ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED 31 MARCH 2018

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 2018.

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 2017.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	3 months ended		Year-to-date 3 months ended	
	31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
Revenue	65,813	61,049	65,813	61,049
Cost of sales	(45,724)	(39,335)	(45,724)	(39,335)
Gross profit	20,089	21,714	20,089	21,714
Other operating income	1,697	2,474	1,697	2,474
Operating expenses	(22,499)	(22,966)	(22,499)	(22,966)
Profit/(Loss) from operations	(713)	1,222	(713)	1,222
Finance costs	(1,353)	(1,087)	(1,353)	(1,087)
Share of results of associates and joint venture	(88)	(235)	(88)	(235)
Profit/(Loss) before tax	(2,154)	(100)	(2,154)	(100)
Income tax expense	(1,455)	(1,372)	(1,455)	(1,372)
Net profit/(loss) for the financial period	(3,609)	(1,472)	(3,609)	(1,472)
Attributable to:				
Owners of the parent	(3,994)	(2,285)	(3,994)	(2,285)
Non-controlling interests	385	813	385	813
	(3,609)	(1,472)	(3,609)	(1,472)
Loss per share attributable to owners of the parent:				
Basic (sen)	(0.47)	(0.34)	(0.47)	(0.34)
Diluted (sen)	(0.47)	(0.34)	(0.47)	(0.34)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 3 months ended	
	31.03.2018	**31.03.2017**	**31.03.2018**	**31.03.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net profit/(loss) for the financial period	(3,609)	(1,472)	(3,609)	(1,472)
Other comprehensive income/(expenses):				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	(3,427)	(1,755)	(3,427)	(1,755)
Total items that are or may be reclassified subsequently to profit or loss	(3,427)	(1,755)	(3,427)	(1,755)
Other comprehensive income/(loss) for the financial period	(3,427)	(1,755)	(3,427)	(1,755)
Total comprehensive income/(loss) for the financial period	(7,036)	(3,227)	(7,036)	(3,227)
Attributable to:				
Owners of the parent	(6,731)	(3,720)	(6,731)	(3,720)
Non-controlling interests	(305)	493	(305)	493
Total comprehensive income/(loss) for the financial period	(7,036)	(3,227)	(7,036)	(3,227)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited as at 31.03.2018 RM'000	Audited as at 31.12.2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	156,938	156,848
Investment properties	8,060	8,060
Investment in associates	47,161	46,742
Investment securities	43,367	42,565
Goodwill on consolidation	92,221	92,221
Intangible assets	3,714	3,646
Deferred tax assets	3,164	3,191
	354,625	353,273
Current assets		
Progress billings	2,591	5,887
Inventories	39,156	40,086
Trade and other receivables	134,235	139,912
Tax recoverable	1,750	1,946
Investment securities	459	459
Financial assets held for trading	363	361
Short term deposits	74,639	78,655
Cash and bank balances	70,898	79,392
	324,091	346,698
TOTAL ASSETS	678,716	699,971
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	381,375	320,650
Irredeemable Convertible Unsecured Loan Stocks ("ICULS") - equity component	-	60,724
Reserves	44,751	51,482
	426,126	432,856
Non-controlling interests	62,908	63,213
Total equity	489,034	496,069
Non-current liabilities		
Borrowings	60,285	60,763
ICULS - liability component	-	108
Deferred tax liabilities	5,337	5,362
Provision for retirement benefit obligations	1,798	1,747
	67,420	67,980
Current liabilities		
Trade and other payables	80,619	96,837
Borrowings	41,600	39,039
Tax payable	43	46
	122,262	135,922
Total Liabilities	189,682	203,902
TOTAL EQUITY AND LIABILITIES	678,716	699,971

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2018

	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 2018	320,650	60,724	-	23,510	7,189	1,881	18,902	432,856	63,213	496,069
Net profit/(loss) for the financial period	-	-	-	-	-	-	(3,994)	(3,994)	385	(3,609)
Foreign currency translation differences for foreign operations	-	-	-	-	(2,737)	-	-	(2,737)	(690)	(3,427)
Total comprehensive income/(loss) for the financial period	-	-	-	-	(2,737)	-	(3,994)	(6,731)	(305)	(7,036)
Transactions with owners in their capacity as owners:										
Issue of new ordinary shares pursuant to the conversion of ICULS	60,725	(60,724)	-	-	-	-	-	1	-	1
	60,725	(60,724)	-	-	-	-	-	1	-	1
Balance as at 31 March 2018	381,375	-	-	23,510	4,452	1,881	14,908	426,126	62,908	489,034

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2018 (Continued)

	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	-	-	-	-	-	-	(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 CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2018

	3 months ended 31.03.2018 RM'000	3 months ended 31.03.2017 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	(2,154)	(100)
Adjustments for :-		
Non-cash items	2,403	3,158
Other investing and financing items	893	440
Operating profit before working capital changes	1,142	3,498
Changes in working capital		
Inventories	930	137
Receivables	8,962	28,439
Financial assets held for trading	-	107
Payables	(14,825)	(16,471)
Net cash (used in)/from operations	(3,791)	15,710
Retirement benefit paid	(39)	(6)
Tax paid	(1,252)	(1,280)
Net cash (used in)/generated from operating activities	(5,082)	14,424
Cash flows from investing activities		
Acquisition of intangible assets	(455)	(293)
Acquisition of additional shares in a subsidiary	-	(5,010)
Acquisition of additional shares in an associate	(780)	-
Acquisition of investment securities	(1,630)	(1,966)
Interest received	460	647
Proceeds from disposal of property, plant and equipment	-	1
Purchase of property, plant and equipment	(2,037)	(3,533)
Net cash used in investing activities	(4,442)	(10,154)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2018 (Continued)

	3 months ended 31.03.2018 RM'000	3 months ended 31.03.2017 RM'000
Cash flows from financing activities		
Drawdown of term loans and revolving credit	2,800	10,550
Interest paid	(2,863)	(2,646)
Payment to hire purchase	(1)	(14)
Pledged of short term deposits	(1,616)	(2,150)
Repayment of term loans and revolving credit	(469)	(334)
Net cash (used in)/generated from financing activities	(2,149)	5,406
Effect of exchange rate changes	(266)	(3,356)
Net (decrease)/increase in cash and cash equivalents	(11,939)	6,320
Cash and cash equivalents as at beginning of financial period		
As previously reported	114,289	102,998
Effect of exchange rate changes	(1,948)	518
As restated	112,341	103,516
Cash and cash equivalents as at end of financial period #	100,402	109,836

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

Short term deposits	74,639	91,669
Cash and bank balances	70,898	57,168
Bank overdrafts	(1,488)	-
	144,049	148,837
Less : Deposits placed with lease creditors as security deposit for lease payments	(24,855)	(24,073)
Cash held under Housing Development Accounts	(607)	(589)
Deposits pledged to licensed banks	(18,185)	(14,339)
	(43,647)	(39,001)
	100,402	109,836

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 2017.

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 2017, except for the adoption of the following new Malaysian Financial Reporting Standards ("MFRS"), amendments/improvements to MFRSs, IC Interpretations ("IC Int") and amendment to IC Int:

New MFRSs	
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Amendments/Improvements to MFRSs	
MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

New IC Int	
IC Int 22	Foreign Currency Translations and Advance Consideration

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:

New MFRSs		**Effective for financial periods beginning on or after**
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 3	Business Combinations	1 January 2019
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 112	Income Taxes	1 January 2019
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred
New IC Int		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

3. Audit report

The auditors' report on the financial statements for the year ended 31 December 2017 was not subject to any qualification.

4. Seasonal or cyclical factors

The operations of the Group for the quarter ended 31 March 2018 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

On 8 January 2018, a total of 686,500 10-Year Irredeemable Convertible Unsecured Loan Stocks at 100% of the nominal value of RM0.15 each (“ICULS”) have been converted into 343,250 new ordinary shares in the Company by surrendering for cancellation two ICULS for every one new ordinary share in the Company.

The ICULS matured on 26 January 2018 and all outstanding ICULS were compulsorily and automatically converted into fully paid new ordinary shares of the Company. Following the conversion of all outstanding 502,151,541 ICULS on 30 January 2018, a total of 251,075,761 new ordinary shares in the Company were allotted.

Apart from the above, there were no issuances, cancellations, repurchases, resale and/or repayments of debt and equity securities during the financial period ended 31 March 2018.

8. Dividends paid

There was no dividend paid during the financial period ended 31 March 2018.

9. Segmental Information

For the financial period ended 31 March 2018

	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	182	14,392	17,889	38	30,365	2,947	-	65,813
Inter-segment	441	-	-	-	82	-	(523)	-
Total revenue	623	14,392	17,889	38	30,447	2,947	(523)	65,813
Results								
Segment results	(2,877)	696	2,157	(72)	538	(2,508)	-	(2,066)
Share of results of associates and joint venture	(65)	-	-	-	(23)	-	-	(88)
Profit/(Loss) before tax	(2,942)	696	2,157	(72)	515	(2,508)	-	(2,154)
Income tax expense								(1,455)
Net profit/(loss) for the financial period								(3,609)
Non-controlling interests								(385)
Net profit/(loss) for the financial period attributable to owners of the parent								(3,994)

9. Segmental Information (Continued)

For the financial period ended 31 March 2018

	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	69,304	242,149	196,650	53,660	27,628	37,250	-	626,641
Investment in associates and joint venture	34,203	6,499	6,044	-	415	-	-	47,161
Unallocated corporate assets								4,914
Total assets								678,716
Segment liabilities	35,499	98,024	28,192	3,166	9,020	10,401	-	184,302
Unallocated corporate liabilities								5,380
Total liabilities								189,682
Capital expenditure:								
- Property, plant & equipment	-	1,584	422	3	16	12	-	2,037
- Software development expenditure	-	-	371	-	-	-	-	371
- Licenses	-	-	-	-	-	84	-	84

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
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	(217)	(21)	-	-	3	-	-	(235)
Profit/(Loss) before tax	(1,866)	1,220	2,581	122	510	(2,667)	-	(100)
Income tax expense								(1,372)
Net profit/(loss) for the financial period								(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	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 and equipment	-	2,481	994	6	3	49	-	3,533
- Software development expenditure	-	-	201	-	-	-	-	201
- Licenses	-	-	-	-	-	92	-	92

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 2017.

11. Significant events after the reporting period

There are no significant events after the reporting period.

12. Changes in the composition of the Group

On 8 March 2018, Holiday Villa Hong Kong Company Limited ("HV Hong Kong") was incorporated. HV Hong Kong with a paid up capital of Hong Kong Dollar 30,000.00 is wholly-owned by Holiday Villa China International Limited, an indirect 95%-owned subsidiary of the Company.

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 are no changes in contingent liabilities since the last annual statements of financial position as at 31 December 2017.

14. Review of performance

	Year-to-date 3 months ended		
	31.03.2018	31.03.2017	Changes
	RM'000	RM'000	%
Revenue	65,813	61,049	7.8
Profit/(Loss) from operations	(713)	1,222	(158.3)
Profit/(Loss) before tax	(2,154)	(100)	(2,054.0)
Net profit/(loss) for the financial period	(3,609)	(1,472)	(145.2)
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(3,994)	(2,285)	(74.8)

Overall performance

For the current 3-month period ended 31 March 2018 ("Q1 2018"), the Group recorded a higher revenue of RM65.8 million compared to a revenue of RM61.0 million recorded for the corresponding period last year ("Q1 2017"). The revenue of Information & Communications Technology ("ICT") and Travel & Tours divisions increased by RM2.0 million and RM5.6 million respectively partly offset by a decline in revenue from Property Development and Hotels & Resorts divisions of RM0.7 million and RM1.3 million respectively for Q1 2018 compared to Q1 2017. The Group recorded higher loss before tax of RM2.2 million in Q1 2018 compared to RM0.1 million in Q1 2017 mainly due to lower gross profit margin of 30.5% in Q1 2018 compared to 35.6% in Q1 2017 coupled with lower other operating income of RM1.7 million in Q1 2018 compared to RM2.5 million in Q1 2017. The lower other operating income in Q1 2018 compared to Q1 2017 was mainly due to lower interest income and lower foreign exchange gain.

Investment Holding

The division recorded a loss before tax of RM2.9 million for Q1 2018 compared to RM1.9 million for Q1 2017 mainly attributable to higher operating expenses.

Hotels & Resorts

The Hotels & Resorts division registered a lower revenue for Q1 2018 of RM14.4 million compared to RM15.7 million for Q1 2017. The better performance from Holiday Villa Beach Resort & Spa Langkawi and Holiday Villa Hotel & Suites London were offset mainly by the lower revenue from Holiday Villa Alor Setar City Centre and the lower management fee from Holiday Villa Hotel & Residence Doha City Centre. With the lower revenue, the division recorded lower profit before tax of RM0.7 million for Q1 2018 compared to RM1.2 million for Q1 2017.

14. Review of performance (Continued)

Information & Communications Technology

The division recorded a higher revenue of RM17.9 million for Q1 2018 compared to the revenue of RM15.9 million in Q1 2017 mainly attributable to higher system sale contract revenue recorded by GlobeOSS business unit ("BU") and higher managed service contract revenue recorded by Unifiedcomms BU, offset by lower system sale contract revenue recorded by Unifiedcomms BU.

The division recorded a lower profit before tax ("PBT") of RM2.2 million for Q1 2018 as compared to a PBT of RM2.6 million in Q1 2017. The reduction in PBT was 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 yield lower gross profit margin as a result of its typically higher third party costs and lower gross profit margin on its managed service contract revenues mainly due to higher third-party costs on certain managed service contracts, coupled with higher foreign exchange loss recorded in Q1 2018.

Property Development

The Property Development division registered a lower revenue for Q1 2018 of RM38,000 compared to RM0.7 million for Q1 2017. The Phase 2 Federal Park, comprising mainly townhouses, is slated to be launched later this year pending the necessary approvals for the amendment in the approved plan. With the lower revenue, this division recorded a loss before tax of RM72,000 for Q1 2018 compared to a profit before tax of RM0.1 million for Q1 2017.

Travel & Tours

For the current period under review, our Travel & Tours division achieved a higher revenue of RM30.4 million as compared to a revenue of RM24.9 million in Q1 2017, an increase of RM5.5 million which was 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 similar profit before tax of RM0.5 million for both Q1 2018 and Q1 2017 mainly due to lower gross profit margin.

Others

The Others division registered a lower revenue of RM2.9 million for Q1 2018 compared to the revenue of RM3.7 million for Q1 2017. Despite the lower revenue, this division recorded a lower loss before tax of RM2.5 million for Q1 2018 as compared to a loss of RM2.6 million for Q1 2017 mainly due to cessation of the loss making traditional chinese medicine subsidiary.

15. Comparison of results with preceding quarter

	3 months ended		
	31.03.2018	**31.12.2017**	**Changes**
	RM'000	**RM'000**	**%**
Revenue	65,813	88,933	(26.0)
Profit/(Loss) from operations	(713)	9,638	(107.4)
Profit/(Loss) before tax	(2,154)	8,166	(126.4)
Net profit/(loss) for the financial period	(3,609)	7,315	(149.3)
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(3,994)	5,571	(171.7)

Overall performance

The Group achieved a revenue of RM65.8 million for the Q1 2018 which was lower compared to the revenue in the previous quarter ended 31 December 2017 ("Q4 2017") of RM88.9 million, a decline of RM23.1 million or 26.0%. With the flowdown effect of lower revenue coupled with lower other operating income, the Group recorded loss before tax of RM2.2 million in the current quarter under review compared to a profit before tax of RM8.2 million in the preceding quarter. The other operating income for the preceding quarter included the insurance claim compensation recognition arising from the fire incident in Arosa in 2016.

15. Comparison of results with preceding quarter (Continued)

Investment Holding

The Investment Holding division recorded a loss before tax of RM2.9 million for Q1 2018 as compared to profit before tax of RM7.0 million for Q4 2017. The results for Q4 2017 included dividends from subsidiaries (eliminated at group level).

Hotels & Resorts

The Hotels & Resorts division's revenue for Q1 2018 was relatively flat at RM14.4 million compared to a revenue of RM14.7 million in the preceding quarter. In Q1 2018, Holiday Villa Hotel & Suites London, Holiday Villa City Centre Alor Setar, Holiday Villa Beach Resort & Spa Cherating and City Villa Kuala Lumpur recorded lower revenue compared to their revenues in Q4 2017 while Holiday Villa Beach Resort & Spa Langkawi recorded higher revenues in Q1 2018 compared to its revenue in the preceding quarter. With the lower revenue and lower other operating income in Q1 2018, the division recorded a lower profit before tax of RM0.7 million in Q1 2018 compared to a profit before tax of RM10.6 million in Q4 2017. The other operating income for Q4 2017 included the insurance claim compensation recognition arising from the fire incident in Arosa in 2016.

Information & Communications Technology

The ICT division registered a lower revenue for Q1 2018 of RM17.9 million compared to a revenue of RM34.3 million for the preceding quarter mainly due to lower system sale contract revenue recorded by GlobeOSS BU. Despite the lower revenue, the division reported a higher profit before tax of RM2.2 million for Q1 2018 compared to RM1.0 million for Q4 2017 mainly attributable to the fair value loss assessed on the venture investment portfolio of the division in Q4 2017 following the adoption of the most appropriate valuation techniques for each investment and may not be reflective of the actual return upon disposal of these investments in the medium to long term.

Property Development

The Property Development division recorded a lower revenue of RM38,000 for Q1 2018 compared to RM176,000 in Q4 2017. There were no significant sales recorded due to the delay in the launching of Phase 2, Federal Park, comprising mainly townhouses which were slated to commence later this year as approvals are still pending from the relevant authorities on the proposed amendment to the approved plan for Phase 2. The division recorded a loss before tax of RM72,000 in Q1 2018 and a profit before tax of RM157,000 in Q4 2017.

Travel & Tours

The Travel & Tours division recorded a lower revenue of RM30.4 million in the quarter under review compared to the revenue of RM37.3 million in the previous quarter, a decrease of RM6.9 million or 18.3%. Outbound travel and ticketing businesses recorded lower revenue in the quarter under review while inbound travel recorded higher revenue. With the lower revenue, the division recorded a lower profit before tax of RM0.5 million in Q1 2018 compared to RM0.9 million in Q4 2017.

Others

The Others division recorded a higher revenue for Q1 2018 of RM2.9 million compared to the revenue of RM2.5 million in the preceding quarter. The increase in revenue was attributable mainly to higher sales in the Coach Building unit. Despite the higher revenue in the current quarter under review, a higher loss before tax was recorded in Q1 2018 of RM2.5 million compared to a loss before tax of RM1.8 million in the preceding quarter mainly due to lower gross profit margin achieved by Coach Building unit in the current quarter under review.

16. Prospects

Our Board expects the financial year 2018 to be challenging for the Group. However, with our focus on turning around the loss-making business units within a target period, 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 sustainable 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.

16. Prospects (Continued)

Although the Hotels & Resorts division views the business outlook for the remaining period of 2018 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 with the anticipated opening of new Holiday Villa hotels this year will partly mitigate the expected weak local meetings, incentives, conferences and exhibitions (MICE) market for this year and the political events in Qatar which will continue to have an adverse impact on our hotel performance in Doha, Qatar.

The Information & Communications Technology ("ICT") division expects financial year 2018 to be challenging but remains optimistic about growth prospect. Although the growth in system sale business of GlobeOSS BU in 2017 had significantly augmented the slower than desired growth of the division's managed service contract portfolio, uncertainty and hence lumpiness is still to be expected in the contribution of system sale contracts to the division's future results. The need for the division's management to continue to strengthen its managed service contract portfolio and to continue to grow its venture investment portfolio as the basis for delivering steady, if not rapid yet sustainable future growth, remains. The growing interest and opportunity in internet-driven application services for enterprises, fintech as well as internet and handset-app delivered digital media will guide the division's venture investment activities. The division's venture investment plans in the year ahead will continue to focus primarily on these growth businesses in the South East Asia region and will complement the organic growth strategy in place for the Unifiedcomms and GlobeOSS businesses.

Our Property Development division faces continued challenges in 2018 due to the continued delay in the launching of Phase 2, Federal Park but remains 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 and will explore properties management projects.

Our travel and tours division is cautiously optimistic of their performance for the remaining period of 2018 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 2018 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.

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 31.03.2018 RM'000	Year-to-date ended 31.03.2018 RM'000
On current quarter results		
- Malaysian income tax	1,446	1,446
Transfer from deferred taxation	9	9
	1,455	1,455

The effective tax rate of the Group for the financial quarter and period ended 31 March 2018 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

The status of corporate proposals announced but not completed at the latest practicable date which must not be earlier than 7 days from the date of issue of the quarterly report are summarised below:

(a) Advance Synergy Capital Sdn Bhd ("ASCAP"), a wholly-owned subsidiary of the Company has on 5 December 2017 entered into a Memorandum of Understanding ("MOU") with AppAsia Berhad ("AppAsia") for the purpose of recording their intention to enter into a share sale agreement and other ancillary agreements (collectively, "Definitive Agreements") in relation to the proposed disposal by ASCAP of its 80% equity interest in Synergy Cards Sdn Bhd ("SCSB") to AppAsia ("Proposed Disposal"). The Definitive Agreements shall be executed by 28 February 2018 or such other period as may be mutually agreed between the parties ("Execution Deadline").

On 21 May 2018, the Company announced that ASCAP has advised that the Proposed Disposal will not proceed as the parties are unable to agree on the terms of the Proposed Disposal.

(b) On 16 January 2018, Advance Synergy Realty Sdn Bhd ("ASR"), a wholly-owned subsidiary of the Company, entered into two (2) Sale and Purchase Agreements which are pending completion:

(i) Sale and Purchase Agreement with Petaling Garden Sdn Bhd for the proposed acquisition of 70% interest in a detached commercial 5-storey building block with carpark bearing postal address No. 17, Jalan Yap Ah Shak, 50300 Kuala Lumpur for a cash purchase consideration of RM18.90 million; and

(ii) Sale and Purchase Agreement with Temasya Development Co. Sdn. Bhd. for the proposed acquisition of 70% interest in a detached commercial 4-storey building block bearing postal address No. 9, Jalan Kajibumi U1/70, Seksyen U1, Temasya Glenmarie, 40150 Shah Alam, Selangor Darul Ehsan for a cash purchase consideration of RM22.05 million.

The Economic Planning Unit has approved the above proposed acquisitions on 6 April 2018. The aforesaid Sales and Purchase Agreements became unconditional on 9 April 2018 and shall be completed by 9 July 2018 or by the extended period to 8 August 2018.

21. Group borrowings

Details of the borrowings by the Group are as follows:

	As At 31.03.2018 RM'000	As At 31.12.2017 RM'000
Short term - secured		
- Term loans	2,252	2,252
- Bank overdraft	1,488	1,728
- Hire purchase payables	60	59
- Revolving credit	37,800	35,000
	41,600	39,039
Long term - secured		
- Term loans	37,143	37,612
- Hire purchase payables	133	134
- Finance lease payable	23,009	23,017
	60,285	60,763
Total borrowings	101,885	99,802

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 year.

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 were 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 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 regards to the Denpasar District Court's Judgment, both parties have submitted an appeal to the High Court of Denpasar, Indonesia, and judgment was given 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 the High Court of Denpasar's judgment, both parties have submitted a cassation appeal to the Supreme Court.

24. Notes To The Statement of Comprehensive Income

Included in the operating profit/(loss) are:

	3 months ended 31.03.2018 RM'000	3 months ended 31.03.2017 RM'000
Amortisation of intangible assets	(417)	(480)
Depreciation of property, plant and equipment	(1,485)	(1,727)
Bad debts written off	(11)	-
Net gain/(loss) on disposal of:		
- property, plant and equipment	-	(4)
Fair value change in financial assets held for trading	2	(5)
Interest expenses	(1,353)	(1,087)
Interest income	460	647
Net unrealised gain/(loss) on foreign exchange	(310)	(597)
Property, plant and equipment written off	(4)	(62)
Provision for retirement benefits plan	(90)	(48)

25. Dividend

The Board has on 27 April 2018 announced that the Company has proposed a single-tier dividend of 0.25 sen per ordinary share for the financial year ended 31 December 2017 subject to shareholders' approval at the forthcoming Annual General Meeting to be held on 7 June 2018.

26. 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 RM3,994,000, divided by the weighted average number of ordinary shares of 845,468,698 for the current quarter and current year-to-date as follows:

	3 months ended		**Year-to-date ended**	
	31.03.2018	**31.03.2017**	**31.03.2018**	**31.03.2017**
	No. of shares		**No. of shares**	
Issued ordinary shares at beginning of the period	677,775,932	664,052,332	677,775,932	664,052,332
Weighted average number of new ordinary shares arising from ICULS converted todate	167,692,766	-	167,692,766	-
Weighted average number of ordinary shares	845,468,698	664,052,332	845,468,698	664,052,332

	3 months ended		**Year-to-date ended**	
	31.03.2018	**31.03.2017**	**31.03.2018**	**31.03.2017**
Basic loss per share (sen)	(0.47)	(0.34)	(0.47)	(0.34)

Diluted loss per share

The basic and diluted loss per share are reported to be the same for the current quarter and current year-to-date as the Company has no dilutive potential shares and for the corresponding quarter last year and corresponding year-to-date last year as the effect arising from the deemed conversion of ICULS is anti-dilutive.

27. Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
30 May 2018