

ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED
31 MARCH 2012

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the quarter ended 31 March 2012.

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	3 months ended		Year-to-date	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	RM’000	RM’000	RM’000	RM’000
Revenue	53,170	52,713	53,170	52,713
Cost of sales	(32,973)	(34,272)	(32,973)	(34,272)
Gross profit	20,197	18,441	20,197	18,441
Other operating income	16,567	2,223	16,567	2,223
Operating expenses	(22,486)	(19,523)	(22,486)	(19,523)
Profit/(loss) from operations	14,278	1,141	14,278	1,141
Finance costs	(1,700)	(1,940)	(1,700)	(1,940)
Share of results of associates	(356)	1,672	(356)	1,672
Profit/(loss) before tax	12,222	873	12,222	873
Income tax expense	(777)	(423)	(777)	(423)
Net profit/(loss) for the financial period	11,445	450	11,445	450
Attributable to:				
Owners of the parent	5,784	(69)	5,784	(69)
Non-controlling interests	5,661	519	5,661	519
	11,445	450	11,445	450
Earnings/(loss) per share attributable to owners of the parent:				
Basic (sen)	1.14	(0.01)	1.14	(0.01)
Diluted (sen)	0.65	Anti-dilutive	0.65	Anti-dilutive

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 3 months ended	
	<u>31.03.2012</u> RM'000	<u>31.03.2011</u> RM'000	<u>31.03.2012</u> RM'000	<u>31.03.2011</u> RM'000
Net profit/(loss) for the financial period	11,445	450	11,445	450
Other comprehensive income/(expenses):				
Fair value of available-for-sale financial assets	2,813	884	2,813	884
Foreign currency translation differences for foreign operations	(3,597)	(4,855)	(3,597)	(4,855)
Other comprehensive income/(loss) for the financial period	(784)	(3,971)	(784)	(3,971)
Total comprehensive income/(loss) for the financial period	<u>10,661</u>	<u>(3,521)</u>	<u>10,661</u>	<u>(3,521)</u>
Attributable to:				
Owners of the parent	4,956	(4,068)	4,956	(4,068)
Non-controlling interests	5,705	547	5,705	547
Total comprehensive income/(loss) for the financial period	<u>10,661</u>	<u>(3,521)</u>	<u>10,661</u>	<u>(3,521)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31.03.2012 RM'000	Audited As at 31.12.2011 RM'000	As at 01.01.2011 RM'000
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	192,684	190,541	202,182
Investment properties	8,870	8,870	-
Investment in associates	20,251	22,675	30,759
Investment securities	34,679	31,866	32,673
Goodwill on consolidation	92,206	59,860	59,423
Intangible assets	17,819	17,529	16,168
Trade, other receivables and other assets	2,673	2,574	6,400
Deferred tax assets	3,090	3,141	2,870
	372,272	337,056	350,475
<u>Current assets</u>			
Property development costs	29,223	29,854	24,552
Progress billings	2,070	265	1,225
Inventories	24,663	25,599	32,950
Trade and other receivables	63,238	56,866	52,777
Tax recoverable	2,801	2,770	2,721
Investment securities	947	928	919
Short term deposits	121,300	151,635	64,135
Cash and bank balances	40,316	40,051	46,535
	284,558	307,968	225,814
Non-current assets classified as held for sale	7,791	8,038	114,955
TOTAL ASSETS	664,621	653,062	691,244
EQUITY AND LIABILITIES			
<u>Equity attributable to owners of the parent</u>			
Share capital	152,572	151,318	146,448
Irredeemable Convertible Unsecured Loan			
Stocks ("ICULS") - equity component	110,068	111,162	115,340
Reserves	203,405	198,470	195,088
	466,045	460,950	456,876
Non-controlling interests	37,503	31,777	29,670
Total equity	503,548	492,727	486,546
<u>Non-current liabilities</u>			
Borrowings	76,244	75,940	81,469
ICULS - liability component	11,718	12,278	14,391
Other payables	9,829	-	-
Deferred tax liabilities	2,610	2,620	2,748
Provision for retirement benefit obligations	921	876	747
	101,322	91,714	99,355
<u>Current liabilities</u>			
Trade and other payables	52,247	59,454	68,187
Borrowings	6,638	7,995	36,168
Tax payable	866	1,172	988
	59,751	68,621	105,343
Total Liabilities	161,073	160,335	204,698
TOTAL EQUITY AND LIABILITIES	664,621	653,062	691,244

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	Share Premium	← Non-distributable →		→ Distributable ←		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 2012	151,318	111,162	117,317	12,769	(8,389)	2,130	74,643	460,950	31,777	492,727
Net profit for the financial year	-	-	-	-	-	-	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 year	-	-	-	(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 CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2011

	← <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 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
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
Dividend paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	(196)	(196)
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 CASH FLOW
FOR THE PERIOD ENDED 31 MARCH 2012**

	3 months ended <u>31.03.2012</u> RM'000	3 months ended <u>31.03.2011</u> RM'000
Operating Activities		
Profit before tax	12,222	873
Adjustments for :-		
Non-cash items	(10,083)	932
Other investing and financing items	678	1,462
Operating profit before working capital changes	<u>2,817</u>	<u>3,267</u>
Changes in working capital		
Property development costs	631	(615)
Inventories	937	3,564
Receivables	(5,450)	7,333
Payables	(5,878)	(7,997)
Cash generated from/(used in) operations	<u>(6,943)</u>	<u>5,552</u>
Tax refunded/(paid)	(1,093)	432
Net cash from/(used in) operating activities	<u>(8,036)</u>	<u>5,984</u>
Cash flows from investing activities		
Acquisition of intangible assets	(707)	(1,005)
Acquisition of additional shares in a subsidiary	-	(62)
Investment in joint venture	(100)	-
Acquisition of held for trading investments	(94)	(207)
Dividend income received	68	2,648
Interest received	954	430
Proceeds from disposal of held for trading investments	94	207
Proceeds from disposal of non-current assets classified as held for sale	372	-
Proceeds from disposal of property, plant and equipment	96	47
Net cash flow from acquisition of a subsidiary	(9,869)	-
Purchase of property, plant and equipment	(5,356)	(608)
Purchase of investment properties	-	(7,635)
Net cash from/(used in) investing activities	<u>(14,542)</u>	<u>(6,185)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIOD ENDED 31 MARCH 2012 (Continued)**

	3 months ended 31.03.2012 RM'000	3 months ended 31.03.2011 RM'000
Cash flows from financing Activities		
Dividends paid to non-controlling interests of a subsidiary	-	(196)
Drawdown of term loans	-	1,155
Interest paid	(3,980)	(4,367)
Issue of new shares	-	79
Payments to hire purchase payables	(33)	(28)
Pledge of short term deposits	(8,178)	(140)
Repayment of term loans	(1,204)	(789)
Net cash from/(used in) financing activities	(13,395)	(4,286)
Effect of exchange rate changes	(2,108)	(100)
Net increase/(decrease) in cash and cash equivalents	(38,081)	(4,587)
Cash and cash equivalents as at beginning of financial period		
As previously reported	161,235	83,747
Effect of exchange rate changes	(444)	(544)
As restated	160,791	83,203
Cash and cash equivalents as at end of financial period *	122,710	78,616
* Cash and cash equivalents at the end of the financial period comprising the following :		
Short term deposits	121,300	59,428
Cash and bank balances	40,316	50,896
Bank overdrafts	(1,047)	(4,645)
	160,569	105,679
Less : Deposits placed with lease creditors as security deposit for lease payments	(19,079)	(18,449)
Restricted deposits	(9,000)	-
Cash held under Housing Development Accounts	(504)	(486)
Deposits pledged to licensed banks	(9,276)	(8,128)
	(37,859)	(27,063)
	122,710	78,616

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

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

2. Significant accounting policies

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

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

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

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

New MFRS

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

Revised MFRSs

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

Amendments/Improvements to MFRSs

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

IC Int

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

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

4. Seasonal or cyclical factors

The operations of the Group for the quarter ended 31 March 2012 were not materially affected by any seasonal or cyclical factors.

5. Unusual items

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

6. Changes in estimates

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

7 Debt and equity securities

For the financial period ended 31 March 2012, a total of 8,360,600 2% 10-Year Irredeemable Convertible Unsecured Loan Stocks at 100% of the nominal value of RM0.15 each ("ICULS") have been converted into 4,180,300 new ordinary shares of RM0.30 each of the Company by surrendering for cancellation two ICULS for every one new ordinary share of RM0.30 each in the Company.

Apart from the above, there were no issuances, cancellations, repurchases, resale and/or repayments of debt and equity securities during the financial period ended 31 March 2012.

8 Dividends paid

There was no payment of any dividend during the financial period ended 31 March 2012.

9. Segmental Information

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 period								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 classified as 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 & equipment	90	1,138	43	-	11	4,074	-	5,356
- Software development expenditure	-	-	707	-	-	-	-	707

9. Segmental Information (Continued)

For the financial period ended 31 March 2011

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External	271	16,974	7,723	2,369	19,887	5,489	-	52,713
Inter-segment	309	-	-	4	88	-	(401)	-
Total revenue	580	16,974	7,723	2,373	19,975	5,489	(401)	52,713
Results								
Segment results	(2,770)	2,344	545	120	258	(2,409)	1,113	(799)
Share of results of associates	1,023	(11)	660	-	-	-	-	1,672
Consolidated profit/(loss) before tax	(1,747)	2,333	1,205	120	258	(2,409)	1,113	873
Income tax expense								(423)
Consolidated profit/(loss) after tax								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	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	79,499	212,818	136,645	57,813	13,463	33,032	-	533,270
Investment in associates	24,281	3,972	1,527	-	-	-	-	29,780
Non-current assets held for sale	115,066							115,066
Unallocated corporate assets								4,870
Total assets								682,986
Segment liabilities	48,938	99,567	13,671	9,217	5,521	18,872	-	195,786
Unallocated corporate liabilities								3,933
Total liabilities								199,719
Capital expenditure								
- Property, plant and equipment	56	325	214	1	6	6	-	608
- Investment properties			7,635					7,635
- Software development expenditure	-	-	1,005	-	-	-	-	1,005

10. Property, plant and equipment

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

11. Significant subsequent events

There are no significant subsequent events.

12. Changes in the composition of the Group

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

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

<u>Purchase consideration</u>	RM'000
(1) Purchase consideration paid to date	12,500
(2) Fair value of purchase consideration to be settled by tranches in accordance with the terms and conditions of the Acquisition of AMSB ("Contingent Consideration") comprising the following:	
(i) RM9.0 million deposited with an escrow agent which shall be released to the vendor in accordance with the terms and conditions of the Acquisition of AMSB; and	9,000
(ii) RM1.0 million to be paid upon AMSB having procured the launch of a new service under a revenue sharing contract with a mobile network operator in South East Asia on or before 31 December 2013; and	829
Purchase Consideration pursuant to the Acquisition of AMSB	22,329
Add: Fair value of 40% equity interest in AMSB previously held as investment in associates *	15,000
	<hr/>
	37,329
Less: Provisional net assets acquired #	(5,171)
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Provisional goodwill	32,158
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* Fair value of 40% equity interest in AMSB previously held as investment in associates:	
Carrying amount of existing 40% equity interest in AMSB	2,068
Fair value gain on remeasurement of UCSB's 40% equity interest in AMSB	12,932
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	15,000
	<hr/> <hr/>

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

(b) Purchase consideration (Continued)

The provisional net assets acquired as at 16 January 2012 (the Completion Date) arising from the Acquisition of AMSB are as follows:

	Provisional fair value RM'000
Non-current assets	446
Non-cash current assets	2,695
Cash and cash equivalent	2,631
Current liabilities	(601)
Net assets acquired	<u>5,171</u>

Pending the completion of the purchase price allocation, intangible assets other than goodwill have not been identified and valued in the provisional numbers above.

Summary effect of cashflow

Purchase consideration paid to date	12,500
Cash and cash equivalent acquired	<u>(2,631)</u>
Net cash outflow	<u>9,869</u>

- (c) On 31 January 2012, the transfer of 20% of the enlarged share capital of Dama TCM Sdn Bhd ("Dama TCM") from Excellent Display Sdn Bhd ("EDSB") to Lee Thiam Huat at a nominal value of RM1.00 has been completed and accordingly, Dama TCM became an 80%-owned subsidiary of EDSB and the Company.
- (d) On 20 February 2012, the Company announced that a notice from the Australian Securities & Investments Commission ("ASIC") dated 16 February 2012 was received informing that Alangka-Suka Australia Pty Ltd ("ASAPL") and Holiday Villa Australia Pty Ltd ("HVAPL") was deregistered on 16 February 2012 .
- (e) On 22 March 2012, the Company announced that Unified Communications (Shenzhen) Pte Ltd, a wholly-owned subsidiary of Unified Communications Holdings Limited, which in turn is a 58.3%-owned subsidiary of the Company (held via Worldwide Matrix Sdn Bhd, a wholly-owned subsidiary of the Company) had been voluntarily wound up on 20 March 2012.

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

13. Changes in contingent liabilities

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

14. Review of performance

For the quarter ended 31 March 2012, the Group's revenue of RM53.2 million was marginally higher by 0.9% from RM52.7 million in the corresponding quarter last year mainly due to improved revenue from the Hotels & Resorts, Information & Communications Technology and Travel & Tours divisions while the gross profit for the Group was higher by 9.5% at RM20.2 million for the quarter ended 31 March 2012 compared to RM18.4 million for the corresponding quarter last year. The higher margin was mainly due to the better sales mix from our Information & Communications Technology division. The Group achieved profit before tax of RM12.2 million compared to the profit of RM0.9 million in the corresponding quarter last year. This was mainly due to a fair value gain of RM12.9 million arising from accounting standard MFRS 3 Business Combinations on remeasuring the existing 40% equity interest in AMSB, following the acquisition of the remaining 60% equity interest in this former associate by UCSB completed on 16 January 2012. This upward remeasurement has no cash impact. Details of the acquisition are set out in Note 12(b). However, these were partly offset by the higher operating expenses and lower contribution from the associates. During the quarter under review, the Group's operating expenses were RM22.5 million and losses from the associates were RM0.4 million compared to RM19.5 million and a profit of RM1.7 million respectively in the corresponding quarter last year.

Investment Holding

The division recorded a loss of RM2.5 million compared to a loss of RM1.7 million in the corresponding quarter last year. This was mainly due to lower contribution from the associates partly offset by higher interest income and savings in overheads.

Hotels & Resorts

The Hotels & Resorts division registered a higher revenue for the quarter ended 31 March 2012 of RM17.7 million as compared to RM17.0 million in the corresponding quarter last year. However, the division's profit before tax was lower at RM1.9 million compared to a profit before tax of RM 2.3 million in the corresponding quarter last year. This was mainly due to higher write back of provisions in the corresponding quarter last year.

Information & Communications Technology

The Information & Communications Technology division achieved revenue of RM8.1 million for the quarter ended 31 March 2012, a marginal increase of 5.0%, against revenue recorded in the quarter ended 31 March 2011. The increase in revenue for current quarter was mainly contributed by the consolidation of AMSB as a subsidiary following the acquisition of the remaining 60% equity interest in AMSB which was completed on 16 January 2012. However, this revenue contribution from AMSB was partly offset by the decrease in system sale revenues. The Information & Communications Technology division also achieved improvement in overall gross profit margin due to the better sales mix. This division recorded a profit before tax of RM13.8 million compared to RM1.2 million for the quarter ended 31 March 2011 mainly due to a fair value gain of RM12.9 million arising from accounting standard MFRS 3 Business Combinations on remeasuring the existing 40% equity interest in AMSB, following the acquisition of the remaining 60% equity interest in this former associate by UCSB. This was partly offset by higher operating expenses and the consolidation of operating expenses of AMSB.

Property Development

Despite the decline in revenue of the Property Development division by RM0.6 million to RM1.8 million for the quarter ended 31 March 2012 compared to the revenue in the corresponding quarter last year, the profit before tax of the division was higher at RM0.4 million compared to RM0.1 million in the corresponding quarter last year mainly attributable to the lower overheads and gain on disposal of a property.

Travel & Tours

Travel & Tours division registered revenue of RM20.3 million for the quarter ended 31 March 2012, a marginal increase of 1.4% against revenue recorded in the quarter ended 31 March 2011. For the quarter under review, the operating expenses were higher than the corresponding quarter in 2011 resulting in a profit before tax for the quarter under review of RM0.3 million which is comparable to profit for the quarter ended 31 March 2011.

Others

Other divisions registered a lower loss for the current quarter under review compared to the corresponding quarter last year mainly due to the improved performance from the Card and Payment division.

15. Comparison of results with preceding quarter

The Group revenue of RM53.2 million for the current quarter ended 31 March 2012 was lower by 7.8% from the revenue in the previous quarter ended 31 December 2011 of RM57.7 million due mainly to the lower revenue from the Hotel & Resorts division. The gross profit for the Group was also lower by 17.7% at RM20.2 million in the quarter ended 31 March 2012 compared to RM24.6 million in the previous quarter ended 31 December 2011. Despite the lower revenue and gross profit in the quarter under review, the Group achieved a profit before tax of RM12.2 million compared to the profit of RM2.9 million in the previous quarter ended 31 December 2011. This was mainly due to a fair value gain of RM12.9 million arising from accounting standard MFRS 3 Business Combinations on remeasuring the existing 40% equity interest in AMSB following the acquisition of the remaining 60% equity interest in this former associate by UCSB which was completed on 16 January 2012. This upward remeasurement has no cash impact.

Investment Holding

Investment Holding division recorded a loss before tax of RM2.5 million for the current quarter compared to a profit of RM1.5 million for the preceding quarter mainly due to write back of provision in the preceding quarter.

Hotels & Resorts

Despite the lower revenue from the Hotels & Resorts Division of RM17.7 million for the current quarter under review compared to a revenue of RM21.0 million in the previous quarter, the profit contribution from the Hotels & Resorts division for the current quarter was higher by RM1.4 million from a profit of RM0.5 million in the previous quarter mainly due to realisation of foreign exchange loss partly offset by the gain on disposal of non-current assets classified as held for sale in the previous quarter.

Information & Communications Technology

The Information & Communications Technology division registered lower revenue this quarter of RM8.1 million compared to RM8.6 million in the preceding quarter mainly due to lower system sale revenue of all business units. The division's profit is higher at RM13.8 million in the current quarter compared to RM2.0 million profit in the preceding quarter due mainly to a fair value gain of RM12.9 million arising from accounting standard MFRS 3 Business Combinations on remeasuring the existing 40% equity interest in AMSB, following completion of the acquisition of the remaining 60% equity interest in this former associate by UCSB on 16 January 2012.

Property Development

Property development division showed better performance this quarter compared to the previous quarter with higher revenue mainly contributed by the newly launched project in Kuching during the quarter under review and a gain on disposal of a property resulting in a profit of RM0.4 million compared to a profit of RM0.2 million in the previous quarter.

Travel & Tours

Despite lower revenue achieved in the current quarter compared to the preceding quarter, Travel & Tours division made a profit of RM0.3 million for the current quarter under review compared to a loss of RM0.2 million in the previous quarter mainly due to higher operating expenses in the previous quarter.

Others

For the current quarter under review, the other divisions made a loss of RM1.9 million compared to a loss of RM1.2 million in the previous quarter mainly due to lower revenue achieved by the Manufacturing and Card and Payment divisions in the current quarter.

16. Prospects

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

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

Our Hotels & Resorts division is continuously expanding its operations and in this respect, the division is moving aggressively in securing hotel management and operating agreements and expects to open more hotels in various countries in 2012.

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

Performance from our Property Development division is expected to improve for 2012 in anticipation of new launches planned for the year.

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

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

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

18. Profit variance and shortfall in profit guarantee

Not Applicable.

19. Income tax expense

	3 months ended <u>31.03.2012</u> RM'000	Year to date ended <u>31.03.2012</u> RM'000
On current quarter/period results		
- Malaysian income tax	753	753
- Overseas taxation	(1)	(1)
Over provision in prior year	-	-
Transfer (to)/from deferred taxation	25	25
	<u>777</u>	<u>777</u>

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

20. Status of corporate proposals

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 24(a).

21. Utilisation of proceeds from disposal by Advance Synergy Capital Sdn Bhd, a wholly-owned subsidiary of the Company 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. for a total cash consideration of RM117.0 million ("Disposal of ASIB")

The status of utilisation of proceeds raised from the Disposal of ASIB as at 31 March 2012 is as follows:

	Proposed Utilisation RM'000	Utilisation to-date RM'000	Balance unutilised RM'000
Repayment of Bank Borrowings*	61,600	32,904	28,696
Working Capital	55,000	26,466	28,534
Estimated expenses for the Disposal of ASIB*	400	324	76
	<u>117,000</u>	<u>59,694</u>	<u>57,306</u>

*Any shortfall or excess in the funds allocated for repayment of bank borrowings and estimated expenses will be funded from or used for working capital of the Group.

22. Group borrowings

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

	As At <u>31.03.2012</u> RM'000	As At <u>31.12.2011</u> RM'000
Short term - secured		
- Term loans	3,971	5,588
- Bank overdraft	1,047	768
- Hire purchase payables	70	91
- Finance lease payable	1,550	1,548
	<u>6,638</u>	<u>7,995</u>
Long term - secured		
- Term loans	48,837	48,467
- Hire purchase payables	79	92
- Finance lease payable	21,163	21,132
Long term - unsecured		
- Term loans	6,165	6,249
	<u>76,244</u>	<u>75,940</u>
Total borrowings	<u><u>82,882</u></u>	<u><u>83,935</u></u>

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

	As At <u>31.03.2012</u> RM'000	As At <u>31.12.2011</u> RM'000
Australian Dollars	6,165	6,067
Sterling Pounds	952	1,227
Euro	<u>11,979</u>	<u>13,106</u>

23. 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.

24. Material litigation

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

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

The Company's solicitors are of the view that the learned Judicial Commissioner erred in deciding that the Company's claim is time-barred and have appealed the decision of 13 January 2011 to the Court of Appeal of Malaysia vide Civil Appeal No. K-01-85-2011. The appeal is pending disposal and has not been fixed for hearing.

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

24. Material litigation (Continued)

- (b) Further to the announcement on quarterly results (under Note 26(b)) made on 24 August 2011 concerning the updates on the legal proceedings relating to Disposal of ASIB, the Company confirms that all appeals against the committal order to the Court of Appeal of Malaysia have been withdrawn and discontinued.

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

25. Notes To The Statement of Comprehensive Income

Included in the operating profit are:

	3 months ended <u>31.03.2012</u> RM'000	3 months ended <u>31.03.2011</u> RM'000
Amortisation of intangible assets	(389)	(385)
Bad debts written off	-	(38)
Depreciation	(1,687)	(1,889)
Fair value gain on remeasurement of UCSB's 40% equity interest in an associate	12,932	-
Gain on disposal of:		
- property, plant and equipment	91	35
- non-current assets classified as held for sale	124	-
- held for trading investment	2	15
Gross dividend income	68	48
Impairment loss on:		
- loan and receivables	(4)	(4)
- inventories	-	19
Interest expenses	(1,700)	(1,940)
Interest income	954	430
Net unrealised loss on foreign exchange	(595)	(325)
Property, plant and equipment written off	(7)	(3)
Write back of impairment loss on:		
- available-for-sale investment securities	17	5

26. Retained Earnings

	As At <u>31.03.2012</u> RM'000	As At <u>31.03.2011</u> RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries		
- Realised	(375,964)	(451,942)
- Unrealised	(9,353)	(24,241)
Total retained profits/(accumulated losses) from associates		
- Realised	(3,458)	64,691
- Unrealised	215	(658)
Total retained profits/(accumulated losses) from jointly controlled entities		
- Realised	(723)	(357)
- Unrealised	-	-
	<u>(389,283)</u>	<u>(412,507)</u>
Consolidation adjustments	469,689	482,854
Total Group retained profits as per consolidated financial statements	<u>80,406</u>	<u>70,347</u>

27. Dividend

The Directors do not recommend the payment of any dividend for the financial period ended 31 March 2012.

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 RM5,784,000 divided by the weighted average number of ordinary shares of 506,262,554 for the current quarter and current year-to-date as follows:

	3 months ended		Year to date ended	
	<u>31.03.2012</u>	<u>31.03.2011</u>	<u>31.03.2012</u>	<u>31.03.2011</u>
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the year	504,391,530	488,160,030	504,391,530	488,160,030
Weighted average number of new ordinary shares arising from ICULS converted to date	1,871,024	4,479,136	1,871,024	4,479,136
Weighted average number of new issuance of ordinary shares	-	84,583	-	84,583
Weighted average number of ordinary shares	<u>506,262,554</u>	<u>492,723,749</u>	<u>506,262,554</u>	<u>492,723,749</u>
	3 months ended		Year to date ended	
	<u>31.03.2012</u>	<u>31.03.2011</u>	<u>31.03.2012</u>	<u>31.03.2011</u>
Basic earnings/(loss) per share (sen)	<u>1.14</u>	<u>(0.01)</u>	<u>1.14</u>	<u>(0.01)</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 RM6,066,000 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>31.03.2012</u>	<u>31.03.2011</u>	<u>31.03.2012</u>	<u>31.03.2011</u>
	RM'000		RM'000	
Net profit/(loss) attributable to equity holders	5,784	(68)	5,784	(69)
Profit impact of assumed conversion-interest on ICULS	<u>282</u>	<u>270</u>	<u>282</u>	<u>270</u>
	<u>6,066</u>	<u>202</u>	<u>6,066</u>	<u>201</u>

Weighted average number of ordinary shares (diluted)

	3 months ended		Year to date ended	
	<u>31.03.2012</u>	<u>31.03.2011</u>	<u>31.03.2012</u>	<u>31.03.2011</u>
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the year	504,391,530	488,160,030	504,391,530	488,160,030
Weighted average number of new ordinary shares arising from ICULS converted to date	1,871,024	4,479,136	1,871,024	4,479,136
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	422,932,398	436,293,285	422,932,398	436,293,285
Weighted average number of ordinary shares	<u>929,194,952</u>	<u>929,017,034</u>	<u>929,194,952</u>	<u>929,017,034</u>

	3 months ended		Year to date ended	
	<u>31.03.2012</u>	<u>31.03.2011</u>	<u>31.03.2012</u>	<u>31.03.2011</u>
Diluted earnings/(loss) per share (sen)	<u>0.65</u>	<u>Anti-dilutive</u>	<u>0.65</u>	<u>Anti-dilutive</u>

29. Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
23 May 2012