

ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE THREE MONTHS ENDED
31 MARCH 2007

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the three months ended 31 March 2007.

This interim report is prepared in accordance with Financial Reporting Standards (“FRS”) No. 134 “Interim Financial Reporting” and paragraph 9.22 of the Bursa Malaysia Securities Berhad’s Listing Requirements, and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2006.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	3 months ended		Year to Date	
	31.03.2007	31.03.2006	31.03.2007	31.03.2006
	RM’000	RM’000	RM’000	RM’000
Revenue	48,432	49,307	48,432	49,307
Cost of sales	<u>(30,949)</u>	<u>(30,429)</u>	<u>(30,949)</u>	<u>(30,429)</u>
Gross profit	17,483	18,878	17,483	18,878
Other operating income	1,720	11,835	1,720	11,835
Operating expenses	<u>(20,822)</u>	<u>(27,711)</u>	<u>(20,822)</u>	<u>(27,711)</u>
(Loss)/Profit from operations	(1,619)	3,002	(1,619)	3,002
Finance costs	(4,380)	(4,685)	(4,380)	(4,685)
Share of results of associated companies	<u>2,689</u>	<u>2,763</u>	<u>2,689</u>	<u>2,763</u>
(Loss)/Profit before taxation	(3,310)	1,080	(3,310)	1,080
Taxation	<u>(1,481)</u>	<u>(905)</u>	<u>(1,481)</u>	<u>(905)</u>
Net (loss)/profit for the financial period	<u>(4,791)</u>	<u>175</u>	<u>(4,791)</u>	<u>175</u>
Attributable to:				
Equity holders of the parent	(2,827)	2,387	(2,827)	2,387
Minority Interests	<u>(1,964)</u>	<u>(2,212)</u>	<u>(1,964)</u>	<u>(2,212)</u>
	<u>(4,791)</u>	<u>175</u>	<u>(4,791)</u>	<u>175</u>
(Loss)/Earnings per stock unit				
(i) Basic (based on 337,793,619 stock units)	<u>(0.84) sen</u>	<u>0.71 sen</u>	<u>(0.84) sen</u>	<u>0.71 sen</u>
(ii) Fully diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	AS AT 31.03.2007 RM'000	AS AT 31.12.2006 RM'000
ASSETS		
<u>Non current assets</u>		
Property, plant and equipment	354,311	354,176
Investment in associated companies	76,046	74,598
Land held for development	-	5,893
Investment securities	74,446	73,884
Goodwill on consolidation	103,542	103,542
Purchased goodwill	1,355	1,346
Intangible assets	4,313	4,758
Receivables	3,299	4,435
Deferred tax assets	1,723	1,711
	619,035	624,343
<u>Current assets</u>		
Property development costs	36,479	39,028
Progress billings	12,578	17,210
Inventories	30,393	29,019
Receivables	64,642	64,216
Tax recoverable	8,502	15,156
Marketable securities	1,686	3,003
Short term deposits	30,428	33,772
Cash and bank balances	29,540	24,312
	214,248	225,716
TOTAL ASSETS	833,283	850,059
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	337,794	337,794
Reserves	9,997	11,429
	347,791	349,223
Minority interests	142,602	144,653
Total equity	490,393	493,876
<u>Non current liabilities</u>		
Term loans	66,899	80,328
Finance lease creditor	108,008	108,008
Hire purchase creditors	822	1,007
Deferred tax liabilities	6,198	6,216
Retirement benefits	303	303
Deferred income	46	31
	182,276	195,893
<u>Current liabilities</u>		
Payables	75,434	78,786
Bank overdrafts	930	8,367
Short term borrowings	81,009	70,522
Taxation	3,241	2,615
	160,614	160,290
Total Liabilities	342,890	356,183
TOTAL EQUITY AND LIABILITIES	833,283	850,059

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2007

	← Attributable to equity holders of the parent →										
	← Non-distributable →										
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Revaluation Reserve RM'000	Exchange Fluctuation Reserve RM'000	Reserve on Consolidation RM'000	Accumulated Losses RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000	
Balance as at											
'1 January 2007	337,794	430,437	-	43,436	(1,250)	-	(461,194)	349,223	144,653	493,876	
Translation gain/(loss)					1,395			1,395	(87)	1,308	
Net gain/(loss) recognised in equity statements					1,395			1,395	(87)	1,308	
Net loss for the period							(2,827)	(2,827)	(1,964)	(4,791)	
Balance as at											
' 31 March 2007	337,794	430,437	-	43,436	145	-	(464,021)	347,791	142,602	490,393	

FOR THE THREE MONTHS ENDED 31 MARCH 2006

	← Attributable to equity holders of the parent →										
	← Non-distributable →										
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Revaluation Reserve RM'000	Exchange Fluctuation Reserve RM'000	Reserve on Consolidation RM'000	Accumulated Losses RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000	
Balance as at											
1 January 2006 as previously stated	337,794	430,437	(1,792)	50,866	12,214	9,219	(442,046)	396,692	173,901	570,593	
Effect of adopting FRS 3						(9,219)	9,219				
Balance as at											
1 January 2006 (Restated)	337,794	430,437	(1,792)	50,866	12,214	-	(432,827)	396,692	173,901	570,593	
Translation Loss				(2)	(4,049)			(4,051)	(150)	(4,201)	
Realisation of exchange fluctuation reserve					(1,328)		1,328				
Net (loss)/gain recognised in equity statements				(2)	(5,377)		1,328	(4,051)	(150)	(4,201)	
Net profit /(loss) for the period							2,387	2,387	(2,212)	175	
Balance as at											
31 March 2006	337,794	430,437	(1,792)	50,864	6,837	-	(429,112)	395,028	171,539	566,567	

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2007**

	31.03.2007	31.03.2006
	RM'000	RM'000
Operating Activities		
(Loss)/Profit before taxation	(3,310)	1,080
Adjustments for :-		
Depreciation / Amortisation	5,013	4,832
Other non-cash expenses	1,981	(9,203)
Operating profit/(loss) before working capital changes	<u>3,684</u>	<u>(3,291)</u>
Net changes in working capital		
Decrease/(Increase) in current assets	15,915	(2,134)
(Decrease)/Increase in current liabilities	(3,679)	10,225
Cash generated from operating activities	<u>15,920</u>	<u>4,800</u>
Taxes refunded/(paid)	5,786	(1,539)
Net cash from operating activities	<u>21,706</u>	<u>3,261</u>
Investing Activities		
Equity investments	17	30,172
Property, plant and equipment	(5,869)	(3,948)
Other investments	314	(42)
Net cash (used in)/from investing activities	<u>(5,538)</u>	<u>26,182</u>
Financing Activities		
Dividend paid	(6)	-
Repayment of borrowings	(3,088)	(9,280)
Interest paid	(4,380)	(4,685)
Net cash used in financing activities	<u>(7,474)</u>	<u>(13,965)</u>
Effect of exchange rate changes	2,408	(7,169)
Net increase in cash and cash equivalents	<u>11,102</u>	<u>8,309</u>
Cash and cash equivalents as at beginning of financial period		
As previously reported	24,568	34,409
Effect of exchange rate changes	(152)	(223)
As restated	24,416	34,186
Cash and cash equivalents as at end of financial period *	<u>35,518</u>	<u>42,495</u>
* Cash and cash equivalents at the end of the financial period comprise the following :		
Short term deposits	30,428	19,987
Cash and bank balances	29,540	33,842
Bank overdrafts	(930)	(7,600)
	<u>59,038</u>	<u>46,229</u>
Less : Deposits placed with finance lease creditor	(15,301)	-
Deposits pledged to licensed banks	(8,219)	(3,734)
	<u>(23,520)</u>	<u>(3,734)</u>
	<u>35,518</u>	<u>42,495</u>

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

The unaudited interim financial report has been prepared in compliance with FRS 134 - "Interim Financial Reporting" and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2006.

Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2006 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for the financial period beginning 1 January 2007:-

FRS 117 Leases

FRS 124 Related Party Disclosures

The adoption of the revised FRS 117 and FRS 124 does not have significant financial impact on the Group.

2. Audit report

The auditors' report on the financial statements for the year ended 31 December 2006 was not subject to any qualification.

3. Seasonal or cyclical factors

The operations of the Group for the quarter ended 31 March 2007 were not materially affected by any seasonal or cyclical factors except for the transportation operations under Advance Synergy Capital Berhad ("ASC") Group, whereby ASC Group normally benefits from the higher levels of passenger loading during the festive seasons and school holidays in Malaysia.

4. Unusual items

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

5. Changes in estimates

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

6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended 31 March 2007.

7. Dividends paid

There was no payment of any dividend during the three months ended 31 March 2007.

8. Segmental Reporting

For the financial period ended 31 March 2007

	Investment Holding	Property Development	Hotels and Resorts	Information and Communications Technology	Bus Transportation Services	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External	158	10,450	20,297	5,474	3,960	8,093		48,432
Inter-segment	802	20	-	-		76	(898)	
Total revenue	960	10,470	20,297	5,474	3,960	8,169	(898)	48,432
Results								
Segment results	(4,056)	201	3,893	(3,707)	(2,591)	(1,768)	2,029	(5,999)
Share of results of associated companies	2,689							2,689
Consolidated loss before taxation								(3,310)
Taxation								(1,481)
Consolidated loss after taxation								(4,791)
Minority interests								1,964
Net loss for the financial period								(2,827)

	Investment Holding	Property Development	Hotels and Resorts	Information and Communications Technology	Bus Transportation Services	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information								
Segment assets	178,242	69,457	326,977	120,643	26,078	25,615	-	747,012
Investment in associated companies	76,046							76,046
Unallocated corporate assets								10,225
Total assets								833,283
Segment liabilities	81,120	13,515	197,491	13,480	5,977	21,868	-	333,451
Unallocated corporate liabilities								9,439
Total liabilities								342,890
Capital expenditure	235	15	5,410	264	120	5	-	6,049
Depreciation	337	57	1,120	1,149	1,598	307	-	4,568
Non cash expenses other than depreciation	1,244	-	21	453	-	1	-	1,719

8. Segmental Reporting (Continued)

For the financial period ended 31 March 2006

	Investment Holding	Property Development	Hotels and Resorts	Information and Communications Technology	Bus Transportation Services	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External	330	4,620	19,726	7,273	5,151	12,207		49,307
Inter-segment	799	4	-				(803)	-
Total revenue	1,129	4,624	19,726	7,273	5,151	12,207	(803)	49,307
Results								
Segment results	(5,135)	451	13,752	(3,083)	(5,444)	(2,291)	67	(1,683)
Share of results of associated companies								2,763
Consolidated profit before taxation								1,080
Taxation								(905)
Consolidated profit after taxation								175
Minority interests								2,212
Net profit for the financial period								2,387

	Investment Holding	Property Development	Hotels and Resorts	Information and Communications Technology	Bus Transportation Services	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information								
Segment assets	199,928	83,452	322,719	136,160	50,527	20,685	-	813,471
Investment in associated companies	85,555	-	-	-	-	-	-	85,555
Unallocated corporate assets								15,988
Total assets								915,014
Segment liabilities	104,049	23,664	145,208	17,283	6,100	36,964	-	333,268
Unallocated corporate liabilities								15,179
Total liabilities								348,447
Capital expenditure	1,632	30	440	432	1,469	10	-	4,013
Depreciation	299	51	1,282	1,291	1,223	346	-	4,492
Non cash expenses other than depreciation	31	-	79	341	-	4	-	455

9. Property, plant and equipment

The valuations of land and buildings have been brought forward without amendment from the financial statements for the year ended 31 December 2006.

10. Events subsequent to the balance sheet date

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

11. Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial period to date.

12. Changes in contingent liabilities

There were no changes in contingent liabilities since 31 December 2006.

13. Review of performance

For the quarter ended 31 March 2007 the Group recorded a loss after taxation of RM 4.79 million compared to a profit after taxation of RM 0.18 million for the corresponding quarter in the previous year. The results for the corresponding quarter in 2006 includes a gain of RM 10.78 million arising from the disposal of assets.

14. Comparison of results with preceding quarter

The Group recorded a loss after taxation of RM 4.79 million for the quarter under review compared to a loss after taxation of RM 46.57 million for the preceding quarter ended 31 December 2006. The loss for the preceding quarter was attributable mainly to the lower profit contribution from associated companies and impairment losses on investments, property, plant and equipment.

15. Current year prospects

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

16. Profit variance and shortfall in profit guarantee

Not applicable.

17. Taxation

	3 months ended 31.03.2007 RM'000	Year to date 31.03.2007 RM'000
On current period's results		
- Malaysian income tax	(1,224)	(1,224)
- Overseas taxation	(270)	(270)
Transfer from deferred taxation	13	13
	<u>(1,481)</u>	<u>(1,481)</u>

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

18. Unquoted investments and properties

There were no sales of unquoted investments and/or properties for the three months ended 31 March 2007.

19. Quoted securities

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

	3 months ended 31.03.2007 RM'000	Year to date 31.03.2007 RM'000
Total purchases	<u>309</u>	<u>309</u>
Total disposals	<u>1,903</u>	<u>1,903</u>
Total gain on disposals	<u>347</u>	<u>347</u>

19. Quoted securities (Continued)

Details of investment in quoted securities by the Group as at 31 March 2007 are as follows :-

	RM'000
- at cost	<u>21,774</u>
- at carrying value	<u>9,625</u>
- at market value	<u>9,625</u>

20. Status of corporate proposals

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

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

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

On 20 October 2005, the Board of Directors of ASC announced that the SC had in its letter dated 18 October 2005 waived the condition that ASC be required to either liquidate or dispose of its interests in ASC Equities Sdn Bhd, but did not approve the waiver application in respect of ASC Credit Sdn Bhd. The Board of Directors of ASC also announced that ASC had accepted the SC's decision in respect of ASC Equities Sdn Bhd but intends to make another appeal to the SC with justification for the retention of ASC Credit Sdn Bhd.

ASC had on 20 October 2006 submitted an application to the SC to re-appeal against the SC's decision to liquidate or dispose of ASC Credit Sdn Bhd ("Re-appeal"). On 21 February 2007, ASC announced that the SC had, vide its letter dated 15 February 2007 approved the Re-appeal subject to the conditions ("SC Conditions") as set out in the said announcement.

The Board of Directors of ASC had deliberated on the SC Conditions and resolved that the SC Conditions be accepted. On 2 March 2007, ASC announced that the SC Conditions had been fulfilled.

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

- (i) Proposed Capital Reduction involving :-
- proposed reduction of the issued and paid-up share capital of the Company from a maximum of RM506,690,428 comprising 506,690,428 ordinary stock units in the Company ("ASB Stock Units") of RM1.00 each (assuming all of the Company's warrants constituted by Deed Poll dated 28 April 2000 ("ASB Warrants") are exercised and the new ASB Stock Units arising therefrom are issued before the cut-off date for the Proposed Capital Reduction) to RM152,007,128 comprising 506,690,428 ASB Stock Units of RM0.30 each, by cancelling RM0.70 par value from every ASB Stock Unit of RM1.00 each to reduce the accumulated losses in the Company ("Proposed Par Value Reduction"); and
 - proposed reduction of the share premium account of the Company of up to RM206,949,328 to reduce the accumulated losses in the Company ("Proposed Share Premium Account Reduction").

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

- (ii) Proposed renounceable two (2)-call rights issue of up to RM266,012,475 nominal value of 2% 10-year irredeemable convertible unsecured loan stocks ("ICULS") at 100% of the nominal amount of RM0.15 each on the basis of RM0.525 nominal value of ICULS (or equivalent to 3.5 ICULS) for every one (1) ASB Stock Unit of RM1.00 each held on an entitlement date and at a cash call amount to be determined and announced later

20. Status of corporate proposals (Continued)

("Proposed Rights Issue"). The ICULS are proposed to be implemented via two (2)-calls, the first being a cash call and the second call being a capitalisation from the Company's share premium account;

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

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

(Collectively, referred to as the "Proposals")

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

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

- (i) The SC for the Proposed Rights Issue and the listing of and quotation for the ICULS and new ASB Stock Units to be issued pursuant to the conversion of ICULS;
- (ii) The High Court of Malaya for the Proposed Capital Reduction and the utilisation of share premium account of the Company to pay up the second call for the Proposed Rights Issue;
- (iii) Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the ICULS and new ASB Stock Units to be issued pursuant to the conversion of ICULS;
- (iv) The stockholders of the Company for the Proposals at a general meeting to be convened; and
- (v) Any other relevant parties and/or authorities.

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

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

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

On 19 September 2006, the Company announced that the SC had, vide its letter dated 14 September 2006, informed that they were unable to consider the application made on 26 June 2006 for the Proposed Rights Issue then, as ASC had not fulfilled a condition imposed earlier by the SC in its letter dated 18 October 2005 in relation to a corporate proposal by ASC involving the proposed acquisition of ACE and KBES by ASC.

The Company had on 17 October 2006 written to the SC seeking its approval to allow the Company to re-submit its application for the Proposed Rights Issue irrespective of the fulfilment of the condition imposed by the SC on ASC ("Resubmission"). On 22 February 2007, the Company announced that the SC, vide its letter dated 21 February 2007, has no objection to the Resubmission and the Resubmission is expected to be made within three (3) months from the date of the announcement.

On 5 April 2007, the Company announced that the Proposed Rights Issue has been revised, and that it would now be implemented either by way of a one (1)-call basis or a two (2)-call basis depending on the prevailing market condition and market price of ASB Stock Units at the time of the implementation of the Proposed Rights Issue. Following this announcement, the Company had on 6 April 2007 submitted the Resubmission to the SC.

On 18 April 2007, the Company announced that the SC had, vide its letter dated 17 April 2007, granted its approval for the following subject to the conditions as set out in the said announcement:-

- (i) the Proposed Rights Issue; and
- (ii) the listing of and quotation for the ICULS and new ASB Stock Units to be issued pursuant to the conversion of ICULS on the Main Board of Bursa Securities.

The implementation of the Proposals is now subject to other approvals as mentioned above.

20. Status of corporate proposals (Continued)

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

Under the Restructuring Plan:-

- (i) Designated Payment Instruments (“DPI”) business, namely issuing credit cards, charge cards and prepaid cards will be undertaken and housed under Synergy Cards Sdn Bhd (“SCSB”); and
- (ii) iSynergy will continue to operate its existing non-DPI business like loyalty cards.

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

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

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

Upon compliance of the BNM conditions, SCSB will commence its DPI business.

- (e) On 22 May 2007, ASC announced that it shall be seeking the approvals of Bank Negara Malaysia/Minister of Finance to allow ASC to enter into a Share Sale Agreement with HLG Credit Sdn Bhd, an indirect subsidiary of Hong Leong Financial Group Berhad, to dispose of its 20% equity interest in Southern Investment Bank Berhad (“SIBB”).

Further details of the proposed disposal of SIBB will be announced in due course.

21. Group borrowings

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

	As At 31.03.2007 RM'000	As At 31.12.2006 RM'000
Short term - secured	74,135	70,945
- unsecured	7,804	7,944
Long term - secured	66,899	80,328
	<u>148,838</u>	<u>159,217</u>

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

	As At 31.03.2007 RM'000	As At 31.12.2006 RM'000
US Dollars	692	757
Australian Dollars	8,531	9,332
Sterling Pounds	2,806	2,917
Singapore Dollars	1,259	771

22. Off balance sheet financial instruments

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

23. Material litigation

- (a) A third party action was filed by American Home Assurance Company (“AHA”) on 24 October 2002 against Rewardstreet.com (Malaysia) Sdn Bhd (“Rewardstreet.com”), a wholly-owned subsidiary of iSynergy. AHA is sued as a Defendant in the main suit filed by Ultra Dimension Sdn Bhd as Plaintiff for, inter alia, the alleged infringement of their copyright via the AHA Privilege Cash-In Rebate Cards. AHA's claim is for general damages, exemplary damages and aggravated damages which are to be assessed by the Court, together with interest at 8% per annum. An

23. Material litigation (Continued)

application filed by Rewardstreet.com to strike-out the third party action by AHA on the basis that AHA was responsible for the design and that no cause of action lay against Rewardstreet.com, was not successful. The Court has fixed the 19th till the 22nd November 2007 as the trial dates. The solicitors acting for Rewardstreet.com are of the opinion that they may negate any liability, which is alleged by the Defendant in this suit.

- (b) The Company had on 14 June 2004 instituted legal action against PKNK to recover its investment of RM52,500,000 in KMSB together with other sums, damages, interests and costs. The Company's solicitors had obtained the signed and sealed copy of the Judgment in Default of Appearance dated 1 August 2004 ("Default Judgment") from the Court for the sum of RM52,500,000, interest thereon at the rate of 8% per annum from the date of Judgment to the date of realisation and cost of RM225. On 10 November 2004, PKNK applied to the Court to set aside the Default Judgment. On 3 August 2005, the Court allowed PKNK's application to set aside the Default Judgment. As a procedural step to progress the suit to a trial, the Company's solicitor had on 29 December 2005 forwarded to the Court for filing of the Notice to Attend Pre-Trial Case Management and the Pre-Trial Case Management was fixed for hearing on 17 May 2006. Due to a change in PKNK's solicitors, PKNK's new solicitors had asked for an adjournment on the grounds that they require time to take their client's instructions and there is a likelihood for an application to amend the Statement of Defence. The Court had fixed the Pre-Trial Case Management for mention on 21 November 2006. PKNK's new solicitors filed an application to amend PKNK's Statement of Defence and the application was also fixed for hearing on 21 November 2006. On 21 November 2006, the Court granted leave to PKNK to amend their Statement of Defence. The suit is now fixed for mention on 18 June 2007. The Company's solicitors for the litigation are of the opinion that the Company has a good cause of action against PKNK and the likely outcome of the proceedings would be a decision in favour of the Company.

24. Dividend

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

25. Loss per stock unit

The calculation of basic loss per stock unit for the three months ended 31 March 2007 is based on the Group's net loss attributable to equity holders of the parent for the financial period of RM2,827,000 divided by the number of stock units in issue during the period of 337,793,619.

26. Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
Date: 25 May 2007