

ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED
31 MARCH 2011

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the quarter ended 31 March 2011.

This interim report is prepared in accordance with Financial Reporting Standards (“FRS”) No. 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 2010.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	3 months ended		Year-to-date	
	Unaudited		Unaudited	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
	RM'000	RM'000	RM'000	RM'000
Revenue	52,713	54,423	52,713	54,423
Cost of sales	(34,272)	(32,571)	(34,272)	(32,571)
Gross profit	18,441	21,852	18,441	21,852
Other operating income	2,223	2,147	2,223	2,147
Operating expenses	(19,523)	(22,803)	(19,523)	(22,803)
Profit/(Loss) from operations	1,141	1,196	1,141	1,196
Finance costs	(1,940)	(1,935)	(1,940)	(1,935)
Share of results of associates	1,672	5,579	1,672	5,579
Profit/(Loss) before taxation	873	4,840	873	4,840
Taxation	(423)	(454)	(423)	(454)
Net profit/(loss) for the financial period	450	4,386	450	4,386
Attributable to:				
Owners of the parent	(69)	2,948	(69)	2,948
Non-controlling interests	519	1,438	519	1,438
	450	4,386	450	4,386
Earnings/(Loss) per share attributable to owners of the parent:				
Basic (sen)	(0.01)	0.62	(0.01)	0.62
Diluted (sen)	Anti-dilutive	0.36	Anti-dilutive	0.36

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
	Unaudited		Unaudited	
	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial period	450	4,386	450	4,386
Other comprehensive income/(expenses):				
Fair value of available-for-sale financial assets	884	1,367	884	1,367
Share of other comprehensive income of associates, net of tax	-	(83)	-	(83)
Foreign currency translation differences for foreign operations	(4,855)	(6,307)	(4,855)	(6,307)
	<u>(3,971)</u>	<u>(5,023)</u>	<u>(3,971)</u>	<u>(5,023)</u>
Other comprehensive income/(loss) for the financial period				
	<u>(3,971)</u>	<u>(5,023)</u>	<u>(3,971)</u>	<u>(5,023)</u>
Total comprehensive income/(loss) for the financial period	<u>(3,521)</u>	<u>(637)</u>	<u>(3,521)</u>	<u>(637)</u>
Attributable to:				
Owners of the parent	(4,068)	(810)	(4,068)	(1,410)
Non-controlling interests	547	173	547	773
	<u>547</u>	<u>173</u>	<u>547</u>	<u>773</u>
Total comprehensive income/(loss) for the financial period	<u>(3,521)</u>	<u>(637)</u>	<u>(3,521)</u>	<u>(637)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at <u>31.03.2011</u> RM'000	Audited As at <u>31.12.2010</u> RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	204,110	202,182
Investment in associates	29,780	30,759
Investment securities	33,557	32,673
Goodwill on consolidation	59,423	59,423
Intangible assets	17,305	16,168
Trade and other receivables	2,150	6,400
Deferred tax assets	2,797	2,870
	349,122	350,475
<u>Current assets</u>		
Property development costs	25,167	24,552
Progress billings	3,182	1,225
Inventories	29,405	32,950
Trade and other receivables	47,708	52,777
Tax recoverable	2,073	2,721
Investment securities	939	919
Short term deposits	59,428	64,135
Cash and bank balances	50,896	46,535
	218,798	225,814
Non-current assets classified as held for sale	115,066	114,955
TOTAL ASSETS	<u><u>682,986</u></u>	<u><u>691,244</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to owners of the parent</u>		
Share capital	149,340	146,448
Irredeemable Convertible Unsecured Loan		
Stocks ("ICULS") - equity component	112,886	115,340
Reserves	191,020	195,088
	453,246	456,876
Non-controlling interests	30,021	29,670
Total equity	<u>483,267</u>	<u>486,546</u>
<u>Non-current liabilities</u>		
Borrowings	82,284	81,469
ICULS - liability component	13,587	14,391
Deferred tax liabilities	2,750	2,748
Provision for retirement benefit obligations	781	747
	99,402	99,355
<u>Current liabilities</u>		
Trade and other payables	58,147	68,187
Borrowings	40,987	36,168
Tax payable	1,183	988
	100,317	105,343
Total Liabilities	<u>199,719</u>	<u>204,698</u>
TOTAL EQUITY AND LIABILITIES	<u><u>682,986</u></u>	<u><u>691,244</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2011

	← <i>Attributable to owners of the parent</i> →									
	Share Capital	ICULS- Equity Component	Share Premium	← <i>Non-distributable</i>		→ <i>Distributable</i>		Total	Non- Controlling Interests	Total Equity
				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	-	-	-	-	-	-	(69)	(69)	519	450
Fair value of available-for-sale financial assets	-	-	-	-	-	884	-	884	-	884
Share of other comprehensive income of associates, net of tax	-	-	-	-	-	-	-	-	-	-
Foreign currency translation differences for foreign operations	-	-	-	(1)	(4,882)	-	-	(4,883)	28	(4,855)
Total comprehensive income/(loss) for the financial period	-	-	-	(1)	(4,882)	884	(69)	(4,068)	547	(3,521)
Transactions with owners in their capacity as owners:										
Issue of new ordinary shares pursuant to the conversion of ICULS	2,813	(2,454)	-	-	-	-	-	359	-	359
Issue of new ordinary shares	79	-	-	-	-	-	-	79	-	79
	2,892	(2,454)	-	-	-	-	-	438	-	438
Balance as at 31 March 2011	149,340	112,886	117,317	12,766	(14,358)	4,948	70,347	453,246	30,021	483,267

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2010

	← 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 2010	142,014	119,208	117,317	12,591	5,862	-	67,054	464,046	27,422	491,468	
Effect arising on adoption of FRS139	-	-	-	-	-	1,280	35	1,315	-	1,315	
Balance as at 1 January 2010, as restated	142,014	119,208	117,317	12,591	5,862	1,280	67,089	465,361	27,422	492,783	
Net profit/(loss) for the financial period	-	-	-	-	-	-	2,948	2,948	1,438	4,386	
Fair value of available-for-sale financial assets	-	-	-	-	-	1,367	-	1,367	-	1,367	
Share of other comprehensive income of associates, net of tax	-	-	-	-	-	(83)	-	(83)	-	(83)	
Foreign currency translation differences for foreign operations	-	-	-	(4)	(5,638)	-	-	(5,642)	(665)	(6,307)	
Total comprehensive income/(loss) for the financial period	-	-	-	(4)	(5,638)	1,284	2,948	(1,410)	773	(637)	
Transactions with owners in their capacity as owners:											
Issue of new ordinary shares pursuant to the conversion of ICULS	194	(170)	-	-	-	-	-	24	-	24	
	194	(170)	-	-	-	-	-	24	-	24	
Balance as at 31 March 2010	142,208	119,038	117,317	12,587	224	2,564	70,037	463,975	28,195	492,170	

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIOD ENDED 31 MARCH 2011**

	Unaudited 3 months ended 31.03.2011 RM'000	Unaudited 3 months ended 31.03.2010 RM'000
Operating Activities		
Profit/(Loss) before taxation	873	4,840
Adjustments for :-		
Depreciation	2,274	2,623
Other investing and financing items and non-cash items	120	(2,276)
Operating profit/(loss) before working capital changes	<u>3,267</u>	<u>5,187</u>
Net changes in working capital		
(Increase)/Decrease in current assets	10,142	17,546
Increase/(Decrease) in current liabilities	(7,997)	(3,146)
Cash generated from/(used in) operating activities	<u>5,412</u>	<u>19,587</u>
Tax paid	432	(901)
Net cash from/(used in) operating activities	<u><u>5,844</u></u>	<u><u>18,686</u></u>
Investing Activities		
(Increase)/ Decrease in equity investments	2,586	-
(Increase)/ Decrease in property, plant and equipment	(8,196)	(3,230)
(Increase)/ Decrease in other investments	(575)	(338)
Net cash from/(used in) investing activities	<u><u>(6,185)</u></u>	<u><u>(3,568)</u></u>
Financing Activities		
Proceeds from issuance of new ordinary shares	79	-
Net drawdown/(repayment) of borrowings	338	(1,102)
Other payments	(4,563)	(1,935)
Net cash from/(used in) financing activities	<u><u>(4,146)</u></u>	<u><u>(3,037)</u></u>
Effect of exchange rate changes	(100)	365
Net increase in cash and cash equivalents	<u><u>(4,587)</u></u>	<u><u>12,446</u></u>
Cash and cash equivalents as at beginning of financial year		
As previously reported	<u>83,747</u>	<u>77,967</u>
Effect of exchange rate changes	<u>(544)</u>	<u>(1,948)</u>
As restated	<u>83,203</u>	<u>76,019</u>
Cash and cash equivalents as at end of financial period *	<u><u>78,616</u></u>	<u><u>88,465</u></u>
* Cash and cash equivalents at the end of the financial period comprising the following :		
Short term deposits	59,428	52,190
Cash and bank balances	50,896	61,290
Bank overdrafts	(4,645)	(175)
	<u>105,679</u>	<u>113,305</u>
Less : Deposits placed with lease creditors as security deposit for lease payments	<u>(18,449)</u>	<u>(17,562)</u>
Deposits pledged to licensed banks	<u>(8,614)</u>	<u>(7,278)</u>
	<u>(27,063)</u>	<u>(24,840)</u>
	<u><u>78,616</u></u>	<u><u>88,465</u></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 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 2010.

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 2010, except for the adoption of the following revised Financial Reporting Standards ("FRSs"), amendments/improvements to FRSs, IC Interpretations ("IC Int") and amendments to IC Int:

Revised FRSs

- FRS 1 First-time Adoption of Financial Reporting Standards
- FRS 3 Business Combinations
- FRS 127 Consolidated and Separate Financial Statements

Amendments/Improvements to FRSs

- FRS 1 First-time Adoption of Financial Reporting Standards
- FRS 2 Share-based Payment

- FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- FRS 7 Financial Instruments: Disclosure
- FRS 101 Presentation of Financial Statements
- FRS 121 The Effects of Changes in Foreign Exchange Rates
- FRS 128 Investment in Associates
- FRS 131 Interests in Joint Ventures
- FRS 132 Financial Instruments: Presentation

- FRS 134 Interim Financial Reporting
- FRS 138 Intangible Assets
- FRS 139 Financial Instruments : Recognition and Measurement

IC Int

- IC Int 4 Determining Whether an Arrangement contains a Lease
- IC Int 12 Service Concession Arrangements
- IC Int 16 Hedges of a Net Investment in a Foreign Operation
- IC Int 17 Distributions of Non-cash Assets to Owners
- IC Int 18 Transfers of Assets from Customers

Amendment to IC Int

- IC Int 9 Reassessment of Embedded Derivatives
- IC Int 13 Customer Loyalty Programmes

2. Significant accounting policies (Continued)

Except for the changes in accounting policies arising from the adoption of the revised FRS 3 and the amendments to FRS 127, as well as the new disclosures required under the Amendments to FRS 7, the Directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3 and the amendments to FRS 127 are described as below.

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interest in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests.

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

Revised FRSS

FRS 124 Related Party Disclosures

IC Int

IC Int 15 Agreements for the Construction of Real Estate

IC Int 19 Extinguishing Financial Liabilities with Equity Instruments

Amendment to IC Int

IC Int 14 Prepayments of a Minimum Funding Requirements

3 Audit report

The auditors' report on the financial statements for the year ended 31 December 2010 was not subject to any qualification.

4 Seasonal or cyclical factors

The operations of the Group for the quarter ended 31 March 2011 were not materially affected by any seasonal or cyclical factors.

5. Unusual items

There were no unusual items for the financial period 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 3-month period ended 31 March 2011:-

- (a) a total of 18,230,800 2% 10-Year Irredeemable Convertible Unsecured Loan Stocks at 100% of the nominal value of RM0.15 each ("ICULS") have been converted into 9,115,400 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; and
- (b) a total of 525,000 ordinary shares of RM0.30 each were issued via conversion by surrendering for cancellation one ICULS of nominal value of RM0.15 and cash payment of RM0.15 for one new ordinary shares 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 31 March 2011.

8 Dividends paid

There was no payment of any dividend during the financial period ended 31 March 2011.

9. Segmental Information

For the financial period ended 31 March 2011

	Investment Holding	Property Development	Hotels & Resorts	Information & Communications Technology	Coach Building	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue									
External	271	2,369	16,974	7,723	722	19,887	4,767	-	52,713
Inter-segment	256	4	-	-	53	88	-	(401)	-
Total revenue	527	2,373	16,974	7,723	775	19,975	4,767	(401)	52,713
Results									
Segment results	(2,770)	120	2,344	545	(640)	258	(1,769)	1,113	(799)
Share of results of associates	1,023	-	(11)	660	-	-	-	-	1,672
Consolidated profit/(loss) before taxation	(1,747)	120	2,333	1,205	(640)	258	(1,769)	1,113	873
Taxation									(423)
Consolidated profit/(loss) after taxation									450
Non-controlling interests									(519)
Net profit/(loss) for the financial period									(69)

9.Segmental Information (Continued)

For the financial period ended 31 March 2011

	Investment Holding	Property Development	Hotels & Resorts	Information & Communications Technology	Coach Building	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Other information</u>									
Segment assets	79,499	57,813	212,818	136,645	7,318	13,463	25,714	-	533,270
Investment in associates	24,281	-	3,972	1,527	-	-	-	-	29,780
Non-current assets classified as held for sale	114,955	-	111	-	-	-	-	-	115,066
Unallocated corporate assets									4,870
Total assets									682,986
Segment liabilities	48,938	9,217	99,567	13,671	1,516	5,521	17,356	-	195,786
Unallocated corporate liabilities									3,933
Total liabilities									199,719
Capital expenditure:									
- Property, plant & equipment	56	1	325	7,849	-	6	6	-	8,243
- Software development expenditure	-	-	-	1,005	-	-	-	-	1,005
Depreciation	119	12	1,240	375	58	52	33	-	1,889
Interest income	14	26	215	152	-	8	15	-	430
Finance costs	1,287	-	556	-	-	15	1,101	(1,019)	1,940
Write back of impairment loss on:									
- held for trading investments	-	-	5	-	-	-	-	-	5
Amortisation of intangible assets	-	-	1	384	-	-	-	-	385
Other non cash expenses	-	-	34	3	-	38	4	-	79

9. Segmental Information (Continued)

For the financial period ended 31 March 2010

	Investment Holding	Property Development	Hotels & Resorts	Information & Communications Technology	Coach Building	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue									
External	233	2,828	18,712	12,061	807	14,710	5,072	-	54,423
Inter-segment	241	19	-	-	-	181	-	(441)	-
Total revenue	474	2,847	18,712	12,061	807	14,891	5,072	(441)	54,423
Results									
Segment results	(2,461)	72	2,223	1,220	(1,096)	156	(1,417)	564	(739)
Share of results of associates	4,938	-	(5)	646	-	-	-	-	5,579
Consolidated profit/(loss) before taxation	2,477	72	2,218	1,866	(1,096)	156	(1,417)	564	4,840
Taxation									(454)
Consolidated profit/(loss) after taxation									4,386
Non-controlling interests									(1,438)
Net profit/(loss) for the financial period									2,948

9.Segmental Information (Continued)

For the financial period ended 31 March 2010

	Investment Holding	Property Development	Hotels & Resorts	Information & Communications Technology	Coach Building	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Other information</u>									
Segment assets	92,743	62,430	221,512	134,537	9,644	11,114	26,027	-	558,007
Investment in associates	130,985	-	3,629	1,974	-	-	-	-	136,588
Unallocated corporate assets									4,887
Total assets									699,482
Segment liabilities	53,434	8,425	98,794	17,636	3,292	3,605	18,290	-	203,476
Unallocated corporate liabilities									3,836
Total liabilities									207,312
Capital expenditure									
- Property, plant and equipment	555	1	1,725	866	30	170	132	-	3,479
- Software development expenditure	-	-	-	1,090	-	-	-	-	1,090
Depreciation	111	26	1,608	342	53	42	62	-	2,244
Interest income	80	22	58	108	-	4	-	-	272
Finance costs	1,295	-	550	1	-	4	1,064	(979)	1,935
Impairment loss on:									
- property, plant and equipment	-	-	-	279	-	-	-	-	279
- investment in associates	451	-	-	-	-	-	-	-	451
Write back of impairment loss on:									
- held for trading investments	90	-	27	-	-	-	-	-	117
Amortisation of intangible assets	-	-	-	379	-	-	-	-	379
Other non cash expenses	4	1	40	2	-	38	4	-	89

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 2010.

11. Events subsequent to the balance sheet date

On 19 May 2011, the Company announced that a resolution has been passed to strike off Triton Express (S) Pte Ltd ("TES"), an indirect wholly-owned subsidiary of ASB [held via Triton Express Sdn Bhd, a wholly-owned subsidiary of Advance Synergy Capital Sdn Bhd ("ASC"), which in turn is a wholly-owned subsidiary of the Company] ("Striking Off"). An application for the Striking Off of TES will be submitted to the Accounting and Corporate Regulatory Authority, Singapore in due course. TES was incorporated in Singapore on 20 November 2002 as a private limited company under The Companies Act (Chapter 50), Singapore. The authorised and issued and paid up share capital of TES are SGD100,000.00 and SGD2.00 respectively.

Apart from the above, there were no events subsequent to the balance sheet date, save for those disclosed in Notes 22(b) and 25(b).

12. Changes in the composition of the Group

(a) On 10 February 2011, the Company announced that Triton Feeder Services Sdn Bhd ("TFS"), a wholly-owned subsidiary of ASC, had on 10 February 2011 received a notice of striking off pursuant to Section 308(4) of the Companies Act, 1965 from Suruhanjaya Syarikat Malaysia informing that TFS has been struck off from the register of the Registrar of Companies.

(b) On 17 March 2011, the Company announced that its wholly-owned subsidiary, Alangka-Suka Hotels & Resorts Sdn Bhd ("ASHR"), had acquired additional 30% equity interest in Suntop Corporation Sdn Bhd ("Suntop") comprising 61,500 ordinary shares of RM1.00 each ("Acquisition"). Consequential to the increase in ASHR's equity interest in Suntop from 40% to 70% after the Acquisition, Suntop became a subsidiary of the Company.

Other than the above, there were no other 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 balance sheet as at 31 December 2010.

14. Review of performance

The Group recorded a profit after taxation of RM0.5 million for the quarter ended 31 March 2011 compared to a profit after tax of RM4.4 million in the corresponding quarter last year. The lower profit was mainly due to lower revenue from our Group operations coupled with lower contribution from associates arising from the reclassification of an associate to non-current assets classified as held for sale mitigated partly by lower operating expenses. In addition, our Group operations were also affected by the movements in foreign currency, namely the strengthening of Ringgit Malaysia against US Dollars which had an adverse effect on the contribution from our foreign subsidiaries to our Group results and an increase in cost of sales resulting in a lower gross profit.

15. Comparison of results with preceding quarter

The Group recorded a profit after taxation of RM0.5 million for the current quarter ended 31 March 2011 as compared a loss in the preceding quarter ended 31 December 2010 of RM2.4 million. In the preceding quarter, there was a higher other operating income arising mainly from higher write back of provisions and also higher operating expenses which was mainly due to provision for impairment loss on available for sale investment. Excluding adjustments such as the write back of provisions and provision for impairment loss in the preceding quarter, the Group's profit after taxation of RM0.5 million for the current quarter ended 31 March 2011 is in line with a profit after tax of RM0.5 million in the preceding quarter ended 31 December 2010.

16. Prospects

Barring unforeseen circumstances, the Directors expect the Group's operating environment to remain challenging for the financial year ending 31 December 2011.

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. Taxation

	3 months ended 31.03.2011 RM'000	Year to date ended 31.03.2011 RM'000
On current quarter/year results		
- Malaysian income tax	386	386
Transfer (to)/from deferred taxation	37	37
	<u>423</u>	<u>423</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 subsidiaries cannot be set off against the taxable income of other subsidiaries.

20. Profit/(Loss) on Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments and / or properties for the current quarter ended 31 March 2011.

21. Quoted securities

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

	3 months ended 31.03.2011		Year to date ended 31.03.2011	
	Held for trading investments RM'000	Available- for-sale investments RM'000	Held for trading investments RM'000	Available- for-sale investments RM'000
Total purchases	<u>127</u>	<u>-</u>	<u>127</u>	<u>-</u>
Total disposals	<u>207</u>	<u>-</u>	<u>207</u>	<u>-</u>
Fair value gain/ (loss) recognised in profit and loss	<u>5</u>	<u>-</u>	<u>5</u>	<u>-</u>
Fair value gain/ (loss) recognised in other comprehensive income	<u>-</u>	<u>884</u>	<u>-</u>	<u>884</u>
Gain/ (loss) on disposals	<u>15</u>	<u>-</u>	<u>15</u>	<u>-</u>

Details of investment in quoted securities by the Group as at 31 March 2011 are as follows :-

	Held for trading investments RM'000	Available- for-sale investments RM'000
- at cost	<u>682</u>	<u>20,289</u>
- at carrying amount	<u>938</u>	<u>12,151</u>
- at market value	<u>938</u>	<u>12,151</u>

22. 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 25(a).

- (b) On 2 February 2011, the Company announced that the Board of Directors of the Company had resolved to seek the approval from its shareholders for the proposed disposal by ASC 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 ("Proposed Disposal").

On 20 May 2011, the Company despatched the circular to shareholders in relation to the Proposed Disposal and the notice of an extraordinary general meeting which will be held on 6 June 2011 to procure its shareholders' approval for the Proposed Disposal.

The legal proceedings in respect of the Proposed Disposal are set out in Note 25(b).

23. Group borrowings

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

	As At <u>31.03.2011</u> RM'000	As At <u>31.12.2010</u> RM'000
Short term - secured		
- Term loans	34,705	34,513
- Bank overdraft	4,645	-
- Hire purchase payables	96	115
- Finance lease payable	1,541	1,540
	<u>40,987</u>	<u>36,168</u>
Long term - secured		
- Term loans	55,098	54,302
- Hire purchase payables	71	81
- Finance lease payable	21,048	21,019
Long term - unsecured		
- Term loans	6,067	6,067
	<u>82,284</u>	<u>81,469</u>
Total borrowings	<u><u>123,271</u></u>	<u><u>117,637</u></u>

- (b)

	As At <u>31.03.2011</u> RM'000	As At <u>31.12.2010</u> RM'000
Australian Dollars	6,068	6,067
Sterling Pounds	1,187	1,227
Euro	<u>13,418</u>	<u>13,106</u>

24. 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.

25. 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. The Company's solicitors have obtained the signed and sealed copy of the Judgment in Default of Appearance dated 1 August 2004 ("Default Judgment") from the High Court of Alor Setar for the sum of RM52,500,000, interest thereon at the rate of 8% per annum from the date of judgment to the date of realisation and cost of RM225. On 10 November 2004, PKNK applied to the court to set aside the Default Judgment. On 3 August 2005, the court had allowed PKNK's application to set aside the Default Judgment. As a procedural step to progress the suit to a trial, the Company's 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 ("PTCM") 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.

Since then, the case was fixed for case management, mention and PTCM on various dates and the last date fixed for further PTCM was on 2 November 2010.

At the hearing on 13 January 2011 for PKNK's application for the determination of points or issues of law for the disposal of the case, the Court was of the view that the Company's claim is time-barred under the Public Authorities Protection Act ("PAPA") or even if not under PAPA, then it is time-barred under the Limitation Act and as such, the Company's claim against PKNK was dismissed with costs.

The Company's solicitors for the litigation are of the view that the learned Judicial Commissioner erred in deciding that the Company's claim is time-barred and a notice of appeal was submitted to the Court of Appeal on 26 January 2011 against the decision given on 13 January 2011.

25. Material litigation (Continued)

- (b) Further to the originating summons no. D-24NCC-72-2009 dated 3 November 2009 which was issued on the application of ACE INA (as "Plaintiff") and served on ASC (as "Defendant") on 9 November 2009 ("Originating Summons"), ASC had on 13 September 2010 received a letter dated 9 September 2010 from Bank Negara Malaysia in response to ASC's letter which was submitted pursuant to a Court Order; notifying ASC that the Minister of Finance has approved the proposed disposal by ASC of its 49% equity interest in ASIB to ACE INA pursuant to Section 67 of the Insurance Act 1996 ("Transaction").

Subsequently on 22 September 2010, the Company announced that ASC has received a letter dated 20 September 2010 from the solicitors of ACE INA ("ACE INA Solicitors") notifying ASC that ACE INA has accepted the terms of the Minister of Finance's approval ("MOF Approval") in respect of the Transaction. In the said letter, ACE INA Solicitors informed ASC that the relevant sale and purchase agreement must be executed by ASC and the Company within 3 days from the date of the letter, failing which the agreement is deemed to have become effective and binding on ASC and the Company. ACE INA Solicitors also informed ASC that completion of the Transaction shall occur on 28 September 2010.

On 29 November 2010, the Kuala Lumpur High Court granted with costs various orders sought by ACE INA, the effect of which is to compel ASC to perform the aforesaid Transaction ("Court Order").

The following legal proceedings between ASC and ACE INA in connection with the Court Order/Transaction have been dismissed:-

- (i) ASC's motion to the Federal Court filed on 8 April 2011 for an Order that:-
- (aa) the Order made by the Federal Court on 8 November 2010 dismissing the ASC's motion in the Federal Court for Leave to Appeal to the Federal Court against the decision of the Court of Appeal made on 9 July 2010 dismissing ASC's Appeal against the Order made in the Originating Summons on 12 May 2010, be set aside; and
 - (bb) in the alternative, Leave be granted to Appeal against the decision of the Court of Appeal given on 9 July 2010.
- (ii) ASC's motion for Leave for Appeal to the Federal Court filed on 8 April 2011 against the dismissal by the Court of Appeal on 16 February 2011 of ASC's Intervention Appeal arising from the Intervention Order granted to ACE INA in the Judicial Review Proceedings.
- (iii) ASC's appeal against the Court Order filed on 19 April 2011.
- (iv) ASC's Application for Leave for Judicial Review at the High Court filed on 21 April 2011, and consequently, no order was made on ASC's application to stay the MOF Approval for the Transaction.

ACE INA commenced committal proceedings against ASC, the Company and their directors for alleged disobedience of the Court Order ("the Application"). The Application was heard on 29 April 2011 and the Court has on 20 May 2011 delivered its decision and issued orders for committal against ASCAP, ASB and their directors. The Court has fixed sentencing for 27 May 2011. Appeals to the Court of Appeal against the said orders of the High Court will be filed.

26. Retained Earnings

	<u>As At</u> <u>31.03.2011</u> RM'000	<u>As At</u> <u>30.12.2010</u> RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries		
- Realised losses	(451,942)	(448,054)
- Unrealised losses	(24,241)	(22,948)
Total retained profits/(accumulated losses) from associates		
- Realised profits	64,691	65,586
- Unrealised losses	(658)	(658)
Total retained profits/(accumulated losses) from jointly controlled entities		
- Realised losses	(357)	(289)
- Unrealised profits	-	-
	<u>(412,507)</u>	<u>(406,363)</u>
Less: Consolidation adjustments	482,854	476,779
Total Group retained profits as per Consolidated financial statements	<u><u>70,347</u></u>	<u><u>70,416</u></u>

27. Dividend

The Directors do not recommend the payment of any dividend for the financial period ended 31 March 2011.

28. Earnings/(Loss) per share

Basic earnings/(loss) per share

The basic 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 RM(69,000), divided by the weighted average number of ordinary shares of 492,723,749 for the current quarter and current year-to-date as follows:

	3 months ended		Year to date ended	
	<u>31.03.2011</u>	<u>31.03.2010</u>	<u>31.03.2011</u>	<u>31.03.2010</u>
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the year	488,160,030	473,378,927	488,160,030	473,378,927
Weighted average number of new ordinary shares arising from ICULS converted to date	4,479,136	467,223	4,479,136	467,223
Weighted average number of new issuance of ordinary shares	84,583	-	84,583	-
Weighted average number of ordinary shares	<u><u>492,723,749</u></u>	<u><u>473,846,150</u></u>	<u><u>492,723,749</u></u>	<u><u>473,846,150</u></u>
	3 months ended		Year to date ended	
	<u>31.03.2011</u>	<u>31.03.2010</u>	<u>31.03.2011</u>	<u>31.03.2010</u>
Basic earnings/(loss) per share (sen)	<u><u>(0.01)</u></u>	<u><u>0.62</u></u>	<u><u>(0.01)</u></u>	<u><u>0.62</u></u>

28. 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 RM201,000, after adjusting for interest saving on ICULS, divided by the weighted average number of ordinary shares of 929,017,034 for the current quarter and current year-to-date as follows:

	3 months ended		Year to date ended	
	<u>31.03.2011</u>	<u>31.03.2010</u>	<u>31.03.2011</u>	<u>31.03.2010</u>
	RM'000		RM'000	
Net profit/(loss) attributable to equity holders	(69)	2,948	(69)	2,948
Profit impact of assumed conversion- Interest on ICULS	270	361	270	361
	<u>201</u>	<u>3,309</u>	<u>201</u>	<u>3,309</u>

Weighted average number of ordinary shares (diluted)

	3 months ended		Year to date ended	
	<u>31.03.2011</u>	<u>31.03.2010</u>	<u>31.03.2011</u>	<u>31.03.2010</u>
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the year	488,160,030	473,378,927	488,160,030	473,378,927
Weighted average number of new ordinary shares arising from ICULS converted to date	4,479,136	467,223	4,479,136	467,223
Weighted average number of new issuance of ordinary shares	84,583	-	84,583	-
Weighted average number of new ordinary shares assuming conversion of the remaining ICULS	436,293,285	455,086,303	436,293,285	455,086,303
Weighted average number of ordinary shares	<u>929,017,034</u>	<u>928,932,453</u>	<u>929,017,034</u>	<u>928,932,453</u>

	3 months ended		Year to date ended	
	<u>31.03.2011</u>	<u>31.03.2010</u>	<u>31.03.2011</u>	<u>31.03.2010</u>
Diluted earnings/(loss) per share (sen)	<u>Anti-dilutive</u>	<u>0.36</u>	<u>Anti-dilutive</u>	<u>0.36</u>

29. Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
25 May 2011