

ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

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

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

This interim report is prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134 “Interim Financial Reporting” and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2013.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	<u>3 months ended</u>		<u>Year-to-date</u> <u>6 months ended</u>	
	<u>30.06.2014</u> RM'000	<u>30.06.2013</u> RM'000	<u>30.06.2014</u> RM'000	<u>30.06.2013</u> RM'000
Revenue	72,804	66,400	133,720	125,020
Cost of sales	(50,279)	(43,844)	(90,012)	(80,378)
Gross profit	22,525	22,556	43,708	44,642
Other operating income	2,565	2,364	5,480	4,850
Operating expenses	(26,551)	(22,982)	(51,311)	(46,611)
Profit/(Loss) from operations	(1,461)	1,938	(2,123)	2,881
Finance costs	(1,287)	(1,241)	(2,692)	(2,542)
Share of results of associates	(1,024)	(1,357)	(312)	(1,760)
Loss before tax	(3,772)	(660)	(5,127)	(1,421)
Income tax expense	(1,219)	(1,124)	(2,097)	(1,956)
Net loss for the financial period	<u>(4,991)</u>	<u>(1,784)</u>	<u>(7,224)</u>	<u>(3,377)</u>
Attributable to:				
Owners of the parent	(5,172)	(2,570)	(7,300)	(4,739)
Non-controlling interests	181	786	76	1,362
	<u>(4,991)</u>	<u>(1,784)</u>	<u>(7,224)</u>	<u>(3,377)</u>
Loss per share attributable to owners of the parent:				
Basic (sen)	<u>(1.00)</u>	<u>(0.50)</u>	<u>(1.42)</u>	<u>(0.92)</u>
Diluted (sen)	<u>(1.00)</u>	<u>(0.50)</u>	<u>(1.42)</u>	<u>(0.92)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Net loss for the financial period	(4,991)	(1,784)	(7,224)	(3,377)
Other comprehensive income/(expenses):				
Item that will not be reclassified subsequently to profit or loss	-	-	-	-
Items that are or may be reclassified subsequently to profit or loss:				
Fair value of available-for-sale financial assets	161	(2,974)	1,527	(1,366)
Share of other comprehensive income of associates, net of tax	9	1	26	(2)
Foreign currency translation differences for foreign operations	(2,546)	1,699	(2,268)	939
Total items that are or may be reclassified subsequently to profit or loss	(2,376)	(1,274)	(715)	(429)
Other comprehensive loss for the financial period	(2,376)	(1,274)	(715)	(429)
Total comprehensive loss for the financial period	<u>(7,367)</u>	<u>(3,058)</u>	<u>(7,939)</u>	<u>(3,806)</u>
Attributable to:				
Owners of the parent	(7,422)	(3,668)	(7,908)	(4,750)
Non-controlling interests	55	610	(31)	944
Total comprehensive loss for the financial period	<u>(7,367)</u>	<u>(3,058)</u>	<u>(7,939)</u>	<u>(3,806)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited as at <u>30.06.2014</u> RM'000	Audited as at <u>31.12.2013</u> RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	181,006	187,407
Investment properties	8,870	8,870
Investment in associates	35,380	35,667
Investment securities	21,246	19,719
Goodwill on consolidation	92,027	92,027
Intangible assets	16,499	17,798
Deferred tax assets	1,097	1,239
	356,125	362,727
<u>Current assets</u>		
Progress billings	7,730	12,449
Inventories	66,190	58,434
Trade and other receivables	83,934	72,419
Tax recoverable	2,710	2,520
Investment securities	458	499
Short term deposits	76,910	85,383
Cash and bank balances	35,579	44,993
	273,511	276,697
TOTAL ASSETS	<u><u>629,636</u></u>	<u><u>639,424</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to owners of the parent</u>		
Share capital	158,962	154,175
Irredeemable Convertible Unsecured Loan		
Stocks ("ICULS") - equity component	104,494	108,669
Reserves	170,376	178,284
	433,832	441,128
Non-controlling interests	34,383	34,625
Total equity	468,215	475,753
<u>Non-current liabilities</u>		
Borrowings	52,757	56,097
ICULS - liability component	7,669	9,231
Deferred tax liabilities	1,812	1,811
Provision for retirement benefit obligations	1,473	1,374
	63,711	68,513
<u>Current liabilities</u>		
Trade and other payables	68,829	65,717
Borrowings	26,845	26,845
Tax payable	2,036	2,596
	97,710	95,158
Total Liabilities	161,421	163,671
TOTAL EQUITY AND LIABILITIES	<u><u>629,636</u></u>	<u><u>639,424</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2014

	← Attributable to owners of the parent →									
	← Non-distributable →					Distributable				
	Share Capital RM'000	ICULS- Equity Component RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Exchange Translation Reserve RM'000	Available- For-Sale- Reserve RM'000	Retained Profits RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
Balance as at 1 January 2014	154,175	108,669	117,317	15,998	(5,489)	4,992	45,466	441,128	34,625	475,753
Net loss for the financial period	-	-	-	-	-	-	(7,300)	(7,300)	76	(7,224)
Fair value of available-for-sale financial assets	-	-	-	-	-	1,527	-	1,527	-	1,527
Share of other comprehensive income of associates, net of tax	-	-	-	-	26	-	-	26	-	26
Foreign currency translation differences for foreign operations	-	-	-	(2)	(2,159)	-	-	(2,161)	(107)	(2,268)
Total comprehensive income/(loss) for the financial period	-	-	-	(2)	(2,133)	1,527	(7,300)	(7,908)	(31)	(7,939)
Transactions with owners in their capacity as owners:										
Disposal of interest in a subsidiary	-	-	-	-	-	-	-	-	(211)	(211)
Issue of new ordinary shares pursuant to the conversion of ICULS	4,787	(4,175)	-	-	-	-	-	612	-	612
	4,787	(4,175)	-	-	-	-	-	612	(211)	401
Balance as at 30 June 2014	158,962	104,494	117,317	15,996	(7,622)	6,519	38,166	433,832	34,383	468,215

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2013

	← Attributable to owners of the parent →									
	← Non-distributable →			Distributable						
	Share Capital RM'000	ICULS- Equity Component RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Exchange Translation Reserve RM'000	Available- For-Sale Reserve RM'000	Retained Profits RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
Balance as at 1 January 2013	154,115	108,722	117,317	12,766	(9,421)	4,661	71,210	459,370	38,079	497,449
Net profit/(loss) for the financial period	-	-	-	-	-	-	(4,739)	(4,739)	1,362	(3,377)
Fair value of available-for-sale financial assets	-	-	-	-	-	(1,366)	-	(1,366)	-	(1,366)
Share of other comprehensive income of associates, net of tax	-	-	-	-	(2)	-	-	(2)	-	(2)
Foreign currency translation differences for foreign operations	-	-	-	-	1,357	-	-	1,357	(418)	939
Total comprehensive income/(loss) for the financial period	-	-	-	-	1,355	(1,366)	(4,739)	(4,750)	944	(3,806)
Transactions with owners in their capacity as owners:										
Acquisition of additional shares in a subsidiary	-	-	-	-	-	-	835	835	(934)	(99)
Issue of new ordinary shares pursuant to the conversion of ICULS	60	(53)	-	-	-	-	-	7	-	7
	60	(53)	-	-	-	-	835	842	(934)	(92)
Balance as at 30 June 2013	154,175	108,669	117,317	12,766	(8,066)	3,295	67,306	455,462	38,089	493,551

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

	6 months ended 30.06.2014 RM'000	6 months ended 30.06.2013 RM'000
Cash flows from operating activities		
Loss before tax	(5,127)	(1,421)
Adjustments for :-		
Non-cash items	12,262	10,646
Other investing and financing items	1,298	859
Operating profit before working capital changes	<u>8,433</u>	<u>10,084</u>
Changes in working capital		
Inventories	(6,726)	1,671
Receivables	(7,017)	(9,368)
Payables	4,807	(1,556)
Cash generated from/(used in) operations	<u>(503)</u>	<u>831</u>
Retirement benefit paid	-	(19)
Tax paid	(2,703)	(1,640)
Net cash used in operating activities	<u><u>(3,206)</u></u>	<u><u>(828)</u></u>
Cash flows from investing activities		
Acquisition of intangible assets	(453)	(1,130)
Acquisition of a subsidiary, net of cash acquired	21	-
Acquisition of additional shares in subsidiaries	-	(106)
Investment in associates	-	(1,991)
Acquisition of held for trading investments	-	(20)
Interest received	1,394	1,683
Payment to contingent consideration	(2,379)	(3,246)
Proceeds from disposal of held for trading investments	-	20
Proceeds from disposal of property, plant and equipment	2	68
Proceeds from disposal of a subsidiary, net of cash disposed	(45)	-
Purchase of property, plant and equipment	(3,255)	(1,376)
Net cash used in investing activities	<u><u>(4,715)</u></u>	<u><u>(6,098)</u></u>

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

	6 months ended <u>30.06.2014</u> RM'000	6 months ended <u>30.06.2013</u> RM'000
Cash flows from financing activities		
Drawdown of term loans and revolving credit	500	200
Interest paid	(5,609)	(4,361)
Payment to hire purchase payables	(9)	(14)
Withdrawal of pledged short term deposits	4,515	2,990
Repayment of term loans	(3,878)	(1,297)
Net cash used in financing activities	<u>(4,481)</u>	<u>(2,482)</u>
Effect of exchange rate changes	(731)	(515)
Net decrease in cash and cash equivalents	<u>(13,133)</u>	<u>(9,923)</u>
Cash and cash equivalents as at beginning of financial period		
As previously reported	90,901	91,249
Effect of exchange rate changes	(481)	205
As restated	90,420	91,454
Cash and cash equivalents as at end of financial period *	<u>77,287</u>	<u>81,531</u>
* Cash and cash equivalents at the end of the financial period comprising the following :		
Short term deposits	76,910	81,637
Cash and bank balances	35,579	39,940
Bank overdrafts	(2,706)	(5,007)
	<u>109,783</u>	<u>116,570</u>
Less : Deposits placed with lease creditors as security deposit for lease payments	(21,490)	(20,400)
Restricted deposits	(916)	(6,899)
Cash held under Housing Development Accounts	(539)	(523)
Deposits pledged to licensed banks	(9,551)	(7,217)
	<u>(32,496)</u>	<u>(35,039)</u>
	<u>77,287</u>	<u>81,531</u>

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

The unaudited interim financial report has been prepared in compliance with MFRS 134 - "Interim Financial Reporting" and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The unaudited interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2013.

2. Significant accounting policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2013, except for the adoption of the following new and revised Malaysian Financial Reporting Standards ("MFRS"), amendments/improvements to MFRSs, IC Interpretations ("IC Int") and amendment to IC Int:

Amendments to MFRSs

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

New IC Int

- IC Int 21 Levies

The adoption of the above amendments to MFRSs and IC Interpretation will have no significant impact on the financial statements of the Group upon their initial application.

MFRSs, Amendments to MFRSs and IC Int issued but not yet effective

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

New MFRS

- MFRS 9 Financial Instruments (effective date to be announced by MASB)
- MFRS 14 Regulatory Deferral Accounts (effective from 1 January 2016)

Amendments/Improvements to MFRSs / IC Int

- MFRS 119 Defined Benefit Plans : Employee Contributions (effective from 1 July 2014)
- Annual Improvements to MFRSs 2010 - 2012 Cycle (effective from 1 July 2014)
- Annual Improvements to MFRSs 2011 - 2013 Cycle (effective from 1 July 2014)
- MFRS 11 Accounting for Acquisitions of Interests in Joint Operations (effective from 1 January 2016)
- MFRS 116 Clarification of Acceptable Methods of Depreciation and Amortisation (effective from 1 January 2016)
- MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation (effective from 1 January 2016)

3 Audit report

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

4 Seasonal or cyclical factors

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

5. Unusual items

There were no unusual significant items during the current quarter 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 2014, a total of 31,914,400 2% 10-Year Irredeemable Convertible Unsecured Loan Stocks at 100% of the nominal value of RM0.15 each ("ICULS") have been converted into 15,957,200 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 2014.

8 Dividends paid

There was no payment of any dividend during the financial period ended 30 June 2014.

9. Segmental Information

For the financial period ended 30 June 2014

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External	545	34,837	29,232	7,731	47,098	14,277	-	133,720
Inter-segment	675	-	-	5	274	-	(954)	-
Total revenue	1,220	34,837	29,232	7,736	47,372	14,277	(954)	133,720
Results								
Segment results	(3,601)	(749)	2,696	1,212	1,889	(6,293)	31	(4,815)
Share of results of associates	842	(1,112)	-	-	(42)	-	-	(312)
Consolidated profit/(loss) before tax	(2,759)	(1,861)	2,696	1,212	1,847	(6,293)	31	(5,127)
Income tax expense								(2,097)
Consolidated profit/(loss) after tax								(7,224)
Non-controlling interests								(76)
Net profit/(loss) for the financial period attributable to owners of the parent								(7,300)

9. Segmental Information (Continued)

For the financial period ended 30 June 2014

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Other information</u>								
Segment assets	67,975	221,096	160,578	61,477	17,157	62,166	-	590,449
Investment in associates	16,387	18,705	-	-	288	-	-	35,380
Unallocated corporate assets								3,807
Total assets								629,636
Segment liabilities	11,314	87,666	14,764	8,167	5,419	30,243	-	157,573
Unallocated corporate liabilities								3,848
Total liabilities								161,421
Capital expenditure:								
- Property, plant & equipment	4	2,102	963	1	17	168	-	3,255
- Software development expenditure	-	-	453	-	-	-	-	453

9. Segmental Information (Continued)

For the financial period ended 30 June 2013

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External	519	36,584	22,232	4,332	46,993	14,360	-	125,020
Inter-segment	379	-	-	7	171	-	(557)	-
Total revenue	898	36,584	22,232	4,339	47,164	14,360	(557)	125,020
Results								
Segment results	(3,416)	2,156	3,269	475	1,119	(3,298)	34	339
Share of results of associates	(491)	(1,122)	-	-	(147)	-	-	(1,760)
Consolidated profit/(loss) before tax	(3,907)	1,034	3,269	475	972	(3,298)	34	(1,421)
Income tax expense								(1,956)
Consolidated profit/(loss) after tax								(3,377)
Non-controlling interests								(1,362)
Net profit/(loss) for the financial period attributable to owners of the parent								(4,739)

9. Segmental Information (Continued)

For the financial period ended 30 June 2013

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Other information</u>								
Segment assets	51,417	224,250	160,231	55,900	15,626	48,229	-	555,653
Investment in associates	15,835	18,739	-	-	-	-	-	34,574
Non-current assets held for sale	-	29,327	-	-	-	-	-	29,327
Unallocated corporate assets								7,017
Total assets								626,571
Segment liabilities	14,827	70,908	14,510	5,099	5,581	18,280	-	129,205
Unallocated corporate liabilities								3,815
Total liabilities								133,020
Capital expenditure								
- Property, plant and equipment	21	904	305	-	28	118	-	1,376
- Software development expenditure	-	-	1,130	-	-	-	-	1,130

10. Property, plant and equipment

The valuations of land and buildings have been brought forward without amendment from the financial statements for the year ended 31 December 2013.

11. Significant events after the reporting period

- (a) On 7 July 2014, the Company announced that the proposed disposal of the Group's entire shareholding and voting rights, free from all securities, fees, options or other engagements in Alangka-Suka Paris SAS ("ASP"), Holiday Villa Lafayette Paris SAS ("HVLP") and Legenda De Malaisie SAS ("LDM") ("Acquiree Companies") to Maranatha, a limited liability company registered with the MARSEILLE Register of Companies under the number 500 162 979 ("the Purchaser") ("Proposed Disposal") pursuant to the 2 Share Purchase Agreements entered into on 7 May 2014 was completed on 7 July 2014. Following the completion of the Proposed Disposal, ASP, HVLP and LDM ceased to be indirect subsidiaries of the Company.
- (b) On 16 July 2014, Synergy Tours Sdn Bhd, an indirect wholly-owned subsidiary of the Company [held via Orient Escape Travel Sdn Bhd, a wholly-owned subsidiary of Diversified Gain Sdn Bhd which in turn is a wholly-owned subsidiary of the Company] incorporated a 50%-owned associated company, Synergy Holidays Company Limited, in the Republic of The Union of Myanmar. The principal activity of Synergy Holidays Company Limited is to operate the travel and tours business.
- (c) On 30 July 2014, the Company subscribed for an additional 38 ordinary shares of USD1.00 each in Helenium Holdings Limited ("Helenium"), an indirect associated company of the Company held via Synergy Realty Incorporated ("SRI"). Following the increase in share capital of Helenium, SRI's shareholding in Helenium reduced from 50% to 40% of the enlarged paid-up share capital of Helenium.

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

12. Changes in the composition of the Group

- (a) On 19 March 2014, the Company announced that its 58.3%-owned subsidiary of the Company [held via Worldwide Matrix Sdn Bhd, a wholly-owned subsidiary of the Company], Unified Communications Holdings Limited (now known as Captii Limited ("Captii")) had received an Affidavit of Liquidation from the Partnership and Companies Registration Office of Bangkok, Thailand on 18 March 2014 that Unified (Thailand) Limited, a subsidiary of Captii in Thailand, had been voluntarily wound up on 17 March 2014.
- (b) On 8 April 2014, the Company announced that Antara Holiday Villas Sdn Bhd ("AHV"), an indirect wholly-owned subsidiary of the Company (held via ASHR, which in turn a wholly-owned subsidiary of the Company), entered into a Share Sale Cum Settlement Agreement with TH Hotel & Residence Sdn Bhd ("THHR") for the disposal of AHV's entire shareholding of 350,000 shares representing 70% equity interest in THV Management Services Sdn Bhd ("THV") to THHR, a company which is currently holding the remaining 30% equity interest in THV, for a consideration of RM350,000.00 only ("Proposed Disposal").

On 6 June 2014, the Company announced that the Proposed Disposal was completed on 6 June 2014 and accordingly, THV ceased to be a subsidiary of AHV, ASHR and the Company.
- (c) On 29 April 2014, SRI, an indirect wholly-owned subsidiary of the Company [held via Advance Synergy Properties Sdn Bhd], subscribed for 2 new ordinary shares of USD1.00 each representing 50% of the equity interest in Helenium, a company incorporated in the British Virgin Islands. Consequential thereto, Helenium became a 50%-owned indirect associated company of the Company held via SRI.
- (d) On 29 May 2014, Triton Engineering Sdn Bhd ("Triton Engineering"), an inactive wholly-owned subsidiary of the Company [held via Advance Synergy Capital Sdn Bhd ("ASCAP")], received the notice of striking-off pursuant to Section 308(4) of the Companies Act, 1965 ("CA 1965") from the Registrar of Companies for its application to strike-off the name of the company from the register pursuant to Section 308(1) of the CA 1965.

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

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

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

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

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

13. Changes in contingent liabilities

There were no changes in contingent liabilities since the last annual statements of financial position as at 31 December 2013.

14. Review of performance

For the current six-month period ended 30 June 2014 (“6M 2014”), the Group recorded a higher revenue of RM133.7 million compared to a revenue of RM125.0 million recorded in corresponding period of 2013 (“6M 2013”), an increase of RM8.7 million or 7.0%. The bulk of the increase in revenue was recorded by our Information & Communications Technology and Property Development divisions while our Hotels and Resorts division showed the highest drop in revenue. However, despite the higher revenue, the Group recorded a loss before tax of RM5.1 million in the 6M 2014 compared to a loss before tax of RM1.4 million in the 6M 2013. The main contributing factors to the increased loss in 6M 2014 compared to 6M 2013 were the lower gross profit margin and higher operating expenses, offset partly by lower loss from the associates. The Group's gross profit was lower at 32.7% in 6M 2014 compared to 35.7% in 6M 2013. Our operating expenses were higher by RM4.7 million or an increase of 10% in 6M 2014 compared to the corresponding period last year. In the operating expenses, there was an impairment loss on goodwill of RM1.5 million arising from the acquisition of remaining shares in a former associated company in Australia.

Investment Holding

The division recorded a lower loss of RM2.8 million in the 6M 2014 compared to a loss of RM3.9 million in the 6M 2013 attributable mainly to the better results from associates.

Hotels & Resorts

The Hotels & Resorts division registered a lower revenue for 6M 2014 of RM34.8 million compared to RM36.6 million in 6M 2013 mainly due to the lower occupancy rate in the local hotels. With the lower revenue and increased operating costs in 6M 2014 compared to the corresponding period last year, this division registered a loss before tax of RM1.9 million in 6M 2014 as compared to profit of RM1.0 million in 6M 2013.

Information & Communications Technology

The Information & Communications Technology division registered a higher revenue for 6M 2014 of RM29.2 million compared to RM22.2 million in the 6M 2013, an increase of 31.5%. The higher revenue was mainly attributable to the improved revenue performance of Value Added Services (“VAS”) and Operation Support System (“OSS”) Business Units (“BU”). The improvement in revenue of VAS BU was driven primarily by the higher system sale and managed service contract revenues in the Middle East and Africa (“MEA”) and South East Asia (“SEA”) regions respectively while the increase in OSS BU's revenue is largely due to the higher system sale contracts revenue realised by OSS BU in the SEA region.

Despite the higher revenue, this division recorded a lower profit before tax of RM2.7 million in 6M 2014 compared to RM3.3 million in the 6M 2013 due mainly to lower gross profit margin of OSS system sale contracts and higher operating cost due to expansion of technical staff headcount coupled with lower capitalisation of technical support resource costs into intellectual property, offset partly by lower sales and business development expenses.

Property Development

The Property Development division registered a higher revenue for the 6M 2014 of RM7.7 million compared to RM4.3 million in 6M 2013. With the higher revenue, this division also recorded a higher profit before tax of RM1.2 million for the 6M 2014 compared to RM0.5 million in 6M 2013.

14. Review of performance (Continued)

Travel & Tours

For the 6M 2014, our Travel & Tours division achieved a slightly higher revenue of RM47.4 million as compared to a revenue of RM47.2 million in the 6M 2013, an increase of RM0.2 million or 0.4%. With a better margin and higher other operating income, this division recorded a higher profit before tax of RM1.8 million for the 6M 2014 compared to RM1.0 million for 6M 2013.

Others

The Others division registered a slightly lower revenue of RM14.3 million in the 6M 2014 compared to a revenue of RM14.4 million achieved in 6M 2013. In the current period, the division recorded a higher loss before tax of RM6.3 million compared to loss before tax of RM3.3 million in 6M 2013. The increased loss in this period under review is mainly attributable to the higher operating expenses and impairment loss on goodwill arising from the acquisition of remaining shares in a former associated company in Australia.

15. Comparison of results with preceding quarter

The Group achieved a revenue of RM72.8 million for the current quarter ended 30 June 2014 ("Q2 2014") which was higher compared to the revenue in the previous quarter ended 31 March 2014 ("Q1 2014") of RM60.9 million, an increase of RM11.9 million. This was mainly due to higher revenue from all divisions except for Hotel & Resorts division. However, despite the higher Group revenue in the quarter under review, the Group recorded a higher loss before tax of RM3.8 million compared to a loss of RM1.4 million in the preceding quarter. This was due mainly to the increased cost of sales resulting in lower gross profit margin, higher operating expenses and lower contribution from associates in the current quarter under review compared to the preceding quarter. Included in the operating expenses was the impairment loss on goodwill of RM1.5 million arising from the acquisition of remaining shares in the former associated company in Australia.

Investment Holding

The Investment Holding division recorded a loss before tax of RM1.6 million for Q2 2014 compared to a loss before tax of RM1.2 million for Q1 2014. The higher loss was mainly due to lower contribution from associates.

Hotels & Resorts

The Hotels & Resorts division registered a lower revenue for Q2 2014 of RM16.8 million as compared to RM18.1 million in Q1 2014. For the current quarter, this division made a loss of RM2.4 million compared to a profit of RM0.5 million in Q1 2014 mainly attributable to the lower revenue, higher operating costs and higher share of loss from associates in the current quarter.

Information & Communications Technology

The Information & Communications Technology division registered a higher revenue in Q2 2014 of RM16.1 million compared to RM13.1 million in Q1 2014. The higher revenue in the quarter under review was mainly due to higher VAS revenue share contract revenue in SEA and higher system sale contract revenue recorded by OSS BU in SEA. With higher revenue in the current quarter, this division recorded a higher profit before tax in Q2 2014 of RM1.7 million compared to RM1.0 million in Q1 2014.

Property Development

The Property Development division recorded a higher revenue of RM5.2 million for Q2 2014 compared to RM2.5 million in Q1 2014. With the higher revenue, the division recorded a higher profit before tax of RM1.0 million compared to the previous quarter's profit of RM0.2 million.

Travel & Tours

The Travel & Tours division recorded a higher revenue for Q2 2014 of RM25.3 million compared to RM22.0 million in Q1 2014. With the higher revenue, the division recorded a higher profit before tax of RM1.1 million compared to the profit of RM0.7 million in Q1 2014.

Others

The Others division recorded a higher revenue for Q2 2014 of RM9.2 million compared to RM5.0 million in the Q1 2014. The increased in revenue was attributable mainly to the Bus Manufacturing division. Despite the increased revenue in this quarter, the Others division recorded a higher loss of RM3.6 million in Q2 2014 compared to a loss of RM2.7 million in Q1 2014 mainly due to an impairment loss on goodwill arising from the acquisition of remaining shares in a former associated company in Australia of RM1.5 million.

16. Prospects

The Directors expect the Group's operating environment to remain challenging for the second half of the financial year due to the uncertainty in the global economy and the increasing inflationary pressures domestically.

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

The remaining period in 2014 will be challenging for our Property Development division as the material, fuel and energy, and labour costs in this sector are expected to continue to exert pressure on this division's operating margin. Notwithstanding that, our Property Development division expects its on-going development projects and a new project comprising residential units and shophouses situated in Matang, Kuching, which was launched on 30 May 2014, to further enhance its performance.

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

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

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

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

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

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

18. Profit variance and shortfall in profit guarantee

Not Applicable.

19. Income tax expense

	3 months ended <u>30.06.2014</u> RM'000	Year- to-date ended <u>30.06.2014</u> RM'000
On current quarter/period results		
- Malaysian income tax	1,131	1,980
Under provision in prior years	36	36
Transfer (to)/from deferred taxation	52	81
	<u>1,219</u>	<u>2,097</u>

The effective tax rate of the Group for the financial quarter and year-to-date ended 31 June 2014 is higher than the statutory tax rate. This is mainly due to certain expenses which were not deductible for taxation purposes and the non-availability of group relief where tax losses of certain subsidiaries cannot be set off against the taxable income of other subsidiaries.

20. Status of corporate proposals

- (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. MT2-22-95-2004 against PKNK to recover its investment in KMSB. Details of this legal suit are set out in Note 23(a).

- (b) Pursuant to the Company's announcement on 30 July 2014, SRI will subscribe for 6,400,000 ordinary shares of USD1.00 each at par in Helenium for cash consideration of USD6,400,000 (equivalent to approximately RM20,601,600) pursuant to a rights issue to be undertaken by Helenium ("Proposed Subscription"). The Proposed Subscription is expected to complete by August 2014. SRI's shareholding in Helenium will remain unchanged at 40% upon completion of the Proposed Subscription.
- (c) On 31 July 2014, the Company announced that Mayor Hotels Sdn Bhd ("MHSB"), an indirect wholly-owned subsidiary of ASB [held via Alangka-Suka Hotels & Resorts Sdn Bhd, a wholly-owned subsidiary of ASB ("ASHR")], has on 30 July 2014 accepted a Letter of Offer/Intent for MW Urban Development Sdn Bhd ("Purchaser") to purchase from MHSB the hotel property known as City Villa Kuala Lumpur with Strata Titles Geran 85/M1/1-3, 4, 5-20/1 and Geran 85/M1/1-5/4, at Lot 2034, Section 41, Kuala Lumpur on an "as is where is" basis for a total cash consideration of RM33.0 million.

On 13 August 2014, the Company announced that this proposed disposal was aborted following a letter received by MHSB on 13 August 2014 from the Purchaser.

21. Group borrowings

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

	As At 30.06.2014 RM'000	As At 31.12.2013 RM'000
Short term - secured		
- Term loans	2,549	3,294
- Bank overdraft	2,706	2,464
- Hire purchase payables	24	23
- Finance lease payable	1,566	1,564
- Revolving credit	20,000	19,500
	<u>26,845</u>	<u>26,845</u>
Long term - secured		
- Term loans	25,432	28,960
- Hire purchase payables	27	39
- Finance lease payable	21,389	21,351
Long term - unsecured		
- Term loans	5,909	5,747
	<u>52,757</u>	<u>56,097</u>
Total borrowings	<u>79,602</u>	<u>82,942</u>

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

	As At 30.06.2014 RM'000	As At 31.12.2013 RM'000
Australian Dollars	5,909	5,747
Sterling Pounds	436	574
Euro	<u>10,648</u>	<u>11,553</u>

22. Financial Instruments

(a) Derivatives

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

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

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

23. Material litigation

- (a) The Company initiated the Alor Setar High Court Civil Suit No. MT2-22-95-2004 on 14 June 2004 against Perbadanan Kemajuan Negeri Kedah (“PKNK”) to recover its investment of RM52,500,000 representing 70% equity interest in Kedah Marble Sdn Bhd (“KMSB”) together with other sums, damages, interests and costs.

PKNK then applied for the determination of points or issues of law pursuant to Order 14A and/or Order 33 Rule 2 of the Rules of High Court, 1980. The application was heard on 13 January 2011 and allowed by the High Court on the basis that the Company’s claim was time barred under the Public Authorities Protection Act (“PAPA”) and/or the Limitation Act. In the result, the suit was dismissed with costs. The Judgment of the High Court was appealed to the Court of Appeal of Malaysia vide Civil Appeal No.: K-01-85-2011. The appeal was heard on the 27 September 2012 and allowed with costs. In the result, the order of the High Court dated 13 January 2011 was set aside and the matter remitted to the High Court for trial. Following the order of the Court of Appeal of Malaysia, PKNK has filed an application for leave (“Leave Application”) to appeal to the Federal Court of Malaysia vide Civil Application No.: 08-772-10/2012.

The Leave Application was heard by the Federal Court of Malaysia on 6 May 2014 and unanimously dismissed with costs of RM10,000.00 payable by PKNK to the Company. In the result, the suit will be tried by the High Court in Alor Setar. The suit is currently set down for case management in the High Court in Alor Setar on 18 September 2014 when the parties expect to obtain directions and possibly trial dates.

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

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

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

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

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

24. Notes To The Statement of Comprehensive Income

Included in the operating profit/(loss) are:

	6 months ended <u>30.06.2014</u> RM'000	6 months ended <u>30.06.2013</u> RM'000
Allowance for inventories obsolescence		
Amortisation of intangible assets	(1,481)	(1,434)
Depreciation	(8,422)	(7,940)
Bad debts written off	-	(12)
Gain/(loss) on disposal of:		
- held for trading investment	-	(20)
- property, plant and equipment	(1)	20
- a subsidiary	(141)	-
Impairment loss on:		
- held for trading investment	(42)	-
- loan and receivables	(53)	(12)
Interest expenses	(2,692)	(2,542)
Interest income	1,394	1,683
Net unrealised gain/(loss) on foreign exchange	(196)	670
Property, plant and equipment written off	(19)	(62)
Provision for retirement plan	(99)	(95)
Impairment loss on goodwill	(1,496)	-

25. Retained Earnings

	As At <u>30.06.2014</u> RM'000	As At <u>30.06.2013</u> RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries		
- Realised	(429,207)	(381,638)
- Unrealised	(3,861)	(5,341)
Total retained profits/(accumulated losses) from associates		
- Realised	(5,999)	(4,910)
- Unrealised	7	(3)
Total retained profits/(accumulated losses) from jointly controlled entities		
- Realised	(800)	(761)
- Unrealised	-	-
	<u>(439,860)</u>	<u>(392,653)</u>
Consolidation adjustments	478,026	459,959
Total Group retained profits as per consolidated financial statements	<u><u>38,166</u></u>	<u><u>67,306</u></u>

26. Dividend

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

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

27. Loss per share**Basic loss per share**

The basic loss per share for the current quarter and current year-to-date are computed based on the Group's net loss attributable to equity holders of the Company of RM5,172,000 and RM7,300,000 respectively, divided by the weighted average number of ordinary shares of 516,614,827 and 515,272,950 for the current quarter and current year-to-date respectively as follows:

	3 months ended		Year- to-date ended	
	<u>30.06.2014</u>	<u>30.06.2013</u>	<u>30.06.2014</u>	<u>30.06.2013</u>
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the period	513,915,830	513,715,830	513,915,830	513,715,830
Weighted average number of new ordinary shares arising from ICULS converted to date	2,698,997	15,385	1,357,120	7,735
Weighted average number of ordinary shares	<u>516,614,827</u>	<u>513,731,215</u>	<u>515,272,950</u>	<u>513,723,565</u>
	3 months ended		Year- to-date ended	
	<u>30.06.2014</u>	<u>30.06.2013</u>	<u>30.06.2014</u>	<u>30.06.2013</u>
Basic loss per share (sen)	<u>(1.00)</u>	<u>(0.50)</u>	<u>(1.42)</u>	<u>(0.92)</u>

Diluted loss per share

The diluted loss per share for the current quarter and current year-to-date are computed based on the Group's net loss attributable to equity holders of the Company of RM4,998,000 and RM6,914,000 respectively, after adjusting for interest saving on ICULS, divided by the weighted average number of ordinary shares of 929,194,953 and 929,194,953 for the current quarter and current year-to-date respectively assuming conversion of the remaining ICULS as follows:

	3 months ended		Year- to-date ended	
	<u>30.06.2014</u>	<u>30.06.2013</u>	<u>30.06.2014</u>	<u>30.06.2013</u>
	RM'000		RM'000	
Net loss attributable to equity holders	(5,172)	(2,570)	(7,300)	(4,739)
Profit impact of assumed conversion-interest on ICULS	174	350	386	683
	<u>(4,998)</u>	<u>(2,220)</u>	<u>(6,914)</u>	<u>(4,056)</u>

27. Loss per share (Continued)
Diluted loss per share (Continued)

Weighted average number of ordinary shares (diluted)

	3 months ended		Year-to-date ended	
	<u>30.06.2014</u>	<u>30.06.2013</u>	<u>30.06.2014</u>	<u>30.06.2013</u>
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the period	513,915,830	513,715,830	513,915,830	513,715,830
Weighted average number of new ordinary shares arising from ICULS converted to date	2,698,997	15,385	1,357,120	7,735
Weighted average number of new ordinary shares assuming conversion of the remaining ICULS	412,580,126	415,463,738	413,922,003	415,471,388
Weighted average number of ordinary shares	<u>929,194,953</u>	<u>929,194,953</u>	<u>929,194,953</u>	<u>929,194,953</u>
	3 months ended		Year-to-date ended	
	<u>30.06.2014</u>	<u>30.06.2013</u>	<u>30.06.2014</u>	<u>30.06.2013</u>
Diluted loss per share (sen)	<u>(1.00)</u>	<u>(0.50)</u>	<u>(1.42)</u>	<u>(0.92)</u>

The diluted loss per share and basic loss per share for the current quarter, current year-to-date, corresponding quarter last year and corresponding year-to-date last year are reported to be the same as the effect arising from the deemed conversion of ICULS is anti-dilutive.

28. Status of E-commerce activities
 Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
 Company Secretary
 27 August 2014