

ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2008

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 2008.

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 2007.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

| | <u>Unaudited</u> | | <u>Unaudited</u> | |
|--|-----------------------|------------------------|-----------------------|------------------------|
| | <u>3 months ended</u> | | <u>Year to date</u> | |
| | <u>30.9.2008</u> | <u>30.9.2007</u> | <u>30.9.2008</u> | <u>30.9.2007</u> |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| Revenue | 58,163 | 51,299 | 149,179 | 147,836 |
| Cost of sales | <u>(33,491)</u> | <u>(31,515)</u> | <u>(84,231)</u> | <u>(91,411)</u> |
| Gross profit | 24,672 | 19,784 | 64,948 | 56,425 |
| Other operating income | 4,213 | 1,443 | 9,467 | 4,725 |
| Operating expenses | <u>(31,269)</u> | <u>(30,341)</u> | <u>(80,331)</u> | <u>(73,566)</u> |
| Loss from operations | (2,384) | (9,114) | (5,916) | (12,416) |
| Finance costs | (2,238) | (3,292) | (6,385) | (9,280) |
| Share of results of associates | 5,108 | 1,815 | 9,376 | 5,008 |
| Profit/(Loss) before taxation | 486 | (10,591) | (2,925) | (16,688) |
| Taxation | <u>(674)</u> | <u>(663)</u> | <u>(1,696)</u> | <u>(3,089)</u> |
| Net loss for the financial period | <u><u>(188)</u></u> | <u><u>(11,254)</u></u> | <u><u>(4,621)</u></u> | <u><u>(19,777)</u></u> |
| Attributable to: | | | | |
| Equity holders of the Company | (749) | (6,224) | (3,123) | (12,368) |
| Minority interests | 561 | (5,030) | (1,498) | (7,409) |
| | <u><u>(188)</u></u> | <u><u>(11,254)</u></u> | <u><u>(4,621)</u></u> | <u><u>(19,777)</u></u> |
| Loss per share attributable to equity holders of the Company | | | | |
| (i) Basic (sen) | <u><u>(0.16)</u></u> | <u><u>(1.84)</u></u> | <u><u>(0.71)</u></u> | <u><u>(3.66)</u></u> |
| (ii) Fully diluted (sen) | <u><u>(0.05)</u></u> | <u><u>N/A</u></u> | <u><u>(0.26)</u></u> | <u><u>N/A</u></u> |

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

| | Unaudited As at <u>30.9.2008</u> RM'000 | Audited As at <u>31.12.2007</u> RM'000 |
|---|--|---|
| ASSETS | | |
| <u>Non-current assets</u> | | |
| Property, plant and equipment | 205,292 | 215,501 |
| Prepaid lease payments for land | 970 | 984 |
| Investment in associates | 89,093 | 73,132 |
| Investment securities | 59,657 | 62,224 |
| Goodwill on consolidation | 72,352 | 103,541 |
| Intangible assets | 3,997 | 2,982 |
| Receivables | 3,200 | 3,035 |
| Deferred tax assets | 2,876 | 1,595 |
| | 437,437 | 462,994 |
| <u>Current assets</u> | | |
| Property development costs | 24,194 | 34,201 |
| Progress billings | 2,102 | 3,441 |
| Inventories | 38,416 | 24,633 |
| Receivables | 84,865 | 90,638 |
| Tax recoverable | 3,563 | 4,040 |
| Marketable securities | 1,232 | 2,019 |
| Short term deposits | 54,798 | 35,533 |
| Cash and bank balances | 27,407 | 27,174 |
| | 236,577 | 221,679 |
| Non-current assets held for sale | - | 741 |
| TOTAL ASSETS | 674,014 | 685,414 |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the Company | | |
| Share capital | 138,572 | 337,794 |
| Irredeemable Convertible Unsecured Loan | | |
| Stocks ("ICULS") - equity component | 122,210 | - |
| Reserves | 118,796 | (19,380) |
| | 379,578 | 318,414 |
| Minority interests | 107,012 | 140,836 |
| Total equity | 486,590 | 459,250 |
| <u>Non-current liabilities</u> | | |
| Term loans | 61,948 | 67,578 |
| Irredeemable Convertible Unsecured Loan | | |
| Stocks ("ICULS") - liability component | 18,735 | - |
| Finance lease creditor | 20,643 | 20,643 |
| Hire purchase creditors | 471 | 742 |
| Deferred tax liabilities | 2,682 | 3,396 |
| Retirement benefits | 454 | 412 |
| Deferred income | 29 | 30 |
| | 104,962 | 92,801 |
| <u>Current liabilities</u> | | |
| Payables | 68,374 | 76,881 |
| Bank overdrafts | 1,770 | 600 |
| Short term borrowings | 11,594 | 54,736 |
| Taxation | 724 | 1,146 |
| | 82,462 | 133,363 |
| Total Liabilities | 187,424 | 226,164 |
| TOTAL EQUITY AND LIABILITIES | 674,014 | 685,414 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2008

| | ← Attributable to equity holders of the Company → | | | | | | | | |
|---|---|-----------------------------|-----------------------|------------------------|------------------------------------|-----------------------|---------|-----------------------|-----------------|
| | Share Capital | ICULS- Equity portion | ← Non-distributable → | | | Accumulated Losses | Total | Minority Interests | Total Equity |
| | | | Share Premium | Revaluation Reserve | Exchange Fluctuation Reserve | | | | |
| RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| Balance as at 31 December 2007 | 337,794 | - | 430,437 | 12,721 | 6,006 | (468,544) | 318,414 | 140,836 | 459,250 |
| Translation gain/(loss) | - | - | - | 3 | 1,836 | - | 1,839 | 29 | 1,868 |
| Par value reduction | (236,456) | - | - | - | - | 236,456 | - | - | - |
| Share premium reduction | - | - | (216,122) | - | - | 216,122 | - | - | - |
| Effect of share buy back | - | - | - | - | - | - | - | (32,355) | (32,355) |
| Issue of new ICULS | - | 154,688 | (94,582) | - | - | - | 60,106 | - | 60,106 |
| Issue of new ordinary shares pursuant to the conversion of ICULS | 37,234 | (32,478) | - | - | - | - | 4,756 | - | 4,756 |
| Expenses incurred in connection with issue of right issue | - | - | (2,414) | - | - | - | (2,414) | - | (2,414) |
| Net gain/(loss) recognised in equity statements | (199,222) | 122,210 | (313,118) | 3 | 1,836 | 452,578 | 64,287 | (32,326) | 31,961 |
| Net loss for the financial period | - | - | - | - | - | (3,123) | (3,123) | (1,498) | (4,621) |
| Balance as at 30 September 2008 | 138,572 | 122,210 | 117,319 | 12,724 | 7,842 | (19,089) | 379,578 | 107,012 | 486,590 |

FOR THE PERIOD ENDED 30 SEPTEMBER 2007

| | ← Attributable to equity holders of the Company → | | | | | | | | |
|--|---|-----------------------------|-----------------------|------------------------|------------------------------------|-----------------------|----------|-----------------------|-----------------|
| | Share Capital | ICULS- Equity portion | ← Non-distributable → | | | Accumulated Losses | Total | Minority Interests | Total Equity |
| | | | Share Premium | Revaluation Reserve | Exchange Fluctuation Reserve | | | | |
| RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| Balance as at 31 December 2006 | 337,794 | - | 430,437 | 43,436 | (1,250) | (461,194) | 349,223 | 144,653 | 493,876 |
| Prior year's adjustment | - | - | - | (30,711) | - | 6,865 | (23,846) | (114) | (23,960) |
| 31 December 2006 (Restated) | 337,794 | - | 430,437 | 12,725 | (1,250) | (454,329) | 325,377 | 144,539 | 469,916 |
| Translation gain/(loss) | - | - | - | - | (1,458) | - | (1,458) | (415) | (1,873) |
| Net gain/(loss) recognised in equity statements | - | - | - | - | (1,458) | - | (1,458) | (415) | (1,873) |
| Net loss for the financial period | - | - | - | - | - | (12,368) | (12,368) | (7,409) | (19,777) |
| Balance as at 30 September 2007 | 337,794 | - | 430,437 | 12,725 | (2,708) | (466,697) | 311,551 | 136,715 | 448,266 |

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2008**

| | Unaudited 9 months ended <u>30.9.2008</u> RM'000 | Unaudited 9 months ended <u>30.9.2007</u> RM'000 |
|--|---|---|
| Operating Activities | | |
| Loss before taxation | (2,925) | (16,688) |
| Adjustments for :- | | |
| Depreciation / Amortisation | 10,335 | 14,827 |
| Other investing and financing items and non-cash items | 1,581 | 8,058 |
| Operating profit before working capital changes | <u>8,991</u> | <u>6,197</u> |
| Net changes in working capital | | |
| (Increase)/Decrease in current assets | (1,885) | 18,977 |
| Increase/(Decrease) in current liabilities | (9,443) | (4,759) |
| Cash (used in)/generated from operating activities | <u>(2,337)</u> | <u>20,415</u> |
| Taxes (paid)/refunded | (1,826) | 7,928 |
| Net cash (used in)/from operating activities | <u>(4,163)</u> | <u>28,343</u> |
| Investing Activities | | |
| Equity investments | (1,282) | 11,818 |
| Property, plant and equipment | (1,012) | (6,217) |
| Other investments | (1,818) | 1,229 |
| Net cash (used in)/from investing activities | <u>(4,112)</u> | <u>6,830</u> |
| Financing Activities | | |
| Acquisition of treasury shares | (4,092) | - |
| Proceeds from issuance of ICULS | 82,759 | - |
| Repayment of borrowings | (48,930) | (9,531) |
| Other payments | (6,385) | (9,194) |
| Net cash from/(used in) financing activities | <u>23,352</u> | <u>(18,725)</u> |
| Effect of exchange rate changes | 811 | (934) |
| Net increase in cash and cash equivalents | <u>15,888</u> | <u>15,514</u> |
| Cash and cash equivalents as at beginning of financial period | | |
| As previously reported | <u>39,532</u> | <u>24,568</u> |
| Effect of exchange rate changes | 125 | (40) |
| As restated | 39,657 | 24,528 |
| Cash and cash equivalents as at end of financial period * | <u>55,545</u> | <u>40,042</u> |
| * Cash and cash equivalents at the end of the financial period comprising the following : | | |
| Short term deposits | 54,798 | 26,113 |
| Cash and bank balances | 27,407 | 35,505 |
| Bank overdrafts | (1,770) | (1,346) |
| | <u>80,435</u> | <u>60,272</u> |
| Less : Deposits placed with lease creditors as security deposit for lease payments | <u>(16,049)</u> | <u>(15,301)</u> |
| Deposits pledged to licensed banks | (8,841) | (4,929) |
| | <u>(24,890)</u> | <u>(20,230)</u> |
| | <u>55,545</u> | <u>40,042</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 2007.

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 2007 except for the following new/revised FRS in Malaysia which were issued on 1 July 2007 and adopted by the Group and the Company, where applicable, effective for the financial period beginning 1 January 2008 :

- FRS 107 : Cash Flow Statements
- FRS 111 : Construction Costs
- FRS 112 : Income Taxes
- FRS 118 : Revenue
- FRS 120 : Accounting for Government Grants and Disclosure of Government Assistance
- FRS 134 : Interim Financial Statements
- FRS 137 : Provisions, Contingent Liabilities and Contingent Assets

The adoption of the above new and revised FRS have no significant impact on the financial statements of the Group and the Company.

2. Audit report

The auditors' report on the financial statements for the year ended 31 December 2007 was not subject to any qualification.

3. Seasonal or cyclical factors

The operations of the Group for the quarter ended 30 September 2008 were not materially affected by any seasonal or cyclical factors except for the transportation operation 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

On 31 January 2008, the 1,182,277,666 2% 10-Year Irredeemable Convertible Unsecured Loan Stocks at 100% of the nominal value of RM0.15 each ("ICULS") issued on 29 January 2008 pursuant to the Renounceable Two (2)-Call Rights Issue of ICULS ("Rights Issue") were listed on the Main Board of Bursa Malaysia Securities Berhad.

As at 30 September 2008, a total of 248,229,516 ICULS have been converted into 124,114,758 new ordinary shares of RM0.30 each of the Company by surrendering for cancellation two ICULS for every one new ordinary share of RM0.30 each in the Company.

During the quarter ended 30 September 2008, ASC repurchased a total of 8,966,800 of its issued ordinary shares from the open market for a total consideration of RM4,092,273. The shares repurchased are being held as treasury shares. As at 30 September 2008, ASC held 14,916,535 shares as treasury shares.

The Company acquired 13,825,100 ordinary shares of RM1.00 each in ASC ("ASC Shares") during the quarter under review. As at 30 September 2008, the Company held 93,440,300 ASC Shares representing 65.83% of the issued and paid-up share capital of ASC (net of treasury shares).

7. Dividends paid

There was no payment of any dividend during the financial period ended 30 September 2008.

8. Segmental Reporting

For the nine-month period ended 30 September 2008

| | Investment Holding | Property Development | Hotels and Resorts | Information and Communications Technology | Bus Transportation Services | Travel & Tour | Others | Eliminations | Total |
|--|--------------------|----------------------|--------------------|---|-----------------------------|---------------|---------------|--------------|----------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | | | | | | | | |
| External | 4,524 | 4,705 | 56,342 | 31,948 | 6,354 | 31,065 | 14,241 | - | 149,179 |
| Inter-segment | 616 | 52 | - | - | - | 163 | - | (831) | - |
| Total revenue | 5,140 | 4,757 | 56,342 | 31,948 | 6,354 | 31,228 | 14,241 | (831) | 149,179 |
| Results | | | | | | | | | |
| Segment results | (18,846) | (121) | 5,949 | 1,603 | (3,295) | 866 | (6,606) | 8,149 | (12,301) |
| Share of results of associated companies | 9,376 | - | - | - | - | - | - | - | 9,376 |
| Consolidated profit/(loss) before taxation | | | | | | | | | (2,925) |
| Taxation | | | | | | | | | (1,696) |
| Consolidated profit/(loss) after taxation | | | | | | | | | (4,621) |
| Minority interests | | | | | | | | | 1,498 |
| Net profit/(loss) for the financial period | | | | | | | | | (3,123) |

| | Investment Holding | Property Development | Hotels and Resorts | Information and Communications Technology | Bus Transportation Services | Travel & Tour | Others | Eliminations | Total |
|---------------------------------------|--------------------|----------------------|--------------------|---|-----------------------------|---------------|--------|--------------|---------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Other information | | | | | | | | | |
| Segment assets | 123,741 | 60,455 | 220,213 | 129,505 | 9,586 | 11,229 | 23,753 | - | 578,482 |
| Investment in associated companies | 89,093 | - | - | - | - | - | - | - | 89,093 |
| Unallocated corporate assets | | | | | | | | | 6,439 |
| Total assets | | | | | | | | | 674,014 |
| Segment liabilities | 34,039 | 8,831 | 97,130 | 20,922 | 1,801 | 5,244 | 16,051 | - | 184,018 |
| Unallocated corporate liabilities | | | | | | | | | 3,406 |
| Total liabilities | | | | | | | | | 187,424 |
| Capital expenditure | 343 | 4 | 1,545 | 496 | 158 | 103 | 36 | - | 2,685 |
| Depreciation | 1,138 | 135 | 3,348 | 2,499 | 1,354 | 92 | 583 | - | 9,149 |
| Impairment loss on: | | | | | | | | | |
| - property, plant and equipment | 3,792 | - | - | - | 1,371 | - | - | - | 5,163 |
| - investment securities | 4,260 | - | - | - | - | - | - | - | 4,260 |
| - associated company | 2,199 | - | - | - | - | - | - | - | 2,199 |
| - investment in marketable securities | 746 | - | - | - | - | - | - | - | 746 |
| Amortisation on intangible assets | - | - | - | 1,186 | - | - | - | - | 1,186 |
| Other non cash expenses | 477 | - | 41 | 276 | 1,371 | - | - | - | 2,165 |

8.Segmental Reporting (Continued)
For the nine-month period ended 30 September 2007

| | Investment Holding | Property Development | Hotels and Resorts | Information and Communications Technology | Bus Transportation Services | Travel & Tour | Others | Eliminations | Total |
|--|--------------------|----------------------|--------------------|---|-----------------------------|---------------|---------------|----------------|----------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | | | | | | | | |
| External | 705 | 20,209 | 59,850 | 24,658 | 8,246 | 21,375 | 12,793 | - | 147,836 |
| Inter-segment | 2,630 | 59 | - | - | - | 217 | 1 | (2,907) | - |
| Total revenue | 3,335 | 20,268 | 59,850 | 24,658 | 8,246 | 21,592 | 12,794 | (2,907) | 147,836 |
| Results | | | | | | | | | |
| Segment results | (5,722) | 501 | 9,720 | (7,297) | (14,634) | 874 | (6,632) | 1,494 | (21,696) |
| Share of results of associated companies | 5,008 | | | | | | | | 5,008 |
| Consolidated profit/(loss) before taxation | | | | | | | | | (16,688) |
| Taxation | | | | | | | | | (3,089) |
| Consolidated profit/(loss) after taxation | | | | | | | | | (19,777) |
| Minority interests | | | | | | | | | 7,409 |
| Net profit/(loss) for the financial period | | | | | | | | | (12,368) |

| | Investment Holding | Property Development | Hotels and Resorts | Information and Communications Technology | Bus Transportation Services | Travel & Tour | Others | Eliminations | Total |
|---------------------------------------|--------------------|----------------------|--------------------|---|-----------------------------|---------------|--------|--------------|----------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| (Restated) | | | | | | | | | |
| Other information | | | | | | | | | |
| Segment assets | 157,271 | 68,600 | 217,656 | 118,311 | 16,553 | 5,652 | 25,870 | - | 609,913 |
| Investment in associated companies | 65,639 | - | - | - | - | - | - | - | 65,639 |
| Unallocated corporate assets | | | | | | | | | 6,114 |
| Total assets | | | | | | | | | 681,666 |
| Segment liabilities | 62,649 | 13,854 | 107,515 | 13,762 | 2,123 | 2,193 | 22,348 | - | 224,444 |
| Unallocated corporate liabilities | | | | | | | | | 8,956 |
| Total liabilities | | | | | | | | | 233,400 |
| Capital expenditure | 912 | 27 | 5,803 | 1,091 | 449 | 36 | 128 | - | 8,446 |
| Depreciation | 276 | 168 | 3,508 | 3,251 | 4,689 | 40 | 1,561 | - | 13,493 |
| Impairment loss on: | | | | | | | | | |
| - property, plant and equipment | - | - | - | - | 6,893 | - | - | - | 6,893 |
| - associated company | 2,255 | - | - | - | - | - | - | - | 2,255 |
| Write back impairment loss on: | | | | | | | | | |
| - investment securities | 3,375 | - | - | - | - | - | - | - | 3,375 |
| - investment in marketable securities | 404 | - | - | - | - | - | - | - | 404 |
| Amortisation on intangible assets | - | - | - | 1,334 | - | - | - | - | 1,334 |
| Other non cash expenses | 98 | - | 281 | 7 | - | - | - | - | 386 |

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 2007.

10. Events subsequent to the balance sheet date

Other than the events as stated in Note 21(b) below, the Company had on 16 October 2008 announced that Unified Communications Pte Ltd ("UCPL"), a wholly-owned subsidiary of Unified Communications Holdings Limited which in turn is a 58.30%-owned subsidiary of the Company (held via Worldwide Matrix Sdn Bhd, a wholly-owned subsidiary of the Company), had incorporated a wholly-owned subsidiary in Pakistan, known as Unified Communications (Private) Limited, with an issued and paid-up share capital of Pakistan Rupee 500,000 on 15 October 2008.

11. Changes in the composition of the Group

On 1 February 2008, UCPL acquired 50% equity interest in Unified Telecom Private Limited comprising 25,000 ordinary shares of Indian Rupees 10.00 each for a cash consideration of Indian Rupees 250,000.

On 5 February 2008, the Company announced that Alangka-Suka International Limited, a wholly-owned subsidiary of Alangka-Suka Hotels & Resorts Berhad which in turn is a 99.63%-owned subsidiary of the Company, acquired 100% equity interest in a shelf company, Launceston Developments Limited, comprising 2 issued and paid-up ordinary shares of USD1.00 each at par.

On 9 May 2008, ASC, a subsidiary of the Company, announced that its wholly owned subsidiary, Triton Synergy Holdings Sdn Bhd ("TSH"), had on 8 May 2008 entered into a Share Sale Agreement with Asia Media Sdn Bhd for the disposal of TSH's 70% equity interest in Transit Vision Holdings Sdn Bhd ("TVH"), comprising 784,000 ordinary shares of RM1.00 each for a total cash consideration of RM500,000. The disposal was completed on 15 June 2008. Consequently, TVH ceased to be a subsidiary of ASC.

On 3 July 2008, the Company announced that its wholly-owned subsidiary, Calmford Incorporated ("Calmford"), acquired the entire issued and paid-up share capital of Visage Synergy Sdn Bhd ("VSSB"), another wholly-owned subsidiary held via Excellent Display Sdn Bhd which is also wholly-owned by the Company, comprising 100 ordinary shares of RM1.00 each at par. Consequently, VSSB became a wholly-owned subsidiary of Calmford.

Other than the above, there were no other changes in the composition of the Group for the current financial period.

12. Changes in contingent liabilities

There were no changes in contingent liabilities since 31 December 2007.

13. Review of performance

The Group recorded a lower loss after taxation of RM4.6 million for the nine-month period ended 30 September 2008 compared to RM19.8 million loss after taxation for the corresponding period in the previous year. The improved result is mainly attributable to higher contribution from the Information and Communications Technology division and associated companies, lower loss from Bus Transportation Services division and lower finance costs. However, this was partly offset by lower contribution from Hotels and Resorts division and higher impairment loss on investment securities and investment in associated company which are marked to market amounting to RM7.2 million for the nine-month period ended 30 September 2008.

14. Comparison of results with preceding quarter

The Group recorded a loss after taxation of RM188,000 for the quarter as compared to a loss after taxation of RM6.3 million in the preceding quarter ended 30 June 2008. The improved result for this quarter is mainly due to higher contribution from associated companies and higher dividend income from investment securities partly offset by higher impairment loss on property, plant and equipment, investment securities and investment in associated company.

15. Prospects

Barring unforeseen circumstances, the Directors expect the Group's operating environment to remain challenging for the remaining period of the financial year ending 31 December 2008.

16. 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.

17. Profit variance and shortfall in profit guarantee

Not Applicable.

18. Taxation

| | 3 months ended <u>30.9.2008</u> RM'000 | 9 months ended <u>30.9.2008</u> RM'000 |
|---------------------------------|---|---|
| On current year's results | | |
| - Malaysian income tax | 636 | 1,621 |
| - Overseas taxation | 84 | 218 |
| Over provision in prior year | (14) | (49) |
| Transfer from deferred taxation | (32) | (94) |
| | <u>674</u> | <u>1,696</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.

19. Profit/ (loss) on Sale of Unquoted Investments and/or Properties

During the second quarter ended 30 June 2008, there was a disposal of property with net book value of RM 0.244 million by a subsidiary of the Company. The gain on disposal of the property was RM0.1 million.

Other than the above, there were no other sales of unquoted investments and/or properties for the current quarter and financial period ended 30 September 2008.

20. Quoted securities

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

| | 3 months ended <u>30.9.2008</u> RM'000 | 9 months ended <u>30.9.2008</u> RM'000 |
|-------------------------|---|---|
| Total purchases | <u>-</u> | <u>167</u> |
| Total disposals | <u>-</u> | <u>208</u> |
| Total loss on disposals | <u>-</u> | <u>20</u> |

Details of investment in quoted securities by the Group as at 30 September 2008 are as follows :-

| | RM'000 |
|---------------------|---------------|
| - at cost | <u>22,267</u> |
| - at carrying value | <u>9,208</u> |
| - at market value | <u>9,456</u> |

21. Status of corporate proposals

- (a) On 25 March 1996, the Company announced that it had accepted the offer from Perbadanan Kemajuan Negeri Kedah ("PKNK") to purchase from the Company 52,500,000 ordinary shares of RM1.00 each representing 70% equity interest in Kedah Marble Sdn Bhd ("KMSB") for a total cash consideration of RM59,797,500 ("Proposed Sale of KMSB"). In the meantime, a Winding-Up Petition dated 25 March 2002 was served on KMSB, on or about 19 April 2002, by Malaysia Airports Sdn Bhd, a trade creditor of KMSB. On 11 June 2003, a Winding-Up Order was granted by the Kuala Lumpur High Court and the Official Receiver was appointed the Provisional Liquidator.

The Company had on 14 June 2004 instituted legal action vide Alor Setar High Court Civil Suit No. 22-95-2004 against PKNK to recover its investment in KMSB. Details of this legal suit are set out in Note 25(b).

21. Status of corporate proposals (Continued)

- (b) On 26 September 2008, Aseambankers Malaysia Berhad ("Aseambankers") announced on the Company's behalf that the Company had served a notice to the Board of Directors of ASC to carry out a voluntary take-over to acquire all the remaining ASC Shares which are not already owned by the Company (excluding ASC Shares held as treasury shares) at a cash offer price of RM0.60 per ASC Shares ("Offer").

The Offer is conditional upon approvals being obtained from the following:-

- (i) Minister of Finance via Bank Negara Malaysia;
- (ii) shareholders of the Company at an Extraordinary General Meeting ("EGM") to be convened; and
- (ii) the Equity Compliance Unit of the Securities Commission ("SC") pursuant to the Foreign Investment Committee's Guideline on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests.

The SC had vide its letter dated 15 October 2008 approved the Offer subject to the following conditions:-

- (aa) Aseambankers should inform the SC upon completion of the Offer; and
- (bb) Aseambankers should submit a list of acceptances for every category of shareholders (Bumiputera, Non-Bumiputera and Foreign) together with the effective equity structure of ASC before and after the completion of the Offer. In this respect, further equity condition may be imposed on ASC subsequent to a review on the list of acceptances.

The shareholders of the Company approved the resolution pertaining to the Offer, the delisting of ASC and the acquisition of ASC Shares at the EGM held on 14 November 2008.

The Offer was declared unconditional as at 27 November 2008 upon obtaining the approval from the Minister of Finance via Bank Negara Malaysia.

On 27 November 2008, Aseambankers announced on behalf of the Company that the Company had received acceptances of 24,749,207 ASC Shares representing 17.44% of the total issued and paid-up share capital of ASC (excluding ASC Shares held as treasury shares). The acceptance of 24,749,207 ASC Shares received by the Company upon verification will result in the Company holding a total of 119,503,807 ASC Shares representing 84.19% of the total issued and paid-up share capital of ASC (excluding ASC Shares held as treasury shares).

The Offer will remain open for acceptances until 5.00 p.m. on 1 December 2008, unless extended or revised by the Company in accordance with the Malaysian Code on Take-Overs and Mergers, 1998, as may be announced by Aseambankers on behalf of the Company.

22 Utilisation of proceeds from Rights Issue of ICULS

The status of utilisation of proceeds raised from the Rights Issue of ICULS as at 30 September 2008 is as follows:

| | Proposed Utilisation RM'000 | Utilisation to-date RM'000 | Balance unutilized RM'000 | Timeframe for Utilisation |
|------------------------------|--|---|--|--|
| Repayment of Bank Borrowings | 50,259 | 50,094 | 165 | 24 months from |
| Working Capital | 30,000 | 10,572 | 19,428 | the date of |
| Expenses | 2,500 | 2,414 | 86 | listing of ICULS |
| | <u>82,759</u> | <u>63,080</u> | <u>19,679</u> | |

23 Group borrowings

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

| | <u>As At</u> <u>30.9.2008</u> RM'000 | <u>As At</u> <u>31.12.2007</u> RM'000 |
|-------------------------------------|--|---|
| Short term - secured | 11,851 | 53,733 |
| - unsecured | 1 | 91 |
| Long term - secured | 57,370 | 63,107 |
| - unsecured | 5,049 | 5,213 |
| ICULS- liability portion | 18,735 | - |
| Finance lease creditor - Short term | 1,512 | 1,512 |
| - Long term | 20,643 | 20,643 |
| | <u>115,161</u> | <u>144,299</u> |

(b)

| | <u>As At</u> <u>30.9.2008</u> RM'000 | <u>As At</u> <u>31.12.2007</u> RM'000 |
|--------------------|--|---|
| Australian Dollars | 5,049 | 5,213 |
| Sterling Pounds | 2,265 | 2,570 |
| Singapore Dollars | 196 | 226 |

24 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.

25 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 file has been transferred to Court (D5). The case is fixed for Trial on 4th to 7th May 2009. The solicitors acting for Rewardstreet.com are of the opinion that they may negate 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 have obtained the signed and sealed copy of the Judgment in Default of Appearance dated 1 August 2004 ("Default Judgment") from the High Court of Alor Setar 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 had allowed PKNK's application to set aside the Default Judgment. As a procedural step to progress the suit to a trial, the Company's solicitors 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 required 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 court has fixed 18 December 2008 for further Case Management to enable the parties to comply with the court's directions. 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.

26 Dividend

The Directors do not recommend the payment of any dividend for the financial period ended 30 September 2008.

27 Loss per share

Basic loss per share

The calculation of basic loss per share for the current quarter and current year-to-date are based on the Group's net loss attributable to equity holders of the Company of RM749,000 and RM3,123,000 respectively divided by the weighted average number of ordinary shares of 461,908,377 and 436,933,603 for the current quarter and current year-to-date respectively as follows:

| | 3 months ended <u>30.9.2008</u> No. of shares | 9 months ended <u>30.9.2008</u> No. of shares |
|---|--|--|
| Issued ordinary shares at beginning of the period | 461,908,377 | 337,793,619 |
| Weighted average number of new ordinary shares arising from ICULS converted to date | - | 99,139,984 |
| Weighted average number of ordinary shares | <u>461,908,377</u> | <u>436,933,603</u> |
| | 3 months ended <u>30.9.2008</u> | 9 months ended <u>30.9.2008</u> |
| Basic loss per share (sen) | <u>(0.16)</u> | <u>(0.71)</u> |

Diluted loss per share

The calculation of diluted loss per share for the current quarter and current year to date are based on the Group's net loss attributable to equity holders of the Company of RM434,000 and RM2,291,000 respectively, after adjusting for interest saving on ICULS, divided by the weighted average number of ordinary shares of 928,932,452 and 885,248,009 for the current quarter and current year-to-date respectively as follows:

| | 3 months ended <u>30.9.2008</u> RM'000 | 9 months ended <u>30.9.2008</u> RM'000 |
|---|---|---|
| Net profit/(loss) attributable to equity holders | (749) | (3,123) |
| Profit impact of assumed conversion- Interest on ICULS | 315 | 832 |
| | <u>(434)</u> | <u>(2,291)</u> |

Weighted average number of ordinary shares (diluted)

| | 3 months ended <u>30.9.2008</u> No. of shares | 9 months ended <u>30.9.2008</u> No. of shares |
|---|--|--|
| Issued ordinary shares at beginning of the period | 461,908,377 | 337,793,619 |
| Weighted average number of new ordinary shares arising from ICULS converted to date | - | 99,139,984 |
| Weighted average number of new ordinary shares assuming conversion of the remaining ICULS | 467,024,075 | 448,314,406 |
| Weighted average number of ordinary shares | <u>928,932,452</u> | <u>885,248,009</u> |
| | 3 months ended <u>30.9.2008</u> | 9 months ended <u>30.9.2008</u> |
| Diluted loss per share (sen) | <u>(0.05)</u> | <u>(0.26)</u> |

27. Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
Date: 28 November 2008