ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 2016

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the quarter and period ended 30 September 2016.

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 2015.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	3 months ended		Year-to-date 9 months ended	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Revenue	62,074	64,507	186,120	192,289
Cost of sales	(39,340)	(40,054)	(119,342)	(125,748)
Gross profit	22,734	24,453	66,778	66,541
Other operating income	3,078	14,886	8,417	19,828
Operating expenses	(22,467)	(25,267)	(70,685)	(75,394)
Profit/(Loss) from operations	3,345	14,072	4,510	10,975
Finance costs	(1,184)	(1,457)	(3,419)	(4,183)
Share of results of associates and joint venture	(223)	(283)	771	(506)
Profit/(Loss) before tax	1,938	12,332	1,862	6,286
Income tax expense	(1,057)	(1,326)	(3,929)	(3,803)
Net profit/(loss) for the financial period	881	11,006	(2,067)	2,483
Attributable to:				
Owners of the parent	93	9,599	(4,506)	(751)
Non-controlling interests	788	1,407	2,439	3,234
	881	11,006	(2,067)	2,483
Earning/(Loss) per share attributable to owners of the parent:				
Basic (sen)	0.01	1.45	(0.68)	(0.11)
Diluted (sen)	0.01	1.13	(0.68)	(0.11)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 9 months ended	
	30.09.2016 RM'000	**30.09.2015 RM'000**	**30.09.2016 RM'000**	**30.09.2015 RM'000**
Net profit/(loss) for the financial period	881	11,006	(2,067)	2,483
Other comprehensive income/(expenses):				
Items that are or may be reclassified subsequently to profit or loss:				
Fair value of available-for-sale financial assets	(804)	-	(804)	(803)
Share of other comprehensive income of associates, net of tax	108	103	109	54
Foreign currency translation differences for foreign operations	2,124	10,921	(1,101)	14,761
Total items that are or may be reclassified subsequently to profit or loss	1,428	11,024	(1,796)	14,012
Other comprehensive income/(loss) for the financial period	1,428	11,024	(1,796)	14,012
Total comprehensive income/(loss) for the financial period	2,309	22,030	(3,863)	16,495
Attributable to:				
Owners of the parent	1,686	20,262	(5,493)	13,126
Non-controlling interests	623	1,768	1,630	3,369
Total comprehensive income/(loss) for the financial period	2,309	22,030	(3,863)	16,495

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited as at 30.09.2016 RM'000	Audited as at 31.12.2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	150,992	127,736
Investment properties	8,870	8,870
Investment in associates	44,008	54,575
Investment securities	28,055	24,051
Investment in joint venture	-	9
Goodwill on consolidation	106,421	92,761
Intangible assets	4,725	4,887
Deferred tax assets	564	665
	343,635	313,554
Current assets		
Progress billings	22,635	20,489
Inventories	47,765	59,420
Trade and other receivables	90,199	74,217
Tax recoverable	2,879	2,411
Investment securities	433	433
Financial assets held for trading	416	411
Short term deposits	83,387	106,987
Cash and bank balances	55,950	52,777
	303,664	317,145
TOTAL ASSETS	647,299	630,699
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	199,216	199,216
Irredeemable Convertible Unsecured Loan Stocks ("ICULS") - equity component	64,803	64,861
Reserves	169,101	175,922
	433,120	439,999
Non-controlling interests	44,012	39,155
Total equity	477,132	479,154
Non-current liabilities		
Borrowings	58,491	42,844
ICULS - liability component	1,942	2,976
Deferred tax liabilities	2,632	2,659
Provision for retirement benefit obligations	1,561	1,427
	64,626	49,906
Current liabilities		
Trade and other payables	61,335	63,942
Borrowings	43,844	37,203
Tax payable	362	494
	105,541	101,639
Total Liabilities	170,167	151,545
TOTAL EQUITY AND LIABILITIES	647,299	630,699

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Attributable to owners of the parent									
		Non-distributable					*Distributable*			
	Share Capital	**ICULS-Equity Component**	**Share Premium**	**Revaluation Reserve**	**Exchange Translation Reserve**	**Available-For-Sale Reserve**	**Retained Profits**	**Total**	**Non-Controlling Interests**	**Total Equity**
	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 2016	199,216	64,861	117,317	15,998	8,699	4,987	28,921	439,999	39,155	479,154
Net profit/(loss) for the financial period	-	-	-	-	-	-	(4,506)	(4,506)	2,439	(2,067)
Fair value of available-for-sale financial assets	-	-	-	-	-	(804)	-	(804)	-	(804)
Share of other comprehensive income of associates, net of tax	-	-	-	-	-	109	-	109	-	109
Foreign currency translation differences for foreign operations	-	-	-	-	(292)	-	-	(292)	(809)	(1,101)
Total comprehensive income/(loss) for the financial period	-	-	-	-	(292)	(695)	(4,506)	(5,493)	1,630	(3,863)
Transactions with owners in their capacity as owners:										
Disposal of interest in a subsidiary	-	-	-	(183)	43	-	280	140	-	140
Disposal of partial interest in a subsidiary	-	-	-	-	-	-	-	-	443	443
Acquisition of additional shares in a subsidiary	-	-	-	-	-	-	192	192	(192)	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	3,929	3,929
Dividends paid	-	-	-	-	-	-	(1,660)	(1,660)	-	(1,660)
Issue of new ordinary shares pursuant to the conversion of ICULS and changes in income tax rate	-	(58)	-	-	-	-	-	(58)	-	(58)
	-	(58)	-	(183)	43	-	(1,188)	(1,386)	4,180	2,794
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	(953)	(953)
Balance as at 30 September 2016	199,216	64,803	117,317	15,815	8,450	4,292	23,227	433,120	44,012	477,132

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2016 (Continued)

	Attributable to owners of the parent									
			Non-distributable				*Distributable*			
	Share Capital	**ICULS-Equity Component**	**Share Premium**	**Revaluation Reserve**	**Exchange Translation Reserve**	**Available-For-Sale Reserve**	**Retained Profits**	**Total**	**Non-Controlling Interests**	**Total Equity**
	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 2015	198,677	65,384	117,317	15,998	(2,757)	6,490	42,172	443,281	36,498	479,779
Net profit/(loss) for the financial period	-	-	-	-	-	-	(751)	(751)	3,234	2,483
Fair value of available-for-sale financial assets	-	-	-	-	-	(803)	-	(803)	-	(803)
Share of other comprehensive income of associates, net of tax	-	-	-	-	(51)	105	-	54	-	54
Foreign currency translation differences for foreign operations	-	-	-	-	14,626	-	-	14,626	135	14,761
Total comprehensive income/(loss) for the financial period	-	-	-	-	14,575	(698)	(751)	13,126	3,369	16,495
Transactions with owners in their capacity as owners:										
Dividends paid	-	-	-	-	-	-	(1,660)	(1,660)	-	(1,660)
Issue of new ordinary shares pursuant to the conversion of ICULS	539	(523)	-	-	-	-	-	16	-	16
	539	(523)	-	-	-	-	(1,660)	(1,644)	-	(1,644)
Dividend paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	(991)	(991)
Balance as at 30 September 2015	199,216	64,861	117,317	15,998	11,818	5,792	39,761	454,763	38,876	493,639

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	9 months ended 30.09.2016 RM'000	9 months ended 30.09.2015 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	1,862	6,286
Adjustments for :-		
Non-cash items	7,862	(950)
Other investing and financing items	1,405	1,848
Operating profit before working capital changes	11,129	7,184
Changes in working capital		
Inventories	6,092	1,303
Receivables	(19,776)	2,939
Financial assets held for trading	14	-
Payables	(770)	(4,956)
Net cash (used in)/from operations	(3,311)	6,470
Retirement benefit paid	(8)	(15)
Tax paid	(4,501)	(5,051)
Net cash (used in)/generated from operating activities	(7,820)	1,404
Cash flows from investing activities		
Acquisition of intangible assets	(1,349)	(948)
Acquisition of a subsidiary, net of cash acquired	(8,131)	(725)
Investment in associates	(1,241)	(3,647)
Acquisition of investment securities	(1,769)	(2,598)
Interest received	2,014	2,335
Proceeds from disposal of partial interest in a subsidiary	481	-
Proceeds from disposal of an associate	-	4,848
Proceeds from disposal of property, plant and equipment	126	23,419
Proceeds from disposal of a subsidiary, net of cash disposed	5,298	-
Purchase of property, plant and equipment	(3,090)	(2,557)
Net cash (used in)/generated from investing activities	(7,661)	20,127

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016 (Continued)

	9 months ended 30.09.2016 RM'000	9 months ended 30.09.2015 RM'000
Cash flows from financing activities		
Dividends paid	(1,660)	(1,660)
Dividends paid to non-controlling interests of a subsidiary	(953)	(991)
Drawdown of hire purchase	341	-
Drawdown of term loans and revolving credit	9,350	20,000
Interest paid	(4,965)	(5,053)
Payment to hire purchase	(96)	(32)
Pledged of short term deposits	(705)	(304)
Repayment of term loans and revolving credit	(4,238)	(7,095)
Net cash (used in)/generated from financing activities	(2,926)	4,865
Effect of exchange rate changes	(995)	(3,783)
Net (decrease)/increase in cash and cash equivalents	(19,402)	22,613
Cash and cash equivalents as at beginning of financial period		
As previously reported	125,989	94,592
Effect of exchange rate changes	(1,730)	13,634
As restated	124,259	108,226
Cash and cash equivalents as at end of financial period *	104,857	130,839
*** Cash and cash equivalents at the end of the financial period comprising the following :**		
Short term deposits	83,387	99,908
Cash and bank balances	55,950	64,483
	139,337	164,391
Less : Deposits placed with lease creditors as security deposit for lease payments	(23,640)	(22,142)
Cash held under Housing Development Accounts	(579)	(561)
Deposits pledged to licensed banks	(10,261)	(10,849)
	(34,480)	(33,552)
	104,857	130,839

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 2015.

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 2015, 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:

<u>Amendments/Improvements to MFRSs</u>

MFRS 5	Non-current Asset Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosures of Interests in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 127	Separate financial statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 138	Intangible Assets
MFRS 141	Agriculture

The adoption of the above amendments to MFRSs and IC Int 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 that are issued but are not yet effective, have yet to be adopted by the Group:

New MFRS		**Effective for financial periods beginning on or after**
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018

3 Audit report

The auditors’ report on the financial statements for the year ended 31 December 2015 was not subject to any qualification.

4 Seasonal or cyclical factors

The operations of the Group for the quarter ended 30 September 2016 were not materially affected by any seasonal or cyclical factors.

5. Unusual items

There were no unusual significant items during the quarter 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 30 June 2016.

8 Dividends paid

The first and final single tier dividend of 0.25 sen per ordinary share of RM0.30 each in respect of the financial year ended 31 December 2015 was paid on 23 August 2016 after obtaining the approval from the shareholders of the Company at the Annual General Meeting held on 31 May 2016.

9. Segmental Information

For the financial period ended 30 September 2016

	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	478	44,913	40,012	16,825	71,440	12,452	-	186,120
Inter-segment	1,398	-	-	-	258	-	(1,656)	-
Total revenue	1,876	44,913	40,012	16,825	71,698	12,452	(1,656)	186,120
Results								
Segment results	(6,566)	2,570	7,745	3,064	3,128	(9,387)	537	1,091
Share of results of associates and joint venture	1,291	(703)	(12)	-	195	-	-	771
Consolidated profit/(loss) before tax	(5,275)	1,867	7,733	3,064	3,323	(9,387)	537	1,862
Income tax expense								(3,929)
Consolidated profit/(loss) after tax								(2,067)
Non-controlling interests								(2,439)
Net profit/(loss) for the financial period attributable to owners of the parent								(4,506)

9. Segmental Information (Continued)

For the financial period ended 30 September 2016

	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
Other information								
Segment assets	61,335	222,666	173,356	70,254	26,324	45,913	-	599,848
Investment in associates and joint venture	34,920	6,582	1,887	-	619	-	-	44,008
Unallocated corporate assets								3,443
Total assets								647,299
Segment liabilities	32,838	87,236	14,991	6,854	6,647	18,607	-	167,173
Unallocated corporate liabilities								2,994
Total liabilities								170,167
Capital expenditure:								
- Property, plant & equipment	168	1,344	802	1	16	759	-	3,090
- Software development expenditure	-	-	1,177	-	-	-	-	1,177
- Licenses	-	-	-	-	-	172	-	172

9. Segmental Information (Continued)

For the financial period ended 30 September 2015

	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	972	44,093	42,730	12,691	66,400	25,403	-	192,289
Inter-segment	1,313	-	-	5	260	-	(1,578)	-
Total revenue	2,285	44,093	42,730	12,696	66,660	25,403	(1,578)	192,289
Results								
Segment results	2,822	(1,149)	8,931	1,670	2,601	(8,359)	276	6,792
Share of results of associates	1,226	(1,348)	(10)	-	(374)	-	-	(506)
Consolidated profit/(loss) before tax	4,048	(2,497)	8,921	1,670	2,227	(8,359)	276	6,286
Income tax expense								(3,803)
Consolidated profit/(loss) after tax								2,483
Non-controlling interests								(3,234)
Net profit/(loss) for the financial period attributable to owners of the parent								(751)

9. Segmental Information (Continued)

For the financial period ended 30 September 2015

	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
Other information								
Segment assets	76,913	206,812	169,425	66,157	20,213	56,478	-	595,998
Investment in associates	32,959	17,073	11	-	3,594	-	-	53,637
Unallocated corporate assets								3,873
Total assets								653,508
Segment liabilities	29,243	75,789	13,912	7,345	7,602	23,959	-	157,850
Unallocated corporate liabilities								2,019
Total liabilities								159,869
Capital expenditure								
- Property, plant and equipment	141	1,082	969	17	165	183	-	2,557
- Software development expenditure	-	-	605	-	-	-	-	605
- Licenses	-	-	-	-	-	343	-	343

10. Property, plant and equipment

The valuation of land and buildings have been brought forward without amendment from the financial statements for the year ended 31 December 2015.

11. Significant events after the reporting period

There are no significant events after the reporting period.

12. Changes in the composition of the Group

(a) On 5 February 2016, Pacific Prime Ventures Pty. Ltd., as trustee for the E Naidu Trust ("Purchaser") signed the Share Sale Agreement to acquire from Calmford Incorporated ("Calmford"), a wholly-owned subsidiary of the Company, its 4,700,002 shares representing 100% shareholding in Advansa Pty. Ltd. for a cash consideration of AUD2,300,000 only (equivalent to approximately RM7 million) ("Proposed Disposal") as part of the Group's plan to divest non-core business. Following the completion of the Proposed Disposal on 18 March 2016, Advansa Pty. Ltd. ceased to be a subsidiary of Calmford and the Company.

The summary effects on the disposal of Advansa Pty. Ltd. are as follows:

	RM'000
Property, plant and equipment	229
Intangible asset	235
Inventories	5,512
Receivables	2,632
Cash and bank balances	1,758
Payables	(2,722)
Exchange translation reserve	296
Net assets disposed	7,940
Net proceeds from disposal	(7,056)
Loss on disposal of the subsidiary	884
Realisation of foreign exchange reserve on disposal	737
Net loss on the disposal of the subsidiary	1,621
Net proceeds from disposal	7,056
Cash and bank balances of the subsidiary disposed	(1,758)
Net cash inflows	5,298

(b) Pursuant to the Share Sale Agreement dated 12 August 2015 which was entered into by Alangka-Suka International Limited ("ASIL"), an indirect wholly-owned subsidiary of the Company, to dispose 75 ordinary shares of USD200.00 each, representing its 10% equity interest in P.T. Diwangkara Holiday Villa Bali ("PT Diwangkara") to Triadi Putranta Soewondo for a total cash consideration of USD115,415.00, PT Diwangkara became an indirect 90%-owned subsidiary of the Company held via ASIL. Following an increase in the share capital of PT Diwangkara, ASIL's equity interest in PT Diwangkara increased to 94.81% effective from 12 February 2016.

(c) On 8 March 2016, Captii Limited, an indirect 58.3%-owned subsidiary of the Company, announced that its wholly-owned subsidiary, Captii Ventures Pte. Ltd., completed its investment in 50,000 convertible preference shares in OOPA Pte. Ltd. ("OOPA"), which in turn is convertible into ordinary shares of OOPA representing a 25% stake in OOPA on a fully convertible basis.

(d) On 21 July 2016, the Company announced that an application has been submitted to the Hong Kong Companies Registry on 21 July 2016 for the deregistration of Best Alpha Investments Limited (a dormant indirect wholly-owned subsidiary of the Company incorporated in Hong Kong) under Section 750 of the Companies Ordinance.

(e) On 15 August 2016, Captii Limited, an indirect 58.3%-owned subsidiary of the Company, announced that its indirect 51%-owned subsidiary, GlobeOSS Pte. Ltd., has incorporated a wholly-owned subsidiary, GlobeOSS (Brunei) Sdn Bhd ("GlobeOSS Brunei"), in Brunei on 15 August 2016 with an initial paid-up capital of Brunei Dollars 10,000. The principal activiy of GlobeOSS Brunei is to undertake the provision of global roaming quality of services management solution in Brunei.

(f) On 1 September 2016, the Company received notification that pursuant to Section 751 of the Companies Ordinance, Hong Kong and by notice published on 26 August 2016 under Gazette Notice No. 4804, Excellent Result Investments Limited, a dormant indirect wholly-owned subsidiary of the Company [held via Advance Synergy Properties Sdn Bhd, a wholly-owned subsidiary of the Company] incorporated in Hong Kong, has been deregistered and is accordingly dissolved as from the date of publication of the said Gazette Notice.

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

(g) On 14 September 2016, 4,650 new shares of CHF500 each in the share capital of Posthotel Arosa AG ("Arosa") were allotted and issued to Holiday Villa Assets Sdn Bhd ("HVA") for a cash consideration of CHF2,325,000 (equivalent to approximately RM10 million) following the approval obtained at the extraordinary general assembly of Arosa held on 29 August 2016 for Arosa to increase its capital from CHF1,000,000 to CHF4,500,000 by issuance of 7,000 new shares of nominal value CHF500 each at an issue price of CHF500 per share.

Consequently, Arosa is now a 62.49%-owned subsidiary of HVA as HVA's equity interest in Arosa increased from 48.70% to 62.49%.

The summary effects on the acquisition of Arosa are as follows:

	RM'000
Property, plant and equipment	25,998
Inventories	185
Receivables	618
Cash and bank balances	1,987
Payables	(1,398)
Borrowings	(16,917)
Net assets	10,473
Net assets acquired	6,545
Goodwill on consolidation	13,660
	20,205
Carrying amount of 48.70% equity interest in Arosa held by the Group immediately before the acquisition	(10,087)
Consideration paid for the additional 13.79% equity interest in Arosa	10,118
Cash and cash equivalent of the subsidiary acquired	(1,987)
Net cash outflows	8,131

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 2015.

14. Review of performance

Overall performance

For the 9-month period ended 30 September 2016 ("9M 2016"), the Group recorded a profit before tax of RM1.9 million. Although the profit before tax for 9M 2016 is lower than the profit before tax for the 9-month period ended 30 September 2015 ("9M 2015"), the result for 9M 2015 included a gain on disposal of a property of RM12.2 million. Excluding the gain on the said disposal of property, the Group recorded improved results for 9M 2016 compared to 9M 2015 despite the lower revenue of RM186.1 million in 9M 2016 compared to a revenue of RM192.3 million for 9M 2015, a decrease of RM6.2 million or 3.2%. The improved financial performance for 9M 2016 compared to 9M 2015 was mainly attributable to higher profit from Hotels & Resorts, Travel & Tours and Property Development divisions coupled with higher gross profit margin of 35.9% in 9M 2016 compared to 34.6% for 9M 2015, a reduction in finance costs and operating expenses of RM0.8 million and RM4.7 million respectively, the higher contribution from the associated companies and absence of loss from the manufacturing division which was disposed in the first quarter of this year.

Investment Holding

The division recorded a loss before tax of RM5.3 million for 9M 2016 compared to profit before tax of RM4.0 million for 9M 2015. The profit in 9M 2015 was attributable mainly to a gain on disposal of a property of RM12.2 million.

Hotels & Resorts

The Hotels & Resorts division registered a comparable revenue for 9M 2016 of RM44.9 million to RM44.1 million for 9M 2015. For the period under review, one of our local hotels recorded higher revenue compared to 9M 2015 while our overseas hotels recorded lower revenue. Overall, the Hotels & Resorts division achieved a higher occupancy rate and average room rate for 9M 2016 compared to 9M 2015. With lower operating expenses, this division recorded a profit before tax for 9M 2016 of RM1.9 million compared to a loss before tax of RM2.5 million in the corresponding period last year.

14. Review of performance (Continued)

Information & Communications Technology

The lower revenue from ICT division was attributable mainly to lower system sale contract revenue recorded by GlobeOSS business unit (“BU”) and lower revenue share contract revenue and system sale contract revenue recorded by Unifiedcomms BU. This was partly mitigated by higher GlobeOSS BU's maintenance contract revenue.

The division recorded a lower profit before tax of RM7.7 million for 9M 2016 compared to RM8.9 million for 9M 2015 mainly due to the lower revenue for 9M 2016, mitigated by a higher gross profit margin of 60% compared to 58% for the same period last year and lower operating costs.

Property Development

The Property Development division registered a higher revenue for 9M 2016 of RM16.8 million compared to RM12.7 million for 9M 2015 mainly due to more units sold from the Federal Park project. With the higher revenue, this division made a profit before tax of RM3.1 million for 9M 2016 compared to a profit before tax of RM1.7 million for the same period last year.

Travel & Tours

For the period under review, our Travel & Tours division achieved a higher revenue of RM71.7 million as compared to a revenue of RM66.7 million for 9M 2015, an increase of RM5.0 million mainly from ticketing and outbound travel sales. With the higher revenue, this division recorded a higher profit before tax of RM3.3 million for 9M 2016 compared to RM2.2 million for 9M 2015.

Others

The Others division registered a lower revenue of RM12.5 million in 9M 2016 compared to a revenue of RM25.4 million achieved in 9M 2015, a decrease of RM12.9 million. The bulk of the reduction in revenue was due to a decline in revenue of the Coach Building unit from RM9.0 million for 9M 2015 to RM6.2 million for 9M 2016, coupled with the absence of revenue from a loss making manufacturing subsidiary which was disposed in the preceding quarter of 2016 as part of the restructuring plan to improve the Group's performance. With the lower revenue and the net loss on disposal of the loss making manufacturing subsidiary as mentioned above of RM1.6 million, this division recorded a higher loss before tax for 9M 2016 of RM9.4 million compared to RM8.4 million for 9M 2015.

15. Comparison of results with preceding quarter

Overall performance

The Group achieved a revenue of RM62.1 million for the current quarter ended 30 September 2016 (“Q3 2016”) which was lower compared to the revenue in the previous quarter ended 30 June 2016 (“Q2 2016”) of RM63.3 million, a decrease of RM1.2 million. With the lower revenue, the Group recorded a lower profit before tax of RM1.9 million in the current quarter under review compared to a profit of RM2.1 million in the preceding quarter.

Investment Holding

The Investment Holding division recorded a loss before tax of RM2.0 million for Q3 2016 comparable to the loss in Q2 2016.

Hotels & Resorts

The Hotels & Resorts division registered a higher revenue for Q3 2016 of RM16.5 million compared to a revenue of RM13.1 million in the preceding quarter. With the higher revenue in the current quarter under review compared to preceding quarter and lower operating expenses, the division recorded a higher profit of RM1.6 million compared to a profit before tax of RM39,000 in Q2 2016.

Information & Communications Technology

The ICT division registered a lower revenue for Q3 2016 of RM12.5 million compared to a revenue of RM16.0 million for the preceding quarter mainly due to lower system sale contracts revenue from GlobeOSS BU and Unifiedcomms BU. With the lower revenue, mitigated by lower operating expenses, the division reported a lower profit before tax of RM2.2 million for Q3 2016 compared to RM4.2 million for Q2 2016.

Property Development

The Property Development division recorded a lower revenue of RM4.8 million for Q3 2016 compared to RM5.4 million in Q2 2016 mainly due to lower sales from the Federal Park project offset by higher number of affordable house units sold in Q3 2016. With the lower revenue, a lower profit before tax of RM1.0 million was recorded for Q3 2016 compared to RM1.1 million for Q2 2016.

15. Comparison of results with preceding quarter (Continued)

Travel & Tours

The Travel & Tours division recorded a lower revenue of RM22.2 million in the quarter under review compared to RM25.8 million in the previous quarter, a decrease of RM3.6 million or 13.9%. The lower revenue was mainly attributable to lower outbound travel and ticketing businesses partly offset by higher inbound travel business. With the lower revenue, the division recorded a lower profit before tax of RM0.8 million in Q3 2016 compared to RM1.3 million in Q2 2016.

Others

The Others division recorded a higher revenue for Q3 2016 of RM5.9 million compared to RM2.9 million in the preceding quarter. The increase in revenue was attributable mainly to higher sales in the Coach Building unit. With the higher revenue in the current quarter under review, a lower loss before tax was recorded in Q3 2016 of RM2.0 million compared to loss before tax of RM2.9 million in the preceding quarter.

16. Prospects

Our Board expects the remaining period of 2016 to be challenging for the Group.

Our Group will continue its focus on measures to improve operational efficiencies and productivity coupled with cost reduction efforts. To deliver substainable growth in revenues and profits of our major divisions, the Group will pursue its strategic plans which are already in place to grow our established core businesses and explore opportunities of new markets. For the non-core loss-making businesses, we will focus on restructuring or divestment plans.

Although the Hotels & Resorts division views the business outlook for the remaining period of 2016 to be challenging, the division is cautiously optimistic taking into consideration the expected return of Chinese tourists (especially in the FIT segment) to many parts of destination where Holiday Villas are located, the opening of several new Holiday Villas made possible through our strategy of seeking opportunities to secure hotel management and operations agreements to increase our room inventories and the anticipated increased online sales from additional investment in upgrading our websites, booking engine and web optimization.

The Information & Communications Technology (“ICT”) division expects the remaining period of 2016 to remain challenging. The division's need to continue strengthening the managed service contract portfolio for delivering steady and sustainable growth remains the focus for growth in 2016. The growing interest and opportunity in internet-driven application services, new media and applications delivered on an advertisement-supported or advertisement-funded model continues to be recognised by the management. The division’s strategic investment plan in the year ahead will continue to focus primarily on these growth businesses in the South East Asia and South Asia regions and will complement the growth plans of the existing businesses.

Our Property Development division expects to face continued challenges in the remaining period of 2016 due to the softening of the property market in Kuching and the cooling measures on the property market. The division will focus on its on-going development project namely, Federal Park to drive the earnings of the division for the remaining period of 2016.

Our travel and tours division is cautiously optimistic of their performance this year as they continue to remain focused on building its corporate client base for the ticketing business and in developing and adapting its products to sustain growth in the leisure and corporate group markets for both inbound and outbound travel and tours.

The Others division will remain focused on its key strategies to drive the revenue growth plan although the continued challenges in the remaining period of 2016 may cause significant uncertainty in the achievement of such revenue growth plan this year. In addition, the division will focus on improving the execution process and implementing cost saving measures to address the challenge of rising cost pressure. Further restructuring plan for non-performing businesses which may include divestment (the Manufacturing unit was divested in the preceding quarter) will be implemented to improve the performance of this division.

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 30.09.2016 RM'000	Year-to-date ended 30.09.2016 RM'000
On current quarter results		
- Malaysian income tax	1,050	3,911
Under provision in prior years	(16)	(15)
Transfer (to)/from deferred taxation	27	28
	1,057	3,929

The effective tax rate of the Group for the financial quarter and period ended 30 September 2016 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

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 legal action vide Alor Setar High Court Civil Suit No. MT2-22-95-2004 against PKNK instituted by the Company on 14 June 2004 to recover its investment in KMSB is fully settled on 17 October 2016. 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 30.09.2016 RM'000	As At 31.12.2015 RM'000
Short term - secured		
- Term loans	1,959	1,920
- Hire purchase payables	51	15
- Finance lease payable	23,084	23,084
- Revolving credit	18,750	9,400
Short term - unsecured		
- Term loans	-	2,784
	43,844	37,203
Long term - secured		
- Term loans	58,283	42,844
- Hire purchase payables	208	-
	58,491	42,844
Total borrowings	102,335	80,047

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

	As At 30.09.2016 RM'000	As At 31.12.2015 RM'000
Australian Dollars	-	2,784
Swiss Franc	16,917	-

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 initiated the Alor Setar High Court Civil Suit No. MT2-22-95-2004 on 14 June 2004 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 ("Leave Application") to appeal to the Federal Court of Malaysia vide Civil Application No.: 08-772-10/2012.

The Leave Application was heard by the Federal Court of Malaysia on 6 May 2014 and unanimously dismissed with costs of RM10,000.00 payable by PKNK to the Company. As a result, the suit will be tried by the High Court in Alor Setar. The Federal Court has on 15 May 2015 clarified the earlier order made and directed that the defence of limitation taken by PKNK be tried by the High Court. The sealed order of the Federal Court was served on 29 July 2015.

On 17 October 2016, the Company announced that after being advised by its solicitors, it has accepted the proposal from PKNK to fully settle the legal action. With the receipt of the settlement amount of RM4,999,000 from PKNK and the filing of the Notice of Discontinuance on 17 October 2016 which wholly withdrawn the action with no order as to costs and with no liberty to file afresh in Court pursuant to the terms of the said settlement, the legal action is fully settled.

(b) The Company had announced that a legal proceeding was instituted against PT Diwangkara, an indirect subsidiary of the Company, arising from a claim dated 14 April 2015 made by PT. Diwangkara Jaya Makmur ("Plaintiff" or "Jaya Makmur") against PT. Diwangkara ("Defendant I" or "PT Diwangkara Holiday Villa Bali") and CV. Telabah Nasional Traiding Company ("Defendant II") which was read on 28 July 2015 at the Denpasar District Court, Indonesia. Defendant I has a lease agreement for the land and building which happened to be the building of Diwangkara Holiday Villa Beach Resort & Spa Bali ("Hotel") including its licences and in the agreement, the owner also gives the right to operate and manage the Hotel to Defendant I.

The Plaintiff's claims principally included among others to invalidate the lease agreement between the Defendant I and Defendant II for Defendant I to lease the Hotel for a period of 22 years, and for Defendant I to pay actual and general losses suffered by the Plaintiff amounting to Rp114,600,000,000 (equivalent of approximately RM36.4 million) and default penalty in the amount of Rp10,000,000 (equivalent of approximately RM3,180) for each day commencing from the pronounce of the judgement and court fees.

Mediation proceedings had ended and the trial continued with Response of the Parties for the claim and Defendant I had responded by filing its claims to Denpasar District Court, Indonesia which principally included among others to declare the lease agreement legitimate and binding under the law, order for Plaintiff to pay actual and general losses and compensation for the loss of public trust, image and reputation of the Hotel that have been suffered by Defendant I amounting to Rp24,304,854,643 and USD1,313,860.13 (equivalent of approximately RM13.6 million), default penalty in the amount of Rp10,000,000 (equivalent of approximately RM3,180) for each day commencing from the date the judgement is enforceable and all costs incurred in this case.

On 5 May 2016, the Company announced the Court's judgement which principally states that Jaya Makmur has conducted an unlawful act by taking over the Hotel and office building and the management of the Hotel from PT. Diwangkara Holiday Villa Bali prior to the expiry of the lease under Deed No. 38 and No. 39 and therefore Jaya Makmur shall return the operations of the Hotel to PT. Diwangkara Holiday Villa, and pay material and immaterial losses of PT. Diwangkara Holiday Villa in the amount of Rp5,384,507,763 (equivalent of approximately RM1.7 million) plus costs incurred in this case in the amount of Rp1,706,000 (equivalent of approximately RM530).

With regard to the Court's Judgement, both parties have submitted an appeal to the High Court of Denpasar, Indonesia.

24. Notes To The Statement of Comprehensive Income

Included in the operating profit are:

	9 months ended 30.09.2016 RM'000	9 months ended 30.09.2015 RM'000
Amortisation of intangible assets	(1,571)	(2,198)
Depreciation of property, plant and equipment	(5,320)	(8,272)
Bad debts written off	-	(43)
Net gain/(loss) on disposal of:		
- an associate	389	(596)
- partial interest in a subsidiary	38	-
- property, plant and equipment	71	12,370
- a subsidiary	(884)	-
Impairment loss on:		
- loan and receivables	-	(113)
Fair value change in financial assets held for trading	19	-
Write back/(down) of inventories	(1)	1
Interest expenses	(3,419)	(4,183)
Interest income	2,014	2,335
Net unrealised (loss)/gain on foreign exchange	(645)	364
Property, plant and equipment written off	(22)	(117)
Provision for retirement plan	(142)	(130)
Write back of impairment loss on:		
- loan and receivables	172	180
- property, plant and equipment	-	10
Realisation of foreign exchange reserve	(737)	-

25. Retained Earnings

	As At 30.09.2016 RM'000	As At 30.09.2015 RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries		
- Realised	(522,175)	(464,448)
- Unrealised	32,184	43,330
Total share of retained profits/(accumulated losses) from associates		
- Realised	5,316	(2,749)
- Unrealised	-	-
Total share of retained profits/(accumulated losses) from jointly controlled entities		
- Realised	(980)	(991)
- Unrealised	-	-
	(485,655)	(424,858)
Consolidation adjustments	508,882	464,619
Total Group retained profits as per consolidated statements of financial position	23,227	39,761

26. Dividend

The first and final single tier dividend in respect of the financial year ended 31 December 2015 was paid on 23 August 2016 as approved by the shareholders of the Company at the Annual General Meeting held on 31 May 2016.

27. Earning/(Loss) per share

Basic earning/(loss) per share

The basic earning/(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 RM93,000 and RM(4,506,000) respectively, divided by the weighted average number of ordinary shares of 664,052,332 and 664,052,332 for the current quarter and current year-to-date respectively as follows:

	3 months ended		Year-to-date ended	
	30.09.2016	**30.09.2015**	**30.09.2016**	**30.09.2015**
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the period	664,052,332	664,052,332	664,052,332	662,255,682
Weighted average number of new ordinary shares arising from ICULS converted todate	-	-	-	1,123,964
Weighted average number of ordinary shares	664,052,332	664,052,332	664,052,332	663,379,646

	3 months ended		Year-to-date ended	
	30.09.2016	**30.09.2015**	**30.09.2016**	**30.09.2015**
Basic earning/(loss) per share (sen)	0.01	1.45	(0.68)	(0.11)

Diluted earning/(loss) per share

The diluted earning/(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 RM176,000 and RM(4,306,000) respectively, after adjusting for interest saving on ICULS, divided by the weighted average number of ordinary shares of 929,194,953 and 929,194,953 for the current quarter and current year-to-date respectively assuming conversion of the remaining ICULS as follows:

	3 months ended		Year-to-date ended	
	30.09.2016	**30.09.2015**	**30.09.2016**	**30.09.2015**
	RM'000		RM'000	
Net profit/(loss) attributable to equity holders	93	9,599	(4,506)	(751)
Profit impact of assumed conversion-interest on ICULS	83	892	200	303
	176	10,491	(4,306)	(448)

Weighted average number of ordinary shares (diluted)

	3 months ended		Year-to-date ended	
	30.09.2016	**30.09.2015**	**30.09.2016**	**30.09.2015**
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the period	664,052,332	664,052,332	664,052,332	662,255,682
Weighted average number of new ordinary shares arising from ICULS converted todate	-	-	-	1,123,964
Weighted average number of new ordinary shares assuming conversion of the remaining ICULS	265,142,621	265,142,621	265,142,621	265,815,307
Weighted average number of ordinary shares	929,194,953	929,194,953	929,194,953	929,194,953

	3 months ended		Year-to-date ended	
	30.09.2016	**30.09.2015**	**30.09.2016**	**30.09.2015**
Diluted earning/(loss) per share (sen)	0.01	1.13	(0.68)	(0.11)

The diluted earning/(loss) per share and basic earning/(loss) per share for the current quarter, current year-to-date and corresponding year-to-date last year are reported to be the same 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
23 November 2016