 December 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

| | <u>3 months ended</u> | | <u>Year Ended</u> | |
|--|-----------------------|-------------------|-------------------|-------------------|
| | <u>31.12.2006</u> | <u>31.12.2005</u> | <u>31.12.2006</u> | <u>31.12.2005</u> |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| Revenue | 64,697 | 67,030 | 231,809 | 246,733 |
| Cost of sales | <u>(47,879)</u> | <u>(40,083)</u> | <u>(154,665)</u> | <u>(164,506)</u> |
| Gross profit | 16,818 | 26,947 | 77,144 | 82,227 |
| Other operating income | 4,017 | 17,118 | 19,344 | 38,564 |
| Operating expenses | <u>(65,486)</u> | <u>(44,141)</u> | <u>(142,415)</u> | <u>(113,283)</u> |
| (Loss)/Profit from operations | (44,651) | (76) | (45,927) | 7,508 |
| Finance cost | (3,773) | (5,678) | (17,834) | (21,540) |
| Share of results of associated companies | <u>(957)</u> | <u>895</u> | <u>7,848</u> | <u>25,297</u> |
| (Loss)/Profit before taxation | (49,381) | (4,859) | (55,913) | 11,265 |
| Taxation | <u>2,813</u> | <u>(1,133)</u> | <u>453</u> | <u>(7,155)</u> |
| (Loss)/Profit after taxation | <u>(46,568)</u> | <u>(5,992)</u> | <u>(55,460)</u> | <u>4,110</u> |
| Attributable to: | | | | |
| Equity Holders of The Parent | (23,045) | 1,553 | (27,626) | 6,589 |
| Minority Interests | <u>(23,523)</u> | <u>(7,545)</u> | <u>(27,834)</u> | <u>(2,479)</u> |
| | <u>(46,568)</u> | <u>(5,992)</u> | <u>(55,460)</u> | <u>4,110</u> |
| (Loss)/Earnings per stock unit | | | | |
| (i) Basic (based on 337,793,619 stock units) | <u>(6.82) sen</u> | <u>0.46 sen</u> | <u>(8.18) sen</u> | <u>1.95 sen</u> |
| (ii) Fully diluted | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

| | AS AT 31.12.2006 RM'000 | AS AT 31.12.2005 RM'000 |
|---------------------------------------|--|--|
| <u>NON CURRENT ASSETS</u> | | |
| Property, plant and equipment | 351,939 | 428,834 |
| Investment in associated companies | 74,873 | 82,798 |
| Land held for development | 5,893 | 5,893 |
| Investment securities | 73,884 | 77,863 |
| Goodwill on consolidation | 103,606 | 103,349 |
| Purchased goodwill | 1,346 | 1,342 |
| Intangible assets | 4,758 | 4,923 |
| Deferred tax assets | 1,711 | 1,753 |
| | 618,010 | 706,755 |
| <u>CURRENT ASSETS</u> | | |
| Property development costs | 39,028 | 40,166 |
| Accrued progress billings | 17,210 | 17,909 |
| Inventories | 28,739 | 44,941 |
| Receivables | 93,864 | 80,114 |
| Tax recoverable | 15,134 | 12,978 |
| Marketable securities | 3,003 | 3,742 |
| Short term deposits | 17,397 | 11,928 |
| Cash and bank balances | 25,164 | 33,384 |
| | 239,539 | 245,162 |
| <u>CURRENT LIABILITIES</u> | | |
| Payables | 78,493 | 75,411 |
| Bank overdrafts | 8,291 | 7,168 |
| Short term borrowings | 65,987 | 106,224 |
| Taxation | 2,467 | 7,234 |
| | 155,238 | 196,037 |
| Net Current Assets | 84,301 | 49,125 |
| <u>NON CURRENT LIABILITIES</u> | | |
| Term loans | 84,864 | 175,022 |
| Finance lease creditor | 108,008 | 0 |
| Hire purchase creditors | 779 | 1,305 |
| Deferred tax liabilities | 6,143 | 8,665 |
| Retirement benefits | 295 | 262 |
| Deferred income | 31 | 33 |
| | 200,120 | 185,287 |
| | 502,191 | 570,593 |
| <u>EQUITY</u> | | |
| Share capital | 337,794 | 337,794 |
| Reserves | 19,479 | 58,898 |
| Total Stockholders' equity | 357,273 | 396,692 |
| Minority interests | 144,918 | 173,901 |
| TOTAL EQUITY | 502,191 | 570,593 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 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 |
| 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 Deficit on revaluation of properties | | | | (7,441) | (4,352) | | | (4,352) | 21 | (4,331) |
| Effect of new acquisition | | | | | | | | (7,441) | (27) | (7,468) |
| Effect of share buy-back | | | | | | | | | (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 | | | | (7,441) | (5,680) | | 1,328 | (11,793) | (1,149) | (12,942) |
| Net loss for the year | | | | | | | (27,626) | (27,626) | (27,834) | (55,460) |
| Balance as at 31 December 2006 | 337,794 | 430,437 | (1,792) | 43,425 | 6,534 | - | (459,125) | 357,273 | 144,918 | 502,191 |

FOR THE YEAR ENDED 31 DECEMBER 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 |
| 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 | | | | | (3,319) | | | (3,319) | (194) | (3,513) |
| Surplus on revaluation of properties | | | | 4,142 | | | | 4,142 | 151 | 4,293 |
| Share of dividend receivable | | | | | | | | | (521) | (521) |
| Effect of share buy-back | | | | | | | | | (6,028) | (6,028) |
| Net (loss)/gain not recognised in the the income statements | | | | 4,142 | (3,319) | | | 823 | (6,592) | (5,769) |
| Amortisation of reserve on consolidation | | | | | | (839) | | (839) | - | (839) |
| Net profit for the year | | | | | | | 6,589 | 6,589 | (2,479) | 4,110 |
| Balance as at 31 December 2005 | 337,794 | 430,437 | (1,792) | 50,866 | 12,214 | 9,219 | (442,046) | 396,692 | 173,901 | 570,593 |

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

| | 31.12.2006 | 31.12.2005 |
|--|-------------------|-------------------|
| | RM'000 | RM'000 |
| Operating Activities | | |
| (Loss)/Profit before taxation | (55,913) | 11,265 |
| Adjustments for :- | | |
| Depreciation / Amortisation | 22,155 | 21,334 |
| Other non-cash expenses | 28,075 | (31,154) |
| Operating (loss) / profit before working capital changes | <u>(5,683)</u> | <u>1,445</u> |
| Net changes in working capital | | |
| Increase in current assets | (2,638) | (3,495) |
| Increase in current liabilities | 8,867 | 5,233 |
| Cash generated from operating activities | <u>546</u> | <u>3,183</u> |
| Retirement benefit paid | - | (3) |
| Taxes paid | (7,342) | (6,415) |
| Net cash used in operating activities | <u>(6,796)</u> | <u>(3,235)</u> |
| Investing Activities | | |
| Equity investments | 25,391 | 8,365 |
| Property, plant and equipment | (19,048) | (33,349) |
| Other investments | 10,183 | 12,299 |
| Net cash generated from / (used in) investing activities | <u>16,526</u> | <u>(12,685)</u> |
| Financing Activities | | |
| Dividends paid | (505) | - |
| Acquisition of treasury shares | (15) | (1,743) |
| Drawdown/(Repayment) of borrowings | 4,163 | (54,887) |
| Interest paid | (17,834) | (25,358) |
| Net cash used in financing activities | <u>(14,191)</u> | <u>(81,988)</u> |
| Effect of exchange rate changes | (5,165) | 2,755 |
| Net decrease in cash and cash equivalents | <u>(9,626)</u> | <u>(95,153)</u> |
| Cash and cash equivalents as at beginning of financial year | | |
| As previously reported | 34,409 | 130,816 |
| Effect of exchange rate changes | (239) | (1,254) |
| As restated | 34,170 | 129,562 |
| Cash and cash equivalents as at end of financial year* | <u>24,544</u> | <u>34,409</u> |
| * Cash and cash equivalents at the end of the financial year comprise the following : | | |
| Short term deposits | 17,397 | 11,928 |
| Cash and bank balances | 25,164 | 33,384 |
| Bank overdrafts | (8,291) | (7,168) |
| | <u>34,270</u> | <u>38,144</u> |
| Less : Deposits pledged to licensed banks | (9,726) | (3,735) |
| | <u>24,544</u> | <u>34,409</u> |

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, FRS 116 and FRS 136. 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 RM3,301,000 for the year ended 31 December 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 quarter and financial year ended 31 December 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 RM14,809. All the shares bought back were retained as treasury shares. As at 31 December 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 31 December 2006.

Apart from the above, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial year ended 31 December 2006.

7. Dividends paid

There was no payment of any dividend during the financial year ended 31 December 2006.

8. Segmental Reporting

For the financial year ended 31 December 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 | 4,138 | 39,075 | 81,432 | 36,903 | 20,196 | 50,065 | | 231,809 |
| Inter-segment | 3,958 | 78 | - | 99 | | 406 | (4,541) | |
| Total revenue | 8,096 | 39,153 | 81,432 | 37,002 | 20,196 | 50,471 | (4,541) | 231,809 |
| Results | | | | | | | | |
| Segment results | (27,955) | 2,394 | 18,839 | (11,426) | (42,623) | 417 | (3,407) | (63,761) |
| Share of results of associated companies | 7,848 | | | | | | | 7,848 |
| Consolidated loss before taxation | | | | | | | | (55,913) |
| Taxation | | | | | | | | 453 |
| Consolidated loss after taxation | | | | | | | | (55,460) |
| Minority interests | | | | | | | | 27,834 |
| Net loss for the financial year | | | | | | | | (27,626) |

| | 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 | 172,420 | 82,073 | 331,094 | 124,510 | 26,516 | 29,218 | - | 765,831 |
| Investment in associated companies | 74,873 | - | - | - | - | - | - | 74,873 |
| Unallocated corporate assets | | | | | | | | 16,845 |
| Total assets | | | | | | | | 857,549 |
| Segment liabilities | 79,511 | 23,633 | 198,679 | 13,761 | 5,448 | 25,716 | - | 346,748 |
| Unallocated corporate liabilities | | | | | | | | 8,610 |
| Total liabilities | | | | | | | | 355,358 |
| Capital expenditure | 3,752 | 230 | 2,869 | 5,239 | 7,857 | 168 | - | 20,115 |
| Depreciation | 1,237 | 241 | 6,713 | 4,593 | 7,137 | 837 | - | 20,758 |
| Non cash expenses other than depreciation | 18,729 | - | 2,127 | 2,850 | 15,334 | 4 | - | 39,044 |

8. Segmental Reporting (Continued)

For the financial year ended 31 December 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 | 5,783 | 37,619 | 73,832 | 47,738 | 21,526 | 60,235 | | 246,733 |
| Inter-segment | 4,676 | 38 | - | 212 | - | 179 | (5,105) | - |
| Total revenue | 10,459 | 37,657 | 73,832 | 47,950 | 21,526 | 60,414 | (5,105) | 246,733 |
| Results | | | | | | | | |
| Segment results | (2,635) | 3,388 | 17,093 | (8,502) | (20,875) | (8,577) | 6,076 | (14,032) |
| Share of results of associated companies | 25,297 | | | | | | | 25,297 |
| Consolidated profit before taxation | | | | | | | | 11,265 |
| Taxation | | | | | | | | (7,155) |
| Consolidated profit after taxation | | | | | | | | 4,110 |
| Minority interests | | | | | | | | 2,479 |
| Net profit for the financial year | | | | | | | | 6,589 |

| | 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 | 197,552 | 86,213 | 356,754 | 139,963 | 50,042 | 23,864 | - | 854,388 |
| Investment in associated companies | 82,798 | - | - | - | - | - | - | 82,798 |
| Unallocated corporate assets | | | | | | | | 14,731 |
| Total assets | | | | | | | | 951,917 |
| Segment liabilities | 109,002 | 25,389 | 168,491 | 17,835 | 6,754 | 37,954 | - | 365,425 |
| Unallocated corporate liabilities | | | | | | | | 15,899 |
| Total liabilities | | | | | | | | 381,324 |
| Capital expenditure | 19,991 | 141 | 4,339 | 9,482 | 3,413 | 1,008 | - | 38,374 |
| Depreciation | 1,120 | 192 | 4,896 | 4,851 | 4,862 | 1,550 | - | 17,471 |
| Non cash expenses other than depreciation | 7,125 | - | 567 | 4,263 | - | 1,921 | - | 13,876 |

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 to date.

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 231.81 million for the year ended 31 December 2006 compared to RM 246.73 million for the previous year, a decline of 6.0%. The decline in revenue coupled with a lower profit contribution from associated companies and impairment losses on investments, property, plant and equipment have resulted in a loss after taxation of RM 55.46 million for the year ended 31 December 2006 compared to a profit after taxation of RM 4.11 million for the previous year.

14. Comparison of results with preceding quarter

The Group recorded a loss after taxation of RM 46.57 million for the quarter under review compared to a loss after taxation of RM 1.98 million for the preceding quarter ended 30 September 2006. The decline in results for the current quarter is attributable mainly to the lower profit contribution from associated companies and impairment losses on investments, property, plant and equipment.

15. Current year prospects

Barring unforeseen circumstances, the Directors expect the Group's performance for the financial year ending 31 December 2007 to be satisfactory.

16. Profit variance and shortfall in profit guarantee

Not applicable.

17. Taxation

| | 3 months ended 31.12.2006 RM'000 | Year ended 31.12.2006 RM'000 |
|---------------------------------|---|---|
| On current period's results | | |
| - Malaysian income tax | (2,120) | (3,719) |
| - Overseas taxation | (276) | (1,093) |
| Over provision in prior year | 3,254 | 3,254 |
| Transfer from deferred taxation | 1,955 | 2,011 |
| | <u>2,813</u> | <u>453</u> |

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

During the quarter under review, there was a disposal by ASC of an unquoted investment with a book value of RM 5 million.

During the quarter under review, there were also disposals of properties with a total book value of RM 0.8 million by subsidiary companies.

Other than the above, there were no other sales of unquoted investments and/or properties for the current quarter and financial year ended 31 December 2006.

19. Quoted securities

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

| | 3 months ended 31.12.2006 RM'000 | Year ended 31.12.2006 RM'000 |
|-------------------------|---|---|
| Total purchases | <u>32</u> | <u>301</u> |
| Total disposals | <u>5,183</u> | <u>6,237</u> |
| Total gain on disposals | <u>1,524</u> | <u>1,747</u> |

Details of investment in quoted securities by the Group as at 31 December 2006 are as follows :-

| | RM'000 |
|---------------------|---------------|
| - at cost | <u>23,369</u> |
| - at carrying value | <u>10,630</u> |
| - at market value | <u>10,630</u> |

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”). On 21 February 2007, ASC announced that the SC had, vide its letter dated 15 February 2007 approved the Re-appeal subject to the conditions as set out in the said announcement.

The ASC Board will deliberate on the conditions imposed by the SC and make an appropriate announcement 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;

20. Status of corporate proposals (Continued)

(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.

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 on 26 June 2006 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"). On 22 February 2007, the Company announced that the SC, vide its letter dated 21 February 2007, has no objection to the Resubmission and the Resubmission is expected to be made within three (3) months from the date of the announcement.

- (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.

Consequently, 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.

On 15 December 2006, the Company announced that SCSB had received from Bank Negara Malaysia the approval pursuant to section 25(1) of the Payment Systems Act 2003 for SCSB to issue credit cards under the VISA and MasterCard brands with the line of credit provided by a domestic banking institution subject to conditions as set out in the said announcement.

21. Group borrowings

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

| | As At 31.12.2006 RM'000 | As At 31.12.2005 RM'000 |
|----------------------|--|--|
| Short term - secured | 66,397 | 113,311 |
| - unsecured | 7,881 | 81 |
| Long term - secured | 68,864 | 158,866 |
| - unsecured | 16,000 | 16,156 |
| | <u>159,142</u> | <u>288,414</u> |

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

| | As At 31.12.2006 RM'000 | As At 31.12.2005 RM'000 |
|--------------------|--|--|
| US Dollars | 757 | 12,900 |
| Australian Dollars | 9,332 | 12,919 |
| Sterling Pounds | 2,917 | 30,073 |
| Singapore Dollars | 771 | 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 dividend for the financial year ended 31 December 2006.

25. Loss per stock unit

The calculation of basic loss per stock unit for the three months ended 31 December 2006 is based on the Group's net loss attributable to equity holders of the parent for the financial period of RM23,045,000 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: 28 February 2007