**ADVANCE SYNERGY BERHAD**
**(Company No: 1225-D)**

**COMPANY ANNOUNCEMENT**
**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED 30 JUNE 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 30 June 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 6 months ended | |
|---|---|---|---|---|
| | 30.06.2017 RM'000 | 30.06.2016 RM'000 | 30.06.2017 RM'000 | 30.06.2016 RM'000 |
| Revenue | 56,589 | 63,283 | 117,638 | 124,046 |
| Cost of sales | (37,769) | (41,216) | (77,104) | (80,002) |
| Gross profit | 18,820 | 22,067 | 40,534 | 44,044 |
| Other operating income | 4,201 | 2,324 | 6,675 | 5,339 |
| Operating expenses | (22,814) | (21,639) | (45,780) | (48,218) |
| Profit/(Loss) from operations | 207 | 2,752 | 1,429 | 1,165 |
| Finance costs | (1,487) | (1,188) | (2,574) | (2,235) |
| Share of results of associates and joint venture | (273) | 565 | (508) | 994 |
| Profit/(Loss) before tax | (1,553) | 2,129 | (1,653) | (76) |
| Income tax expense | (1,052) | (1,723) | (2,424) | (2,872) |
| Net profit/(loss) for the financial period | (2,605) | 406 | (4,077) | (2,948) |
| Attributable to: | | | | |
| Owners of the parent | (3,397) | (948) | (5,682) | (4,599) |
| Non-controlling interests | 792 | 1,354 | 1,605 | 1,651 |
| | (2,605) | 406 | (4,077) | (2,948) |
| Loss per share attributable to owners of the parent: | | | | |
| Basic (sen) | (0.51) | (0.14) | (0.85) | (0.69) |
| Diluted (sen) | (0.51) | (0.14) | (0.85) | (0.69) |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

| | 3 months ended | | Year-to-date 6 months ended | |
|---|---|---|---|---|
| | **30.06.2017** | **30.06.2016** | **30.06.2017** | **30.06.2016** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Net profit/(loss) for the financial period | (2,605) | 406 | (4,077) | (2,948) |
| 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 |
| Foreign currency translation differences for foreign operations | (1,232) | 271 | (2,987) | (3,225) |
| *Total items that are or may be reclassified subsequently to profit or loss* | (1,232) | 271 | (2,987) | (3,224) |
| Other comprehensive income/(loss) for the financial period | (1,232) | 271 | (2,987) | (3,224) |
| Total comprehensive income/(loss) for the financial period | (3,837) | 677 | (7,064) | (6,172) |
| Attributable to: | | | | |
| Owners of the parent | (5,294) | (478) | (9,014) | (7,179) |
| Non-controlling interests | 1,457 | 1,155 | 1,950 | 1,007 |
| Total comprehensive income/(loss) for the financial period | (3,837) | 677 | (7,064) | (6,172) |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Unaudited as at 30.06.2017 RM'000 | Audited as at 31.12.2016 RM'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 159,190 | 156,155 |
| Investment properties | 8,060 | 8,060 |
| Investment in associates | 46,445 | 46,937 |
| Investment securities | 35,028 | 33,899 |
| Goodwill on consolidation | 92,761 | 92,761 |
| Intangible assets | 3,985 | 4,411 |
| Deferred tax assets | 1,786 | 1,850 |
| | 347,255 | 344,073 |
| **Current assets** | | |
| Progress billings | 10,119 | 18,243 |
| Inventories | 42,542 | 42,016 |
| Trade and other receivables | 116,603 | 157,611 |
| Tax recoverable | 2,780 | 2,459 |
| Investment securities | 460 | 460 |
| Financial assets held for trading | 364 | 429 |
| Short term deposits | 87,452 | 83,229 |
| Cash and bank balances | 94,397 | 56,620 |
| | 354,717 | 361,067 |
| **TOTAL ASSETS** | 701,972 | 705,140 |
| **EQUITY AND LIABILITIES** | | |
| **Equity attributable to owners of the parent** | | |
| Share capital | 202,219 | 199,216 |
| Irredeemable Convertible Unsecured Loan Stocks ("ICULS") - equity component | 61,828 | 64,803 |
| Reserves | 176,953 | 190,004 |
| | 441,000 | 454,023 |
| **Non-controlling interests** | 59,559 | 60,053 |
| **Total equity** | 500,559 | 514,076 |
| **Non-current liabilities** | | |
| Borrowings | 62,659 | 79,745 |
| ICULS - liability component | 831 | 1,593 |
| Deferred tax liabilities | 6,212 | 6,206 |
| Provision for retirement benefit obligations | 1,675 | 1,609 |
| | 71,377 | 89,153 |
| **Current liabilities** | | |
| Trade and other payables | 92,216 | 77,625 |
| Borrowings | 36,775 | 23,499 |
| Tax payable | 1,045 | 787 |
| | 130,036 | 101,911 |
| **Total Liabilities** | 201,413 | 191,064 |
| **TOTAL EQUITY AND LIABILITIES** | 701,972 | 705,140 |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

## FOR THE PERIOD ENDED 30 JUNE 2017

| | ← *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 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 | - | - | - | - | - | - | (5,682) | (5,682) | 1,605 | (4,077) |
| Foreign currency translation differences for foreign operations | - | - | - | - | (3,332) | - | - | (3,332) | 345 | (2,987) |
| Total comprehensive income/(loss) for the financial period | - | - | - | - | (3,332) | - | (5,682) | (9,014) | 1,950 | (7,064) |
| **Transactions with owners in their capacity as owners:** | | | | | | | | | | |
| Acquisition of additional shares in a subsidiary | - | - | - | - | - | - | (4,037) | (4,037) | (974) | (5,011) |
| Issue of new ordinary shares pursuant to the conversion of ICULS | 3,003 | (2,975) | - | - | - | - | - | 28 | - | 28 |
| Dividend paid to non-controlling interests of a subsidiary | - | - | - | - | - | - | - | - | (1,470) | (1,470) |
| | 3,003 | (2,975) | - | - | - | - | (4,037) | (4,009) | (2,444) | (6,453) |
| Balance as at 30 June 2017 | 202,219 | 61,828 | 117,317 | 23,510 | 10,203 | 4,051 | 21,872 | 441,000 | 59,559 | 500,559 |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE PERIOD ENDED 30 JUNE 2017 (Continued)**

| | *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 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 | - | - | - | - | - | - | (4,599) | (4,599) | 1,651 | (2,948) |
| Share of other comprehensive income of associates, net of tax | - | - | - | - | - | 1 | - | 1 | - | 1 |
| Foreign currency translation differences for foreign operations | - | - | - | - | (2,581) | - | - | (2,581) | (644) | (3,225) |
| Total comprehensive income/(loss) for the financial period | - | - | - | - | (2,581) | 1 | (4,599) | (7,179) | 1,007 | (6,172) |
| **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) | - |
| Changes in income tax rate | - | (58) | - | - | - | - | - | (58) | - | (58) |
| | - | (58) | - | (183) | 43 | - | 472 | 274 | 251 | 525 |
| Balance as at 30 June 2016 | 199,216 | 64,803 | 117,317 | 15,815 | 6,161 | 4,988 | 24,794 | 433,094 | 40,413 | 473,507 |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE PERIOD ENDED 30 JUNE 2017**

| | 6 months ended 30.06.2017 RM'000 | 6 months ended 30.06.2016 RM'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit/(Loss) before tax | (1,653) | (76) |
| Adjustments for :- | | |
| Non-cash items | 5,840 | 5,467 |
| Other investing and financing items | 1,208 | 940 |
| Operating profit before working capital changes | 5,395 | 6,331 |
| Changes in working capital | | |
| Inventories | (526) | 5,724 |
| Receivables | 48,882 | (17,318) |
| Financial assets held for trading | 61 | 180 |
| Payables | 15,419 | (3,902) |
| Net cash from/(used in) operations | 69,231 | (8,985) |
| Retirement benefit paid | (30) | - |
| Tax paid | (2,424) | (2,932) |
| **Net cash generated from/(used in) operating activities** | 66,777 | (11,917) |
| **Cash flows from investing activities** | | |
| Acquisition of intangible assets | (549) | (879) |
| Acquisition of additional shares in a subsidiary | (5,010) | - |
| Investment in associates | - | (1,232) |
| Acquisition of investment securities | (2,416) | (1,202) |
| Interest received | 1,366 | 1,295 |
| Proceeds from disposal of partial interest in a subsidiary | - | 481 |
| Capital repayment from investment securities | 1,320 | - |
| Proceeds from disposal of property, plant and equipment | - | 77 |
| Proceeds from disposal of a subsidiary, net of cash disposed | - | 5,298 |
| Purchase of property, plant and equipment | (6,507) | (2,297) |
| **Net cash (used in)/generated from investing activities** | (11,796) | 1,541 |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
## FOR THE PERIOD ENDED 30 JUNE 2017 (Continued)

| | 6 months ended 30.06.2017 RM'000 | 6 months ended 30.06.2016 RM'000 |
|---|---|---|
| **Cash flows from financing activities** | | |
| Dividends paid to non-controlling interests of a subsidiary | (1,470) | - |
| Drawdown of hire purchase | - | 341 |
| Drawdown of term loans and revolving credit | 13,950 | 3,000 |
| Interest paid | (4,134) | (3,832) |
| Payment to hire purchase | (28) | (79) |
| Pledged of short term deposits | (2,404) | (477) |
| Repayment of term loans and revolving credit | (18,020) | (3,754) |
| **Net cash used in financing activities** | (12,106) | (4,801) |
| Effect of exchange rate changes | (2,689) | (2,241) |
| **Net increase/(decrease) in cash and cash equivalents** | 40,186 | (17,418) |
| **Cash and cash equivalents as at beginning of financial period** | | |
| As previously reported | 102,998 | 125,989 |
| Effect of exchange rate changes | (590) | (2,220) |
| As restated | 102,408 | 123,769 |
| **Cash and cash equivalents as at end of financial period *** | 142,594 | 106,351 |

*** Cash and cash equivalents at the end of the financial period comprising the following :**

| | 6 months ended 30.06.2017 RM'000 | 6 months ended 30.06.2016 RM'000 |
|---|---|---|
| Short term deposits | 87,452 | 88,529 |
| Cash and bank balances | 94,397 | 52,147 |
| Bank overdrafts | - | (73) |
| | 181,849 | 140,603 |
| Less : Deposits placed with lease creditors as security deposit for lease payments | (24,299) | (23,428) |
| Cash held under Housing Development Accounts | (593) | (575) |
| Deposits pledged to licensed banks | (14,363) | (10,249) |
| | (39,255) | (34,252) |
| | 142,594 | 106,351 |

## 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 30 June 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

For the financial period ended 30 June 2017, a total of 20,019,600 2% 10-Year Irredeemable Convertible Unsecured Loan Stocks at 100% of the nominal value of RM0.15 each ("ICULS") have been converted into 10,009,800 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 were no issuances, cancellations, repurchases, resale and/or repayments of debt and equity securities during the financial period ended 30 June 2017.

## 8 Dividends paid

There was no payment of any dividend during the financial period ended 30 June 2017.

## 9. Segmental Information

### For the financial period ended 30 June 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 | 305 | 29,588 | 29,409 | 819 | 50,943 | 6,574 | - | 117,638 |
| Inter-segment | 843 | - | - | - | 190 | - | (1,033) | - |
| **Total revenue** | 1,148 | 29,588 | 29,409 | 819 | 51,133 | 6,574 | (1,033) | 117,638 |
| **Results** | | | | | | | | |
| Segment results | (3,915) | 3,220 | 3,866 | 66 | 718 | (5,100) | - | (1,145) |
| Share of results of associates and joint venture | (456) | (38) | - | - | (14) | - | - | (508) |
| Profit/(Loss) before tax | (4,371) | 3,182 | 3,866 | 66 | 704 | (5,100) | - | (1,653) |
| Income tax expense | | | | | | | | (2,424) |
| Net profit/(loss) for the financial period | | | | | | | | (4,077) |
| Non-controlling interests | | | | | | | | (1,605) |
| Net profit/(loss) for the financial period attributable to owners of the parent | | | | | | | | (5,682) |

## 9. Segmental Information (Continued)

## For the financial period ended 30 June 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 | 59,122 | 266,288 | 188,227 | 63,015 | 23,441 | 50,868 | - | 650,961 |
| Investment in associates and joint venture | 33,472 | 6,539 | 5,684 | - | 750 | - | - | 46,445 |
| Unallocated corporate assets | | | | | | | | 4,566 |
| Total assets | | | | | | | | 701,972 |
| Segment liabilities | 31,568 | 115,912 | 18,759 | 4,253 | 5,332 | 18,332 | - | 194,156 |
| Unallocated corporate liabilities | | | | | | | | 7,257 |
| Total liabilities | | | | | | | | 201,413 |
| Capital expenditure: | | | | | | | | |
| - Property, plant & equipment | - | 4,439 | 1,930 | 40 | 3 | 95 | - | 6,507 |
| - Software development expenditure | - | - | 400 | - | - | - | - | 400 |
| - Licenses | - | - | - | - | - | 149 | - | 149 |

**9. Segmental Information (Continued)**

**For the financial period ended 30 June 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 | 328 | 28,385 | 27,490 | 12,011 | 49,283 | 6,549 | - | 124,046 |
| Inter-segment | 912 | - | - | - | 177 | - | (1,089) | - |
| **Total revenue** | 1,240 | 28,385 | 27,490 | 12,011 | 49,460 | 6,549 | (1,089) | 124,046 |
| **Results** | | | | | | | | |
| Segment results | (4,127) | 234 | 5,571 | 2,040 | 2,301 | (7,436) | 347 | (1,070) |
| Share of results of associates | 813 | (10) | (8) | - | 199 | - | - | 994 |
| Profit/(Loss) before tax | (3,314) | 224 | 5,563 | 2,040 | 2,500 | (7,436) | 347 | (76) |
| Income tax expense | | | | | | | | (2,872) |
| Net profit/(loss) for the financial period | | | | | | | | (2,948) |
| Non-controlling interests | | | | | | | | (1,651) |
| Net profit/(loss) for the financial period attributable to owners of the parent | | | | | | | | (4,599) |

## 9. Segmental Information (Continued)

## For the financial period ended 30 June 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 | 62,365 | 185,927 | 169,878 | 69,763 | 27,878 | 43,446 | - | 559,257 |
| Investment in associates | 34,331 | 17,363 | 1,857 | - | 624 | - | - | 54,175 |
| Unallocated corporate assets | | | | | | | | 3,106 |
| Total assets | | | | | | | | 616,538 |
| Segment liabilities | 32,655 | 61,569 | 12,419 | 6,950 | 9,077 | 17,191 | - | 139,861 |
| Unallocated corporate liabilities | | | | | | | | 3,170 |
| Total liabilities | | | | | | | | 143,031 |
| Capital expenditure | | | | | | | | |
| - Property, plant and equipment | 165 | 1,045 | 391 | 1 | 12 | 683 | - | 2,297 |
| - Software development expenditure | - | - | 792 | - | - | - | - | 792 |
| - Licenses | - | - | - | - | - | 87 | - | 87 |

**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 5 July 2017, 13 July 2017, 20 July 2017 and 25 July 2017, a total of 5,908,600 ICULS have been converted into 2,954,300 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 remaining 226 shares in Posthotel Arosa AG ("Arosa") held by 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**

| | Year-to-date 6 months ended | | |
|---|---|---|---|
| | **30.06.2017** | **30.06.2016** | **Changes** |
| | **RM'000** | **RM'000** | **%** |
| Revenue | 117,638 | 124,046 | -5.2% |
| Profit/(Loss) from operations | 1,429 | 1,165 | 22.7% |
| Profit/(Loss) before tax | (1,653) | (76) | -2075.0% |
| Net profit/(loss) for the financial period | (4,077) | (2,948) | -38.3% |
| Net profit/(loss) for the financial period attributable to the Owners of the Parent | (5,682) | (4,599) | -23.5% |

***Overall performance***

For the current 6-month period ended 30 June 2017 ("6M 2017"), the Group recorded a lower revenue of RM117.6 million compared to a revenue of RM124.0 million for the corresponding period last year ("6M 2016"). The revenue of Property Development division showed a decrease of RM11.2 million for 6M 2017 compared to 6M 2016 offset by increase in revenue for Information & Communications Technology ("ICT"), Travel & Tours and Hotels & Resorts divisions by RM1.9 million, RM1.7 million and RM1.2 million respectively. The Group recorded a higher loss before tax of RM1.7 million for 6M 2017 as compared to a loss before tax of RM0.1 million for 6M 2016 mainly due to the flowdown effect of lower revenue coupled with higher finance cost and lower results of the associated companies but mitigated by higher other operating income and lower operating expenses.

***Investment Holding***

The division recorded a higher loss before tax of RM4.4 million for 6M 2017 compared to a loss before tax of RM3.3 million for 6M 2016. This was mainly attributable to the lower results of the associated companies.

***Hotels & Resorts***

The Hotels & Resorts division registered a higher revenue for 6M 2017 of RM29.6 million compared to RM28.4 million for 6M 2016 and a higher profit before tax of RM3.2 million in 6M 2017 compared to RM0.2 million for 6M 2016. For the period under review, overall, the Hotels & Resorts division achieved a higher average occupancy rate and average room rate for 6M 2017 compared to 6M 2016.

***Information & Communications Technology***

The division recorded a flat revenue, in Singapore dollars (S$), for the 6M 2017 compared to the revenue in 6M 2016 with higher system sale contract revenue recorded by GlobeOSS business unit ("BU") and higher revenue share contract revenue recorded by Unifiedcomms BU, offset by lower system sale contract revenue recorded by Unifiedcomms BU. However, upon translation of the revenue in S$ to RM, the revenue from ICT division for the period under review of RM29.4 million was higher compared to the revenue in 6M 2016 of RM27.5 million, an increase of RM1.9 million, attributable mainly to the higher foreign currency exchange rate for 6M 2017 compared to 6M 2016.

The division recorded a lower profit before tax of RM3.9 million for 6M 2017 compared to RM5.6 million for 6M 2016 mainly attributable to an overall reduction in its gross profit margin primarily due to higher proportionate contribution of system sale contract revenue by GlobeOSS BU which generally delivers lower gross profit margin coupled with lower gross profit margin on certain managed service contracts due to higher third-party costs and lower revenue contribution of certain mature, higher-margin managed service contracts.

**14. Review of performance (Continued)**

***Property Development***

The Property Development division registered a lower revenue for 6M 2017 of RM0.8 million compared to RM12.0 million for 6M 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 6M 2017 compared to a profit before tax of RM2.0 million for 6M 2016.

***Travel & Tours***

For the current period under review, our Travel & Tours division achieved a higher revenue of RM51.1 million as compared to a revenue of RM49.5 million for the corresponding period last year, an increase of RM1.7 million mainly from ticketing and outbound travel sales offset by the lower revenue in the inbound tours division. Despite the higher revenue, this division recorded a lower profit before tax of RM0.7 million for 6M 2017 compared to RM2.5 million for 6M 2016 mainly due to lower gross profit margin and a higher loss from the inbound tours division due to the flowdown effect of a reduction in revenue.

***Others***

The Others division registered a similar revenue of RM6.6 million for both 6M 2017 and 6M 2016. This division recorded a lower loss before tax of RM5.1 million for 6M 2017 as compared to a loss of RM7.4 million for 6M 2016 mainly due to lower operating expenses for 6M 2017 and that the operating expenses in 6M 2016 included a loss on disposal of the loss making manufacturing subsidiary of RM1.6 million.

**15. Comparison of results with preceding quarter**

| | 3 months ended | | |
|---|---|---|---|
| | 30.06.2017 | 31.03.2017 | Changes |
| | RM'000 | RM'000 | % |
| Revenue | 56,589 | 61,049 | -7.3% |
| Profit/(Loss) from operations | 207 | 1,222 | -83.1% |
| Profit/(Loss) before tax | (1,553) | (100) | -1453.0% |
| Net profit/(loss) for the financial period | (2,605) | (1,472) | -77.0% |
| Net profit/(loss) for the financial period attributable to the Owners of the Parent | (3,397) | (2,285) | -48.7% |

***Overall performance***

The Group achieved a revenue of RM56.6 million for the current quarter ended 30 June 2017 ("Q2 2017") which was lower compared to the revenue in the previous quarter ended 31 March 2017 ("Q1 2017") of RM61.0 million, a decrease of RM4.5 million or 7.3%. However, during the quarter under review, the Group posted a higher other operating income of RM4.2 million compared to RM2.5 million in Q1 2017. The higher other operating income in Q2 2017 was mainly contributed by additional income from insurance claim arising from a fire incident in Arosa in Q4 2016. With the flowdown effect of lower revenue and higher finance cost partly offset by the higher other operating income and lower operating expenses, the Group recorded a loss before tax of RM1.6 million in the current quarter under review compared to a loss before tax of RM0.1 million in the preceding quarter.

***Investment Holding***

The Investment Holding division recorded a higher loss before tax of RM2.5 million for Q2 2017 compared to loss before tax of RM1.9 million for Q1 2017 mainly due to higher finance cost inccured in the current quarter under review.

***Hotels & Resorts***

The Hotels & Resorts division's revenue for Q2 2017 was slightly lower at RM13.9 million compared to a revenue of RM15.7 million in the preceding quarter. Despite the lower revenue for Q2 2017 compared to Q1 2017, the division recorded a higher profit before tax of RM2.0 million compared to RM1.2 million in Q1 2017. This is mainly attributable to the additional income in Q2 2017 from the insurance claim of RM2.6 million arising from a fire incident in Arosa.

***Information & Communications Technology***

The ICT division registered a slightly lower revenue for Q2 2017 of RM13.5 million compared to a revenue of RM15.9 million for the preceding quarter mainly due to lower system sale contracts revenue from both GlobeOSS BU and Unifiedcomms BU. With the lower revenue in Q2 2017, the division reported a lower profit before tax of RM1.3 million for Q2 2017 compared to RM2.6 million for Q1 2017.

***Property Development***

The Property Development division recorded a lower revenue of RM0.1 million for Q2 2017 compared to RM0.8 million in Q1 2017. With the lower revenue, this division recorded loss before tax of RM0.1 million for Q2 2017 compared to profit before tax of RM0.1 million for Q1 2017.

***Travel & Tours***

The Travel & Tours division recorded a slightly higher revenue of RM26.3 million in the quarter under review compared to RM24.9 million in the previous quarter, an increase of RM1.4 million or 5.7%. All inbound and outbound travel and ticketing businesses recorded higher revenue in the quarter under review. Despite the higher revenue, the division recorded a slightly lower profit before tax of RM0.2 million in Q2 2017 compared to RM0.5 million in Q1 2017 mainly attributable to lower gross profit margin.

**15. Comparison of results with preceding quarter (Continued)**

***Others***

The Others division recorded a lower revenue for Q2 2017 of RM2.8 million compared to RM3.7 million in the preceding quarter. The decrease in revenue was attributable mainly to lower sales in the Coach Building unit. Despite the lower revenue in the current quarter under review, a lower loss before tax was recorded in Q2 2017 of RM2.4 million compared to loss before tax of RM2.7 million in the preceding quarter mainly attributable to lower operating costs.

**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 plans failing which the business unit will cease operations and/or be divested.

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 the 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. Our focus to grow the hotels and resorts businesses regionally will partly mitigate the anticipated weak local meetings, incentives, conferences and exhibitions (MICE) market for 2017 and the recent political events in Qatar which have an adverse impact on our hotel performance in Doha, Qatar.

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, the division does not expect this to be a trend that can be readily extended into 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 has been made apparent in the current quarter's result where system sale contracts revenue for both businesses have shown a sizeable decline against the prior quarter this year and the corresponding quarter last year. The division will need to continue to strengthen its managed service contract portfolio to deliver steady and sustainable growth.

The ICT division will continue to work on improving execution in respect of strategies and tactics to grow its managed service contract revenues and profit and further build on the improvement achieved for this year. 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 its management. 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 developing and launching Phase 2 of its Federal Park project, 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 plans to turnaround non-performing businesses (which may include ceasation of such business and/or 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 30.06.2017 RM'000 | Year-to-date ended 30.06.2017 RM'000 |
|---|---|---|
| On current quarter results | | |
| - Malaysian income tax | 1,004 | 2,344 |
| Transfer (to)/from deferred taxation | 32 | 64 |
| | 1,052 | 2,424 |

The effective tax rate of the Group for the financial quarter and period ended 30 June 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 30.06.2017 RM'000 | As At 31.12.2016 RM'000 |
|---|---|---|
| **Short term - secured** | | |
| - Term loans | 2,017 | 2,693 |
| - Hire purchase payables | 58 | 56 |
| - Revolving credit | 34,700 | 20,750 |
| | 36,775 | 23,499 |
| **Long term - secured** | | |
| - Term loans | 39,486 | 56,542 |
| - Hire purchase payables | 164 | 194 |
| - Finance lease payable | 23,009 | 23,009 |
| | 62,659 | 79,745 |
| **Total borrowings** | 99,434 | 103,244 |

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

| | As At 30.06.2017 RM'000 | As At 31.12.2016 RM'000 |
|---|---|---|
| Swiss Franc | - | 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.

**23. Material litigation (Continued)**

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, and the case is still waiting for court judgment from the High Court of Denpasar.

**24. Notes To The Statement of Comprehensive Income**

Included in the operating profit are:

| | **6 months ended 30.06.2017 RM'000** | **6 months ended 30.06.2016 RM'000** |
|---|---|---|
| Amortisation of intangible assets | (1,002) | (1,062) |
| Depreciation of property, plant and equipment | (3,352) | (3,515) |
| Net gain/(loss) on disposal of: | | |
| - an associate | - | 389 |
| - partial interest in a subsidiary | - | 38 |
| - property, plant and equipment | (4) | 22 |
| - a subsidiary | - | (884) |
| Impairment loss on: | | |
| - loan and receivables | (250) | - |
| Fair value change in financial assets held for trading | (4) | 4 |
| Interest expenses | (2,574) | (2,235) |
| Interest income | 1,366 | 1,295 |
| Net unrealised loss on foreign exchange | (562) | (776) |
| Property, plant and equipment written off | (62) | (16) |
| Provision for retirement plan | (96) | (95) |
| Write back of impairment loss on: | | |
| - loan and receivables | - | 171 |
| Realisation of foreign exchange reserve | - | (737) |

**25. Retained Earnings**

| | **As At 30.06.2017 RM'000** | **As At 30.06.2016 RM'000** |
|---|---|---|
| Total retained profits/(accumulated losses) of the Company and its subsidiaries | | |
| - Realised | (517,012) | (499,043) |
| - Unrealised | 45,181 | 28,894 |
| Total share of retained profits/(accumulated losses) from associates | | |
| - Realised | 4,327 | (2,585) |
| - Unrealised | - | - |
| Total share of retained profits/(accumulated losses) from jointly controlled entities | | |
| - Realised | (1,020) | (964) |
| - Unrealised | - | - |
| | (468,524) | (473,698) |
| Consolidation adjustments | 490,396 | 498,492 |
| Total Group retained profits as per consolidated statements of financial position | 21,872 | 24,794 |

**26. Dividend**

A single tier dividend in respect of the financial year ended 31 December 2016 was paid on 18 August 2017 as approved by the shareholders of the Company at the Annual General Meeting 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 RM3,397,000 and RM5,682,000 respectively, divided by the weighted average number of ordinary shares of 671,064,064 and 667,577,568 for the current quarter and current year-to-date respectively as follows:

| | 3 months ended | | Year-to-date ended | |
|---|---|---|---|---|
| | 30.06.2017 | 30.06.2016 | 30.06.2017 | 30.06.2016 |
| | 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 | 7,011,732 | - | 3,525,236 | - |
| Weighted average number of ordinary shares | 671,064,064 | 664,052,332 | 667,577,568 | 664,052,332 |

| | 3 months ended | | Year-to-date ended | |
|---|---|---|---|---|
| | 30.06.2017 | 30.06.2016 | 30.06.2017 | 30.06.2016 |
| Basic loss per share (sen) | (0.51) | (0.14) | (0.85) | (0.69) |

**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 RM3,324,000 and RM5,587,000, 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 | |
|---|---|---|---|---|
| | 30.06.2017 | 30.06.2016 | 30.06.2017 | 30.06.2016 |
| | RM'000 | | RM'000 | |
| Net loss attributable to equity holders | (3,397) | (948) | (5,682) | (4,599) |
| Profit impact of assumed conversion-interest on ICULS | 73 | 83 | 95 | 119 |
| | (3,324) | (865) | (5,587) | (4,480) |

**Weighted average number of ordinary shares (diluted)**

| | 3 months ended | | Year-to-date ended | |
|---|---|---|---|---|
| | 30.06.2017 | 30.06.2016 | 30.06.2017 | 30.06.2016 |
| | 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 | 7,011,732 | - | 3,525,236 | - |
| Weighted average number of new ordinary shares assuming conversion of the remaining ICULS | 258,130,889 | 265,142,621 | 261,617,385 | 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 | |
|---|---|---|---|---|
| | 30.06.2017 | 30.06.2016 | 30.06.2017 | 30.06.2016 |
| Diluted loss per share (sen) | (0.51) | (0.14) | (0.85) | (0.69) |

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
28 August 2017