ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 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 September 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 9 months ended	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Revenue	59,352	62,074	176,990	186,120
Cost of sales	(36,904)	(39,340)	(114,008)	(119,342)
Gross profit	22,448	22,734	62,982	66,778
Other operating income	3,830	3,078	10,505	8,417
Operating expenses	(22,915)	(22,467)	(68,695)	(70,685)
Profit/(Loss) from operations	3,363	3,345	4,792	4,510
Finance costs	(1,370)	(1,184)	(3,944)	(3,419)
Share of results of associates and joint venture	(147)	(223)	(655)	771
Profit/(Loss) before tax	1,846	1,938	193	1,862
Income tax expense	(1,334)	(1,057)	(3,758)	(3,929)
Net profit/(loss) for the financial period	512	881	(3,565)	(2,067)
Attributable to:				
Owners of the parent	(553)	93	(6,235)	(4,506)
Non-controlling interests	1,065	788	2,670	2,439
	512	881	(3,565)	(2,067)
Earnings/(Loss) per share attributable to owners of the parent:				
Basic (sen)	(0.08)	0.01	(0.93)	(0.68)
Diluted (sen)	(0.08)	0.01	(0.93)	(0.68)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 9 months ended	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Net profit/(loss) for the financial period	512	881	(3,565)	(2,067)
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)
Share of other comprehensive income of associates, net of tax	-	108	-	109
Foreign currency translation differences for foreign operations	(1,306)	2,124	(4,293)	(1,101)
Total items that are or may be reclassified subsequently to profit or loss	(1,306)	1,428	(4,293)	(1,796)
Other comprehensive income/(loss) for the financial period	(1,306)	1,428	(4,293)	(1,796)
Total comprehensive income/(loss) for the financial period	(794)	2,309	(7,858)	(3,863)
Attributable to:				
Owners of the parent	(1,479)	1,686	(10,493)	(5,493)
Non-controlling interests	685	623	2,635	1,630
Total comprehensive income/(loss) for the financial period	(794)	2,309	(7,858)	(3,863)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited as at 30.09.2017 RM'000	Audited as at 31.12.2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	158,780	156,155
Investment properties	8,060	8,060
Investment in associates	47,222	46,937
Investment securities	44,678	33,899
Goodwill on consolidation	92,761	92,761
Intangible assets	3,671	4,411
Deferred tax assets	1,751	1,850
	356,923	344,073
Current assets		
Progress billings	8,616	18,243
Inventories	42,795	42,016
Trade and other receivables	128,990	157,611
Tax recoverable	3,327	2,459
Investment securities	460	460
Financial assets held for trading	293	429
Short term deposits	83,241	83,229
Cash and bank balances	80,859	56,620
	348,581	361,067
TOTAL ASSETS	705,504	705,140
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	203,105	199,216
Irredeemable Convertible Unsecured Loan Stocks ("ICULS") - equity component	60,950	64,803
Reserves	173,781	190,004
	437,836	454,023
Non-controlling interests	59,213	60,053
Total equity	497,049	514,076
Non-current liabilities		
Borrowings	62,400	79,745
ICULS - liability component	465	1,593
Deferred tax liabilities	6,703	6,206
Provision for retirement benefit obligations	1,685	1,609
	71,253	89,153
Current liabilities		
Trade and other payables	99,342	77,625
Borrowings	37,063	23,499
Tax payable	797	787
	137,202	101,911
Total Liabilities	208,455	191,064
TOTAL EQUITY AND LIABILITIES	705,504	705,140

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 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	-	-	-	-	-	-	(6,235)	(6,235)	2,670	(3,565)
Foreign currency translation differences for foreign operations	-	-	-	-	(4,258)	-	-	(4,258)	(35)	(4,293)
Total comprehensive income/(loss) for the financial period	-	-	-	-	(4,258)	-	(6,235)	(10,493)	2,635	(7,858)
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	3,889	(3,853)	-	-	-	-	-	36	-	36
Dividends paid	-	-	-	-	-	-	(1,693)	(1,693)	-	(1,693)
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	(2,501)	(2,501)
	3,889	(3,853)	-	-	-	-	(5,730)	(5,694)	(3,475)	(9,169)
Balance as at 30 September 2017	203,105	60,950	117,317	23,510	9,277	4,051	19,626	437,836	59,213	497,049

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 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	-	-	-	-	-	-	(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
Changes in income tax rate	-	(58)	-	-	-	-	-	(58)	-	(58)
Dividends paid	-	-	-	-	-	-	(1,660)	(1,660)	-	(1,660)
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	(953)	(953)
	-	(58)	-	(183)	43	-	(1,188)	(1,386)	3,227	1,841
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 CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2017

	9 months ended 30.09.2017 RM'000	9 months ended 30.09.2016 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	193	1,862
Adjustments for :-		
Non-cash items	6,125	7,862
Other investing and financing items	1,719	1,405
Operating profit before working capital changes	8,037	11,129
Changes in working capital		
Inventories	(779)	6,092
Receivables	37,967	(19,776)
Financial assets held for trading	124	14
Payables	22,251	(770)
Net cash from/(used in) operations	67,600	(3,311)
Retirement benefit paid	(68)	(8)
Tax paid	(4,022)	(4,501)
Net cash generated from/(used in) operating activities	63,510	(7,820)
Cash flows from investing activities		
Acquisition of intangible assets	(700)	(1,349)
Acquisition of a subsidiary, net of cash acquired	-	(8,131)
Acquisition of additional shares in a subsidiary	(5,010)	-
Investment in associates	(1,172)	(1,241)
Acquisition of investment securities	(9,618)	(1,769)
Interest received	2,225	2,014
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	2	126
Proceeds from disposal of a subsidiary, net of cash disposed	-	5,298
Purchase of property, plant and equipment	(8,382)	(3,090)
Net cash used in investing activities	(21,335)	(7,661)

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

	9 months ended 30.09.2017 RM'000	9 months ended 30.09.2016 RM'000
Cash flows from financing activities		
Dividends paid	(1,693)	(1,660)
Dividends paid to non-controlling interests of a subsidiary	(2,501)	(953)
Drawdown of hire purchase	-	341
Drawdown of term loans and revolving credit	14,250	9,350
Interest paid	(5,486)	(4,965)
Payment to hire purchase	(42)	(96)
Pledged of short term deposits	(3,914)	(705)
Repayment of term loans and revolving credit	(18,278)	(4,238)
Net cash used in financing activities	(17,664)	(2,926)
Effect of exchange rate changes	(3,231)	(995)
Net increase/(decrease) in cash and cash equivalents	21,280	(19,402)
Cash and cash equivalents as at beginning of financial period		
As previously reported	102,998	125,989
Effect of exchange rate changes	(943)	(1,730)
As restated	102,055	124,259
Cash and cash equivalents as at end of financial period *	123,335	104,857

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

Short term deposits	83,241	83,387
Cash and bank balances	80,859	55,950
	164,100	139,337
Less : Deposits placed with lease creditors as security deposit for lease payments	(24,528)	(23,640)
Cash held under Housing Development Accounts	(598)	(579)
Deposits pledged to licensed banks	(15,639)	(10,261)
	(40,765)	(34,480)
	123,335	104,857

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 September 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 September 2017, a total of 25,928,200 2% 10-Year Irredeemable Convertible Unsecured Loan Stocks at 100% of the nominal value of RM0.15 each ("ICULS") have been converted into 12,964,100 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 September 2017.

8 Dividends paid

A single tier dividend of 0.25 sen per ordinary share in respect of the financial year ended 31 December 2016 was paid on 18 August 2017 after obtaining the approval from the shareholders of the Company at the Annual General Meeting held on 24 May 2017.

9. Segmental Information

For the financial period ended 30 September 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	460	45,764	43,142	969	74,522	12,133	-	176,990
Inter-segment	1,226	-	-	-	382	-	(1,608)	-
Total revenue	1,686	45,764	43,142	969	74,904	12,133	(1,608)	176,990
Results								
Segment results	(6,470)	5,085	7,758	(23)	1,210	(6,712)	-	848
Share of results of associates and joint venture	(590)	(48)	-	-	(17)	-	-	(655)
Profit/(Loss) before tax	(7,060)	5,037	7,758	(23)	1,193	(6,712)	-	193
Income tax expense								(3,758)
Net profit/(loss) for the financial period								(3,565)
Non-controlling interests								(2,670)
Net profit/(loss) for the financial period attributable to owners of the parent								(6,235)

9. Segmental Information (Continued)

For the financial period ended 30 September 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	60,801	261,435	191,236	60,394	24,049	55,289	-	653,204
Investment in associates and joint venture	34,062	6,530	5,883	-	747	-	-	47,222
Unallocated corporate assets								5,078
Total assets								705,504
Segment liabilities	32,064	115,211	19,803	4,349	7,138	22,390	-	200,955
Unallocated corporate liabilities								7,500
Total liabilities								208,455
Capital expenditure:								
- Property, plant & equipment	2	5,648	2,592	40	6	94	-	8,382
- Software development expenditure	-	-	550	-	-	-	-	550
- Licenses	-	-	-	-	-	150	-	150

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
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	1,291	(703)	(12)	-	195	-	-	771
Profit/(Loss) before tax	(5,275)	1,867	7,733	3,064	3,323	(9,387)	537	1,862
Income tax expense								(3,929)
Net profit/(loss) for the financial period								(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
<u>Other information</u>								
Segment assets	61,335	222,666	173,356	70,254	26,324	45,914	-	599,849
Investment in associates	34,920	6,582	1,887	-	619	-	-	44,008
Unallocated corporate assets								3,442
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 and equipment	168	1,344	802	1	16	759	-	3,090
- Software development expenditure	-	-	1,177	-	-	-	-	1,177
- Licenses	-	-	-	-	-	172	-	172

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

(a) On 4 October 2017, 25 October 2017 and 27 October 2017, a total of 1,519,000 ICULS have been converted into 759,500 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.

(b) On 1 November 2017, Alangka-Suka Hotels & Resorts Sdn Bhd ("ASHR"), a wholly-owned subsidiary of the Company, entered into a share sale agreement to dispose of its entire 6,811,628 shares representing 40% equity interest in Holiday Villa Kuala Lumpur Sdn Bhd ("HVKL") to Ri-Yaz Assets (Kuala Lumpur) Sdn Bhd (formerly known as Aurora Arena Sdn Bhd) for a cash consideration of RM11,200,000.00. Upon completion of this proposed disposal, HVKL will cease to be a 40%-owned associated company of ASHR.

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 9 months ended		
	30.09.2017 RM'000	30.09.2016 RM'000	Changes %
Revenue	176,990	186,120	-4.9%
Profit/(Loss) from operations	4,792	4,510	6.3%
Profit/(Loss) before tax	193	1,862	-89.6%
Net profit/(loss) for the financial period	(3,565)	(2,067)	-72.5%
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(6,235)	(4,506)	-38.4%

Overall performance

For the current 9-month period ended 30 September 2017 ("9M 2017"), the Group recorded a lower revenue of RM177.0 million compared to a revenue of RM186.1 million for the corresponding period last year ("9M 2016"). The revenue of Property Development division showed a decrease of RM15.9 million for 9M 2017 compared to 9M 2016 offset by increase in revenue for Information & Communications Technology ("ICT"), Travel & Tours and Hotels & Resorts divisions by RM3.1 million, RM3.2 million and RM0.9 million respectively. Despite the lower Group revenue, the profit from operations improved by 6.3% from RM4.5 million in 9M 2016 to RM4.8 million in 9M 2017 mainly due to improvement in other operating income and reduction in operating expenses. The improved operating results is offset by higher finance costs and the losses substained by the associated companies in the current period under review resulting in the Group recording a lower profit before tax of RM0.2 million for 9M 2017 as compared to a profit before tax of RM1.9 million for 9M 2016.

Investment Holding

The division recorded a higher loss before tax of RM7.1 million for 9M 2017 compared to a loss before tax of RM5.3 million for 9M 2016. This was mainly attributable to the lower results of the associated companies.

Hotels & Resorts

The Hotels & Resorts division registered a higher revenue for 9M 2017 of RM45.8 million compared to RM44.9 million for 9M 2016 and a higher profit before tax of RM5.0 million in 9M 2017 compared to RM1.9 million for 9M 2016. For the period under review, overall, the Hotels & Resorts division achieved a higher average occupancy rate and average room rate for 9M 2017 compared to 9M 2016. The better performance from Holiday Villa Beach Resort & Spa Langkawi and Holiday Villa Hotel & Suites London were offset mainly by the lower revenue from other local hotels, namely, Holiday Villa Beach Resort & Spa Cherating and Holiday Villa City Centre Alor Setar, and the lower management fee from Holiday Villa Hotel & Residence Doha City Centre.

14. Review of performance (Continued)

Information & Communications Technology

The division recorded a higher revenue of RM43.1 million for the 9M 2017 compared to the revenue of RM40.0 million in 9M 2016 mainly attributable to higher managed service contracts and new system sale contract revenue recorded by GlobeOSS business unit ("BU"), offset by lower system sale contract revenue recorded by Unifiedcomms BU due to delays in the award of new system sale contracts. The improved revenue, in RM, which was translated from the division's reported revenue in Singapore Dollar ("S$"), was also contributed by the higher foreign currency exchange rate for the conversion of S$ to RM for 9M 2017 compared to the rate in 9M 2016.

The division recorded a lower profit before tax, in S$, for 9M 2017 compared to 9M 2016 mainly attributable to an overall reduction in its gross profit margin primarily due to higher proportionate contribution of system sale contract revenue by GlobeOSS BU, which generally delivers lower gross pofit margin, and higher operating expenses. This was partly offset by higher other operating income from a fair value gain recorded in 9M 2017 in relation to the division's venture investment portfolio. However, upon translation of the profit before tax in S$ to RM, the profit before tax from the division for the period under review was reported at RM7.8 million which was slightly higher compared to the profit before tax in 9M 2016 of RM7.7 million attributable mainly to the higher foreign currency exchange rate for the conversion of S$ to RM for 9M 2017 compared to the rate in 9M 2016.

Property Development

The Property Development division registered a lower revenue for 9M 2017 of RM1.0 million compared to RM16.8 million for 9M 2016. In 9M 2016, there were development and sales in Phase 1 Federal Park which contributed to the revenue in 9M 2016. Phase 1 Federal Park was completed in June 2016. The next phase comprising mainly of townhouses, Phase 2 Federal Park, which is slated to be launched in third quarter in 2017 is pending the necessasy approvals for the amendment in the approved plan. With the lower revenue, this division recorded a small loss of RM23,000 for 9M 2017 compared to a profit before tax of RM3.1 million for 9M 2016.

Travel & Tours

For the current period under review, our Travel & Tours division achieved a higher revenue of RM74.9 million as compared to a revenue of RM71.7 million for the corresponding period last year, an increase of RM3.2 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 RM1.2 million for 9M 2017 compared to RM3.3 million for 9M 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 lower revenue of RM12.1 million for 9M 2017 compared to RM12.5 million for 9M 2016. This division recorded a lower loss before tax of RM6.7 million for 9M 2017 as compared to a loss of RM9.4 million for 9M 2016 mainly due to lower operating expenses for 9M 2017 and that the operating expenses in 9M 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		
	30.09.2017 RM'000	30.06.2017 RM'000	Changes %
Revenue	59,352	56,589	4.9%
Profit/(Loss) from operations	3,363	207	1524.6%
Profit/(Loss) before tax	1,846	(1,553)	n/a
Net profit/(loss) for the financial period	512	(2,605)	n/a
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(553)	(3,397)	83.7%

Overall performance

The Group achieved a revenue of RM59.4 million for the current quarter ended 30 September 2017 ("Q3 2017") which was higher compared to the revenue in the previous quarter ended 30 June 2017 ("Q2 2017") of RM56.6 million, an increase of RM2.8 million or 4.9%. With the flowdown effect of higher revenue coupled with improved gross profit margin of 37.8% in Q3 2017 compared to 33.3% in Q2 2017, the Group recorded a profit before tax of RM1.8 million in the current quarter under review compared to a loss before tax of RM1.6 million in the preceding quarter.

Investment Holding

The Investment Holding division recorded a higher loss before tax of RM2.7 million for Q3 2017 compared to loss before tax of RM2.5 million for Q2 2017 mainly due to higher operating expenses incurred in the current quarter under review mitigated by the better contribution from the associated companies.

15. Comparison of results with preceding quarter (Continued)

Hotels & Resorts

The Hotels & Resorts division's revenue for Q3 2017 was higher at RM16.2 million compared to a revenue of RM13.9 million in the preceding quarter, an increase of RM2.3 million or 16.7%. The higher revenue in Q3 2017 compared to Q2 2017 was recorded by all hotels namely Holiday Villa Beach Resort & Spa Langkawi, Holiday Villa Beach Resort & Spa Cherating, City Villa Kuala Lumpur and Holiday Villa Hotel & Suites London except for Holiday Villa City Centre Alor Setar. This resulted in improved operating profit of RM3.0 million in Q3 2017 compared to a loss of RM0.7 million in Q2 2017. However, in Q3 2017, the expenses were higher mainly due to an adjustment of RM1.1 million arising from the fire insurance claim in Arosa as opposed to an income of RM2.6 million in Q2 2017 from the same insurance claim which mainly attributed to the division recording a slightly lower profit before tax of RM1.9 million compared to RM2.0 million in Q2 2017.

Information & Communications Technology

The ICT division registered a slightly higher revenue for Q3 2017 of RM13.7 million compared to a revenue of RM13.5 million for the preceding quarter. The division reported a higher profit before tax of RM3.9 million for Q3 2017 compared to RM1.3 million for Q2 2017 mainly attributable to improved GlobeOSS system sale contract's gross profit margin as a result of lower third party cost incurred and higher other operating income mainly contributed by a fair value gain assessed on the venture investment portfolio of the division.

Property Development

The Property Development division recorded only a slightly higher revenue of RM0.2 million for Q3 2017 compared to RM0.1 million in Q2 2017. There were no significant sales recorded due to the delay in the launching of Phase 2, Federal Park, comprising mainly of townhouses which was slated to commence in the third quarter of 2017 after the completion of Phase 1, Federal Park, in 2016 as approvals are still pending from the relevant authorities on the proposed amendment to the approved plan for Phase 2. This division recorded a loss before tax of RM89,000 in Q3 2017 and RM56,000 in Q2 2017.

Travel & Tours

The Travel & Tours division recorded a lower revenue of RM23.8 million in the quarter under review compared to RM26.3 million in the previous quarter, a decrease of RM2.5 million or 9.5%. Outbound travel and ticketing businesses recorded lower revenue in the quarter under review while inbound travel recorded slightly higher revenue. Despite the lower revenue, the division recorded a higher profit before tax of RM0.5 million in Q3 2017 compared to RM0.2 million in Q2 2017 mainly attributable to higher gross profit margin.

Others

The Others division recorded a higher revenue for Q3 2017 of RM5.6 million compared to RM2.8 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 2017 of RM1.6 million compared to loss before tax of RM2.4 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 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.

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, 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. The management of this division will continue to work on improving execution in respect of strategies and tactics to grow the division 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 management of this division. The 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 continued delay in the launching of Phase 2, Federal Park but remain optimistic about its prospects once Phase 2, Federal Park is launched although there may be some weaknesses 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 2018.

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 and the wholesale market segment 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 cessation 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. In this respect, our Traditional Chinese Medicine ("TCM") business will cease operations by end of this year due to the continued weak sales generated by the business.

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 30.09.2017 RM'000	Year-to-date ended 30.09.2017 RM'000
On current quarter results		
- Malaysian income tax	830	3,175
- Overseas taxation	(16)	-
Under provision in prior years	(11)	(11)
Transfer (to)/from deferred taxation	531	594
	1,334	3,758

The effective tax rate of the Group for the financial quarter and period ended 30 September 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 30.09.2017 RM'000	As At 31.12.2016 RM'000
Short term - secured		
- Term loans	2,009	2,693
- Hire purchase payables	54	56
- Revolving credit	35,000	20,750
	37,063	23,499
Long term - secured		
- Term loans	39,237	56,542
- Hire purchase payables	154	194
- Finance lease payable	23,009	23,009
	62,400	79,745
Total borrowings	99,463	103,244

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

	As At 30.09.2017 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.

Mediation proceedings was not successful 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 Denpasar District Court's judgment on 3 May 2016 which principally states that Jaya Makmur's lawsuit is declined by Denpasar District Court and 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) ("Denpasar District Court's Judgment").

With regard to the Denpasar District Court's Judgment, both parties have submitted an appeal to the High Court of Denpasar, Indonesia, and has been given judgment on 3 October 2017 which strengthen Denpasar District Court's Judgment dated 3 May 2016. Therefore Denpasar District Court's Judgment remains valid for both parties.

In regards with High Court of Denpasar's judgment, Jaya Makmur has submitted a cassation to the Supreme Court. PT Diwangkara Holiday Villa Bali will also be submitting a cassation to the Supreme Court.

24. Notes To The Statement of Comprehensive Income

Included in the operating profit are:

	9 months ended 30.09.2017 RM'000	9 months ended 30.09.2016 RM'000
Amortisation of intangible assets	(1,487)	(1,571)
Depreciation of property, plant and equipment	(5,093)	(5,320)
Bad debts written off	(30)	-
Net gain/(loss) on disposal of:		
- an associate	-	389
- partial interest in a subsidiary	-	38
- property, plant and equipment	(2)	71
- a subsidiary	-	(884)
Impairment loss on:		
- loan and receivables	(251)	-
Fair value change in financial assets held for trading	(12)	19
Write down of inventories	-	(1)
Interest expenses	(3,944)	(3,419)
Interest income	2,225	2,014
Write back of payables	80	-
Net unrealised loss on foreign exchange	(1,412)	(645)
Property, plant and equipment written off	(62)	(22)
Provision for retirement plan	(144)	(142)
Write back of impairment loss on:		
- loan and receivables	-	172
Fair value change in fair value through profit or loss investments	2,943	-
Realisation of foreign exchange reserve	-	(737)

25. Retained Earnings

	As At 30.09.2017 RM'000	As At 30.09.2016 RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries		
- Realised	(522,663)	(522,175)
- Unrealised	44,727	32,184
Total share of retained profits/(accumulated losses) from associates		
- Realised	4,475	5,316
- Unrealised	-	-
Total share of retained profits/(accumulated losses) from jointly controlled entities		
- Realised	(1,017)	(980)
- Unrealised	-	-
	(474,478)	(485,655)
Consolidation adjustments	494,104	508,882
Total Group retained profits as per consolidated statements of financial position	19,626	23,227

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. Earnings/(Loss) per share

Basic earnings/(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 RM553,000 and RM6,235,000 respectively, divided by the weighted average number of ordinary shares of 676,454,947 and 670,569,211 for the current quarter and current year-to-date respectively as follows:

	3 months ended		Year-to-date ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the period	674,062,132	664,052,332	664,052,332	664,052,332
Weighted average number of new ordinary shares arising from ICULS converted todate	2,392,815	-	6,516,879	-
Weighted average number of ordinary shares	676,454,947	664,052,332	670,569,211	664,052,332

	3 months ended		Year-to-date ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
Basic earnings/(loss) per share (sen)	(0.08)	0.01	(0.93)	(0.68)

Diluted earnings/(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 RM514,000 and RM6,092,000, 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	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000		RM'000	
Net profit/(loss) attributable to equity holders	(553)	93	(6,235)	(4,506)
Profit impact of assumed conversion- interest on ICULS	39	83	143	200
	(514)	176	(6,092)	(4,306)

Weighted average number of ordinary shares (diluted)

	3 months ended		Year-to-date ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the period	674,062,132	664,052,332	664,052,332	664,052,332
Weighted average number of new ordinary shares arising from ICULS converted todate	2,392,815	-	6,516,879	-
Weighted average number of new ordinary shares assuming conversion of the remaining ICULS	252,740,006	265,142,621	258,625,742	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	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
Diluted earnings/(loss) per share (sen)	(0.08)	0.01	(0.93)	(0.68)

The diluted earnings/(loss) per share and basic earnings/(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
22 November 2017