

ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED
31 MARCH 2010

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the quarter ended 31 March 2010.

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 2009.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	<u>Unaudited</u>		<u>Unaudited</u>	
	<u>3 months ended</u>		<u>Year-to-date</u>	
	<u>31.03.2010</u>	<u>31.03.2009</u>	<u>31.03.2010</u>	<u>31.03.2009</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	54,423	53,455	54,423	53,455
Cost of sales	<u>(32,571)</u>	<u>(34,984)</u>	<u>(32,571)</u>	<u>(34,984)</u>
Gross profit/(loss)	21,852	18,471	21,852	18,471
Other operating income	2,147	3,442	2,147	3,442
Operating expenses	<u>(22,803)</u>	<u>(23,580)</u>	<u>(22,803)</u>	<u>(23,580)</u>
Profit/(Loss) from operations	1,196	(1,667)	1,196	(1,667)
Finance costs	(1,935)	(2,189)	(1,935)	(2,189)
Share of results of associates	5,579	11,624	5,579	11,624
Profit/(Loss) before taxation	4,840	7,768	4,840	7,768
Taxation	<u>(454)</u>	<u>(507)</u>	<u>(454)</u>	<u>(507)</u>
Net profit/(loss) for the financial period	<u>4,386</u>	<u>7,261</u>	<u>4,386</u>	<u>7,261</u>
Attributable to:				
Equity holders of the Company	2,948	6,409	2,948	6,409
Minority interests	1,438	852	1,438	852
	<u>4,386</u>	<u>7,261</u>	<u>4,386</u>	<u>7,261</u>
Earnings/(Loss) per share attributable to equity holders of the Company:				
Basic (sen)	<u>0.62</u>	<u>1.39</u>	<u>0.62</u>	<u>1.39</u>
Diluted (sen)	<u>0.36</u>	<u>0.72</u>	<u>0.36</u>	<u>0.72</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<u>Unaudited</u>		<u>Unaudited</u>	
	<u>3 months ended</u>		<u>Year-to-date</u>	
	<u>31.03.2010</u>	<u>31.03.2009</u>	<u>31.03.2010</u>	<u>31.03.2009</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Net profit/(loss) for the financial period	4,386	7,261	4,386	7,261
Other comprehensive income:				
Available-for-sale financial assets	1,367	-	1,367	-
Share of other comprehensive income of associates	(83)	-	(83)	-
Currency translation differences	(6,307)	2,853	(6,307)	2,853
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other comprehensive income for the period	<u>(5,023)</u>	<u>2,853</u>	<u>(5,023)</u>	<u>2,853</u>
Total comprehensive income for the period	<u><u>(637)</u></u>	<u><u>10,114</u></u>	<u><u>(637)</u></u>	<u><u>10,114</u></u>
Attributable to:				
Equity holders of the Company	(1,410)	9,514	(1,410)	9,514
Minority interests	773	600	773	600
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total comprehensive income for the period	<u><u>(637)</u></u>	<u><u>10,114</u></u>	<u><u>(637)</u></u>	<u><u>10,114</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at <u>31.03.2010</u> RM'000	Audited As at <u>31.12.2009</u> <u>(Restated)</u> RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	215,303	222,207
Investment in associates	136,588	130,268
Available-for-sale investments	59,382	-
Other investments	-	58,015
Goodwill on consolidation	59,423	59,423
Intangible assets	6,551	5,914
Loans and receivables	6,735	6,969
Deferred tax assets	3,252	3,324
	487,234	486,120
<u>Current assets</u>		
Property development costs	22,533	22,310
Progress billings	1,560	676
Inventories	34,954	35,328
Loans and receivables	37,241	55,152
Tax recoverable	1,635	1,342
Held for trading investments	845	-
Marketable securities	-	1,144
Short term deposits	52,190	53,055
Cash and bank balances	61,290	50,027
	212,248	219,034
Non-current assets held for sale	-	-
TOTAL ASSETS	<u>699,482</u>	<u>705,154</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	142,208	142,014
Irredeemable Convertible Unsecured Loan		
Stocks ("ICULS") - equity component	119,038	119,208
Reserves	202,729	202,824
	<u>463,975</u>	<u>464,046</u>
Minority interests	<u>28,195</u>	<u>27,422</u>
Total equity	492,170	491,468
<u>Non-current liabilities</u>		
Term loans	64,624	66,934
Irredeemable Convertible Unsecured Loan		
Stocks ("ICULS") - liability component	16,076	16,477
Finance lease payable	20,914	20,914
Hire purchase payables	171	128
Deferred tax liabilities	2,867	2,881
Retirement benefits	646	629
	105,298	107,963
<u>Current liabilities</u>		
Payables	64,008	66,777
Bank overdrafts	175	184
Short term borrowings	36,862	37,659
Taxation	969	1,103
	102,014	105,723
Total Liabilities	<u>207,312</u>	<u>213,686</u>
TOTAL EQUITY AND LIABILITIES	<u>699,482</u>	<u>705,154</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2010

	← Attributable to equity holders of the Company →						Total	Minority Interests	Total Equity	
	Share Capital	ICULS-Equity Component	Share Premium	Non-distributable		Distributable				
				Revaluation Reserve	Exchange Translation Reserve	Available-For-Sale Reserve				Retained Profits/ (Accumulated Losses)
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
Other comprehensive income	-	-	-	(4)	(5,638)	1,284	-	(4,358)	(665)	(5,023)
Total comprehensive income for the 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

FOR THE PERIOD ENDED 31 MARCH 2009

	← Attributable to equity holders of the Company →						Total	Minority Interests	Total Equity	
	Share Capital	ICULS-Equity component	Share Premium	Non-distributable		Distributable				
				Revaluation Reserve	Exchange Translation Reserve	Available-For-Sale Reserve				Retained Profits/ (Accumulated Losses)
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Balance as at 1 January 2009	138,572	122,210	117,317	12,725	3,222	-	13,982	408,028	52,735	460,763
Net profit/(loss) for the financial period	-	-	-	-	-	-	6,409	6,409	852	7,261
Other comprehensive income	-	-	-	2	3,103	-	-	3,105	(252)	2,853
Total comprehensive income for the period	-	-	-	2	3,103	-	6,409	9,514	600	10,114
Transactions with owners in their capacity as owners:										
Acquisition of additional interest from minority shareholders	-	-	-	-	-	-	5,275	5,275	(6,990)	(1,715)
	-	-	-	-	-	-	5,275	5,275	(6,990)	(1,715)
Balance as at 31 March 2009	138,572	122,210	117,317	12,727	6,325	-	25,666	422,817	46,345	469,162

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2010**

	Unaudited 3 months ended <u>31.03.2010</u> RM'000	Unaudited 3 months ended <u>31.03.2009</u> RM'000
Operating Activities		
Profit/(Loss) before taxation	4,840	7,768
Adjustments for :-		
Depreciation	2,623	2,584
Other investing and financing items and non-cash items	(2,276)	(8,967)
Operating profit/(loss) before working capital changes	<u>5,187</u>	<u>1,385</u>
Net changes in working capital		
(Increase)/Decrease in current assets	17,546	9,090
Increase/(Decrease) in current liabilities	(3,146)	(8,702)
Cash generated from/(used in) operating activities	<u>19,587</u>	<u>1,773</u>
Tax paid	(901)	(330)
Net cash from/(used in) operating activities	<u><u>18,686</u></u>	<u><u>1,443</u></u>
Investing Activities		
(Increase)/ Decrease in equity investments	-	8,388
(Increase)/ Decrease in property, plant and equipment	(3,230)	(2,435)
(Increase)/ Decrease in other investments	(338)	(5)
Net cash from/(used in) investing activities	<u><u>(3,568)</u></u>	<u><u>5,948</u></u>
Financing Activities		
Net drawdown/(repayment) of borrowings	(1,102)	(2,020)
Other payments	(1,935)	(2,189)
Net cash from/(used in) financing activities	<u><u>(3,037)</u></u>	<u><u>(4,209)</u></u>
Effect of exchange rate changes	365	2,409
Net increase in cash and cash equivalents	<u>12,446</u>	<u>5,591</u>
Cash and cash equivalents as at beginning of financial period		
As previously reported	<u>77,967</u>	<u>71,130</u>
Effect of exchange rate changes	<u>(1,948)</u>	<u>125</u>
As restated	76,019	71,255
Cash and cash equivalents as at end of financial period *	<u><u>88,465</u></u>	<u><u>76,846</u></u>
* Cash and cash equivalents at the end of the financial period comprising the following :		
Short term deposits	52,190	65,183
Cash and bank balances	61,290	36,372
Bank overdrafts	(175)	(659)
	<u>113,305</u>	<u>100,896</u>
Less : Deposits placed with lease creditors as security deposit for lease payments	<u>(17,562)</u>	<u>(16,844)</u>
Deposits pledged to licensed banks	<u>(7,278)</u>	<u>(7,206)</u>
	<u>(24,840)</u>	<u>(24,050)</u>
	<u><u>88,465</u></u>	<u><u>76,846</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 2009.

2. Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2009, except for the adoption of the following new and revised Financial Reporting Standards ("FRSs"), amendments/improvements to FRSs and IC Interpretations ("IC Int") with effect from financial periods beginning 1 January 2010:

New FRSs

FRS 4	Insurance Contracts
FRS 7	Financial Instruments : Disclosures
FRS 8	Operating Segments
FRS 139	Financial Instruments : Recognition and Measurement

Revised FRSs

FRS 101	Presentation of Financial Statements
FRS 123	Borrowing costs

Amendments/Improvements

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 8	Operating Segments
FRS 107	Statement of Cash Flows
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Reporting Period
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 123	Borrowing Costs
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investment in Associates
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Presentation
FRS 134	Interim Financial Reporting
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 139	Financial Instruments : Recognition and Measurement
FRS 140	Investment Property

IC Int

IC Int 9	Reassessment of Embedded Derivatives
IC Int 10	Interim Financial Reporting and Impairment
IC Int 11	FRS 2 – Group and Treasury Share Transactions
IC Int 13	Customer Loyalty Programmes
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

2. Changes in Accounting Policies (Continued)

Other than FRS 8, FRS 101, FRS 7, FRS 139 and FRS 117, the application of the above new and revised FRSs, amendments/improvements to FRSs and IC Int have no significant impact on the financial statements of the Group.

- (a) FRS 8 replaces FRS 114₂₀₀₄ Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. As the Group's Board of Directors, relies on internal reports which are similar to those currently disclosed externally, no further segmental information disclosures will be necessary.
- (b) FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. Comparative information, with exception of the requirements under FRS 139, had been re-presented so that it is also in conformity with the revised standard. This standard does not have any impact on the financial position and results of the Group.
- (c) FRS 7 requires additional disclosures regarding fair value measurements and liquidity risk in the full year financial statements, and has no effect on reported profit or equity. However, FRS 7 disclosures are not required in the interim financial statements, and hence, no further disclosures have been made in these interim financial statements.
- (d) The amendments to FRS 117 require entities with existing leases of land and buildings (combined) to reassess the classification of land as a finance or operating lease. The Group has reclassified the existing leasehold land to property, plant and equipment following this reassessment, with no effect on reported profit or equity. The following comparative figures have been restated:

	Previously stated RM'000	Effect of FRS 117 RM'000	As restated RM'000
Assets			
Prepaid lease payments	2,407	(2,407)	-
Property, plant and equipment	219,800	2,407	222,207

- (e) FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the balance sheet date reflects the designation of the financial instruments. The Group determines the classification at initial recognition and for the purpose of the first adoption of the standard, as at transitional date on 1 January 2010.

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale ("AFS") financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial assets include cash and short-term deposits, loans and receivables, available-for-sale investments and held for trading investments.

(i) Loans and receivables

Prior to 1 January 2010, loans and receivables were stated at gross receivables less provision for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate (EIR) method. Gains and losses arising from the derecognition of the loans and receivables, EIR amortisation and impairment losses are recognised in the income statement. Interest is recognised by applying the EIR method, except for short term receivables where the recognition of interest would be immaterial.

(ii) Available-For-Sale

Prior to 1 January 2010, available-for-sale financial assets such as investments were accounted for at cost adjusted for amortisation of premium and accretion of discount less impairment or at the lower of cost and market value, determined on an aggregate basis. Under FRS 139, available-for-sale financial asset is measured at fair value initially and subsequently with amortisation of premium with accretion of discount and other accrual of income recognised in income statement and with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement or determined to be impaired, at which time the cumulative loss is recognised in the income statement and removed from the available-for-sale reserve.

(iii) Held for trading

Securities are classified as held for trading with the intention of resale in the short term. Securities held for trading are stated at fair value and any gain or loss arising from a change in their fair value and the recognition of the securities held for trading are recognised in the income statement.

2. Changes in Accounting Policies (Continued)

Financial liabilities

Financial liabilities of the Group comprise trade and other payables, borrowings and derivative financial liabilities. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities at amortised cost using the effective interest method.

Impact on opening balances

In accordance with the transitional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 31 December 2009 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the balance sheet as at 1 January 2010.

	Previously stated RM'000	Effect of FRS 139 RM'000	As restated RM'000
Assets			
Other investments	58,015	(58,015)	-
Available-for-sale investment	-	58,015	58,015
Marketable securities	1,144	(1,144)	-
Held for trading investments	-	1,179	1,179
Investment in associates	130,268	1,280	131,548
Equity			
Available-for-sale reserve	-	1,280	1,280
Retained profits	67,054	35	67,089

3 Audit report

The auditors' report on the financial statements for the year ended 31 December 2009 was not subject to any qualification.

4 Seasonal or cyclical factors

The operations of the Group for the quarter ended 31 March 2010 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 three-month period ended 31 March 2010, a total of 1,300,000 2% 10-Year Irredeemable Convertible Unsecured Loan Stocks at 100% of the nominal value of RM0.15 each ("ICULS") have been converted into 650,000 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.

On 10 March 2010, the 14,916,535 Advance Synergy Capital Berhad ("ASC") shares which were held as treasury shares by ASC were distributed as share dividend to 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 2010.

8 Dividends paid

There was no payment of any dividend during the financial period ended 31 March 2010.

9. Segmental Information

For the period ended 31 March 2010

	Investment Holding	Property Development	Hotels & Resorts	Information & Communications Technology	Bus Transportation Services	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	4,933	-	-	646	-	-	-	-	5,579
Consolidated profit/(loss) before taxation	2,472	72	2,223	1,866	(1,096)	156	(1,417)	564	4,840
Taxation									(454)
Consolidated profit/(loss) after taxation									4,386
Minority interests									(1,438)
Net profit/(loss) for the financial period									2,948

	Investment Holding	Property Development	Hotels & Resorts	Information & Communications Technology	Bus Transportation Services	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information									
Segment assets	92,743	62,430	221,512	134,537	9,644	11,114	26,027	-	558,007
Investment in associates	134,614	-	-	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	555	1	1,725	866	30	170	132	-	3,479
Depreciation	111	26	1,608	342	53	42	62	-	2,244
Impairment loss on:									
- property, plant and equipment	-	-	-	279	-	-	-	-	279
- investment in associates	451	-	-	-	-	-	-	-	451
Fair value gain recognised in profit and loss									
- held for trading investments	90	-	27	-	-	-	-	-	117
Amortisation of intangible assets	-	-	-	379	-	-	-	-	379
Other non cash expenses	4	1	40	2	-	38	4	-	89

9.Segmental Information (Continued)
For the period ended 31 March 2009

	Investment Holding	Property Development	Hotels & Resorts	Information & Communications Technology	Bus Transportation Services	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	84	2,932	17,781	11,292	4,054	14,370	2,942	-	53,455
Inter-segment	273	17	-	-	-	126	14	(430)	-
Total revenue	357	2,949	17,781	11,292	4,054	14,496	2,956	(430)	53,455
Results									
Segment results	(13,401)	164	1,776	1,121	(716)	296	(2,282)	9,186	(3,856)
Share of results of associates	10,878	-	-	746	-	-	-	-	11,624
Consolidated profit/(loss) before taxation	(2,523)	164	1,776	1,867	(716)	296	(2,282)	9,186	7,768
Taxation									(507)
Consolidated profit/(loss) after taxation									7,261
Minority interests									(852)
Net profit/(loss) for the financial period									6,409

	Investment Holding	Property Development	Hotels & Resorts	Information & Communications Technology	Bus Transportation Services	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information									
Segment assets	96,605	67,456	221,794	128,800	13,960	9,722	22,685	-	561,022
Investment in associates	101,860	-	-	1,508	-	-	-	-	103,368
Unallocated corporate assets									4,584
Total assets									668,974
Segment liabilities	47,429	9,706	95,957	17,444	5,192	2,505	17,488	-	195,721
Unallocated corporate liabilities									4,091
Total liabilities									199,812
Capital expenditure	539	1	505	1,602	47	121	110	-	2,925
Depreciation	82	28	1,174	659	233	28	177	-	2,381
Impairment loss on:									
- investment in associates	3,211	-	-	-	-	-	-	-	3,211
Write back of impairment loss on:									
- available for sale investments	563	-	-	-	-	-	-	-	563
- held for trading investments	32	-	-	-	-	-	-	-	32
- inventories	-	-	-	-	554	-	-	-	554
Amortisation of intangible assets	-	-	-	203	-	-	-	-	203
Other non cash expenses	3	-	38	-	-	-	-	-	41

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 2009.

11 Events subsequent to the balance sheet date

There are no events subsequent to the balance sheet date.

12 Changes in the composition of the Group

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 balance sheet as at 31 December 2009.

14 Review of performance

The Group recorded a profit after taxation of RM4.4 million for the quarter ended 31 March 2010 compared to the corresponding quarter in the previous year of RM7.3 million. The corresponding quarter in the previous year comprised a one-off gain of RM13.0 million received by an associated company in respect of the sale of its certain assets and liabilities. Before accounting for the results from associated companies, the current quarter showed an overall improved performance from our group operations compared to the corresponding quarter in the previous year.

15 Comparison of results with preceding quarter

The Group recorded a profit after taxation of RM4.4 million for the current quarter ended 31 March 2010 as compared to preceding quarter ended 31 December 2009 of RM22.5 million. The lower profit was mainly due to lower group revenue and lower contribution from associated companies of RM54.4 million and RM5.6 million respectively in this quarter compared to RM67.8 million and RM10.6 million respectively in the last quarter. In addition, the Group recorded a higher other income in the last quarter of RM9.6 million compared to RM2.1 million this quarter due mainly to a write back of impairment loss on investment in associates in the last quarter as opposed to an impairment loss on investment in associates in this quarter.

16 Prospects

Barring unforeseen circumstances, the Directors expect the Group's operating environment to remain challenging for the financial year ending 31 December 2010.

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 <u>31.03.2010</u> RM'000	Year to date <u>31.03.2010</u> RM'000
On current year's results		
- Malaysian income tax	421	421
Transfer (to)/from deferred taxation	33	33
	<u>454</u>	<u>454</u>

The effective tax rate of the Group for the financial period under review is lower than the statutory tax rate. This tax effect arises mainly from utilisation of previously unrecognised tax losses and capital allowances, lower tax rate in foreign jurisdiction and tax incentives and allowances.

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 and financial period ended 31 March 2010.

21 Quoted securities

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

	3 months ended 31.03.2010		Year to date ended 31.3.2010	
	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	182	-	182	-
Total disposals	566	-	566	-
Fair value gain recognised in profit and loss	117	-	117	-
Fair value gain recognised in other comprehensive income	-	1,367	-	1,367
Gain/ (loss) on disposals	(68)	-	(68)	-

Details of investment in quoted securities by the Group as at 31 March 2010 are as follows :-

	Held for trading investments RM'000	Available- for-sale investments RM'000
- at cost	659	20,289
- at carrying amount	751	10,700
- at market value	751	10,700

22 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 26 (a).

23 Utilisation of proceeds from Rights Issue of ICULS

The status of utilisation of proceeds raised from the Rights Issue of ICULS as at 31 March 2010 is as follows:

	Proposed Utilisation RM'000	Utilisation to-date RM'000	Balance unutilized RM'000	Timeframe for Utilisation
Repayment of Bank Borrowings	50,259	50,259	-	24 months from the date of
Working Capital Expenses	30,000	30,000	-	listing of ICULS
	2,500	2,500	-	
	82,759	82,759	-	

24 Group borrowings

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

	<u>As At</u> <u>31.03.2010</u> RM'000	<u>As At</u> <u>31.12.2009</u> RM'000
Short term - secured	35,505	36,311
- unsecured	-	-
Long term - secured	58,942	61,130
- unsecured	5,853	5,932
ICULS- liability portion	16,076	16,477
Finance lease payable		
- Short term	1,532	1,532
- Long term	20,914	20,914
	<u>138,822</u>	<u>142,296</u>

(b)

	<u>As At</u> <u>31.03.2010</u> RM'000	<u>As At</u> <u>31.12.2009</u> RM'000
Australian Dollars	5,853	5,932
Sterling Pounds	1,454	1,683
Euro	14,642	16,693

25 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 interim financial period.

26 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. The PTCM has been adjourned to a date to be informed by the court. The Company's solicitors for the litigation are of the opinion that the Company has a good cause of action against PKNK and the likely outcome of the proceedings would be a decision in favour of the Company.

26 Material litigation (Continued)

(b) Subsequent to the Company's announcements released on 10 November 2009 and 12 November 2009 as well as the updates made via the quarterly results released on 24 February 2010, the Company has on 13 May 2010 announced the following outcome from the hearing on 12 May 2010 in respect of the originating summons no. D-24NCC-72-2009 dated 3 November 2009 which was issued on the application of ACE INA International Holdings Ltd ("ACE INA")(as "Plaintiff") and served on ASC (as "Defendant") on 9 November 2009 ("Originating Summons"):-

- (i) ASC's application to stay further proceedings in the Originating Summons pending disposal of its appeal to the Court of Appeal ("Arbitration Appeal") [against the dismissal by the Court of ASC's application to stay proceedings to refer the dispute to arbitration], has been dismissed by the Judicial Commissioner with no order as to costs.

In dismissing ASC's said application, the Court gave ASC liberty to file afresh for a stay if the Orders made in the Originating Summons should reach an irreversible state before its Arbitration Appeal is heard and disposed of.

The Arbitration Appeal is pending hearing and has not been disposed of by the Court of Appeal.

- (ii) In the hearing for the Originating Summons, the Judicial Commissioner granted orders sought by the Plaintiff on the following:-
- (a) ASC to give its written consent in the required format, if any, and/or provide any requested documents and/or information BNM and/or Minister of Finance and/or where requested, to meet with the relevant officers of BNM that are necessary to allow ACE INA to proceed with (i) its application for the MOF Approval under the Insurance Act for the acquisition and disposal of the Defendant's 49% equity interest in ACE Synergy Insurance Berhad to the Plaintiff, and (ii) any appeals arising therefrom; and
- (b) Costs amounting to RM10,000 to be borne by the Defendant.

ASC has sought legal advice on the matter and the solicitors have filed the necessary appeals. The solicitors are of the view that ASC has merits in its defence to the claim of ACE INA.

27 Dividend

The Directors do not recommend the payment of any dividend for the financial period ended 31 March 2010.

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 RM2,948,000, divided by the weighted average number of ordinary shares of 473,846,150 for the current quarter and current year-to-date respectively as follows:

	3 months ended		Year to date	
	<u>31.03.2010</u>	<u>31.03.2009</u>	<u>31.03.2010</u>	<u>31.03.2009</u>
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the period	473,378,927	461,908,377	473,378,927	461,908,377
Weighted average number of new ordinary shares arising from ICULS converted to date	467,223	-	467,223	-
Weighted average number of ordinary shares	<u>473,846,150</u>	<u>461,908,377</u>	<u>473,846,150</u>	<u>461,908,377</u>
	3 months ended		Year to date	
	<u>31.03.2010</u>	<u>31.03.2009</u>	<u>31.03.2010</u>	<u>31.03.2009</u>
Basic earnings/(loss) per share (sen)	<u>0.62</u>	<u>1.39</u>	<u>0.62</u>	<u>1.39</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 RM3,309,000, after adjusting for interest saving on ICULS, divided by the weighted average number of ordinary shares of 928,932,452 for the current quarter and current year-to-date respectively as follows:

	3 months ended		Year to date	
	<u>31.03.2010</u>	<u>31.03.2009</u>	<u>31.03.2010</u>	<u>31.03.2009</u>
	RM'000		RM'000	
Net profit/(loss) attributable to equity holders	2,948	6,408	2,948	6,408
Profit impact of assumed conversion- Interest on ICULS	<u>361</u>	<u>294</u>	<u>361</u>	<u>294</u>
	<u>3,309</u>	<u>6,702</u>	<u>3,309</u>	<u>6,702</u>

Weighted average number of ordinary shares (diluted)

	3 months ended		Year to date	
	<u>31.03.2010</u>	<u>31.03.2009</u>	<u>31.03.2010</u>	<u>31.03.2009</u>
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the period	473,378,927	461,908,377	473,378,927	461,908,377
Weighted average number of new ordinary shares arising from ICULS converted to date	467,223	-	467,223	-
Weighted average number of new ordinary shares assuming conversion of the remaining ICULS	455,086,303	467,024,075	455,086,303	467,024,075
Weighted average number of ordinary shares	<u>928,932,453</u>	<u>928,932,452</u>	<u>928,932,453</u>	<u>928,932,452</u>

	3 months ended		Year to date	
	<u>31.03.2010</u>	<u>31.03.2009</u>	<u>31.03.2010</u>	<u>31.03.2009</u>
Diluted earnings/(loss) per share (sen)	<u>0.36</u>	<u>0.72</u>	<u>0.36</u>	<u>0.72</u>

29 Status of E-commerce activities
Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
25 May 2010