

ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

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

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the quarter ended 30 June 2012.

This interim report is prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134 “Interim Financial Reporting” and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2011.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	<u>3 months ended</u>		<u>Year-to-date</u> <u>6 months ended</u>	
	<u>30.06.2012</u> <u>RM'000</u>	<u>30.06.2011</u> <u>RM'000</u>	<u>30.06.2012</u> <u>RM'000</u>	<u>30.06.2011</u> <u>RM'000</u>
Revenue	59,498	56,444	112,668	109,157
Cost of sales	(38,375)	(36,112)	(71,348)	(70,385)
Gross profit	21,123	20,332	41,320	38,772
Other operating income	2,774	6,826	19,341	9,049
Operating expenses	(23,364)	(24,878)	(45,849)	(44,402)
Profit/(loss) from operations	533	2,280	14,812	3,419
Finance costs	(1,761)	(2,157)	(3,460)	(4,097)
Share of results of associates	1,136	3,438	779	5,110
Profit/(loss) before tax	(92)	3,561	12,131	4,432
Income tax expense	(729)	(384)	(1,507)	(807)
Net profit/(loss) for the financial period	<u>(821)</u>	<u>3,177</u>	<u>10,624</u>	<u>3,625</u>
Attributable to:				
Owners of the parent	(1,751)	2,402	4,033	2,331
Non-controlling interests	930	775	6,591	1,294
	<u>(821)</u>	<u>3,177</u>	<u>10,624</u>	<u>3,625</u>
Earnings/(loss) per share attributable to owners of the parent:				
Basic (sen)	<u>(0.34)</u>	<u>0.48</u>	<u>0.79</u>	<u>0.47</u>
Diluted (sen)	<u>Anti-dilutive</u>	<u>0.29</u>	<u>0.49</u>	<u>0.31</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 6 months ended	
	<u>30.06.2012</u> RM'000	<u>30.06.2011</u> RM'000	<u>30.06.2012</u> RM'000	<u>30.06.2011</u> RM'000
Net profit/(loss) for the financial period	(821)	3,177	10,624	3,625
Other comprehensive income/(expenses):				
Fair value of available-for-sale financial assets	(1,206)	(964)	1,607	(80)
Realisation of Available-For-Sale Reserve	-	(1,139)	-	(1,139)
Share of other comprehensive income of associates, net of tax	(128)	8	(128)	8
Foreign currency translation differences for foreign operations	3,936	1,121	339	(3,734)
	<u>2,602</u>	<u>(974)</u>	<u>1,818</u>	<u>(4,945)</u>
Other comprehensive income/(loss) for the financial period				
Total comprehensive income/(loss) for the financial period	<u>1,781</u>	<u>2,203</u>	<u>12,442</u>	<u>(1,320)</u>
Attributable to:				
Owners of the parent	678	1,461	5,634	(2,609)
Non-controlling interests	1,103	742	6,808	1,289
	<u>1,781</u>	<u>2,203</u>	<u>12,442</u>	<u>(1,320)</u>
Total comprehensive income/(loss) for the financial period				

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 30.06.2012 RM'000	Audited As at 31.12.2011 RM'000	As at 01.01.2011 RM'000
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	193,397	190,541	202,182
Investment properties	8,870	8,870	-
Investment in associates	34,914	22,675	30,759
Investment securities	33,473	31,866	32,673
Goodwill on consolidation	93,250	59,860	59,423
Intangible assets	17,186	17,529	16,168
Trade, other receivables and other assets	2,683	2,574	6,400
Deferred tax assets	3,039	3,141	2,870
	386,812	337,056	350,475
<u>Current assets</u>			
Property development costs	29,826	29,854	24,552
Progress billings	3,315	265	1,225
Inventories	29,686	25,599	32,950
Trade and other receivables	55,155	56,866	52,777
Tax recoverable	2,921	2,770	2,721
Investment securities	943	928	919
Short term deposits	115,013	151,635	64,135
Cash and bank balances	39,374	40,051	46,535
	276,233	307,968	225,814
Non-current assets classified as held for sale	7,791	8,038	114,955
TOTAL ASSETS	670,836	653,062	691,244
EQUITY AND LIABILITIES			
<u>Equity attributable to owners of the parent</u>			
Share capital	154,007	151,318	146,448
Irredeemable Convertible Unsecured Loan			
Stocks ("ICULS") - equity component	108,816	111,162	115,340
Reserves	204,083	198,470	195,088
	466,906	460,950	456,876
Non-controlling interests	38,606	31,777	29,670
Total equity	505,512	492,727	486,546
<u>Non-current liabilities</u>			
Borrowings	76,695	75,940	81,469
ICULS - liability component	11,145	12,278	14,391
Other payables	9,829	-	-
Deferred tax liabilities	2,600	2,620	2,748
Provision for retirement benefit obligations	966	876	747
	101,235	91,714	99,355
<u>Current liabilities</u>			
Trade and other payables	57,096	59,454	68,187
Borrowings	6,068	7,995	36,168
Tax payable	925	1,172	988
	64,089	68,621	105,343
Total Liabilities	165,324	160,335	204,698
TOTAL EQUITY AND LIABILITIES	670,836	653,062	691,244

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2012

	← <i>Attributable to owners of the parent</i> →										
	Share Capital	ICULS- Equity Component	Share Premium	← <i>Non-distributable</i> →		Available- For-Sale Reserve	→ <i>Distributable</i>		Total	Non- Controlling Interests	Total Equity
				Revaluation Reserve	Exchange Translation Reserve		Retained Profits	Total			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2012	151,318	111,162	117,317	12,769	(8,389)	2,130	74,643	460,950	31,777	492,727	
Net profit for the financial year	-	-	-	-	-	-	4,033	4,033	6,591	10,624	
Fair value of available-for-sale financial assets	-	-	-	-	-	1,607	-	1,607	-	1,607	
Share of other comprehensive income of associates, net of tax	-	-	-	-	-	(128)	-	(128)	-	(128)	
Foreign currency translation differences for foreign operations	-	-	-	(2)	124	-	-	122	217	339	
Total comprehensive income/(loss) for the financial year	-	-	-	(2)	124	1,479	4,033	5,634	6,808	12,442	
Transactions with owners in their capacity as owners:											
Deemed partial disposal of interest in a subsidiary	-	-	-	-	-	-	(21)	(21)	21	-	
Issue of new ordinary shares pursuant to the conversion of ICULS	2,689	(2,346)	-	-	-	-	-	343	-	343	
	2,689	(2,346)	-	-	-	-	(21)	322	21	343	
Balance as at 30 June 2012	154,007	108,816	117,317	12,767	(8,265)	3,609	78,655	466,906	38,606	505,512	

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2011

	← Attributable to owners of the parent →									
	Share Capital	ICULS- Equity component	← Non-distributable →			→ Distributable		Total	Non- Controlling Interests	Total Equity
			Share Premium	Revaluation Reserve	Exchange Translation Reserve	Available- For-Sale Reserve	Retained Profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2011	146,448	115,340	117,317	12,767	(9,476)	4,064	70,416	456,876	29,670	486,546
Net profit/ (loss) for the financial period	-	-	-	-	-	-	2,331	2,331	1,294	3,625
Fair value of available-for-sale financial assets	-	-	-	-	-	(80)	-	(80)	-	(80)
Realisation of Available-For-Sale Reserve	-	-	-	-	-	(1,139)	-	(1,139)	-	(1,139)
Share of other comprehensive income of associates, net of tax	-	-	-	-	-	8	-	8	-	8
Foreign currency translation differences for foreign operations	-	-	-	-	(3,729)	-	-	(3,729)	(5)	(3,734)
Total comprehensive income/(loss) for the financial period	-	-	-	-	(3,729)	(1,211)	2,331	(2,609)	1,289	(1,320)
Transactions with owners in their capacity as owners:										
Issue of new ordinary shares pursuant to the conversion of ICULS	3,557	(3,103)	-	-	-	-	-	454	-	454
Issue of new ordinary shares	79	-	-	-	-	-	-	79	-	79
	3,636	(3,103)	-	-	-	-	-	533	-	533
Dividend paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	(198)	(198)
Balance as at 30 June 2011	150,084	112,237	117,317	12,767	(13,205)	2,853	72,747	454,800	30,761	485,561

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

	6 months ended 30.06.2012 RM'000	6 months ended 30.06.2011 RM'000
Operating Activities		
Profit before tax	12,131	4,432
Adjustments for :-		
Non-cash items	(6,516)	(3,912)
Other investing and financing items	1,687	2,870
Operating profit before working capital changes	<u>7,302</u>	<u>3,390</u>
Changes in working capital		
Property development costs	28	(3,714)
Inventories	(4,086)	5,542
Receivables	1,354	2,787
Payables	(1,713)	(888)
Cash generated from/(used in) operations	<u>2,885</u>	<u>7,117</u>
Tax refunded/(paid)	(1,861)	(333)
Net cash from/(used in) operating activities	<u><u>1,024</u></u>	<u><u>6,784</u></u>
Cash flows from investing activities		
Acquisition of intangible assets	(1,026)	(1,592)
Acquisition of a Subsidiary, net of cash acquired	(9,869)	-
Acquisition of additional shares in a subsidiary	-	(62)
Investment in associates	(13,918)	-
Investment in joint venture	(100)	-
Acquisition of held for trading investments	(63)	(244)
Dividend income received	27	2,688
Interest received	1,746	1,139
Proceeds from disposal of held for trading investments	63	245
Proceeds from disposal of non-current assets classified as held for sale	372	116,676
Proceeds from disposal of property, plant and equipment	112	209
Purchase of property, plant and equipment	(8,739)	(1,461)
Purchase of investment properties	-	(7,926)
Net cash from/(used in) investing activities	<u><u>(31,395)</u></u>	<u><u>120,578</u></u>

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

	6 months ended 30.06.2012 RM'000	6 months ended 30.06.2011 RM'000
Cash flows from financing Activities		
Dividends paid to non-controlling interests of a subsidiary	-	(198)
Drawdown of term loans	1,602	1,155
Interest paid	(5,461)	(8,392)
Issue of new shares	-	79
Payments to hire purchase payables	(37)	(38)
Pledge of short term deposits	(8,085)	(233)
Repayment of term loans	(2,277)	(3,625)
Net cash from/(used in) financing activities	(14,258)	(11,252)
Effect of exchange rate changes	(1,530)	(854)
Net increase/(decrease) in cash and cash equivalents	(46,159)	115,256
Cash and cash equivalents as at beginning of financial period		
As previously reported	161,235	83,747
Effect of exchange rate changes	851	573
As restated	162,086	84,320
Cash and cash equivalents as at end of financial period *	115,927	199,576
* Cash and cash equivalents at the end of the financial period comprising the following :		
Short term deposits	115,013	61,972
Cash and bank balances	39,374	166,774
Bank overdrafts	(694)	(2,014)
	153,693	226,732
Less : Deposits placed with lease creditors as security deposit for lease payments	(19,079)	(18,510)
Restricted deposits	(9,000)	-
Cash held under Housing Development Accounts	(508)	(493)
Deposits pledged to licensed banks	(9,179)	(8,153)
	(37,766)	(27,156)
	115,927	199,576

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

The unaudited interim financial report has been prepared in compliance with MFRS 134 - "Interim Financial Reporting" and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The unaudited interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011.

2. Significant accounting policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2011, except for the adoption of the new Malaysian Accounting Standard Board ("MASB") approved accounting standards, and the Malaysian Financial Reporting Standards ("MFRSs") Framework.

The Group adopted the MFRSs framework for the annual periods beginning on 1 January 2012 (ie: for financial year ending 31 December 2012).

The Group has adopted the MFRS framework and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards, for the first time in these condensed consolidated interim financial statements. The transition to MFRS framework does not have any significant impact on the financial position, financial performance and cash flows of the Group.

The following New and revised MFRSs, Amendments/Improvements to MFRSs, IC Interpretations ("IC Int") and Amendments to IC Int that are issued but are not yet effective, have yet to be adopted by the Group:

New MFRS

MFRS 9	Financial Instruments
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosures of Interests in Other Entities
MFRS 13	Fair Value Measurement

Revised MFRSs

MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures

Amendments/Improvements to MFRSs

MFRS 7	Financial Instruments: Disclosure
MFRS 101	Presentation of Financial Statements
MFRS 132	Financial Instruments: Presentation

IC Int

IC Int 20	Stripping Costs in the Production Phase of a Surface Mine
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3. Audit report

The auditors' report on the financial statements for the year ended 31 December 2011 was not subject to any qualification.

4. Seasonal or cyclical factors

The operations of the Group for the quarter ended 30 June 2012 were not materially affected by any seasonal or cyclical factors.

5. Unusual items

There were no unusual items for the financial year under review.

6. Changes in estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the quarter under review.

7 Debt and equity securities

For the financial period ended 30 June 2012, a total of 17,930,000 2% 10-Year Irredeemable Convertible Unsecured Loan Stocks at 100% of the nominal value of RM0.15 each ("ICULS") have been converted into 8,965,000 new ordinary shares of RM0.30 each of the Company by surrendering for cancellation two ICULS for every one new ordinary share of RM0.30 each in the Company.

Apart from the above, there were no issuances, cancellations, repurchases, resale and/or repayments of debt and equity securities during the financial period ended 30 June 2012.

8 Dividends paid

There was no payment of any dividend during the financial period ended 30 June 2012.

9. Segmental Information

For the financial period ended 30 June 2012

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External	612	35,633	20,406	3,942	41,983	10,092	-	112,668
Inter-segment	381	-	-	5	318	-	(704)	-
Total revenue	993	35,633	20,406	3,947	42,301	10,092	(704)	112,668
Results								
Segment results	(4,072)	2,262	15,390	726	422	(3,612)	236	11,352
Share of results of associates	670	(9)	118	-	-	-	-	779
Consolidated profit/(loss) before tax	(3,402)	2,253	15,508	726	422	(3,612)	236	12,131
Income tax expense								(1,507)
Consolidated profit/(loss) after tax								10,624
Non-controlling interests								(6,591)
Net profit/(loss) for the financial period								4,033

9. Segmental Information (Continued)

For the financial period ended 30 June 2012

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information								
Segment assets	123,143	225,220	161,215	55,741	14,397	42,455	-	622,171
Investment in associates	17,303	17,611	-	-	-	-	-	34,914
Non-current assets classified as held for sale	7,791	-	-	-	-	-	-	7,791
Unallocated corporate assets								5,960
Total assets								670,836
Segment liabilities	16,733	95,531	16,974	5,950	5,582	21,029	-	161,799
Unallocated corporate liabilities								3,525
Total liabilities								165,324
Capital expenditure:								
- Property, plant & equipment	278	1,837	536	1	7	6,080	-	8,739
- Software development expenditure	-	-	1,026	-	-	-	-	1,026

9. Segmental Information (Continued)

For the financial period ended 30 June 2011

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External	531	36,362	17,408	4,527	39,118	11,211	-	109,157
Inter-segment	617	-	-	5	210	-	(832)	-
Total revenue	1,148	36,362	17,408	4,532	39,328	11,211	(832)	109,157
Results								
Segment results	(4,110)	3,679	1,045	310	413	(4,265)	2,250	(678)
Share of results of associates	3,792	(20)	1,338	-	-	-	-	5,110
Consolidated profit/(loss) before tax	(318)	3,659	2,383	310	413	(4,265)	2,250	4,432
Income tax expense								(807)
Consolidated profit/(loss) after tax								3,625
Non-controlling interests								(1,294)
Net profit/(loss) for the financial period								2,331

9. Segmental Information (Continued)

For the financial period ended 30 June 2011

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Other information</u>								
Segment assets	196,536	219,931	137,320	55,877	13,423	33,541	-	656,628
Investment in associates	16,822	3,972	1,527	-	-	-	-	22,321
Non-current assets held for sale	1,288							1,288
Unallocated corporate assets								4,965
Total assets								685,202
Segment liabilities	49,269	101,438	13,428	7,188	5,268	19,394	-	195,985
Unallocated corporate liabilities								3,656
Total liabilities								199,641
Capital expenditure								
- Property, plant and equipment	117	1,018	223	1	30	72	-	1,461
- Investment properties			7,926					7,926
- Software development expenditure	-	-	1,592	-	-	-	-	1,592

10. Property, plant and equipment

The valuations of land and buildings have been brought forward without amendment from the financial statements for the year ended 31 December 2011.

11. Significant subsequent events

- (a) On 2 July 2012, the Company announced that its wholly-owned subsidiaries, Alangka-Suka International Limited ("ASIL") and Holiday Villas International Limited ("HVIL"), had on 2 July 2012 entered into an agreement for the disposal of their respective 90% and 10% equity interest in Grand Holiday Villa Khartoum Co. Ltd. ("GHVK"), an indirect wholly-owned subsidiary of the Company, to Renaissance International For Services Co. for a cash consideration of USD100.00 and USD10.00 respectively.

The parties have agreed that the completion for the disposal of ASIL's 90% equity interest in GHVK was 2 July 2012. The completion date for the remaining 10% equity interest in GHVK to be disposed by HVIL or its nominees shall be upon the expiry of the term as stated in the said agreement (i.e. a period of 36 months from 4 April 2012). Following the completion of the disposal of the 90% equity interest in GHVK by ASIL, GHVK ceased to be a subsidiary of ASIL and the Company.

- (b) On 13 August 2012, the proposed acquisition by Advance Synergy Capital Sdn Bhd ("ASC") of the remaining 20% and 80% equity interest not already owned by the Group (the Company and ASC) in iSynergy Sdn Bhd ("iSynergy") and Synergy Cards Sdn Bhd ("SCSB") respectively (as detailed in Note 12(f) below) was completed and therefore, the effective equity interest of the Company in iSynergy and SCSB is 100%.

12. Changes in the composition of the Group

- (a) On 16 January 2012, Synergy Tours Sdn Bhd ("Synergy Tours"), an indirect wholly-owned subsidiary of the Company [held via Orient Escape Travel Sdn Bhd, which in turn is a wholly-owned subsidiary of Diversified Gain Sdn Bhd, a wholly-owned subsidiary of the Company] incorporated a 50%-owned company in Italy, Le Indie Viaggi S.R., with a share capital of €100,000.00 through subscription in equal amounts by the two shareholders of €50,000.00 each. Consequential thereto, Le Indie Viaggi S.R.L. became a 50%-owned associate company of Synergy Tours and the Company. The principal activity of Le Indie Viaggi S.R.L. is to conduct all types of outbound and incoming travel businesses for distribution through internet.
- (b) On 16 January 2012, the Company announced that the acquisition of the remaining 228,000 ordinary shares of RM1.00 each representing 60% equity interest in Ahead Mobile Sdn Bhd ("AMSB") not already owned by Unified Communications Sdn Bhd ("UCSB"), a wholly-owned subsidiary of Unified Communications Holdings Limited ("UHL"), which in turn is a 58.3%-owned subsidiary of the Company (held via Worldwide Matrix Sdn Bhd, a wholly-owned subsidiary of the Company), for a total cash consideration of up to RM22.5 million was completed and accordingly, AMSB became a wholly-owned subsidiary of UCSB and an indirect 58.3%-owned subsidiary of the Company.

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

As at the reporting date, UCHL Group is in the process of completing the purchase price allocation, to determine the fair value of assets acquired and liabilities assumed and the final goodwill. Details of provisional net assets acquired and provisional goodwill are as follows:

<u>Purchase consideration</u>	RM'000
(1) Purchase consideration paid to date	12,500
(2) Fair value of purchase consideration to be settled by tranches in accordance with the terms and conditions of the Acquisition of AMSB ("Contingent Consideration") comprising the following:	
(i) RM9.0 million deposited with an escrow agent which shall be released to the vendor in accordance with the terms and conditions of the Acquisition of AMSB; and	9,000
(ii) RM1.0 million to be paid upon AMSB having procured the launch of a new service under a revenue sharing contract with a mobile network operator in South East Asia on or before 31 December 2013; and	829
Purchase Consideration pursuant to the Acquisition of AMSB	22,329
Add: Fair value of 40% equity interest in AMSB previously held as investment in associates *	15,000
	<u>37,329</u>
Less: Provisional net assets acquired #	(5,171)
Provisional goodwill	32,158
* Fair value of 40% equity interest in AMSB previously held as investment in associates:	
Carrying amount of existing 40% equity interest in AMSB	2,068
Fair value gain on remeasurement of UCSB's 40% equity interest in AMSB	13,070
Effect of exchange fluctuation	(138)
	<u>15,000</u>
# The provisional net assets acquired as at 16 January 2012 (the Completion Date) arising from the Acquisition of AMSB are as follows:	
	Provisional fair value RM'000
Non-current assets	446
Non-cash current assets	2,695
Cash and cash equivalent	2,631
Current liabilities	(601)
Net assets acquired	<u>5,171</u>
Pending the completion of the purchase price allocation, intangible assets other than goodwill have not been identified and valued in the provisional numbers above.	
<u>Summary effect of cashflow</u>	
Purchase consideration paid to date	12,500
Cash and cash equivalent acquired	(2,631)
Net cash outflow	<u>9,869</u>

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

- (c) On 31 January 2012, the transfer of 20% of the enlarged share capital of Dama TCM Sdn Bhd ("Dama TCM") from Excellent Display Sdn Bhd ("EDSB") to Lee Thiam Huat at a nominal value of RM1.00 has been completed and accordingly, Dama TCM became an 80%-owned subsidiary of EDSB and the Company.
- (d) On 20 February 2012, the Company announced that a notice from the Australian Securities & Investments Commission ("ASIC") dated 16 February 2012 was received informing that Alangka-Suka Australia Pty Ltd ("ASAPL") and Holiday Villa Australia Pty Ltd ("HVAPL") were deregistered on 16 February 2012 .
- (e) On 22 March 2012, the Company announced that Unified Communications (Shenzhen) Pte Ltd, a wholly-owned subsidiary of Unified Communications Holdings Limited, which in turn is a 58.3%-owned subsidiary of the Company (held via Worldwide Matrix Sdn Bhd, a wholly-owned subsidiary of the Company) had been voluntarily wound up on 20 March 2012.
- (f) On 1 June 2012, the Company announced that ASC, a wholly-owned subsidiary of the Company, acquired the remaining ordinary shares of RM1.00 each in iSynergy Sdn Bhd ("iSynergy") and Synergy Cards Sdn Bhd ("SCSB") not already owned by the Group (the Company and ASC) from Interpay International Resources Ltd for a total cash consideration of RM360,001.00 as detailed below:-

Company	Issued and paid-up capital (Number of Shares of RM1.00 each)	Equity interest (%)	Consideration (RM)
iSynergy	2,450,000	20	1.00
SCSB	400,000	8	360,000.00

- (g) On 4 June 2012, the Company announced that its indirect wholly-owned subsidiary Holiday Villa Subang Sdn Bhd ("HV Subang"), (held via Alangka-Suka Hotels & Resorts Sdn Bhd, a wholly-owned subsidiary of the Company), entered into a Share Purchase and Obligation of Purchase Agreement ("Agreement") on 2 June 2012 to acquire 40% equity interest in Posthotel Arosa AG ("Arosa") comprising 800 fully paid up registered shares of CHF500 each ("Shares") for a cash consideration of CHF 4'157'002 (equivalent to RM13,718,107) from the existing shareholders of Arosa, namely Mr Jacques Rüdissler and Mrs Verena Maria Rüdissler.

Pursuant to the Agreement, HV Subang has also agreed to purchase 11.25% additional equity interest in Arosa comprising 225 Shares at CHF 5'314.29 per Share within a period of 5 years after execution of the Agreement ("Additional Purchase"). Upon completion of the Additional Purchase, HV Subang will hold a total of 1,025 Shares representing 51.25% equity interest in Arosa and Arosa shall become an indirect subsidiary of the Company held via HV Subang.

On 21 June 2012, the Company announced that the said proposed acquisition of the 40% equity interest in Arosa has been completed and accordingly, Arosa became an indirect associated company of the Company held via HV Subang, now known as Holiday Villa Assets Sdn Bhd.

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

13. Changes in contingent liabilities

There were no changes in contingent liabilities since the last annual statements of financial position as at 31 December 2011.

14. Review of performance

For the current period ended 30 June 2012, the Group's revenue of RM112.7 million was marginally higher by 3.2% from RM109.2 million in the corresponding period last year while the gross profit for the Group was higher by 6.6% at RM41.3 million for the current period ended 30 June 2012 compared to RM38.8 million for the corresponding period last year. The higher margin was mainly from our Information & Communications Technology and Travel & Tours divisions. The Group achieved a higher profit before tax of RM12.1 million for the 6-month period ended 30 June 2012 compared to the profit of RM4.4 million in the corresponding period last year. This increase in profit for the period under review compared to the corresponding period last year was mainly due to fair value gain of RM13.1 million (RM12.9 million recorded in previous quarter. The difference is due to foreign exchange translation.) recorded in the current period arising from accounting standard MFRS 3 Business Combinations on remeasuring the existing 40% equity interest in AMSB, following the acquisition of the remaining 60% equity interest in this former associate by UCSB completed on 16 January 2012, partly offset by the gain on disposal of an associate of RM3.8 million in the corresponding period last year.

Investment Holding

The division recorded a loss of RM3.4 million in the current 6-month period ended 30 June 2012 compared to a loss of RM0.3 million in the corresponding period last year. This was mainly due to lower contribution from the associates in the current period partly offset by higher interest income and savings in overheads. In the corresponding period last year, there was gain on disposal of an associate.

Hotels & Resorts

The Hotels & Resorts division registered a lower revenue for the current period ended 30 June 2012 of RM35.6 million as compared to RM36.4 million in the corresponding period last year. The lower revenue coupled with higher depreciation has resulted in a lower profit before tax of RM2.3 million in the current period ended 30 June 2012 compared to RM3.7 million in the corresponding period last year.

Information & Communications Technology

The Information & Communications Technology division's revenue in the current 6-month period ended 30 June 2012 is higher by approximately RM3.0 million compared to the revenue of RM17.4 million for the same period last year. The higher revenue is mainly contributed by the consolidation of AMSB as a subsidiary following the acquisition of the remaining 60% equity interest in AMSB which was completed on 16 January 2012 partly offset by the decrease in system sale revenue under Operation Support System Business Unit. This division recorded a profit before tax of RM15.5 million in the current period compared to RM2.4 million for the period ended 30 June 2011 mainly due to a fair value gain of RM13.1 million recorded in the current period under review arising from accounting standard MFRS 3 Business Combinations on remeasuring the existing 40% equity interest in AMSB, following the acquisition of the remaining 60% equity interest in this former associate by UCSB.

Property Development

Despite the lower revenue achieved by the Property Development division of RM3.9 million for the period ended 30 June 2012 compared to the revenue of RM4.5 million in corresponding period last year, the profit before tax of the division was higher at RM0.7 million for the 6 months ended 30 June 2012 against the profit of RM0.3 million in the corresponding period ended 30 June 2011. The higher profit in the current period is mainly attributable to lower overheads and a gain on disposal of a property.

Travel & Tours

For the 6-month period ended 30 June 2012, our Travel & Tours division achieved a higher revenue of RM42.3 million as compared to a revenue of RM39.3 million in the same period last year. Despite the higher revenue achieved in the period under review, the profit before tax for this period is only marginally higher at RM0.42 million as compared to the corresponding period last year of RM0.41 million as the performance this year was affected by the loss incurred in the inbound travel business from the European market.

Others

Other divisions registered a lower loss for the current 6-month period under review of RM3.6 million compared to a loss of RM4.3 million in the corresponding period last year. The lower loss was mainly due to the improved performance from the Card and Payment division in the current period.

15. Comparison of results with preceding quarter

Despite the higher Group revenue of RM59.5 million for the current quarter under review compared to the Group revenue of RM53.2 million in the previous quarter, the Group achieved a loss before tax of RM0.09 million for the current quarter as compared to profit before tax of RM12.2 million in the previous quarter. This was mainly due to a fair value gain of RM12.9 million recorded in the previous quarter arising from accounting standard MFRS 3 Business Combinations on remeasuring the existing 40% equity interest in AMSB following the acquisition of the remaining 60% equity interest in this former associate by UCSB which was completed on 16 January 2012. This upward remeasurement has no cash impact.

Investment Holding

The Investment Holding division recorded a loss before tax of RM0.9 million for the current quarter compared to a loss of RM2.5 million for the preceding quarter. The lower loss in this quarter is mainly due to a higher contribution from the associates.

Hotels & Resorts

The Hotels & Resorts division recorded a lower profit before tax this quarter of RM0.4 million compared to RM1.9 million in the preceding quarter despite marginal increase in revenue from RM17.7 million in the previous quarter to RM17.9 million this quarter. The lower profit is mainly due to higher depreciation in the current quarter.

Information & Communications Technology

The Information & Communications Technology division registered higher revenue this quarter of RM12.3 million compared to RM8.1 million in the preceding quarter mainly due to increase in revenue in Mobile Technology Business Unit (TECH) and Value-added-Service Business Unit (VAS) from their South East Asia market and improvement in VAS's maintenance contract revenue in Middle East and Africa (MEA). The increase was offset by lower VAS system sales revenue in MEA for this quarter. However, despite the higher revenue, the division's profit is lower at RM1.7 million in the current quarter compared to RM13.8 million profit in the preceding quarter as there was a fair value gain of RM12.9 million recorded in the previous quarter arising from accounting standard MFRS 3 Business Combinations on remeasuring the existing 40% equity interest in AMSB, following completion of the acquisition of the remaining 60% equity interest in this former associate by UCSB on 16 January 2012.

Property Development

Despite higher revenue from the Property Development Division of RM2.1 million for the current quarter under review compared to a revenue of RM1.8 million in the previous quarter, the division recorded a marginally lower profit before tax in the current quarter of RM0.34 million as there was a gain in disposal of a property recorded in the previous quarter.

Travel & Tours

The Travel & Tours division made a lower profit of RM0.2 million for the current quarter under review compared to profit of RM0.3 million in the previous quarter mainly due to higher operating expenses in the current quarter although the revenue in this quarter is higher at RM22.0 million than the previous quarter's revenue of RM20.3 million.

Others

For the current quarter, the other divisions made a lower loss of RM1.8 million compared to a loss of RM1.9 million in the previous quarter and this is mainly attributable to a higher revenue achieved by the Card and Payment division in the current quarter.

16. Prospects

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

However, each business within the Group will continue to assess and execute their respective growth and development plans which may include geographical expansion, increasing distribution channels, and market and product development.

Our Hotels & Resorts division is continuously expanding its operations and in this respect, the division will continue to execute its key strategies to aggressively secure hotel management and operating agreements in various countries.

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

Performance from our Property Development division is expected to improve in anticipation of new launches planned for the year.

The inbound travel and tours business may experience volatility in its overseas market, but the outbound travel and tours business is expected to enjoy strong demand from the domestic market.

17. Board of Directors' opinion on revenue or profit estimate, forecast, projection or internal targets

The Group did not previously announce or disclose any revenue or profit estimate, forecast, projection or internal targets in a public document.

18. Profit variance and shortfall in profit guarantee

Not Applicable.

19. Income tax expense

	3 months ended <u>30.06.2012</u> RM'000	Year to date ended <u>30.06.2012</u> RM'000
On current quarter/period results		
- Malaysian income tax	707	1,461
- Overseas taxation	-	(1)
Over provision in prior year	-	-
Transfer (to)/from deferred taxation	22	47
	<u>729</u>	<u>1,507</u>

The effective tax rate of the Group for the quarter ended 30 June 2012 is higher than the statutory tax rate. This is mainly due to certain expenses which were not deductible for taxation purposes and the non-availability of group relief where tax losses of certain subsidiaries cannot be set off against the taxable income of other subsidiaries.

The effective tax rate of the Group for the financial period ended 30 June 2012 is lower than the statutory rate. The tax effect arises mainly from a non-taxable gain recognised during the financial period under review.

20. Status of corporate proposals

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

The Company had on 14 June 2004 instituted legal action vide Alor Setar High Court Civil Suit No. 22-95-2004 against PKNK to recover its investment in KMSB. Details of this legal suit are set out in Note 23(a).

- (b) Antara Holiday Villas Sdn Bhd, an indirect wholly-owned subsidiary of the Company [held via Alangka-Suka Hotels & Resorts Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company], had via a letter of acceptance dated 17 August 2012 accepted an offer to purchase a property bearing the postal address of B-16-8, Megan Avenue II, No. 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur ("Office Premise") for a cash consideration of RM2,200,000.00 from ASH Holdings Sdn Bhd ("ASH"). The Office Premise is currently owned by ASH, a company which Puan Sri Datin Masri Khaw Binti Abdullah, a Non-Independent Non-Executive Director of the Company, holds 50% equity interest.

21. Group borrowings

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

	As At 30.06.2012 RM'000	As At 31.12.2011 RM'000
Short term - secured		
- Term loans	3,753	5,588
- Bank overdraft	694	768
- Hire purchase payables	69	91
- Finance lease payable	1,552	1,548
	<u>6,068</u>	<u>7,995</u>
Long term - secured		
- Term loans	49,273	48,467
- Hire purchase payables	74	92
- Finance lease payable	21,128	21,132
Long term - unsecured		
- Term loans	6,220	6,249
	<u>76,695</u>	<u>75,940</u>
Total borrowings	<u>82,763</u>	<u>83,935</u>

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

	As At 30.06.2012 RM'000	As At 31.12.2011 RM'000
Australian Dollars	6,220	6,067
Sterling Pounds	903	1,227
Euro	11,447	13,106

22. Financial Instruments

(a) Derivatives

The Group does not have any outstanding derivatives as at the date of this report.

(b) Gain/Loss arising from fair value changes of financial liabilities

There were no gain/loss arising from the fair value changes in financial liabilities for the current financial period.

23. Material litigation

- (a) The Company had on 14 June 2004 instituted legal action against PKNK to recover its investment of RM52,500,000 in KMSB together with other sums, damages, interests and costs.

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

The Company's solicitors are of the view that the learned Judicial Commissioner erred in deciding that the Company's claim is time-barred and have appealed the decision of 13 January 2011 to the Court of Appeal of Malaysia vide Civil Appeal No. K-01-85-2011. The appeal has been fixed for hearing on 27 September 2012.

Earlier updates of this material litigation can be referred to in the Company's announcement on quarterly results (under Note 25(a)) released to Bursa Securities on 25 May 2011.

- (b) Further to the announcement on quarterly results (under Note 26(b)) made on 24 August 2011 concerning the updates on the legal proceedings relating to disposal by Advance Synergy Capital Sdn Bhd of its entire shareholding of 49,000,000 ordinary shares of RM1.00 each representing 49% of the total issued and paid-up share capital in Ace Synergy Insurance Berhad ("ASIB") to ACE INA International Holdings, Ltd. ("ACE INA") for a total cash consideration of RM117.0 million ("Disposal of ASIB"), the Company confirms that all appeals against the committal order to the Court of Appeal of Malaysia have been withdrawn and discontinued.

The only pending appeal is the appeal by ASC to the Court of Appeal of Malaysia against the order of the High Court dated 21 April 2011 refusing leave for judicial review against the Minister of Finance's approval in respect of the Disposal of ASIB vide Civil Appeal No.: W-01-283-2011. The appeal is pending disposal and no hearing has yet been fixed in respect of the same.

24. Notes To The Statement of Comprehensive Income

Included in the operating profit are:

	6 months ended <u>30.06.2012</u> RM'000	6 months ended <u>30.06.2011</u> RM'000
Amortisation of intangible assets	(1,168)	(804)
Bad debts written off	(12)	(84)
Depreciation	(5,428)	(3,859)
Fair value gain on remeasurement of UCSB's 40% equity interest in an associate	13,070	-
Gain on disposal of:		
- property, plant and equipment	99	187
- non-current assets classified as held for sale	126	3,790
- held for trading investment	5	8
Gross dividend income	27	88
Impairment loss on:		
- loan and receivables	(4)	(22)
- inventories	-	19
Interest expenses	(3,460)	(4,097)
Interest income	1,746	1,139
Net unrealised loss on foreign exchange	(853)	(394)
Property, plant and equipment written off	(18)	(3)
Write back of impairment loss on:		
- available-for-sale investment securities	10	17

25. Retained Earnings

	As At <u>30.06.2012</u> RM'000	As At <u>30.06.2011</u> RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries		
- Realised	(389,754)	(398,029)
- Unrealised	(6,749)	(21,654)
Total retained profits/(accumulated losses) from associates		
- Realised	(2,470)	(1,495)
- Unrealised	217	199
Total retained profits/(accumulated losses) from jointly controlled entities		
- Realised	(761)	(457)
- Unrealised	-	-
	<u>(399,517)</u>	<u>(421,436)</u>
Consolidation adjustments	478,172	494,183
Total Group retained profits as per consolidated financial statements	<u><u>78,655</u></u>	<u><u>72,747</u></u>

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

Diluted earnings/(loss) per share

The diluted earnings/(loss) per share for the current quarter and current year-to-date are computed based on the Group's net profit/(loss) attributable to equity holders of the Company of (RM1,472,000) and RM4,595,000 respectively, after adjusting for interest saving on ICULS, divided by the weighted average number of ordinary shares of 929,194,951 and 929,194,953 for the current quarter and current year-to-date respectively assuming conversion of the remaining ICULS as follows:

	3 months ended		Year to date ended	
	<u>30.06.2012</u>	<u>30.06.2011</u>	<u>30.06.2012</u>	<u>30.06.2011</u>
	RM'000		RM'000	
Net profit/(loss) attributable to equity holders	(1,751)	2,402	4,033	2,331
Profit impact of assumed conversion-interest on ICULS	279	293	562	594
	<u>(1,472)</u>	<u>2,695</u>	<u>4,595</u>	<u>2,925</u>

Weighted average number of ordinary shares (diluted)

	3 months ended		Year to date ended	
	<u>30.06.2012</u>	<u>30.06.2011</u>	<u>30.06.2012</u>	<u>30.06.2011</u>
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the year	508,571,830	497,800,430	504,391,530	488,160,030
Weighted average number of new ordinary shares arising from ICULS converted to date	2,039,890	1,394,987	4,045,609	7,730,895
Weighted average number of new issuance of ordinary shares	-	174,033	-	174,033
Weighted average number of new ordinary shares assuming conversion of the remaining ICULS	418,583,231	429,825,503	420,757,814	433,041,527
Weighted average number of ordinary shares	<u>929,194,951</u>	<u>929,194,953</u>	<u>929,194,953</u>	<u>929,106,485</u>

	3 months ended		Year to date ended	
	<u>30.06.2012</u>	<u>30.06.2011</u>	<u>30.06.2012</u>	<u>30.06.2011</u>
Diluted earnings/(loss) per share (sen)	<u>Anti-dilutive</u>	<u>0.29</u>	<u>0.49</u>	<u>0.31</u>

28. Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
29 August 2012