ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED 31 MARCH 2017

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the quarter and period ended 31 March 2017.

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 2016.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	3 months ended		Year-to-date 3 months ended	
	31.03.2017 RM'000	31.03.2016 RM'000	31.03.2017 RM'000	31.03.2016 RM'000
Revenue	61,049	60,763	61,049	60,763
Cost of sales	(39,335)	(38,786)	(39,335)	(38,786)
Gross profit	21,714	21,977	21,714	21,977
Other operating income	2,474	3,015	2,474	3,015
Operating expenses	(22,966)	(26,579)	(22,966)	(26,579)
Profit/(Loss) from operations	1,222	(1,587)	1,222	(1,587)
Finance costs	(1,087)	(1,047)	(1,087)	(1,047)
Share of results of associates and joint venture	(235)	429	(235)	429
Profit/(Loss) before tax	(100)	(2,205)	(100)	(2,205)
Income tax expense	(1,372)	(1,149)	(1,372)	(1,149)
Net profit/(loss) for the financial period	(1,472)	(3,354)	(1,472)	(3,354)
Attributable to:				
Owners of the parent	(2,285)	(3,651)	(2,285)	(3,651)
Non-controlling interests	813	297	813	297
	(1,472)	(3,354)	(1,472)	(3,354)
Loss per share attributable to owners of the parent:				
Basic (sen)	(0.34)	(0.55)	(0.34)	(0.55)
Diluted (sen)	(0.34)	(0.55)	(0.34)	(0.55)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 3 months ended	
	31.03.2017 RM'000	31.03.2016 RM'000	31.03.2017 RM'000	31.03.2016 RM'000
Net profit/(loss) for the financial period	(1,472)	(3,354)	(1,472)	(3,354)
Other comprehensive income/(expenses):				
Items that are or may be reclassified subsequently to profit or loss:				
Share of other comprehensive income of associates, net of tax	-	1	-	1
Foreign currency translation differences for foreign operations	(1,755)	(3,496)	(1,755)	(3,496)
Total items that are or may be reclassified subsequently to profit or loss	(1,755)	(3,495)	(1,755)	(3,495)
Other comprehensive income/(loss) for the financial period	(1,755)	(3,495)	(1,755)	(3,495)
Total comprehensive income/(loss) for the financial period	(3,227)	(6,849)	(3,227)	(6,849)
Attributable to:				
Owners of the parent	(3,720)	(6,701)	(3,720)	(6,701)
Non-controlling interests	493	(148)	493	(148)
Total comprehensive income/(loss) for the financial period	(3,227)	(6,849)	(3,227)	(6,849)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited as at 31.03.2017 RM'000	Audited as at 31.12.2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	157,916	156,155
Investment properties	8,060	8,060
Investment in associates	46,841	46,937
Investment securities	36,281	33,899
Investment in joint venture	-	-
Goodwill on consolidation	92,761	92,761
Intangible assets	4,230	4,411
Deferred tax assets	1,840	1,850
	347,929	344,073
Current assets		
Progress billings	12,795	18,243
Inventories	41,879	42,016
Trade and other receivables	134,619	157,611
Tax recoverable	2,675	2,459
Investment securities	460	460
Financial assets held for trading	317	429
Short term deposits	91,669	83,229
Cash and bank balances	57,168	56,620
	341,582	361,067
TOTAL ASSETS	689,511	705,140
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	64,803
Reserves	182,247	190,004
	446,266	454,023
Non-controlling interests	59,572	60,053
Total equity	505,838	514,076
Non-current liabilities		
Borrowings	79,424	79,745
ICULS - liability component	1,234	1,593
Deferred tax liabilities	6,245	6,206
Provision for retirement benefit obligations	1,651	1,609
	88,554	89,153
Current liabilities		
Trade and other payables	59,956	77,625
Borrowings	34,100	23,499
Tax payable	1,063	787
	95,119	101,911
Total Liabilities	183,673	191,064
TOTAL EQUITY AND LIABILITIES	689,511	705,140

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2017

	Attributable to owners of the parent									
							Distributable			
	Share Capital RM'000	ICULS-Equity Component RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Exchange Translation Reserve RM'000	Available-For-Sale Reserve RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance as at 1 January 2017	199,216	64,803	117,317	23,510	13,535	4,051	31,591	454,023	60,053	514,076
Net profit/(loss) for the financial period	-	-	-	-	-	-	(2,285)	(2,285)	813	(1,472)
Foreign currency translation differences for foreign operations	-	-	-	-	(1,435)	-	-	(1,435)	(320)	(1,755)
Total comprehensive income/(loss) for the financial period	-	-	-	-	(1,435)	-	(2,285)	(3,720)	493	(3,227)
Transactions with owners in their capacity as owners:										
Acquisition of additional shares in a subsidiary	-	-	-	-	-	-	(4,037)	(4,037)	(974)	(5,011)
	-	-	-	-	-	-	(4,037)	(4,037)	(974)	(5,011)
Balance as at 31 March 2017	199,216	64,803	117,317	23,510	12,100	4,051	25,269	446,266	59,572	505,838

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2017 (Continued)

	Attributable to owners of the parent									
							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	-	-	-	-	-	-	(3,651)	(3,651)	297	(3,354)
Share of other comprehensive income of associates, net of tax	-	-	-	-	-	1	-	1	-	1
Foreign currency translation differences for foreign operations	-	-	-	-	(3,051)	-	-	(3,051)	(445)	(3,496)
Total comprehensive income/(loss) for the financial period	-	-	-	-	(3,051)	1	(3,651)	(6,701)	(148)	(6,849)
Transactions with owners in their capacity as owners:										
Disposal of interest in a subsidiary	-	-	-	-	-	-	140	140	-	140
Disposal of partial interest in a subsidiary	-	-	-	-	-	-	-	-	443	443
Acquisition of additional shares in a subsidiary	-	-	-	-	-	-	192	192	(192)	-
Changes in income tax rate	-	(58)	-	-	-	-	-	(58)	-	(58)
	-	(58)	-	-	-	-	332	274	251	525
Balance as at 31 March 2016	199,216	64,803	117,317	15,998	5,648	4,988	25,602	433,572	39,258	472,830

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2017

	3 months ended 31.03.2017 RM'000	3 months ended 31.03.2016 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	(100)	(2,205)
Adjustments for :-		
Non-cash items	3,158	3,999
Other investing and financing items	440	400
Operating profit before working capital changes	3,498	2,194
Changes in working capital		
Inventories	137	2,126
Receivables	28,439	(8,847)
Financial assets held for trading	107	99
Payables	(16,471)	(3,249)
Net cash from/(used in) operations	15,710	(7,677)
Retirement benefit paid	(6)	-
Tax paid	(1,280)	(1,295)
Net cash generated from/(used in) operating activities	14,424	(8,972)
Cash flows from investing activities		
Acquisition of intangible assets	(293)	(394)
Acquisition of additional shares in a subsidiary	(5,010)	-
Investment in associates	-	(623)
Acquisition of investment securities	(1,966)	(495)
Interest received	647	647
Proceeds from disposal of partial interest in a subsidiary	-	481
Proceeds from disposal of property, plant and equipment	1	69
Proceeds from disposal of a subsidiary, net of cash disposed	-	5,298
Purchase of property, plant and equipment	(3,533)	(1,506)
Net cash (used in)/generated from investing activities	(10,154)	3,477

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2017 (Continued)

	3 months ended 31.03.2017 RM'000	3 months ended 31.03.2016 RM'000
Cash flows from financing activities		
Drawdown of hire purchase	-	341
Drawdown of term loans and revolving credit	10,550	-
Interest paid	(2,646)	(2,695)
Payment to hire purchase	(14)	(12)
Pledged of short term deposits	(2,150)	(447)
Repayment of term loans and revolving credit	(334)	(6,075)
Net cash generated from/(used in) financing activities	5,406	(8,888)
Effect of exchange rate changes	(3,356)	(1,065)
Net increase/(decrease) in cash and cash equivalents	6,320	(15,448)
Cash and cash equivalents as at beginning of financial period		
As previously reported	102,998	125,989
Effect of exchange rate changes	518	(3,603)
As restated	103,516	122,386
Cash and cash equivalents as at end of financial period *	109,836	106,938
*** Cash and cash equivalents at the end of the financial period comprising the following :**		
Short term deposits	91,669	78,977
Cash and bank balances	57,168	62,183
	148,837	141,160
Less : Deposits placed with lease creditors as security deposit for lease payments	(24,073)	(23,211)
Cash held under Housing Development Accounts	(589)	(570)
Deposits pledged to licensed banks	(14,339)	(10,441)
	(39,001)	(34,222)
	109,836	106,938

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 2016.

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 2016, 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:

Amendments/Improvements to MFRSs

MFRS 12	Disclosures of Interests in Other Entities
MFRS 107	Statements of Cash Flows
MFRS 112	Income Taxes

The adoption of the above amendments/improvements to MFRSs will have no significant impact on the financial statements of the Group upon their initial application.

New MFRSs and IC Int and Amendments/Improvements to MFRSs issued but not yet effective

The following new MFRSs, Amendments/Improvements to MFRSs and IC Int that are issued but are not yet effective, have yet to be adopted by the Group:

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 4	Insurance Contracts	1 January 2018
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ Deferred
MFRS 140	Investment Property	1 January 2018
New IC Int		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

3 Audit report

The auditors' report on the financial statements for the year ended 31 December 2016 was not subject to any qualification.

4 Seasonal or cyclical factors

The operations of the Group for the quarter ended 31 March 2017 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 31 March 2017.

8 Dividends paid

There was no payment of any dividend during the financial period ended 31 March 2017.

9. Segmental Information

For the financial period ended 31 March 2017

	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	152	15,722	15,895	764	24,776	3,740	-	61,049
Inter-segment	414	-	-	-	87	-	(501)	-
Total revenue	566	15,722	15,895	764	24,863	3,740	(501)	61,049
Results								
Segment results	(1,649)	1,241	2,581	122	507	(2,667)	-	135
Share of results of associates and joint venture	(217)	(21)	-	-	3	-	-	(235)
Consolidated profit/(loss) before tax	(1,866)	1,220	2,581	122	510	(2,667)	-	(100)
Income tax expense								(1,372)
Consolidated profit/(loss) after tax								(1,472)
Non-controlling interests								(813)
Net profit/(loss) for the financial period attributable to owners of the parent								(2,285)

9. Segmental Information (Continued)

For the financial period ended 31 March 2017

	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	54,931	253,616	186,374	65,706	27,046	50,482	-	638,155
Investment in associates and joint venture	33,831	6,578	5,668	-	764	-	-	46,841
Unallocated corporate assets								4,515
Total assets								689,511
Segment liabilities	31,703	100,664	16,440	4,339	6,395	16,824	-	176,365
Unallocated corporate liabilities								7,308
Total liabilities								183,673
Capital expenditure:								
- Property, plant & equipment	-	2,481	994	6	3	49	-	3,533
- Software development expenditure	-	-	201	-	-	-	-	201
- Licenses	-	-	-	-	-	92	-	92

9. Segmental Information (Continued)

For the financial period ended 31 March 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	178	15,318	11,464	6,572	23,546	3,685	-	60,763
Inter-segment	462	-	-	-	84	-	(546)	-
Total revenue	640	15,318	11,464	6,572	23,630	3,685	(546)	60,763
Results								
Segment results	(1,736)	174	1,327	930	1,173	(4,487)	(15)	(2,634)
Share of results of associates	414	10	(2)	-	7	-	-	429
Consolidated profit/(loss) before tax	(1,322)	184	1,325	930	1,180	(4,487)	(15)	(2,205)
Income tax expense								(1,149)
Consolidated profit/(loss) after tax								(3,354)
Non-controlling interests								(297)
Net profit/(loss) for the financial period attributable to owners of the parent								(3,651)

9. Segmental Information (Continued)

For the financial period ended 31 March 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
<u>Other information</u>								
Segment assets	62,651	185,666	167,919	70,632	26,318	41,751	-	554,937
Investment in associates	33,933	17,382	1,218	-	432	-	-	52,965
Unallocated corporate assets								3,093
Total assets								610,995
Segment liabilities	33,967	54,667	13,871	8,622	7,954	16,008	-	135,089
Unallocated corporate liabilities								3,076
Total liabilities								138,165
Capital expenditure								
- Property, plant and equipment	162	697	199	-	1	447	-	1,506
- Software development expenditure	-	-	363	-	-	-	-	363
- Licenses	-	-	-	-	-	31	-	31

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 2016.

11. Significant events after the reporting period

On 18 April 2017, 20 April 2017 and 8 May 2017, a total of 17,640,000 2% 10-Year Irredeemable Convertible Unsecured Loan Stocks at 100% of the nominal value of RM0.15 each ("ICULS") have been converted into 8,820,000 new ordinary shares at RM0.30 each in the Company by surrendering for cancellation two ICULS for every one new ordinary share of the Company.

Apart from the above, there are no significant events after the reporting period.

12. Changes in the composition of the Group

On 23 January 2017, Holiday Villa Assets Sdn Bhd ("HVA"), an indirect wholly-owned subsidiary of the Company (held via Alangka-Suka Hotels & Resorts Sdn Bhd, a wholly-owned subsidiary of the Company), completed its acquisition of the 226 shares in Posthotel Arosa AG ("Arosa") from Jacques Rüdisser and Verena Maria Rüdisser for a cash consideration of CHF1,095,715 (equivalent to RM5.0 million) and thus increased its equity interest from 62.49% to 65.00%. Consequently, Arosa became a 65.00%-owned subsidiary of HVA.

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 2016.

14. Review of performance

Overall performance

For the current 3-month period ended 31 March 2017 ("Q1 2017"), the Group recorded a slightly higher revenue of RM61.0 million compared to a revenue of RM60.8 million for the corresponding period last year ("Q1 2016"). The revenue of Information & Communications Technology ("ICT"), Travel & Tours and Hotels & Resorts divisions shown an increase in revenue of RM4.4 million, RM1.2 million and RM0.4 million respectively for Q1 2017 compared to Q1 2016 offset by a decrease in revenue for Property Development division of RM5.8 million. The Group recorded a lower loss before tax of RM0.1 million for Q1 2017 as compared to a loss before tax of RM2.2 million for Q1 2016 mainly due to higher operating expenses for Q1 2016 which included a loss on disposal of a loss making manufacturing subsidiary of RM1.6 million.

Investment Holding

The division recorded a higher loss before tax of RM1.9 million for Q1 2017 compared to RM1.3 million for Q1 2016. This is mainly attributable to the unfavourable results of the associated companies.

Hotels & Resorts

The Hotels & Resorts division registered a higher revenue for Q1 2017 of RM15.7 million compared to RM15.3 million for Q1 2016 and a higher profit before tax of RM1.2 million in Q1 2017 compared to RM0.2 million for Q1 2016. For the period under review, overall, the Hotels & Resorts division achieved a higher average occupancy rate and average room rate for Q1 2017 compared to Q1 2016.

Information & Communications Technology

The higher revenue from ICT division for the quarter under review of RM15.9 million compared to Q1 2016 of RM11.5 million, an increase of RM1.4 million, was attributable mainly to higher system sale contract revenue recorded by GlobeOSS business unit ("BU") and higher revenue share contract revenue recorded by Unifiedcomms BU.

The division recorded a higher profit before tax of RM2.6 million for Q1 2017 compared to RM1.3 million for Q1 2016 mainly due to the flowdown effect of higher revenue for Q1 2017.

Property Development

The Property Development division registered a lower revenue for Q1 2017 of RM0.8 million compared to RM6.6 million for Q1 2016 mainly due to delay in Federal Park Phase 2 launching. With the lower revenue, this division made a profit before tax of RM0.1 million for Q1 2017 compared to a profit before tax of RM0.9 million for Q1 2016.

Travel & Tours

For the current period under review, our Travel & Tours division achieved a higher revenue of RM24.9 million as compared to a revenue of RM23.6 million for corresponding period last year, an increase of RM1.3 million mainly from ticketing and outbound travel sales. Despite the higher revenue, this division recorded a lower profit before tax of RM0.5 million for Q1 2017 compared to RM1.2 million for Q1 2016 mainly due to lower gross profit margin.

Others

The Others division registered a similar revenue of RM3.7 million for both Q1 2017 and Q1 2016. This division recorded a lower loss before tax of RM2.7 million for Q1 2017 as compared to a loss of RM4.5 million for Q1 2016 mainly due to lower operating expenses for Q1 2017 as Q1 2016's operating expenses included a loss on disposal of the loss making manufacturing subsidiary of RM1.6 million.

15. Comparison of results with preceding quarter

Overall performance

The Group achieved a revenue of RM61.0 million for the current quarter ended 31 March 2017 ("Q1 2017") which was lower compared to the revenue in the previous quarter ended 31 December 2016 ("Q4 2016") of RM90.7 million, a decrease of RM29.7 million or 32.7.0%. In addition, during the quarter under review, the Group posted a lower other operating income of RM2.5 million compared to RM44.6 million in Q4 2016. The higher other operating income in Q4 2016 was mainly contributed by a fair value gain assessed on ICT's venture investment portfolio and an insurance claim arising from a fire incident in Arosa in Q4 2016. However, the operating expenses were lower in Q1 2017 compared to Q4 2016 by RM34.7 million as Q4 2016 operating expenses included an amount written off for our hotel property due to a fire incident as mentioned above. With the flowdown effect of lower revenue and lower other operating income partly offset by the lower operating expenses, the Group recorded a loss before tax of RM0.1 million in the current quarter under review compared to a profit before tax of RM15.6 million in the preceding quarter.

Investment Holding

The Investment Holding division recorded a loss before tax of RM1.9 million for Q1 2017 as compared to profit before tax of RM6.2 million for Q4 2016. The results for Q4 2016 included dividends from subsidiaries (eliminated at group level). This is partly offset by an improvement in results from an associated company in Q1 2017 as there was an impairment loss on receivables recognised in Q4 2016.

Hotels & Resorts

The Hotels & Resorts division's revenue for Q1 2017 was slightly lower at RM15.7 million compared to a revenue of RM17.0 million in the preceding quarter. Despite the lower revenue, the operating results of the division (excluding the gain from insurance claim of RM4.2 million arising from a fire incident in Arosa) was higher at RM1.2 million compared to a loss before tax of RM0.3 million in Q4 2016 mainly due to lower expenses incurred in Q1 2017.

Information & Communications Technology

The ICT division registered a lower revenue for Q1 2017 of RM15.9 million compared to a revenue of RM30.0 million for the preceding quarter mainly due to lower system sale contracts revenue from GlobeOSS BU. With the lower revenue in Q1 2017 coupled with a fair value gain assessed on the division's venture investment portfolio recorded in Q4 2016, the division reported a lower profit before tax of RM2.6 million for Q1 2017 compared to RM14.4 million for Q4 2016.

Property Development

The Property Development division recorded a lower revenue of RM0.8 million for Q1 2017 compared to RM5.3 million in Q4 2016. With the lower revenue, this division's profit before tax was lower at RM0.1 million for Q1 2017 compared to RM1.2 million for Q4 2016.

Travel & Tours

The Travel & Tours division recorded a lower revenue of RM24.9 million in the quarter under review compared to RM30.1 million in the previous quarter, a decrease of RM5.2 million or 17.3%. All inbound and outbound travel and ticketing businesses recorded lower revenue in the quarter under review. With the lower revenue, the division recorded a lower profit before tax of RM0.5 million in Q1 2017 compared to RM1.3 million in Q4 2016.

Others

The Others division recorded a lower revenue for Q1 2017 of RM3.7 million compared to RM8.2 million in the preceding quarter. The decrease in revenue was attributable mainly to lower sales in the Coach Building unit. With the lower revenue in the current quarter under review, a higher loss before tax was recorded in Q1 2017 of RM2.7 million compared to loss before tax of RM1.6 million in the preceding quarter.

16. Prospects

Our Board expects the remaining period of 2017 to be challenging for the Group with expected volatility in the global economy and increasing inflationary pressures in our domestic market.

With the expected challenging environment, our Board is cautiously optimistic on the implementation of our business plans. 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 attractive opportunities to expand operations. For the non-core loss-making businesses, we will focus on turnaround restructuring or divestment plans.

Although the Hotels & Resorts division views the business outlook for 2017 to be challenging, the division is cautiously optimistic taking into consideration our focus on certain encouraging trends in industry and the anticipated increased online sales from direct online bookings on our recently launched upgraded website. The division will also focus on developing business from the Asia region by working with tour operators, local corporate businesses, and be innovative in securing more residential meetings.

16. Prospects (Continued)

The Information & Communications Technology ("ICT") division expects the remainder of financial year 2017 to be challenging but remain optimistic about growth prospect. Although 2016 proved to be another unexpectedly good year for business generated from system sale contracts, management does not expect this to be a trend that can be readily extended in 2017. Significant uncertainty and hence lumpiness is still to be expected in the contribution of system sale contracts to the performance of both Unifiedcomms and GlobeOSS businesses. This division's need to continue strengthening its managed service contract portfolio for delivering steady and sustainable growth remains.

The ICT division will continue to work on improving execution in respect of strategies and tactics to grow managed service contract revenues and profit. 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 division. The ICT division's strategic and venture investment plans 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 initiatives of existing businesses.

Our Property Development division expects to face continued challenges in the remaining period of 2017 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 2017.

Our travel and tours division is cautiously optimistic of their performance for the remaining period of 2017 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 2017 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 to turnaround non-performing businesses which may include divestment if the restructuring is not successful within a targeted period 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 31.03.2017 RM'000	Year-to-date ended 31.03.2017 RM'000
On current quarter results		
- Malaysian income tax	1,341	1,341
Transfer (to)/from deferred taxation	31	31
	1,372	1,372

The effective tax rate of the Group for the financial quarter and period ended 31 March 2017 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

There were no corporate proposals announced but not completed.

21. Group borrowings

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

	As At 31.03.2017 RM'000	As At 31.12.2016 RM'000
Short term - secured		
- Term loans	2,743	2,693
- Hire purchase payables	57	56
- Revolving credit	31,300	20,750
	34,100	23,499
Long term - secured		
- Term loans	56,236	56,542
- Hire purchase payables	179	194
- Finance lease payable	23,009	23,009
	79,424	79,745
Total borrowings	113,524	103,244

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

	As At 31.03.2017 RM'000	As At 31.12.2016 RM'000
Swiss Franc	17,219	17,142

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

The Company had announced that a legal proceeding was instituted against PT Diwangkara Holiday Villa Bali, 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 counter 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 judgment is enforceable and all costs incurred in this case.

On 5 May 2016, the Company announced the Court's judgment 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 Judgment, 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:

	3 months ended 31.03.2017 RM'000	3 months ended 31.03.2016 RM'000
Amortisation of intangible assets	(480)	(551)
Depreciation of property, plant and equipment	(1,727)	(1,732)
Net gain/(loss) on disposal of:		
- an associate	-	389
- partial interest in a subsidiary	-	38
- property, plant and equipment	(4)	24
- a subsidiary	-	(884)
Fair value change in financial assets held for trading	(5)	1
Interest expenses	(1,087)	(1,047)
Interest income	647	647
Net unrealised loss on foreign exchange	(597)	(923)
Property, plant and equipment written off	(62)	(5)
Provision for retirement plan	(48)	(48)
Realisation of foreign exchange reserve	-	(737)

25. Retained Earnings

	As At 31.03.2017 RM'000	As At 31.03.2016 RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries		
- Realised	(519,597)	(497,708)
- Unrealised	49,844	28,040
Total share of retained profits/(accumulated losses) from associates		
- Realised	4,360	(2,823)
- Unrealised	-	-
Total share of retained profits/(accumulated losses) from jointly controlled entities		
- Realised	(1,042)	(929)
- Unrealised	-	-
	(466,435)	(473,420)
Consolidation adjustments	491,704	499,022
Total Group retained profits as per consolidated statements of financial position	25,269	25,602

26. Dividend

The Board has on 11 April 2017 announced that the Company has proposed a single-tier dividend of 0.25 sen per ordinary share for the financial year ended 31 December 2016 subject to shareholders' approval at the forthcoming Annual General Meeting to be held on 24 May 2017.

27. Loss per share

Basic loss per share

The basic loss per share for the current quarter and current year-to-date are computed based on the Group's net loss attributable to equity holders of the Company of RM2,285,000, divided by the weighted average number of ordinary shares of 664,052,332 for the current quarter and current year-to-date as follows:

	3 months ended		Year-to-date ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the period	664,052,332	664,052,332	664,052,332	664,052,332
Weighted average number of new ordinary shares arising from ICULS converted todate	-	-	-	-
Weighted average number of ordinary shares	664,052,332	664,052,332	664,052,332	664,052,332

	3 months ended		Year-to-date ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Basic loss per share (sen)	(0.34)	(0.55)	(0.34)	(0.55)

Diluted loss per share

The diluted loss per share for the current quarter and current year-to-date are computed based on the Group's net loss attributable to equity holders of the Company of RM2,221,000, after adjusting for interest saving on ICULS, divided by the weighted average number of ordinary shares of 929,194,953 for the current quarter and current year-to-date assuming conversion of the remaining ICULS as follows:

	3 months ended		Year-to-date ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000		RM'000	
Net loss attributable to equity holders	(2,285)	(3,651)	(2,285)	(3,651)
Profit impact of assumed conversion-interest on ICULS	64	39	64	39
	(2,221)	(3,612)	(2,221)	(3,612)

Weighted average number of ordinary shares (diluted)

	3 months ended		Year-to-date ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the period	664,052,332	664,052,332	664,052,332	664,052,332
Weighted average number of new ordinary shares arising from ICULS converted todate	-	-	-	-
Weighted average number of new ordinary shares assuming conversion of the remaining ICULS	265,142,621	265,142,621	265,142,621	265,142,621
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	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Diluted loss per share (sen)	(0.34)	(0.55)	(0.34)	(0.55)

The diluted loss per share and basic loss per share for the current quarter, current year-to-date, corresponding quarter last year 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
24 May 2017