

ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED
31 MARCH 2013

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the quarter ended 31 March 2013.

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 2012.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	<u>3 months ended</u>		<u>Year-to-date</u>	
	<u>31.03.2013</u>	<u>31.03.2012</u>	<u>31.03.2013</u>	<u>31.03.2012</u>
	<u>RM’000</u>	<u>RM’000</u>	<u>RM’000</u>	<u>RM’000</u>
Revenue	58,621	53,170	58,621	53,170
Cost of sales	(36,534)	(32,973)	(36,534)	(32,973)
Gross profit	22,087	20,197	22,087	20,197
Other operating income	2,485	16,567	2,485	16,567
Operating expenses	(23,630)	(22,486)	(23,630)	(22,486)
Profit from operations	942	14,278	942	14,278
Finance costs	(1,300)	(1,700)	(1,300)	(1,700)
Share of results of associates	(403)	(356)	(403)	(356)
Profit/(Loss) before tax	(761)	12,222	(761)	12,222
Income tax expense	(831)	(777)	(831)	(777)
Net profit/(loss) for the financial period	<u>(1,592)</u>	<u>11,445</u>	<u>(1,592)</u>	<u>11,445</u>
Attributable to:				
Owners of the parent	(2,168)	5,784	(2,168)	5,784
Non-controlling interests	576	5,661	576	5,661
	<u>(1,592)</u>	<u>11,445</u>	<u>(1,592)</u>	<u>11,445</u>
Earnings/(Loss) per share attributable to owners of the parent:				
Basic (sen)	<u>(0.42)</u>	<u>1.14</u>	<u>(0.42)</u>	<u>1.14</u>
Diluted (sen)	<u>(0.42)</u>	<u>0.65</u>	<u>(0.42)</u>	<u>0.65</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 3 months ended	
	<u>31.03.2013</u> RM'000	<u>31.03.2012</u> RM'000	<u>31.03.2013</u> RM'000	<u>31.03.2012</u> RM'000
Net profit/(loss) for the financial period	(1,592)	11,445	(1,592)	11,445
Other comprehensive income/(expenses):				
Item that will not be reclassified to profit or loss	-	-	-	-
Item that are or may be reclassified subsequently to profit or loss:				
Fair value of available-for-sale financial assets	1,608	2,813	1,608	2,813
Share of other comprehensive income of associates, net of tax	(3)	-	(3)	-
Foreign currency translation differences for foreign operations	(760)	(3,597)	(760)	(3,597)
Total item that are or may be reclassified subsequently to profit or loss	845	(784)	845	(784)
Other comprehensive income/(loss) for the financial period	845	(784)	845	(784)
Total comprehensive income/(loss) for the financial period	<u>(747)</u>	<u>10,661</u>	<u>(747)</u>	<u>10,661</u>
Attributable to:				
Owners of the parent	(1,081)	4,956	(1,081)	4,956
Non-controlling interests	334	5,705	334	5,705
Total comprehensive income/(loss) for the financial period	<u>(747)</u>	<u>10,661</u>	<u>(747)</u>	<u>10,661</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at <u>31.03.2013</u> RM'000	As at <u>31.12.2012</u> RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	151,620	155,457
Investment properties	8,870	8,870
Investment in associates	35,933	34,341
Investment securities	35,894	34,286
Goodwill on consolidation	92,027	92,027
Intangible assets	16,848	17,153
Trade, other receivables and other assets	2,418	2,417
Deferred tax assets	3,115	3,139
	346,725	347,690
<u>Current assets</u>		
Progress billings	2,432	546
Inventories	59,003	60,498
Trade and other receivables	65,577	61,292
Tax recoverable	3,875	4,213
Investment securities	465	518
Short term deposits	83,592	92,068
Cash and bank balances	38,578	37,948
	253,522	257,083
Non-current assets classified as held for sale	29,327	29,327
TOTAL ASSETS	<u>629,574</u>	<u>634,100</u>
EQUITY AND LIABILITIES		
<u>Equity attributable to owners of the parent</u>		
Share capital	154,115	154,115
Irredeemable Convertible Unsecured Loan		
Stocks ("ICULS") - equity component	108,722	108,722
Reserves	195,735	196,533
	458,572	459,370
Non-controlling interests	38,130	38,079
Total equity	<u>496,702</u>	<u>497,449</u>
<u>Non-current liabilities</u>		
Borrowings	50,393	51,179
ICULS - liability component	10,197	10,486
Other payables	5,745	5,746
Deferred tax liabilities	2,549	2,553
Provision for retirement benefit obligations	1,077	1,042
	69,961	71,006
<u>Current liabilities</u>		
Trade and other payables	52,276	58,047
Borrowings	9,466	6,314
Tax payable	1,169	1,284
	62,911	65,645
Total Liabilities	<u>132,872</u>	<u>136,651</u>
TOTAL EQUITY AND LIABILITIES	<u>629,574</u>	<u>634,100</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2013

	← <i>Attributable to owners of the parent</i> →									
	Share Capital	ICULS- Equity Component	← <i>Non-distributable</i>			→ <i>Distributable</i>		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 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	-	-	-	-	-	-	(2,168)	(2,168)	576	(1,592)
Fair value of available-for-sale financial assets	-	-	-	-	-	1,608	-	1,608	-	1,608
Share of other comprehensive income of associates, net of tax	-	-	-	-	(3)	-	-	(3)	-	(3)
Foreign currency translation differences for foreign operations	-	-	-	(1)	(517)	-	-	(518)	(242)	(760)
Total comprehensive income/(loss) for the financial period	-	-	-	(1)	(520)	1,608	(2,168)	(1,081)	334	(747)
Transactions with owners in their capacity as owners:										
Acquisition of additional shares in a subsidiary	-	-	-	-	-	-	283	283	(283)	-
	-	-	-	-	-	-	283	283	(283)	-
Balance as at 31 March 2013	154,115	108,722	117,317	12,765	(9,941)	6,269	69,325	458,572	38,130	496,702

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2012

	← 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 2012	151,318	111,162	117,317	12,769	(8,389)	2,130	74,643	460,950	31,777	492,727
Net profit for the financial period	-	-	-	-	-	-	5,784	5,784	5,661	11,445
Fair value of available-for-sale financial assets	-	-	-	-	-	2,813	-	2,813	-	2,813
Foreign currency translation differences for foreign operations	-	-	-	(5)	(3,636)	-	-	(3,641)	44	(3,597)
Total comprehensive income/(loss) for the financial period	-	-	-	(5)	(3,636)	2,813	5,784	4,956	5,705	10,661
Transactions with owners in their capacity as owners:										
Deemed partial disposal of interest in a subsidiary	-	-	-	-	-	-	(21)	(21)	21	-
Issue of new ordinary shares pursuant to the conversion of ICULS	1,254	(1,094)	-	-	-	-	-	160	-	160
	1,254	(1,094)	-	-	-	-	(21)	139	21	160
Balance as at 31 March 2012	152,572	110,068	117,317	12,764	(12,025)	4,943	80,406	466,045	37,503	503,548

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIOD ENDED 31 MARCH 2013**

	3 months ended <u>31.03.2013</u> RM'000	3 months ended <u>31.03.2012</u> RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	(761)	12,222
Adjustments for :-		
Non-cash items	5,207	(10,083)
Other investing and financing items	287	678
Operating profit before working capital changes	<u>4,733</u>	<u>2,817</u>
Changes in working capital		
Inventories	1,495	1,568
Receivables	(6,124)	(5,450)
Payables	(5,782)	(5,878)
Cash used in operations	<u>(5,678)</u>	<u>(6,943)</u>
Tax paid	(582)	(1,093)
Net cash used in operating activities	<u>(6,260)</u>	<u>(8,036)</u>
Cash flows from investing activities		
Acquisition of intangible assets	(542)	(707)
Investment in associates	(1,991)	(100)
Acquisition of held for trading investments	(20)	(94)
Dividend income received	-	68
Interest received	1,013	954
Proceeds from disposal of held for trading investments	20	94
Proceeds from disposal of non-current assets classified as held for sale	-	372
Proceeds from disposal of property, plant and equipment	24	96
Net cash flow from acquisition of a subsidiary	-	(9,869)
Purchase of property, plant and equipment	(543)	(5,356)
Net cash used in investing activities	<u>(2,039)</u>	<u>(14,542)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIOD ENDED 31 MARCH 2013 (Continued)**

	3 months ended <u>31.03.2013</u> RM'000	3 months ended <u>31.03.2012</u> RM'000
Cash flows from financing Activities		
Drawdown of term loans	200	-
Interest paid	(1,553)	(3,980)
Payments to hire purchase payables	(10)	(33)
Pledge of short term deposits	(480)	(8,178)
Repayment of term loans	(612)	(1,204)
Net cash used in financing activities	<u>(2,455)</u>	<u>(13,395)</u>
Effect of exchange rate changes	(474)	(2,108)
Net decrease in cash and cash equivalents	<u>(11,228)</u>	<u>(38,081)</u>
Cash and cash equivalents as at beginning of financial year		
As previously reported	91,249	161,235
Effect of exchange rate changes	(108)	(444)
As restated	91,141	160,791
Cash and cash equivalents as at end of financial period *	<u>79,913</u>	<u>122,710</u>
* Cash and cash equivalents at the end of the financial period comprising the following :		
Short term deposits	83,592	121,300
Cash and bank balances	38,578	40,316
Bank overdrafts	(3,748)	(1,047)
	<u>118,422</u>	<u>160,569</u>
Less : Deposits placed with lease creditors as security deposit for lease payments	(19,987)	(19,079)
Restricted deposits	(9,000)	(9,000)
Cash held under Housing Development Accounts	(519)	(504)
Deposits pledged to licensed banks	(9,003)	(9,276)
	<u>(38,509)</u>	<u>(37,859)</u>
	<u>79,913</u>	<u>122,710</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 2012.

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 2012, 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:

New MFRSs

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

Revised MFRSs

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

Amendments/Improvements to MFRSs

MRFS 1	First-time Adoption of Malaysian Financial Reporting Standards
MRFS 7	Financial Instruments : Disclosures - Offsetting Financial Assets and Financial Liabilities
MRFS 10	Consolidated Financial Statements : Transition Guidance
MRFS 11	Joint Arrangements : Transition Guidance
MFRS 12	Disclosure of Interests in Other Entities : Transition Guidance
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, plant and equipment (Annual Improvements 2009-2011 Cycle)
MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
MFRS 134	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)

Amendments to IC Int

IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments
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The adoption of the above MFRSs and Amendments/Improvements to MFRSs 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
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Amendments/Improvements to MFRSs

MFRS 10	Consolidated Financial Statements : Investment Entities
MFRS 12	Disclosure of Interests in Other Entities : Investment Entities
MFRS 127	Separate Financial Statements : Investment Entities
MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

3. Audit report

The auditors' report on the financial statements for the year ended 31 December 2012 was not subject to any qualification.

4. Seasonal or cyclical factors

The operations of the Group for the quarter ended 31 March 2013 were not materially affected by any seasonal or cyclical factors.

5. Unusual items

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

6. Changes in estimates

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

7 Debt and equity securities

There were no issuances, cancellations, repurchases, resale and/or repayments of debt and equity securities during the financial period ended 31 March 2013.

8 Dividends paid

There was no payment of any dividend during the financial period ended 31 March 2013.

9. Segmental Information

For the financial period ended 31 March 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	262	18,115	10,047	2,574	21,540	6,083	-	58,621
Inter-segment	194	-	-	2	58	-	(254)	-
Total revenue	456	18,115	10,047	2,576	21,598	6,083	(254)	58,621
Results								
Segment results	(1,795)	1,130	1,329	372	394	(1,807)	19	(358)
Share of results of associates	(411)	155	-	-	(147)	-	-	(403)
Consolidated profit/(loss) before tax	(2,206)	1,285	1,329	372	247	(1,807)	19	(761)
Income tax expense								(831)
Consolidated profit/(loss) after tax								(1,592)
Non-controlling interests								(576)
Net profit/(loss) for the financial period								(2,168)

9. Segmental Information (Continued)

For the financial period ended 31 March 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	54,529	220,996	162,159	55,806	14,638	49,196	-	557,324
Investment in associates	15,917	20,016	-	-	-	-	-	35,933
Non-current assets classified as held for sale	-	29,327	-	-	-	-	-	29,327
Unallocated corporate assets								6,990
Total assets								629,574
Segment liabilities	12,548	69,454	18,080	5,033	5,256	18,783	-	129,154
Unallocated corporate liabilities								3,718
Total liabilities								132,872
Capital expenditure:								
- Property, plant & equipment	12	316	196	-	-	19	-	543
- Software development expenditure	-	-	542	-	-	-	-	542

9. Segmental Information (Continued)

For the financial period ended 31 March 2012

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External	288	17,676	8,109	1,818	20,104	5,175	-	53,170
Inter-segment	187	-	-	2	155	-	(344)	-
Total revenue	475	17,676	8,109	1,820	20,259	5,175	(344)	53,170
Results								
Segment results	(2,028)	1,902	13,707	388	267	(1,854)	196	12,578
Share of results of associates	(471)	(3)	118	-	-	-	-	(356)
Consolidated profit/(loss) before tax	(2,499)	1,899	13,825	388	267	(1,854)	196	12,222
Income tax expense								(777)
Consolidated profit/(loss) after tax								11,445
Non-controlling interests								(5,661)
Net profit/(loss) for the financial year								5,784

9. Segmental Information (Continued)

For the financial period ended 31 March 2012

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Other information</u>								
Segment assets	138,317	220,532	157,745	55,255	15,192	43,647	-	630,688
Investment in associates	16,289	3,962	-	-	-	-	-	20,251
Non-current assets held for sale	7,791	-	-	-	-	-	-	7,791
Unallocated corporate assets								5,891
Total assets								664,621
Segment liabilities	14,574	95,241	15,862	5,698	6,863	19,359	-	157,597
Unallocated corporate liabilities								3,476
Total liabilities								161,073
Capital expenditure								
- Property, plant and equipment	90	1,138	43	-	11	4,074	-	5,356
- Investment properties	-	-	707	-	-	-	-	707

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 2012.

11. Significant events after the reporting period

There are no significant subsequent events.

12. Changes in the composition of the Group

- (a) On 3 January 2013, Alangka-Suka International Limited ("ASIL"), an indirect wholly-owned subsidiary of the Company [held via Alangka-Suka Hotels & Resorts Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company], acquired the remaining 10,000 ordinary shares of USD1.00 each representing 10% equity interest in P.T. Diwangkara Holiday Villa Bali ("P.T. Diwangkara") not already owned by ASIL for a total cash consideration of USD34,114.60 from Mr Jeffry Budiman Rahardja. Consequential thereto, P.T. Diwangkara became an indirect wholly-owned subsidiary of the Company held via ASIL.
- (b) Holiday Villa Assets Sdn Bhd, an indirect wholly-owned subsidiary of the Company has on 5 January 2013 acquired an additional 8.6% equity interest in Posthotel Arosa AG ("Arosa") comprising 172 fully paid up registered shares of CHF 500 each from Mr Jacques Rüdissler and Mrs Verena Maria Rüdissler for a total cash consideration of CHF 596'999.96 and consequently, Arosa became a 48.6%-owned associate of the Company.
- (c) On 10 January 2013, the Company announced that Antara Holiday Villas Sdn Bhd ("AHV"), an indirect wholly-owned subsidiary of the Company [held via Alangka-Suka Hotels & Resorts Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company], entered into a Joint Venture Agreement on 10 January 2013 with TH Hotel & Residence Sdn Bhd ("THHR") to incorporate a private limited company in Malaysia ("JV Company") with a view to jointly manage the hotel to be developed by Lembaga Tabung Haji at Kuala Nerus, Kuala Terengganu, Terengganu ("Hotel") under the Holiday Villa brand upon completion of the Hotel which is expected to be by middle of 2013. Upon the incorporation of the JV Company, the JV Company will become a 70%-owned subsidiary of the Company held via AHV. On 9 May 2013, the JV Company, namely THV Management Services Sdn Bhd was incorporated.
- (d) On 11 January 2013, the Company announced its acquisition of 100% equity interest comprising 2 issued and paid-up ordinary shares of RM1.00 each in a shelf company, Segi Koleksi Sdn Bhd ("SKSB"). On 5 February 2013, the equity structure of SKSB was reconstituted to facilitate the Company's investment in the educational business via SKSB, resulting in the Company holding 70% of the enlarged share capital of SKSB while Pacific Existence Sdn Bhd, a company in which the Group Executive Chairman of the Company has an interest, holds the remaining 30%.
- (e) On 16 January 2013, Synergy Tours Sdn Bhd ("Synergy Tours"), 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 49%-owned associate company in Indonesia, PT Panorama Synergy Indonesia. The principal activity of PT Panorama Synergy Indonesia is to operate the travel and tours business.
- (f) On 26 December 2012, the Company announced that the inactive wholly-owned subsidiaries of the Company held via ASC, namely Triton Engineering Sdn Bhd, Triton Express Sdn Bhd and Triton Khidmat Sdn Bhd, have respectively passed resolutions to apply to the Registrar of Companies ("ROC") to strike-off the name of the company from the register pursuant to Section 308(1) of the Companies Act, 1965 ("Applications") and the Applications have been submitted to the Registrar of Companies on 26 December 2012. As at 31 March 2013, these subsidiaries have yet to receive any notification from the ROC on the status of their applications.

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 2012.

14. Review of performance

For the current period ended 31 March 2013, all divisions recorded higher revenue resulting in a higher Group revenue of RM58.6 million compared to a revenue of RM53.2 million in the corresponding period last year. In line with the higher revenue, the gross profit for the Group was also higher by 9.4% at RM22.1 million for the current quarter ended 31 March 2013 compared to RM20.2 million in the corresponding period last year. The higher gross profit was mainly contributed by our Information & Communications Technology and Coach Building divisions. In the corresponding period last year, included in the other income is the fair value gain of RM12.9 million arising from accounting standard MFRS 3 Business Combinations on remeasuring the existing 40% equity interest in Ahead Mobile Sdn Bhd ("AMSB"), following the acquisition of the remaining 60% equity interest in this former associated company by our Information & Communications Technology division which was completed on 16 January 2012 ("Fair Value Gain"). Excluding the Fair Value Gain, the Group recorded marginally lower results for the current period ended 31 March 2013 of loss before tax of RM0.8 million compared to a loss before tax of RM0.7 million in the first quarter of last year.

Investment Holding

The division recorded a loss of RM2.2 million in the current quarter ended 31 March 2013 compared to a loss of RM2.5 million in the corresponding period last year attributable mainly to lower interest expense in this quarter.

Hotels & Resorts

The Hotels & Resorts division registered a marginally higher revenue for this quarter under review of RM18.1 million as compared to RM17.7 million for the corresponding quarter last year. Despite the marginally higher revenue, the division recorded a lower profit before tax of RM1.3 million in the current quarter compared to a profit of RM1.9 million in the same period last year mainly due to the higher depreciation cost in relation to our Sudan hotel operation.

Information & Communications Technology

The Information & Communications Technology division registered a higher revenue for the first quarter ended 31 March 2013 of RM10.0 million compared to RM8.1 million in the corresponding period last year. The higher revenue is mainly attributable to the increase in system sale revenue under all Business Units ("BUs") in South East Asia ("SEA") and Middle East and Africa ("MEA") regions, increase in maintenance contracts revenue under Value Added Services ("VAS") and Operation Support System ("OSS") BUs in SEA and MEA and increase in revenue share contracts revenue under VAS BU in SEA. Despite the higher revenue, this division recorded a lower profit before tax of RM1.3 million in the current quarter compared to RM13.8 million in the same quarter last year mainly due to the Fair Value Gain last year.

Property Development

The Property Development division registered a higher revenue for the quarter under review of RM2.6 million compared to RM1.8 million in the corresponding quarter last year. However, the profit of RM0.37 million in this quarter under review is marginally lower than the profit of RM0.39 million recorded in the same quarter last year as there was a gain on disposal of an asset of RM0.12 million recorded last year.

Travel & Tours

For the current quarter ended 31 March 2013, our Travel & Tours division achieved a higher revenue of RM21.6 million as compared to a revenue of RM20.3 million in the first quarter last year. Despite the higher revenue achieved in this quarter, the profit before tax was RM0.25 million compared to the corresponding period last year of RM0.27 million. The lower profit in the current period was mainly due to the share of loss in an associate.

Others

Other divisions registered higher revenue of RM6.1 million in the quarter under review compared to RM5.2 million in the corresponding period last year. This resulted in a marginally lower loss for the current period ended 31 March 2013 of RM1.8 million compared to a loss of RM1.9 million in the same period last year. The lower loss was mainly due to improvement in the performance of the Coach Building and Traditional Chinese Medicine divisions.

15. Comparison of results with preceding quarter

The Group revenue of RM58.6 million for the current quarter ended 31 March 2013 was lower by 5.8% from the revenue in the previous quarter ended 31 December 2012 of RM62.2 million. This was mainly due to the lower revenue from the Hotels & Resorts, Information & Communications Technology and Travel & Tours divisions, partly offset by higher revenue from the Property Development and Other divisions. With the lower revenue, the Group recorded a loss before tax of RM0.8 million for this quarter compared to the previous quarter profit of RM0.9 million.

Investment Holding

The Investment Holding division recorded a loss before tax of RM2.2 million for the first quarter ended 31 March 2013 compared to a profit of RM16.9 million for the preceding quarter ended 31 December 2012. The profit in the last quarter was mainly attributable to dividends received from subsidiaries (eliminated at group level) and gain on disposal of property, plant and equipment.

Hotels & Resorts

Despite the lower revenue for this quarter under review of RM18.1 million compared to RM20.9 million in the preceding quarter, our Hotels & Resorts division recorded a higher profit before tax of RM1.3 million compared to RM0.4 million in the last quarter. The improvement in profit in this quarter is mainly due to better gross profit, lower overhead and higher contribution from associates.

Information & Communications Technology

The Information & Communications Technology division registered lower revenue the first quarter ended 31 March 2013 of RM10.1 million compared to RM11.7 million in the preceding quarter. The lower revenue in the quarter under review is mainly due to decrease in OSS and Mobile Technology ("TECH") BUS' system sale revenue in SEA. This division however recorded a higher profit before tax in the current quarter of RM1.3 million as compared to RM0.3 million last quarter. The higher profit is mainly attributable to lower overhead and in the previous quarter, there were higher provision and impairment on project assets, other assets and development cost, which is partly offset by the fair value gain on contingent consideration recognised in the previous quarter on the acquisition of AMSB arising from the foreseeable lower balance consideration that is expected to be paid in 2013 and 2014.

Property Development

The Property Development division recorded a higher revenue of RM2.6 million for the first quarter ended 31 March 2013 compared to RM2.1 million in the preceding quarter, an increase of 23.8%. However, the increase in revenue is not reflected in the profit before tax which has only marginally increased to RM0.37 million for the current quarter under review compared to a profit before tax of RM0.35 million for the preceding quarter mainly due to lower gross profit margin achieved in this quarter compared to the margin in the preceding quarter.

Travel & Tours

The Travel & Tours division recorded a marginally lower revenue for the quarter ended 31 March 2013 of RM21.6 million compared to RM21.9 million in the preceding quarter, a 1.3% decline in revenue. The flow-down effect of lower revenue coupled with higher overheads and higher loss from an associate in this quarter resulted in a drop in profit before tax from RM0.4 million in the last quarter to RM0.3 million in the current quarter under review.

Others

The Other divisions showed an improvement in their revenue for the quarter under review of RM6.1 million compared to RM5.6 million in the preceding quarter. However, the improved revenue is not reflected in the current quarter's results which showed a loss of RM1.8 million compared to a profit of RM0.8 million in the preceding quarter. The profit in the preceding quarter was contributed by the much higher other income arising from the internal restructuring of capital for our Card & Payment Services division which has no impact at Group level.

16. Prospects

The Directors expect the Group's operating environment to remain challenging for the financial year ending 31 December 2013 largely due to the uncertainty in economic outlook and any recovery in global conditions expected to be gradual.

The Group will continue to execute key strategies including implementing growth and development plans which may involve geographical expansion, increasing distribution channels and product development.

Besides existing development projects which will continue to contribute to its earnings in 2013, the Property Development division will launch a new project situated in Matang, Kuching in third quarter of 2013.

Our Hotels & Resorts division will continue to search for opportunities to expand its operations and will implement strategies to aggressively secure hotel management and operating agreements in various countries in 2013.

The Information & Communications Technology division expects the year ahead to remain challenging mainly due to the competitive pressure on the pricing of the division's solution that are sold primarily on a system-sale model. However the division expects this situation to be cushioned somewhat by the revenue contribution from the growth of managed services contract portfolio.

The inbound travel and tours business may continue to experience volatility in its overseas market but expects the situation in the second half of the year to stabilise due to our continued intense marketing efforts and resurgence of bookings from key markets. Our outbound travel and tours business is expected to continue to enjoy strong demand from the domestic market.

The Other divisions are still under-performing and we expect continued challenges to improve their organic growth. The focus for these Other divisions would be to seek out opportunities and implement strategies to drive up revenue.

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>31.03.2013</u> RM'000	Year- to-date ended <u>31.03.2013</u> RM'000
On current quarter/period results		
- Malaysian income tax	777	777
- Overseas taxation	36	36
Over provision in prior year	(8)	(8)
Transfer (to)/from deferred taxation	26	26
	<u>831</u>	<u>831</u>

The effective tax rate of the Group for the financial quarter and year-to-date ended 31 December 2013 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. 22-95-2004 against PKNK to recover its investment in KMSB. Details of this legal suit are set out in Note 23(a).

21. Group borrowings

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

	As At <u>31.03.2013</u> RM'000	As At <u>31.12.2012</u> RM'000
Short term - secured		
- Term loans	2,786	2,646
- Bank overdraft	3,748	738
- Hire purchase payables	22	28
- Finance lease payable	1,558	1,556
Short term - unsecured		
- Term loans	<u>1,352</u>	<u>1,346</u>
	<u>9,466</u>	<u>6,314</u>
Long term - secured		
- Term loans	24,171	25,024
- Hire purchase payables	57	63
- Finance lease payable	21,278	21,253
Long term - unsecured		
- Term loans	<u>4,887</u>	<u>4,839</u>
	<u>50,393</u>	<u>51,179</u>
Total borrowings	<u><u>59,859</u></u>	<u><u>57,493</u></u>

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

	As At <u>31.03.2013</u> RM'000	As At <u>31.12.2012</u> RM'000
Australian Dollars	6,239	6,185
Sterling Pounds	677	777
Euro	<u>10,746</u>	<u>11,225</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 had on 14 June 2004 instituted legal action 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 to appeal to the Federal Court of Malaysia vide Civil Application No.: 08-772-10/2012. The application for leave has not been heard and is currently fixed for case management on 3 July 2013. A hearing date will only be fixed by the Federal Court of Malaysia once the written Grounds of Judgment are made available to the parties by the Court of Appeal of Malaysia. The Company expects the leave application to be heard before the end of the year.

24. Notes To The Statement of Comprehensive Income

Included in the operating profit are:

	3 months ended <u>31.03.2013</u> RM’000	3 months ended <u>31.03.2012</u> RM’000
Amortisation of intangible assets	(703)	(389)
Depreciation	(3,952)	(1,687)
Bad debts written off	(6)	-
Fair value gain on remeasurement of UCSB’s 40% equity interest in an associate	-	12,932
Gain/(loss) on disposal of:		
- held for trading investment	(53)	2
- non-current assets classified as held for sale	-	124
- property, plant and equipment	21	91
Gross dividend income	-	68
Impairment loss on:		
- loan and receivables	(8)	(4)
Interest expenses	(1,300)	(1,700)
Interest income	1,013	954
Net unrealised (loss)/gain on foreign exchange	(9)	(595)
Property, plant and equipment written off	(59)	(7)
Provision for retirement plan	(35)	(45)
Write back of impairment loss on:		
- held for trading investment	-	17

25. Retained Earnings

	<u>As At</u> <u>31.03.2013</u> RM'000	<u>As At</u> <u>31.03.2012</u> RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries		
- Realised	(377,364)	(375,964)
- Unrealised	(8,507)	(9,353)
Total retained profits/(accumulated losses) from associates		
- Realised	(3,220)	(3,458)
- Unrealised	-	215
Total retained profits/(accumulated losses) from jointly controlled entities		
- Realised	(757)	(723)
- Unrealised	-	-
	<u>(389,848)</u>	<u>(389,283)</u>
Consolidation adjustments	459,173	469,689
Total Group retained profits as per consolidated financial statements	<u>69,325</u>	<u>80,406</u>

26. Dividend

The Board does not recommend the payment of any dividend during the financial period ended 31 March 2013.

27. (Loss)/Earnings per share

Basic (loss)/earnings 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(2,168,000), divided by the weighted average number of ordinary shares of 513,715,830 for the current quarter and current year-to-date as follows:

	<u>3 months ended</u>		<u>Year-to-date ended</u>	
	<u>31.03.2013</u>	<u>31.03.2012</u>	<u>31.03.2013</u>	<u>31.03.2012</u>
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the year	513,715,830	504,391,530	513,715,830	504,391,530
Weighted average number of new ordinary shares arising from ICULS converted to date	-	1,871,024	-	1,871,024
Weighted average number of ordinary shares	<u>513,715,830</u>	<u>506,262,554</u>	<u>513,715,830</u>	<u>506,262,554</u>
	<u>3 months ended</u>		<u>Year-to-date ended</u>	
	<u>31.03.2013</u>	<u>31.03.2012</u>	<u>31.03.2013</u>	<u>31.03.2012</u>
Basic (loss)/earnings per share (sen)	<u>(0.42)</u>	<u>1.14</u>	<u>(0.42)</u>	<u>1.14</u>

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

Diluted (loss)/earnings 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 RM(1,823,000), after adjusting for interest saving on ICULS, divided by the weighted average number of ordinary shares of 929,194,952 for the current quarter and current year-to-date assuming conversion of the remaining ICULS as follows:

	3 months ended		Year-to-date ended	
	<u>31.03.2013</u>	<u>31.03.2012</u>	<u>31.03.2013</u>	<u>31.03.2012</u>
	RM'000		RM'000	
Net (loss)/profit attributable to equity holders	(2,168)	5,784	(2,168)	5,784
Profit impact of assumed conversion-interest on ICULS	<u>345</u>	<u>282</u>	<u>345</u>	<u>282</u>
	<u>(1,823)</u>	<u>6,066</u>	<u>(1,823)</u>	<u>6,066</u>

Weighted average number of ordinary shares (diluted)

	3 months ended		Year-to-date ended	
	<u>31.03.2013</u>	<u>31.03.2012</u>	<u>31.03.2013</u>	<u>31.03.2012</u>
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the year	513,715,830	504,391,530	513,715,830	504,391,530
Weighted average number of new ordinary shares arising from ICULS converted to date	-	1,871,024	-	1,871,024
Weighted average number of new ordinary shares assuming conversion of the remaining ICULS	415,479,122	422,932,398	415,479,122	422,932,398
Weighted average number of ordinary shares	<u>929,194,952</u>	<u>929,194,952</u>	<u>929,194,952</u>	<u>929,194,952</u>

	3 months ended		Year-to-date ended	
	<u>31.03.2013</u>	<u>31.03.2012</u>	<u>31.03.2013</u>	<u>31.03.2012</u>
Diluted (loss)/earnings per share (sen)	<u>(0.42)</u>	<u>0.65</u>	<u>(0.42)</u>	<u>0.65</u>

The diluted loss per share for the current quarter and year-to-date are equivalent to the basic loss per share 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
29 May 2013