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ADVANCE SYNERGY BERHAD
ANNUAL REPORT

17

Contents

STRATEGIC REPORT

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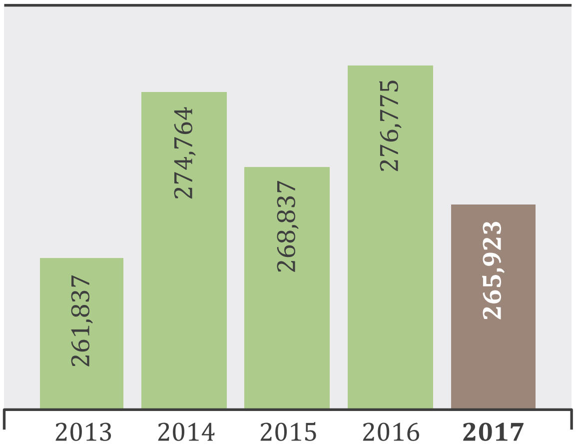
Five-Year Group Financial Highlights

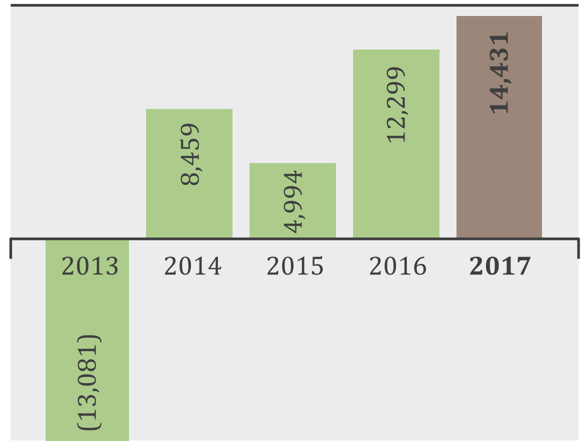
	Year ended 31 December				
	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
				Restated	
Statements of Comprehensive Income					
Revenue	261,837	274,764	268,837	276,775	265,923
Gross Profit	91,914	93,400	93,944	97,476	89,832
Gross Profit Margin (%)	35.1	34.0	34.9	35.2	33.8
EBITDA	3,474	25,995	16,688	21,691	21,841
Profit/(Loss) before tax	(20,947)	2,630	(842)	7,655	8,360
Profit/(Loss) after tax	(26,456)	(2,534)	(7,561)	8,739	3,751
Statements of Financial Position					
Total assets	639,424	632,585	630,699	702,274	699,971
Total liabilities	163,671	152,806	151,545	190,784	203,902
Shareholders' funds	441,128	443,281	439,999	447,727	432,856
Share Information					
Per Ordinary Share					
Earnings/(Loss) per share, basic (sen)	(4.82)	(0.82)	(1.75)	(0.37)	(0.10)
Net assets per share (sen)	85.84	66.93	66.26	67.42	63.86
Financial Ratios					
Return on equity (%)	(5.56)	(0.53)	(1.58)	1.71	0.76
Current ratio	2.9 : 1	2.7 : 1	3.1 : 1	3.5 : 1	2.6 : 1
Debt-Equity ratio (Note 1)	0.17 : 1	0.15 : 1	0.17 : 1	0.20 : 1	0.20 : 1

Note 1 : Debt comprises current and non-current borrowings.

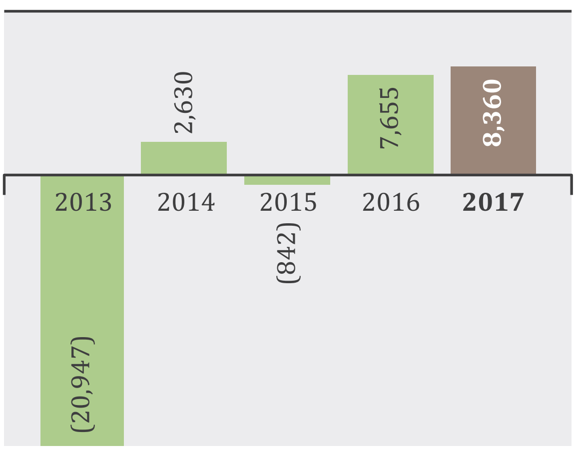
REVENUE
(RM'000)



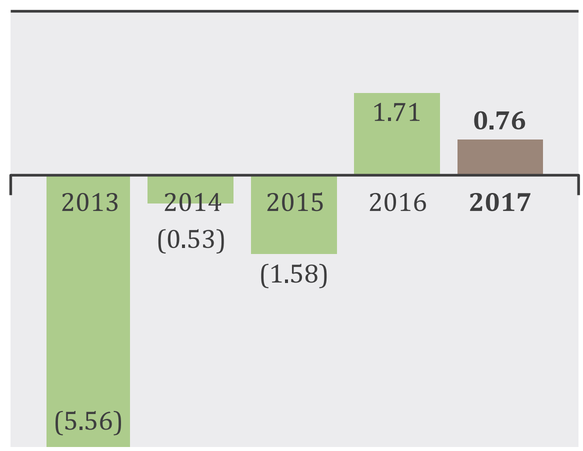
OPERATING PROFIT/(LOSS)
(RM'000)



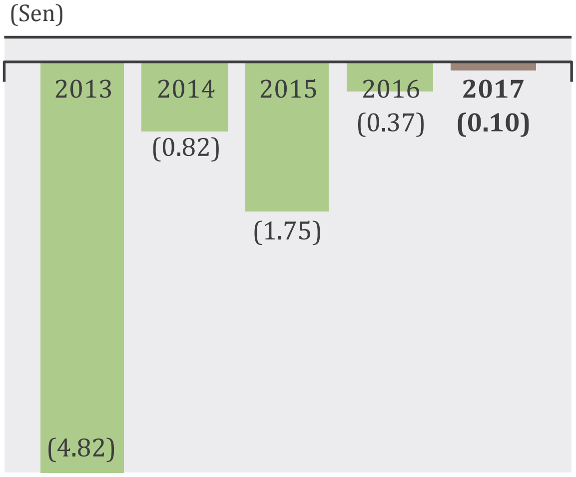
PROFIT/(LOSS) BEFORE TAX
(RM'000)



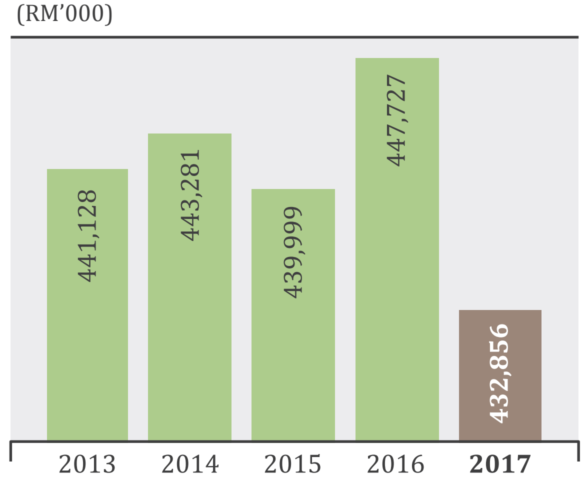
RETURN ON EQUITY
(%)



EARNINGS/(LOSS) PER SHARE
(Sen)



SHAREHOLDERS' FUNDS
(RM'000)



Chairman's Statement

Dear Shareholders

Group results for fiscal 2017 were a mixed bag. Although revenue declined by RM10.9 million or 3.9% compared to fiscal 2016; RM265.9 million vs RM276.8 million, and gross profit was lower by RM7.6 million, our profit before tax was slightly higher, at RM8.4 million than prior year at RM7.7 million.

Travel & tours and ICT divisions were the major contributors; RM112.2 million and RM77.4 million respectively. Compared to prior year, travel & tours was RM10.4 million higher and ICT was better by RM7.4 million.

The hospitality division's total revenue at RM60.5 million was stable, but could have performed much better if Qatar had not been inflicted by a diplomatic crisis with its Gulf neighbours in June 2017. For Holiday Villa Hotel & Residence Doha City Centre ("Holiday Villa Doha"), total fees received had declined by almost 20% as a result.

The coach-building division did not perform as expected because its major Australia customer had failed to complete their planned purchase due to on-going restructuring process. However, the division was able to collect most of its customers ageing debts and regularised their accounts. The division has also completed the last stage of the Australian Design Rules ("ADRs") procedure and is now in full compliance of the ADRs standard.

Quality Bus & Coach (M) Sdn Bhd ("QBC") has also recently completed the Certification audit, for ISO 9001:2015 certification.

Looking ahead, we are cautiously confident that the Group's performance will improve significantly as we continue to focus on overall cost-efficiency and a robust plan to increase market reach through new marketing strategies and innovative technology.

We have also announced on 1 September 2017, the appointment of Anton Syazi Dato' Ahmad Sebi as the Group's new Executive Deputy Chairman after I relinquished my executive role in the Group. This will kickstart the succession plan that will see the Group being driven, gradually and progressively, by experienced younger group of entrepreneurs who will take your Group to the next level. God willing.

DIVIDEND

The Board of Directors ("Board") recommends, for shareholders' approval, a single-tier dividend of 0.25 sen per ordinary share, unchanged on the prior year, taking into account the Group's current cash position and future capital expenditure requirements.

Subject to approval by shareholders at the Annual General Meeting to be held on 7 June 2018, the dividend will be paid on 15 August 2018 to shareholders on the record of depositors on 27 July 2018.

APPRECIATION

The Board and I would like to express our appreciation to our shareholders, customers and associates for your unwavering confidence, trust and support. To the regulatory authorities, we say thank you for your continued guidance and support. To the management and staff of the Company and our various divisions whose commitment and dedication have been the source of the Group's commendable performance, the Board and I are most grateful and we look forward to working closely with all of you for a better year. Thank you.

DATO' AHMAD SEBI BAKAR
Group Chairman

Performance Review

The Group recorded **revenue of RM265.9 million** for fiscal 2017 with profit from operations of RM14.4 million and profit before tax of RM8.4 million. The Group's **total assets was RM700.0 million** as at 31 December 2017 and our **shareholders' funds stood at RM432.9 million**.

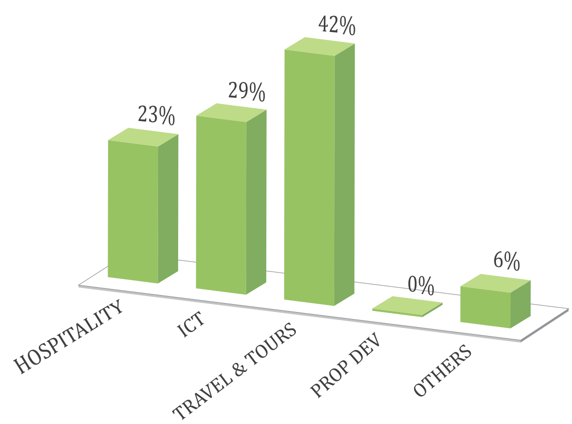
REVENUE

The Group recorded revenue of RM265.9 million for fiscal 2017. The biggest contributor to Group revenue was the travel and tours division with revenue of RM112.2 million followed by the information and communications technology ("ICT") division at RM77.4 million. Both divisions achieved higher revenue of RM10.4 million and RM7.4 million respectively compared to fiscal 2016.

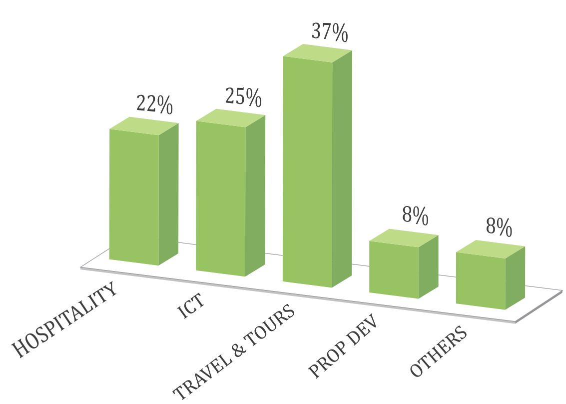
Our hospitality division's revenue remained stable at RM60.5 million in fiscal 2017 compared to revenue of RM61.9 million in fiscal 2016. However the property development division recorded a huge reduction in revenue of RM21.0 million because Phase 2 of the Federal Park project which was anticipated to be launched during the year was delayed due to its failure to gain necessary approvals from the relevant authorities. Revenue of the "Others" division also declined by RM6.0 million compared to fiscal 2016.

As such Group's total revenue was RM10.9 million lower in fiscal 2017 at RM265.9 million from RM276.8 million in fiscal 2016, a 3.9% drop.

The contribution in revenue from each division for fiscal years 2017 and 2016 is illustrated as follows:



2017 REVENUE BY DIVISION



2016 REVENUE BY DIVISION

GROSS PROFIT

Due to the lower revenue and increase in cost-of-sales for fiscal 2017, gross profit for the Group dropped from RM97.4 million in fiscal 2016 to RM89.8 million in fiscal 2017, a reduction of RM7.6 million and Group gross profit margin declined in tandem to 33.8% from 35.2% in fiscal 2016. The Group's lower gross profit of RM89.8 million was mainly due to the flow-down-effect of lower sales as well as lower gross profit margin at the ICT and travel and tours divisions. The bulk of the increase in revenue for ICT division for fiscal 2017 compared to prior year was from system sale contracts which generally deliver lower gross profit margin as a result of its typically higher third party costs while the travel and tours division's increase in revenue was accompanied by lower gross margin.

OTHER OPERATING INCOME AND EXPENSES

For the past two fiscal years, 2016 and 2017, the results of the Group included fair value movements on the Group's investment in unquoted securities and purchase price allocation for the Group's investment in Posthotel Arosa AG ("Posthotel Arosa") after the Group increased its equity in the property from 48.7% to 62.49%. But the subsequent write-off of assets that was gutted by the fire incident in December 2016 and the consequential fire insurance claims became the main contributor to the reduction in the Group's other operating income from RM63.4 million in fiscal 2016 to RM20.8 million in fiscal 2017, a decline of RM42.6 million. All this also caused a reduction in other operating expenses by RM46.2 million to RM27.7 million in fiscal 2017 from RM73.9 million in fiscal 2016. Our Group's operating expenses namely distribution and administration costs was also lower by RM6.2 million from RM74.7 million in fiscal 2016 to RM68.5 million in fiscal 2017. All divisions recorded lower operating expenses in fiscal 2017 compared to prior year except for ICT and travel and tours divisions which saw a slight increase in expenses totalling RM0.7 million.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

The Group's share of loss in associates in fiscal 2017 was RM0.8 million, higher compared to a share of loss in associates in fiscal 2016 of RM65,000, mainly due to the share of a loss of RM0.7 million from the Group's 40% equity investment in Helenium Holdings Limited ("HHL") which owns a mixed-use building in Kilburn, London NW6 5UA. From April to July 2017, HHL commenced refurbishment and repairs on the building hence revenue was lower for the year resulting in a loss of RM0.7 million in fiscal 2017 compared to a small profit of RM38,000 in fiscal 2016.

PROFIT BEFORE TAX

The Group made a profit before tax of RM8.4 million in fiscal 2017 compared to a profit of RM7.7 million in the prior year. Our 4 major divisions, hospitality, ICT, property development and travel and tours, recorded a total profit of RM26.6 million, slightly lower than the profit of RM27.0 million in fiscal 2016. The "Others" division continued to show losses although the losses had narrowed from RM11.0 million in fiscal 2016 to RM8.6 million in fiscal 2017. The fluctuations in the profits of the major divisions in fiscal years 2016 and 2017 were mainly due to the significant movements in other operating income and other operating expenses as explained above and the poor performance from the property development division in 2017 as Phase 2 of the Federal Park project was not launched as expected during the year.

After providing for the profit attributable to non-controlling interests, there was a smaller loss of RM0.7 million in fiscal 2017 compared to a loss of RM2.4 million in fiscal 2016 resulting in the Group's gross loss per share of 0.10 sen in fiscal 2017 and 0.37 sen in fiscal 2016.

INCOME TAX

The bulk of the Group's income tax expense for fiscal 2017 was attributable to the tax expense recorded by the hospitality and ICT divisions. However, in fiscal 2016, the income tax expense was offset by the crystallisation of the deferred tax liabilities in relation to the fair value gain of the assets in Posthotel Arosa giving rise to a negative income tax expense.

ASSETS

Total assets of the Group decreased by 0.33% to RM700.0 million as at 31 December 2017 (2016: RM702.3 million). Trade and other receivables decreased from RM170.6 million as at 31 December 2016 to RM139.1 million as at 31 December 2017 mainly due to the receipt of the insurance claim proceeds in the hospitality division in fiscal 2017 and the reduction in the progress billings mainly due to the lower sales achieved by the property development division. The insurance proceeds received in fiscal 2017 partly boosted the Group's cash and bank balances. The increase in the investment securities from RM33.9 million in fiscal 2016 to RM42.6 million in fiscal 2017 was mainly from the ICT division which made further investments in unquoted shares during the year.

LIABILITIES

Total liabilities of the Group increased from RM190.8 million in fiscal 2016 to RM203.9 million in fiscal 2017. The increase was mainly due to the increase in trade and other payables of the ICT and hospitality divisions.

EQUITY

With the lower financial performance of the Group, total Group equity decreased by 3.0% to RM496.1 million as at 31 December 2017 (2016: RM511.5 million) and the return on equity declined to 0.76% compared to 1.71% in the previous year.

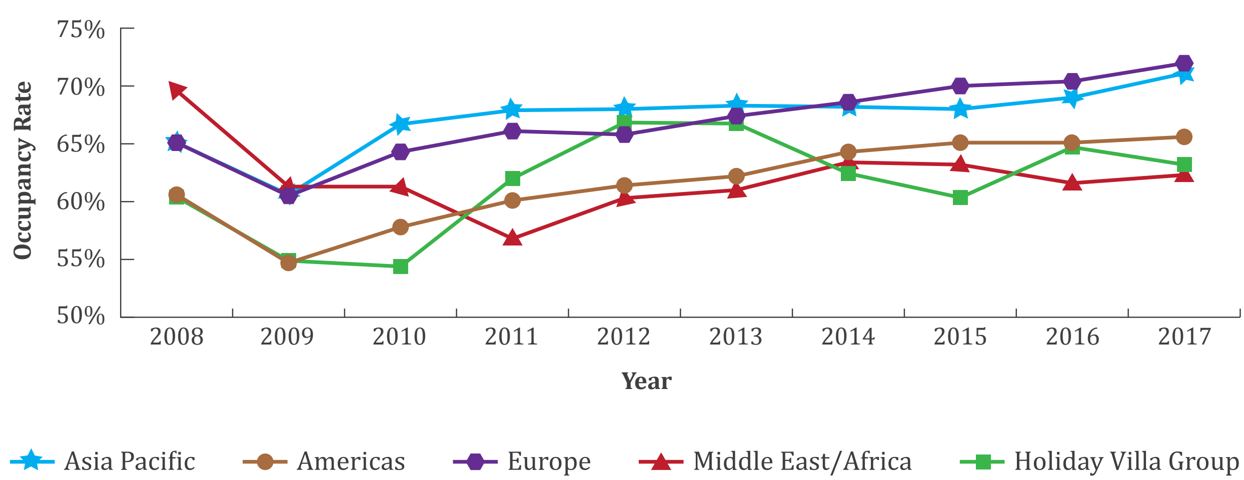
HOSPITALITY DIVISION

The hospitality division achieved mixed results with better revenues from Holiday Villa Beach Resort & Spa Langkawi ("Holiday Villa Langkawi") and Holiday Villa Hotel & Suites London ("Holiday Villa London") which were offset by the lower revenue from other local hotels namely, Holiday Villa Beach Resort & Spa Cherating ("Holiday Villa Cherating") and Holiday Villa City Centre Alor Setar ("Holiday Villa Alor Setar"), and the lower management fees from Holiday Villa Doha. Despite the target of 31 million tourist arrivals set by the Tourism & Culture Ministry for 2017, the actual arrivals statistics for ten months to October 2017 stood at only 21.5 million as compared to 26.8 million in 2016. The implementation of a tourism tax on 1 September 2017 could have had a negative impact on the hotel industry. Qatar's diplomatic crisis began in June 2017 where several gulf countries severed relations and imposed trade and travel restrictions on the State. This had an immediate adverse effect on Holiday Villa Doha and the total fees received from this hotel dropped by almost 20%.

Our room average occupancy rate for fiscal 2017 was similar at 56.0% compared to 55.6% in fiscal 2016. However, the division's revenue was lower by RM1.4 million, a drop of 2.3% from 2016's revenue of RM61.9 million.

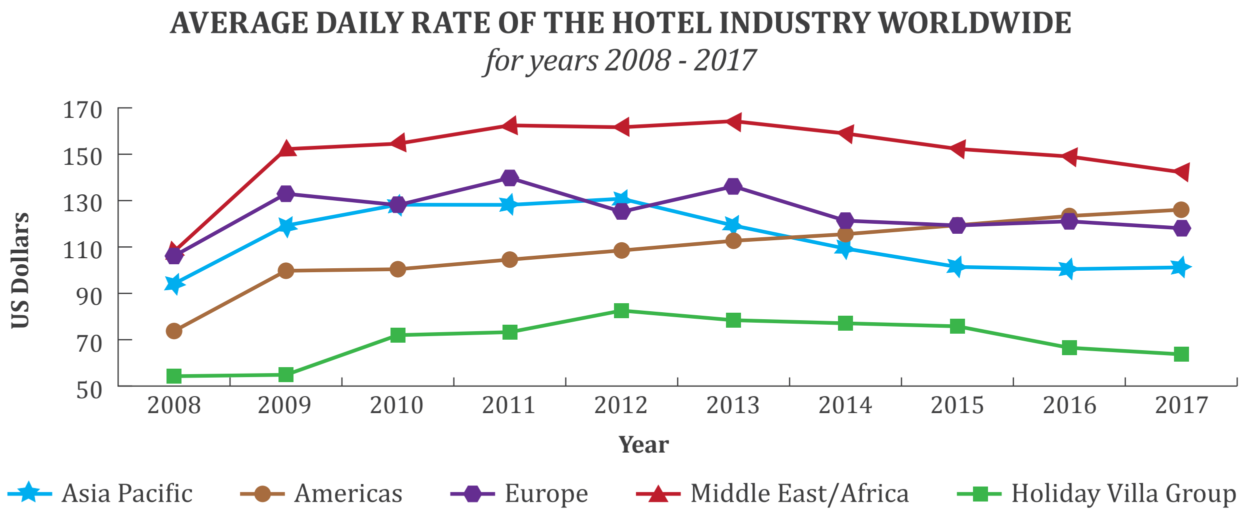
The occupancy rate and average daily rate of the hotel industry worldwide for years 2008-2017 extracted from an online statistics portal compiled from certain participating hotels, majority of which are in the 5-star category, for indicative purpose only is illustrated below:

OCCUPANCY RATE OF THE HOTEL INDUSTRY WORLDWIDE
for years 2008 - 2017



Asia Pacific: Central & South Asia, Northeastern Asia, Southeastern Asia and Australia & Oceania
Americas: North America, Caribbean, Central America and South America
Europe: Eastern Europe, Northern Europe, Southern Europe and Western Europe
Middle East/Africa: Middle East, Northern Africa and Southern Africa

HOSPITALITY DIVISION (continued)



Asia Pacific: Central & South Asia, Northeastern Asia, Southeastern Asia and Australia & Oceania
Americas: North America, Caribbean, Central America and South America
Europe: Eastern Europe, Northern Europe, Southern Europe and Western Europe
Middle East/Africa: Middle East, Northern Africa and Southern Africa

On a brighter note, our Holiday Villa brand opened a new hotel in Johor Bahru in 2017 increasing our room portfolio by a further 343 rooms to 5,047 rooms. Since the hotel commenced operations in March 2016, its performance has improved and the growth was reflected in the revenue of the hospitality division for fiscal 2017.

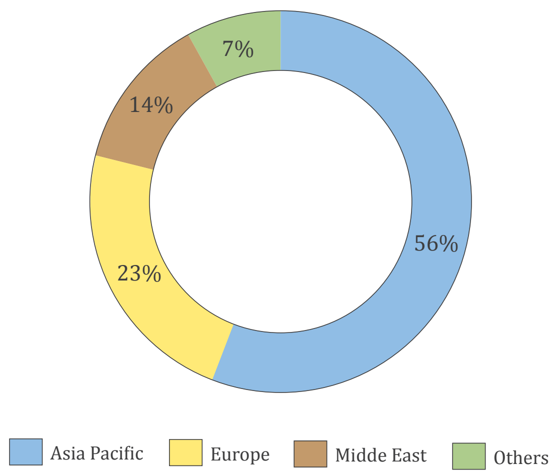
Our top 3 market segments last year were long-term guests 24.2%, guests from e-booking 23.8% and by contract wholesale 11%. In the long-term segment Holiday Villa Doha, Holiday Villa Johor Bahru and Holiday Villa London respectively took the top spot. The e-booking segment had stayed at 23% for Holiday Villa Langkawi with 23,000 room nights, Holiday Villa Johor Bahru at 31,000 room nights and Holiday Villa London at 22,000 room nights. Even though the wholesale segment has decreased from 20% in fiscal 2016 to 11%, it still played a significant role for the beach resorts. Holiday Villa Langkawi registered 23,000 room nights and Wina Holiday Villa Kuta had 30,000 room nights FIT travellers from the travel agents bookings.

In terms of tourist arrivals by country of residence to our hotels, Asia Pacific is our main market (56%) followed by Europe (23%) and Middle East (14%). For our local hotels, the Malaysian guests make up the highest contributor to room nights and remain a strong market for Holiday Villa Johor Bahru, Holiday Villa Subang and Holiday Villa Langkawi. Another strong growth market for these 3 hotels is China. The United Kingdom ("UK") market is an important market not only for Holiday Villa London but also for Holiday Villa Doha. Other countries in Europe like Netherlands and Germany contribute significantly to Holiday Villa Doha, Holiday Villa Langkawi and Wina Holiday Villa Kuta.

HOSPITALITY DIVISION (continued)

The breakdown of the hotels and resorts division's business by country of residence in fiscal 2017 is as illustrated below:

2017 HOTELS AND RESORTS' BUSINESS
by Country of Residence (%)



Our current operating inventory stood at 5,047 rooms with another 150 rooms due to open by end 2018 at the Holiday Villa Jiading, Shanghai. Holiday Villa is ranked No. 233 in the world by Hotels 325* in 2016 based on an inventory of 5,232 rooms.

The division's gross operating profits ("GOP") was RM24.3 million or an operating margin of 40.2%. In fiscal 2016, the division's GOP was RM23.9 million or an operating margin of 38.7%. The GOP of RM24.3 million was higher by 1.7% than the previous year.

The higher GOP for the year resulted from a robust cost-management plan to mitigate the ever increasing manpower and other operating costs such as utilities, food & beverage and maintenance costs mostly during our property refurbishment exercise. Manpower cost also continued to rise due to the introduction of the national minimum wage policy.

During the year and for fiscal 2016, the division's result was clouded by various accounting adjustments such as the purchase price allocation for our additional investment in Posthotel Arosa which increased from 48.7% to 62.49%, the fire incident which completely gutted our hotel in Arosa, Switzerland and the insurance claims arising from the fire. As a result of these events, the other operating income for the division had decreased from RM49.1 million (2016) to RM18.2 million. However, other operating expenses was also lower by RM48.8 million, from RM61.0 million (2016) to RM12.2 million in fiscal 2017.

As a result, the division made a profit before tax of RM15.6 million in fiscal 2017 compared to a loss of RM4.0 million in prior year. Holiday Villa Doha, Holiday Villa Johor Bahru and Holiday Villa Langkawi, were the star performers.

ICT DIVISION

2017 was another good year for the Captii Limited Group which comprises three main segments: Unifiedcomms, GlobeOSS and Captii Ventures. Revenue for fiscal 2017 was higher at RM77.4 million, an increase of 10.6% from the previous year (2016: RM70.0 million). However, not all the business segments in the ICT division showed revenue growth. While the division's GlobeOSS business recorded an increase in revenue of 24.6% due to higher system sale and managed service contract revenues, the Unifiedcomms business saw a decline in sales of 0.2% due to a decrease in its system sale contract revenue.

**Hotels 325 is a World Hotel ranking published by HOTELS magazine.*

ICT DIVISION (continued)

GlobeOSS continued to grow from strength to strength as a leading systems integration and solution provider in the telecoms big data and analytics field. The division saw GlobeOSS delivering an improvement in both system sale and managed service contract revenues in fiscal 2017. System sales had increased significantly by 25.0% from RM26.0 million in fiscal 2016 to RM32.5 million in fiscal 2017 while managed service revenue increased by 21.7% from RM6.9 million in fiscal 2016 to RM8.4 million in 2017. The lower revenue at Unifiedcomms was caused by revenue from system sale contracts declining sharply to RM3.7 million in fiscal 2017 from RM7.5 million in fiscal 2016 although this was offset to some extent by the improved managed-service revenue which had increased from RM29.0 million to RM32.8 million.

Despite higher revenue in fiscal 2017, gross profit had decreased by 5.1% to RM35.4 million (2016: RM37.3 million). The growth in gross profit was lower than the growth in revenue, due to the sales-mix achieved in 2017 where the bulk of revenue growth came from GlobeOSS sales which typically yields lower gross profit margin. The overall gross profit margin earned on the consolidated revenue was lower at 45.7%, compared to 53.2% achieved in prior year.

Overall, our ICT division achieved another profitable year with profit before tax of RM8.8 million. However, the profit is 60.2% lower than in fiscal 2016 which was RM22.1 million. The substantial decline in profit reflected the absence of any fair value gain on investment that the division enjoyed in 2016 on the revaluation of the Captii Ventures' investment portfolio and the flow-down-effect of lower gross profit margin realised. In fiscal 2016, the fair value gain was RM8.8 million. In fiscal 2017, there was an absence of any fair value gain. In the last quarter of 2017, the division evaluated each of its venture investments and in the process, several were fair-valued with a different valuation model that was assessed as being more appropriate under the circumstances than what was employed in the previous periods. This resulted in a fair value loss for fiscal 2017. The fair value loss, which is unrealised, is a result of adopting the most appropriate valuation techniques as explained above for each investment and may not be reflective of the actual return upon disposal of these investment in the medium to long term.

PROPERTY DEVELOPMENT DIVISION

It was a disappointing year for the property development division as their anticipated Phase 2, Federal Park Project, was not launched as expected as the approval for the amended development plans to build townhouses is still pending. Phase 2, Federal Park Project, was slated to commence in the third quarter of 2017. On that note, the division recorded a significantly lower revenue of RM1.1 million in fiscal 2017 compared to a revenue of RM22.2 million in fiscal 2016. Consequently, the profit before tax from the division is at a nominal sum of RM0.13 million for the year. In fiscal 2016, the division made a profit before tax of RM4.2 million.

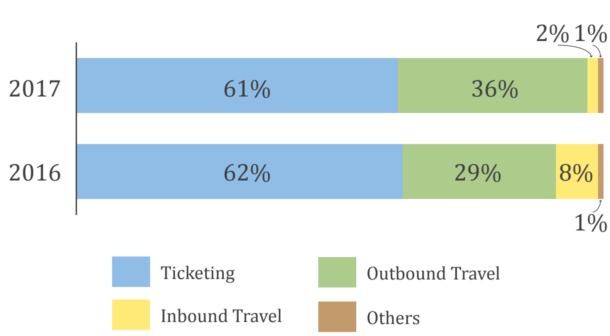
TRAVEL AND TOURS DIVISION

2017 was also another good year for the travel and tours division. Revenue increased by RM10.4 million or 10.2% to RM112.2 million from revenue of RM101.8 million in fiscal 2016. The division has successfully positioned itself as one of the key players in the travel industry in providing corporate ticketing services to corporate clients in the Klang Valley since 2013.

Despite the improved revenue, the division's profit before tax was lower at RM2.1 million compared to RM4.6 million in fiscal 2016 because the gross profit margin was lower at our ticketing and the outbound travel units and the flow-down-effect of lower sales at our inbound travel unit resulting in a loss for the inbound travel. The ticketing unit generated the bulk of the ticketing sales from wholesale segment and "umrah" packages during the year which generally yielded lower gross profit margins and also lower other operating income such as incentives from airlines.

The breakdown of the revenue by business units for fiscal years 2016 and 2017 is illustrated below:

TRAVEL AND TOURS REVENUE
by Business Units (%)



OTHERS DIVISION

This division comprises manufacturing, card and payment services, coach-building, wellness ("TCM") and the education businesses. Total revenue for the division in fiscal 2017 was lower by RM6.0 million from RM20.6 million in fiscal 2016 as the division underwent major restructuring such as the divestment of the loss-making manufacturing subsidiary in early 2016, the winding down and eventual cessation of the TCM business in December 2017 and the revamping of the operations for the coach-building unit. Consequently, the coach-building and TCM units recorded lower revenue in 2017. This reduction was mitigated by the higher revenue from the education unit which registered a 38.4% growth in revenue to RM2.3 million and the card and payment services business which recorded a 5.4% increased revenue to RM6.6 million.

Our coach-building unit completed and exported 7 buses to Australia compared to 40 units exported in fiscal 2016. During the year, the business unit completed fabrication and delivery of 69 Mass Rapid Transit KL ("MRT") buses for SCANIA. The success for 2017 rides on the success of this division in completing the refurbishment of 100 Volvo buses owned by Rapid KL in 2014 and 2015.

OTHERS DIVISION (continued)

The Group acquired the language education business, The Language House ("TLH"), in early 2015. From 2015, the focus has been on improving and upgrading the infrastructure to form a strong base for future business with limited focus on marketing. Despite that, our education unit showed an increase in its revenue from RM1.6 million in 2016 to RM2.3 million in fiscal 2017.

Our card and payment services business registered revenue of RM6.6 million in fiscal 2017 compared to RM6.3 million in prior year, mainly due to a higher volume of transactions generated from the signing of new merchants.

Revenue for the TCM business in fiscal 2017 was relatively lower at RM301,000 as compared to fiscal 2016 of RM343,000 mainly due to the winding down of the business and the cessation of this business by year-end 2017. Excluding the loss on disposal of the manufacturing unit in Australia of RM1.6 million in fiscal 2016, the "Others" division recorded a lower loss before tax of RM8.6 million for fiscal 2017 as compared to a loss before tax of RM9.4 million in fiscal 2016.

The Year Ahead...

We expect 2018 to be a busy year for the Group, a year of potential economic growth and opportunities amidst uncertainty and challenges for certain market segments. Our proven initiatives to improve on operational efficiencies, productivity and cost reduction which yielded good results in 2017 will continue. The strategies to nurture and grow our established core businesses and explore attractive opportunities to expand operations will also be our focus for the coming year.

HOSPITALITY

A recent trend in the travelling pattern is gaining a lot of traction worldwide. Travellers are spending more time in their desired destinations and with a propensity to booking through home-sharing operators like Airbnb, Home-Stay and other short-term rentals. These non-traditional lodging operators are highly dependent on mobile internet technology and social media, a marketing infrastructure targeting mostly young people.

Holiday Villa Doha

HOSPITALITY (continued)

Our Holiday Villa brand however has the competitive advantage of 3 key benefits: Service, Consistency and Safety, over the home-sharing operations.

Our very own "Manja" programme, provides gracious personal attention to create a home atmosphere and comfort for our guests throughout their stay. Besides, we continuously review and upgrade our facilities and conducts regular inspection with particular attention to aspects of personal safety for our guests. Holiday Villa also provides 24-hour service so guests can be assured that we are there to assist them in emergencies. We also have competent staff and good facilities to provide assistance to the elderly or those with physical disabilities.

To strengthen brand recognition, our Villa Gold Card loyalty programme continues to receive good response as Villa Gold members enjoy privileges at participating Holiday Villa hotels worldwide.

Holiday Villa Hotel & Residence Jiading Shanghai

The new D-Villa brand which complements our established Holiday Villa brand is a long-stay option for guests with family who prefer apartment-style facilities. Our first D-Villa brand apartments are the D-Villa Residence, Doha, Qatar and the D-Villa Hotels & Residence, Johor Bahru.

Holiday Villa Pantai Indah Bintan Island

HOSPITALITY
(continued)

We will have to expand our market segments in long-term stay and e-booking to continue the good results in 2017. Long-term stay (24.2%), e-booking (23.8%) followed by contract/wholesale (11%) were the top 3 revenue generators for the Holiday Villa Group. The contract/ wholesale market is still an important segment especially for the beach resort hotels, so we will enhance relationship with industry leaders from wholesalers, tour operators, B2B operators to online travel operators. Our very own online booking site is also providing digital marketing services for our hotels.

Some of our key activities for 2018 are:

a) To source for a new hotel in London as the current lease on the property will expire in June 2019. UK is an important destination for our guests. It is also among the top-3 revenue generators.

b) As Singapore tops the list of tourist arrivals to Malaysia, we have established a sales office there at the end of 2017.

c) Our quest to sign new management/ licensed contracts to increase our room inventory is on-going.

d) We have also established a boutique-style LaVilla brand to better serve our guests who demand more privacy, peace and security. Federal Villa Langkawi and Eastern Pavilion Cherating will be rebranded as LaVilla Boutique Hotels from 2018. We have also signed up a LaVilla property in Penang scheduled to open in 2019.

ICT

In line with our venture investment portfolio, we have also built our own fintech start-up, PostPay (formerly known as Mobilization) which has shown promising growth in terms of revenue and technology. PostPay is now focused mainly on providing advanced solutions for prepaid credit on a managed-service model. Fintech enterprise applications, as well as other internet and handset-app delivered digital media, will guide the ICT division's venture investment activities. In the year ahead, the division's venture investment activities will complement the organic growth strategy in place for our Unifiedcomms and GlobeOSS businesses.

ICT (continued)

The division expects GlobeOSS to continue to grow from strength to strength despite global economic uncertainty and hence lumpiness is still to be expected in the contribution of system sale contracts to the division's future results. We expect the bulk of the system sale revenues in 2018 to be driven by new solution implementation for new and existing customers, as well as solution enhancement, system upgrade and system capacity expansion activities of existing customers. The division's managed-service contract portfolio continues to have emphasis in the ICT division's 2018 business plan.

The division will continue to work on means to better manage execution risk in respect of strategies and tactics to grow. This includes maintaining if not growing the more mature managed-service contracts in the portfolio and to more quickly translate secured contracts into substantial sources of recurrent revenue for the division.

TRAVEL AND TOURS

The industry is expected to be buoyant in the coming year even with the persistent uncertainty of the global economy and we expect footprints from both emerging and developed markets to increase.

We expect a rise in healthy corporate travel which will augur well for the travel and tours division as we are positioned strongly in the corporate ticketing services.

Our ticketing and outbound units target to capture small and medium-sized organisations and individual travellers via the customisation of our travel products. We will also focus on wholesale ticketing and custom travel packages.

Federal Park Phase 1 – Double Storey Terrace Houses

TRAVEL AND TOURS (continued)

In 2018, our inbound travel unit will emphasise on further developing its professional team to ensure that we have the right people to target growth in different market segments. Besides our primary market in Europe, the division is developing products for market segments in the vibrant Asia Pacific region.

The division believes that there are huge growth opportunities in the local and global tourism business as we are well-positioned with clear growth strategies focusing on market trends and product diversification.

PROPERTY DEVELOPMENT

The property development division's main growth for the coming year will be from the development of Phase 2, Federal Park comprising mainly townhouses which is now planned for commencement in mid-2018. This property development project will put the division back on track on its earnings.

As a reputable niche player, the division will remain focused on its target market segment of medium to medium-low properties. However, the division expects the property market in Kuching to remain soft coupled with stringent financing requirements. With the right pricing and affordability for its development properties, the division is confident of the marketability of its properties to provide a steady income stream. To ensure sustainability, the division is continuously identifying suitable land banks for development.

BUS-BODY FABRICATION

Apart from bus-body fabricating, QBC has also built its own buses using its own MITI-certified chassis under the brand “AUTOBUS”. AUTOBUS is designed and built to ADRs specifications. The ADRs certification is a major achievement acknowledging QBC’s technical know-how and competency. With ADRs certification, AUTOBUS can be exported to global markets.

The business unit achieved good success in streamlining and restructuring its management and operations and the unit saw overall improvement in production efficiency and discipline. QBC has also successfully completed the Certification audit for ISO 9001:2015 certification. All this will augur well in 2018 as the unit is well-placed to build on its technical and technological achievements.

Electric vehicles or EV, including electric buses with zero emission and therefore eco-friendly are being tried in many pilot projects in China, Europe and the USA. With various major world cities adopting plans to minimise or eliminate air pollution, electric-powered buses are seen as the preferred mode of public transportation of the future. QBC is tracking this new technology in earnest and is in active discussion with a leading electric bus manufacturer to assemble electric buses in Malaysia. To assemble and build electric buses will be another advancement of technology for QBC. There are also many factors which could propel the growth of electric buses in Malaysia such as lower operating and maintenance costs and no emission.

Meanwhile, QBC’s effort to export to more countries like Middle East besides Australia is on-going. The first foray into Doha, Qatar unfortunately did not progress further and efforts have been muted by the political events in that region although the response to our IVECO TRAKKER in Doha, Qatar was very positive when we launched the IVECO TRAKKER to provide safe and comfortable Desert Sand Dunes tours.

EDUCATION

Our education unit, TLH, achieved good results in fiscal 2017 with growth in revenue and a maiden profit. To build on its early success, this year, TLH will focus on ensuring that our English language courses especially are suitable to achieve the objective of each student. As such, we will continue to review and refresh all language courses, student intake procedures, evaluating and monitoring of teaching staff to ensure we have appropriate professionals. Having high quality facilities, teaching staff and curricula, will differentiate TLH from the common pack. TLH believes education is a growth industry and TLH will thrive if it could build a strong academic reputation for itself.

We monitor the quality of academic programmes, regularly update teaching and learning materials, use effective pedagogy and continually upgrade the professional skills of our teaching and support staff.

Our teaching professionals use an interactive communicative approach to engage learners, maximise learning opportunities and promote student autonomy. The syllabus emphasises accurate grammar and vocabulary growth.

Our General English Programme ("GEP") is designed to help non-native English speakers progress at a comfortable pace taking their individual language skills into account in an engaging and encouraging environment. We benchmark our students progress against the global CEFR (Common European Framework of Reference for Languages) standards.

EDUCATION (continued)

Our corporate training programmes this year will concentrate on English, Mandarin and Bahasa Malaysia. Such training programmes achieved good response and will continue to be the focus for 2018. This year, TLH will also focus on the needs of the local student market offering IELTS (International English Language Testing System) preparation courses, and English courses in general to assist local students achieve proficiency in the subject.

CARD AND PAYMENT SERVICES

Our card and payments business unit operates its business through the MasterCard and Visa global payment system network regulated by Bank Negara Malaysia ("BNM") under the Financial Services Act, 2013. The operating environment will continue to face significant changes over the next few years with the initiative by BNM to encourage a cashless society. To achieve the objective of a cashless society, BNM mandated that the deployment of electronic data capture terminals shall increase three-fold by 2020; in addition to other forms of payment solutions being considered for approval by BNM. The entry of mobile payment providers such as AliPay and WeChat Pay will create more electronic payment channels using electronic wallets that enable consumers to make online payments via smart phone. This will complement the use of Chip and Pin payment cards issued by Malaysian card issuers. In this regard, the implementation of the Chip and Pin payment cards after 1 July 2017 has significantly reduced payment disputes and fraudulent use of payment cards as all Malaysian payment cards are now PIN-enabled. We are confident we can grow our business in line with the industry.

For the coming year however, we shall remain focused on improving not just the signing of more merchants but rather by acquiring more active merchants and merchants with higher ticket transactions. The process of appointing more master merchants is on-going and we expect the number to be increasing. We also have plans to upgrade our processing systems to expand our electronic payment services (besides MasterCard and Visa) to include debit payment under the Malaysia Electronic Clearing Corporation (MyClear) and other payment service operators such as China Union Pay to provide a more comprehensive payment solution to our merchants.

Sustainability

We recognise that to be successful in achieving our strategy of sustainable profitable growth it is essential that **we act responsibly in all our businesses and towards all people** who are our stakeholders.

As a diversified Group in a multi-industry business, we are committed to managing the business in a socially responsible way, recognising that the proper management of such matters makes good business sense and can result in strategic, commercial and reputational benefits.

We recognise that to be successful in achieving our strategy of sustainable profitable growth it is essential that we act responsibly in all our businesses and towards all people who are our stakeholders. This includes our shareholders, employees, customers, suppliers and communities in which we operate. We aim to consistently improve the social, environmental and economic issues with our control or influence throughout the business and our supply network.

The Group is committed to implementing the correct policies and procedures relating to the sustainability of the environment and to the successful delivery of an effective health and safety system, as well as ensuring that the people connected with the Group behave in the right way, complying with all local legal and regulatory requirements.

In recognising the importance of sustainability issues, we seek to encourage and facilitate positive management behaviour in alignment with the Group's business strategy. This includes the morale and welfare of our employees, the satisfaction of our customers and suppliers, and our impact on the environment.

RELATIONSHIP WITH SHAREHOLDERS

Through the individual businesses and at a Company level, we consider social and environmental factors, managing relationships with shareholders and communicating with them through a variety of channels. These include the annual general meeting ("AGM"), annual and interim reporting and announcements through a regulatory news service for matters relating to trading and the development of the business, all of which are available on our website at *www.asb.com.my*.

SUSTAINABLE MANPOWER PLANNING

Our recruitment, training and development processes are designed to ensure that we have suitably skilled and qualified employees to meet the operational needs of the business. We recognise that successful businesses need to deliver a good service and product which can only be done by developing, supporting and maintaining the right staff to provide this. We are committed to developing the potential of our people, offering opportunities for employees to develop and grow and periodically reviewing succession planning processes. We also participate in work experience placement schemes. Employee turnover remains relatively low resulting in a stable employee base.

It is our policy that all employees should have access to employment opportunities, irrespective of age, gender ethnic origin, religion or disability. As the Group has businesses in many countries, these are appropriate for the local areas of operation.

HUMAN RIGHTS AND HUMAN TRAFFICKING

We are committed to treating our employees fairly and equitably, recognising individuals' basic human rights and an ethical approach to employees, suppliers and customers. The Company respects the human rights of those working for or with us, and of the people in the communities where we operate. We will not knowingly do business with companies, organisations or individuals that we believe are not working to at least basic human rights standards. Our businesses comply with applicable pay and working-time laws and other laws or regulations affecting the employment relationship and workplace.

We oppose the exploitation of workers and we will not tolerate forced labour, or labour which involves physical, verbal or psychological harassment or intimidation of any kind and we will not employ child labour in any of our operations. Nor will we permit the exploitation of, or discrimination against, any vulnerable group. We support fair and reasonable rewards for workers, with pay reflecting local norms and meeting or exceeding any legal minimum wage levels.

The Board is committed to taking the necessary steps to ensure that slavery and human trafficking are not taking place in our businesses and seeks to gain transparency within our supply chain.

SAFE AND HEALTHY CULTURE

The Group is also committed to maintaining a safe and productive environment, free from harassment in which all individuals are treated with respect and dignity and we expect all our employees and individuals that work at our sites to follow our health and safety policies and procedures and be free from substance abuse at all times.

We devote considerable efforts towards cultivating excellent business ethics and values (via code of conduct/policy in relation to dishonesty, corruption or unethical behavior), good corporate governance and stakeholder engagement (such as collaboration with customers, government surveys, and regularly scheduled meetings with customers, suppliers, regulators, media, investors and employees) and best practices in procurement as well as quality and innovative products and services. In this respect, we conduct regular reviews on policies and procedures, internal control system, risk management framework, training and development programmes, process improvements and quality assurance assessments, to continuously enhance the delivery of the Group's products and services.

ANTI-CORRUPTION

As part of our programme to cultivate ethical business conduct, our hotels and resorts division had organised a seminar on anti-corruption, where at least 90% of the employees attended the training. Our ICT division has a brief policy note in its corporate employee guide for distribution to each employee on their first day of work. All our divisions have internal control measures to ensure adequate segregation of duties to avoid any single person being in charge of the entire procurement process, from sourcing to payment.

HUMAN CAPITAL AND TRAINING

To achieve a sustainable manpower planning, we believe that local hiring, training and retaining is important as it will not only benefit the Group but will also contribute to the country's economic development. This policy is extended to all the countries where the Group operates. So naturally, the Group offers graduate placement programmes, industrial training and internship in our hotels and resorts, coach-building as well as the ICT divisions.

Our ICT division has been investing in the recruitment, development and preservation of human capital. In the countries in which it operates, it has been a significant contributor to the development of local human capital in specific areas of technology, particularly in progressing raw talent from tertiary institutions to technology professionals capable of performing in a global environment. This division's many alumni have gone on to be senior executives or technical leaders in global multinationals. Our ICT division views the investment in raw engineering talent as not only a key to its future growth and survival, but also a positive contribution to enhancing the human capital base of the host country.

Our hotels and resorts division gives first preference to local workforce in the location where it operates. Our hotels have been very supportive in providing industrial training experience to undergraduates from the colleges or higher institutions, both local and abroad, to undergo their internship programmes and is proud to note the overwhelming responses especially from the hotels and resorts colleges/universities in wanting to send their top-notch undergraduates for the internship programme with Holiday Villa. We are proactively engaged in the delivery of career counselling sessions to the school students especially on the opportunities available in the hotels and resorts industry and collaborated with the Polytechnics Education Division and Ministry of Higher Education in developing or assessing its community programmes.

Language Learning

Our coach-building staff has been given lessons in beginner's English to enable them to enhance their communication skills with our English speaking partners and customers.

Since there is a potential project collaboration with a China counterpart in the coming year, we are also teaching beginner's Mandarin to our coach-building staff.

To ensure the employees' continued development and growth, our Group will continuously invest in training and upgrading of our employees' skills. During the financial year ended 31 December 2017, the Group spent close to RM277,000 on training and this is an on-going exercise across all our subsidiaries. We believe that with such commitment to our employees, we are better able to retain our staff.

LOCAL SUPPLY CHAIN AND PARTNERS

The Group has been supporting local businesses by purchasing supplies and contracting services locally. We believe that a strong local supply chain through productive partnership is vital to the growth of our business. By such support, we believe that we can positively contribute to the local economy.

We select partners who share our work ethics and values and who are willing to provide quality products and services in a responsible manner. In cases where local suppliers are not suitable, we will source internationally. Where outsourcing is practised, we will ensure that the products conform to our sustainable policies and are labelled with "good manufacturing practices".

We believe the Group's long-term business is built mainly on the trust and confidence of customers. Therefore, feedbacks from customers such as customer satisfaction rates and customer complaints are documented for future improvement on development of products and services. Our card and payment services as well as coach-building divisions have all rated their customer satisfaction rates at above 80%. Our ICT division has 24-hour customer careline for customers to lodge feedbacks on service issue.

The following are some commitments made by our hotels and resorts and ICT divisions. In their quest to deliver superior quality products and services to their customers and comply with applicable legal requirements, the hotels and resorts division has in place its very own MANJA Programme, a quality management system focusing on the service standards, work processes, job instructions and the standard operating procedure for all aspects of the hotels' operations. Its MANJA Promise Programme, Phase 1, demonstrated the commitment by our hotel staff to deliver the superior quality products and services to their customers and comply with applicable legal requirements. Our ICT division embraces the UN Global Compact and at present adopts a best-effort approach in observing the spirit and intent of the ten principles. Although its efforts to uphold the ten principles are not presently embedded in its operational policy and procedure documentation, the work culture of this division's businesses is consistent with the principles.

ECO-FRIENDLY

We recognise the importance of good environmental management or preservation practices which will result in the least disruption to the environment for sustainable future. In our daily operations, the Group continues to be committed on recycling, energy-saving practices and undertaking measures to reduce wastages, pollution and harmful emissions.

Our Group is mindful of environmental aspects such as air pollution and soil erosion, discharge of effluence (sewage and grease), usage of energy and water and disposal of waste materials and chemical waste which could have a major impact on the eco-system and could directly or indirectly impact the Group. With such concerns, the Group has started to embark on adopting sustainable environment management practices and some of our efforts are elaborated below and we shall continue to expand the practices to other areas.

ECO-FRIENDLY (continued)

The "Going Green @ Holiday Villa" campaign launched by our hotels and resorts division at all Holiday Villa hotels aims to contribute to the preservation of natural resources and environment by focusing on energy conservation, waste management, responsible purchases and landscaping. We recognise that resource conservation, biodiversity and pollution prevention are key to a sustainable environment. To mitigate impact on the environment, the division effectively integrates these concepts into its business decision-making and works with all stakeholders to promote and implement responsible environmental practices. Both Cherating Holiday Villa and Langkawi Holiday Villa performed environmental impact assessments before the hotels embarked on any development or improvement. We use renewable energy and garbage enzymes made out of fruit peels and vegetables as cleaning agent to reduce environmental impact. The division has its own environmental policy in place with the systems that set annual improvement targets to monitor energy consumption, water consumption and waste production.

Our coach-building division also has a built-in monitoring system on waste production and disposal waste materials are deposited at designated environmentally safe areas and disposed off periodically by our authorised waste disposal agents.

However, given that the business operation of most of our divisions are concentrated in normal office spaces, the impact on the environment is relatively limited and confined largely to efficient use of resources such as water and electricity. In this respect, we are committed to ensure that the designs of our offices are as energy efficient as possible. We also have been phasing out, gradually, the use of incandescent bulbs with LED bulbs. We also encourage our staff to reduce paper usage through recycling and e-procurement.

COMMUNITY AND SOCIAL

We are also committed to uphold and to honour our social obligations by contributing to the economic and social wellbeing of every community in which we operate. We also believe in the importance of providing opportunities especially to the younger generation, for the betterment of our society.

The Group participates in the ACHIEVE Corporate Social Responsibility ("CSR") Programme ("ACHIEVE") which aims to pool and focus the efforts and resources of the Group with like-minded corporations that share the common desire to support and implement meaningful CSR activities. The ACHIEVE Committee was formed with representatives from various divisions of our Group participating as committee members, to spearhead CSR activities via synergy collaboration with identified organisations.

In our yearly programmes, our hotels and resorts division also participates in various community projects for the unfortunate, such as, contributing either financially or in-kind to various non-profit organisations, orphanage homes and under-privileged families. Fund raising for orphanage homes was one of the major community service projects undertaken by our hotels and resorts division in 2017.

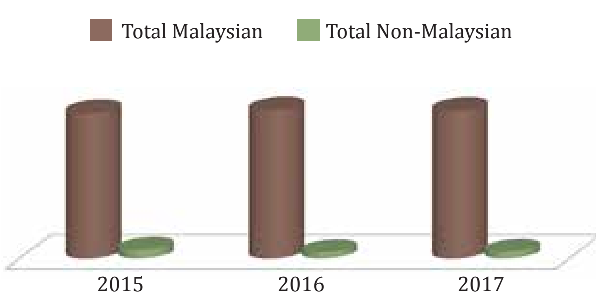
GOOD LABOUR PRACTICES

The Group recognises that to be sustainable, we have to develop our people talent and have sustainable labour practices encompassing occupational health and safety, non-discrimination and employer/employee relationship. The Group believes that employees are the key determinant/resources that drive long-term and sustainable organisational success.

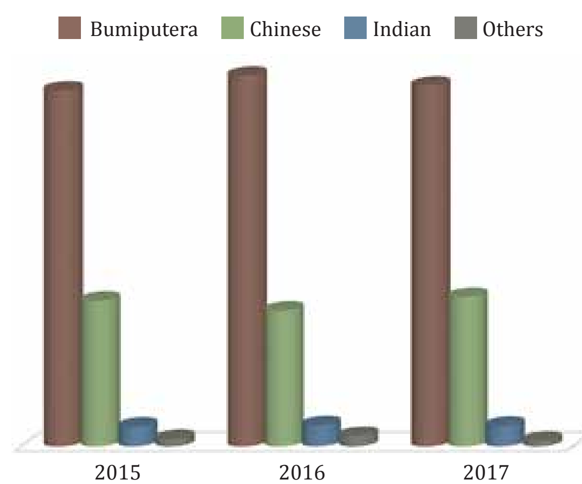
To enhance their knowledge and skills, we continuously promote human capital development by encouraging and sponsoring staff participation in internal and external training programmes and seminars that are relevant to their job functions.

As at 31 December 2017, our Group staff strength stands at 790 and the workforce statistics in terms of nationality, ethnicity, gender and age are illustrated below:

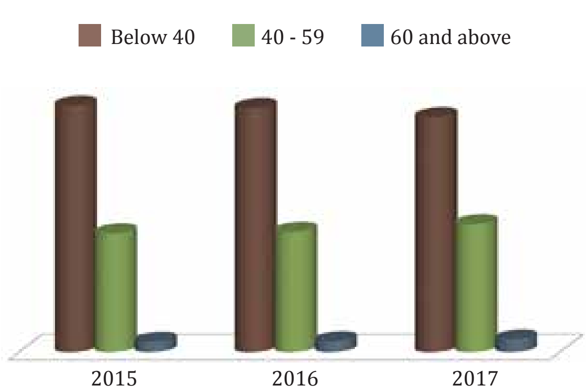
WORKFORCE BY NATIONALITY



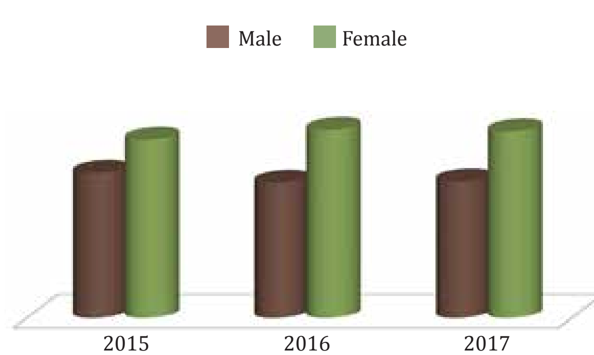
WORKFORCE BY ETHNICITY



WORKFORCE BY AGE



WORKFORCE BY GENDER



SAFE AND HEALTHY ENVIROMENT

The Group also strives to forge a safe working environment and promotes healthy work practices for all staff. Various training courses and awareness programmes are carried out to promote collective responsibility and to ensure continuous improvement of safety and health practices. The wellbeing of our staff is critical to the Group. Given that a healthy workforce is a productive workforce, we continuously stress upon our employees the importance of leading a healthy lifestyle. Our ICT division encourages its employees to undergo annual medical check-up especially for those above the age of 40.

We have a Health and Safety Committee to ensure that the Group complies with the Occupational Safety and Health Act, 1994. Our hotels and resorts division has set a quantifiable targets relating to employee occupational health and safety where it is complusory for all its employees to attend occupational health and safety trainings. Since its implementation, at least 75% of workers of hotels and resorts division have undergone the safety and health training during the year.

As part of the Group's endeavour to create cohesiveness and foster a closer relationship among staff, the Group organises various activities during the year including parties and annual lunches/dinners. We also have an open-door policy whereby employees are encouraged to speak-up or report grievances directly to their superior, head of department, human resource department, chief executive officer and/or independent directors of the Company. This is to reinforce our commitment to our employees to provide them with a workplace that is healthy, safe and secure.

Risk Management

The Board is **responsible for creating the framework** for the Group's Risk Management Committee ("RMC") to operate effectively. This risk management framework includes risk assessment, response, communication and governance.

IDENTIFYING AND MANAGING RISK

The management of risk is embedded in our culture and it is the responsibility of each employee to ensure that this culture is built into our working practices. Specifically day-to-day management of risk is delegated by the Board to senior executives across the firm, through appropriate committees, systems and controls.

Whilst encouraging an entrepreneurial and commercial culture that is focused on generating value for our clients, the Board actively seeks to ensure all relevant risk exposures are managed and mitigated. Note 36 to the Financial Statements describes how the Group manages the financial risks faced in the normal course of business. The Board receives input from other key committees along with the framework employed by the Group to manage the risks. The risk management framework covers 6 broad processes as illustrated in the chart with corporate risk reporting tool, oversight & accountability and compliance assurance.

IDENTIFYING AND MANAGING RISK (continued)

We are subject to the same general risks as many other businesses; for example, changes in general economic conditions, currency and interest rate fluctuations, changes in taxation legislation, cyber-security breaches, failure of our IT infrastructure, the cost of our raw materials, the impact of competition, political instability and the impact of natural disasters.

For the purpose of this Statement, the Group means the Company and its subsidiaries, excluding its joint ventures and associate companies. This Statement does not cover the joint ventures and associate companies as the Company does not have full control over the operations, management and internal control system of these companies. However, we may have Board representation on the Boards of these companies.

Our Risk Strategy

The Board is responsible for creating the framework for the Group's RMC to operate effectively. This risk management framework includes risk assessment, response, communication and governance. The Board is also responsible for ensuring that appropriate and proportionate resources are allocated to risk management activities.

Our Risk Management Framework

Under the RMC, we have a structured risk management framework throughout the Group. This includes a standard set of risk categories, generic risk descriptions and scoring methodology, together with a process to analyse and manage risk. All our subsidiaries use this framework to identify and document their specific risks.

We rank risks in a Risk Register by combining their economic, operational or environmental impact and the likelihood that they may occur. We do this both before and after we identify the controls we have in place to mitigate each risk. Those risks that pose the greatest threat to our business and score the highest, pre-mitigation are identified as key risks. All our people are responsible for managing risk. By using a common framework, we are able to view risk from both a top-down and bottom-up perspective and so ensure it is considered and managed at every level of our business. Our safety, health, and environmental risks are reviewed and considered monthly by our respective Risk Management Unit.

Our Key Risks

Risks affect every area of our business. Their nature and potential impact changes constantly but through our regular reviews we identify risks that could impact our strategy and allow us to set up controls to mitigate their effects. We categorise our risks into the following areas:

- Strategic risks that could prevent us from achieving our strategic objectives.

- Operational risks which, if not successfully managed, would threaten our viability. These relate to our ability to operate a sustainable and safe business.

Our Key Risks (continued)

- Financial risks relating to the funding and fiscal security of the Group.

- Compliance risks which could affect our compliance with regulations and law, and/or our 'licence to operate' in society.

We have listed below the key risks that may affect our business, although there are other risks that may occur and impact the Group's performance.

Strategic risks	Strategy for risk management
Conditions in the global economy, economic fluctuations and volatility and cyclicality of say, the global travel and tours markets may adversely affect the results of the Group.	The Group maintains a balanced portfolio of products serving a wide range of end markets around the globe. Segment performance at business unit level is closely monitored and corrective actions are taken as necessary.
The markets in which the Group operates are highly competitive and the Group may lose market share to other competitors.	The Group continues to invest in existing and new products through research and developement ("R&D"). The Group continues to invest in new facilities to allow the Group to maintain its key market positions. The Group strengthens its regional position and growth through alliances and collaborations. The Group operates quality management systems, such as The International Organisation for Standardisation ("ISO") and ADRs for our coach-building unit, to ensure products meet customers' agreed standards. The Group maintains a strong and good working relationship with our suppliers and customers to ensure support and regular customer feedback to enhance our products and services.

Our Key Risks (continued)

Strategic risks (continued)	**Strategy for risk management** (continued)
The Group's strategic plan involves significant change management, including cost-effective reforms, joint ventures and tie up with foreign parties to enhance market positions and provide new technologies.	Strategic projects are managed in a structured framework which includes formal identification of risks. The Group has extensive experience of change management and making use of external specialist advice as required.
The ability of the Group to compete is highly dependent on its ability to develop technological innovations, to introduce new products and to protect its intellectual property, trade secrets and know-how.	The Group continues to invest in existing and new technologies through R&D.
The ongoing success of the Group is dependent on attracting and retaining high quality senior management and staff who can effectively manage the Group's operations.	The Group offers competitive compensation packages with annual bonus and long-term incentive arrangements for key employees. Appropriate notice periods and non-compete clauses are used to mitigate short-term risk for key positions.
As a multi-national enterprise, the Group could suffer losses of intellectual property and other assets through theft or fraud which could be significant.	The Group maintains controls both to detect and prevent theft and fraud as appropriate to the nature of the risk.

Operational risk	**Strategy for risk management**
The failure of the Group to procure key raw materials may lead to production interruptions, and volatility in the prices of such raw materials and energy prices may adversely affect the profitability of the Group and its working capital position.	Sourcing strategies are in place Group-wide to access multiple sources for key raw materials and the Group works closely with key suppliers to ensure availability. The Group looks to identify alternative raw materials where possible. The Group actively manages margins and recovers input cost increases from customers. The Group implements measures for proactive cost management, streamlining of production process and high impact cost and efficiency awareness for all its employees.

Our Key Risks (continued)

Operational risk (continued)	**Strategy for risk management** (continued)
The failure or loss of a key production asset, process, information or communication system, whether temporarily or permanently could occur, directly or otherwise, through natural disasters, epidemic, industrial action, sabotage or the like, and would have an adverse impact on operations.	Crisis management procedures are in place for all subsidiaries. These are reviewed and updated regularly. The Group invests in its infrastructure to ensure appropriate levels of resilience in the event of temporary failures in IT systems. Backups and disaster recovery plans are in place for critical systems and processes.

Compliance risk	**Strategy for risk management**
The Group may be liable for damages based on product liability claims brought against its customers in end-use markets.	Technically qualified personnel and control systems are in place around the Group to ensure products meet certification standards.
Compliance with extensive environmental, health and safety laws and regulations could require material expenditure, changes in the operations of the Group or site remediation.	Detailed safety, health and environmental processes are documented in operating guidance which is updated and communicated to staff on a regular basis.
The Group could suffer substantial penalties, damage to reputation and other sanctions for any failure to control anti-competitive behaviour, such as bribery and corruption, or ineffective compliance with local and national legislation.	All our key employees affirm their understanding of the code of business conduct covering corrupt and anti-competitive business practices. Malpractice reporting are similarly covered in the Group policy on protecting our reputation. Training is provided regularly. Our Group constantly monitors new laws and regulations and assess the impact to our Group businesses. To manage and track compliance issues, the Group appoints compliance officers and conducts internal audits.

Our Key Risks (continued)

Financial risks	Strategy for risk management
A significant proportion of the Group's turnover and assets are in currencies other than Ringgit Malaysia and fluctuations in currency exchange rates may significantly impact the results of the Group and may significantly affect the comparability of financial results between financial periods.	The Group has a policy of hedging all significant foreign exchange transactional exposure at operating company level. There is also a natural hedging process at operating subsidiaries as they source their resources locally in countries where they operate.
The Group's balance sheet and cash flow, and also credit market conditions and credit ratings, may restrict the ability of the Group to obtain credit facilities or to refinance its existing debt facilities in the longer term. In addition, interest rate fluctuations and increases in bank lending margins may increase the Group's costs of borrowing.	The Group closely monitors its operating cash flow and capital expenditure on a monthly basis and regularly reviews covenant compliance. The Group has policy on leverage limits and has adequate headroom on a twelve month forecast basis. Interest rate risk is managed through the use of interest rate hedging by a combination of loans with fixed and variable interest rates and the tenure of the loans.

Below are some key areas reviewed by the Group in 2017:

1. **Business Strategy Gap**
2. **Increased Costs and Inefficiencies**
3. **Revenue Gap**
4. **Non-Compliance**

In maintaining its competitiveness and resilience in the diversified industry that it operates in, the Group pays close attention to the performance of its subsidiaries and investments by close monitoring and evaluation, allocation of resources and funding to meet its strategic goals. In the review, the Group examined and monitored the controls which are in place to ensure that they are robust to mitigate the risk. Increasing cost in 2017 is one major factor which may affect the Group's business and operation and the Group regularly reviews its operations to address any inefficiency that may exist in pockets of the operations. The Group also reviewed factors which may affect the risk of revenue gap such as competition, economic slowdown and dependence on a few key customers and ensured that the controls put in place within the Group are effective. Non-compliance is another key area reviewed as the Group operates in many countries and in regulated industries.

INTERNAL CONTROL SYSTEM

The internal control system focuses on key financial reporting, operational and compliance controls. The system encompasses the policies, processes and activities that contribute to the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with laws and regulations. The internal audit function has operated independently since 2004 reporting to the Audit Committee. Each year improvements are implemented to the internal audit reviews including its objectives, scope and procedures to enhance effectiveness.

The processes which the Board has applied in reviewing the adequacy and effectiveness of the Group's system of internal control includes:

- Rigorous review of the quarterly financial results and reports and evaluating the reasons for unusual variances noted thereof by the Board and Audit Committee;

- The Group Managing Director closely monitors the business and operations of the Group and reports to the Board on significant changes in the business and external environment which affect the operations of the Group at large; and

- The Board has in place an organisational structure with formally defined lines of responsibility, proper segregation of duties and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability. The procedures include the establishment of limits of authority and policies on health and safety, training and development, equality of opportunity, staff performance and serious misconduct. These procedures are implemented across the Group to provide continuous assurance to senior management and finally to the Board.

INTERNAL AUDIT FUNCTION

The internal audit adopts a risk-based approach in developing its audit plan based on the Group's key risks profile. Internal audit plan and the scope of the internal audit are presented and approved by the Audit Committee on a yearly basis.

The Group's internal audit function is performed by the Internal Auditors (outsourced professional internal audit company) who are independent of the activities audited by them. The principal role of the internal audit function is to review the Group's operations, evaluating their efficiency, effectiveness and compliance with corporate policies, procedures, laws and regulations.

During the financial year, the Internal Auditors executed the approved audit plan and performed the following:

- Reviewed majority of the Group's operating units for the functions of Finance-GST accounting, Cost Management, Credit and Cash Management as well as other operating processes such as Procurement and Production.

INTERNAL AUDIT FUNCTION (continued)

- Compliance review on operating units which are required to comply with guidelines and acts issued by external regulatory bodies.

- Reviewed the control procedures taken by the management on recurrent related party transactions.

- Followed-up on the implementation of corrective action plans agreed by management.

- Issued reports on the results of the internal reviews, identifying weaknesses with suggested recommendations for improvements to management for further action.

- Attended Audit Committee meetings to table and discuss the internal audit findings and issues.

In 2017, the Internal Auditors also completed reviews on the top ten (10) Risk Registers for majority of the subsidiaries within the Group in accordance with the approved annual audit plan. The internal audit reports were tabled at the Audit Committee meeting on a quarterly basis by the Internal Auditors. The internal audit function provides assurance of the effectiveness of the internal control system within the Group to ensure that risks are adequately managed and controlled.

Internal audit performs risk assessment, operational and system review as part of the audit activities. The areas of audit coverage are based on areas of high risk that are independently assessed. All audit findings are deliberated and resolved with the management of the subsidiaries. Follow-up reviews will subsequently be performed to ascertain the effectiveness of the recommended mitigation efforts.

The Audit Committee, on behalf of the Board, reviews the internal audit issues identified and recommendations made by the Internal Auditors on a regular basis, in addition to the recommendations made by the external auditors during the annual statutory audit.

REVIEW OF ADEQUACY AND EFFECTIVENESS

The RMC has reviewed and reported to the Board the adequacy and effectiveness of the Group's risk management system, including the Group's risk tolerance and the enterprise-wide risk governance framework. The Audit Committee has reviewed and reported to the Board the adequacy and effectiveness of the system of internal controls operated by the Group for the year 2017 and up to the date of its last meeting prior to the date of the Annual Report. The Board considers the system of internal controls described in this Statement to be satisfactory and the risks to be at an acceptable level within the context of the Group's business environment. The Board has received assurance from the Group Managing Director and Senior Finance Manager of the Company that the Group's risk management and internal control system for the current Group's business environment is operating adequately and effectively, in all material aspects, based on the risk management framework adopted by the Group.

REVIEW OF ADEQUACY AND EFFECTIVENESS (continued)

The Board and the management of the Group will continuously take measures to strengthen and monitor the internal control framework and environment implemented by the Group. For the financial year under review, the Board is satisfied that the system of internal controls is satisfactory and there are no material losses incurred during the current financial year as a result of weaknesses in internal control.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors had reviewed this statement on risk management and internal control for inclusion in the Annual Report for the financial year ended 31 December 2017 and reported to the Board that nothing has come to their attention that caused them to believe that this Statement is not prepared in all materials aspects in accordance with the disclosures required under paragraphs 41 and 42 of the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) to be set out nor is factually inaccurate.

Recommended Practice Guide 5 (Revised 2015), Guidance for Auditors on the Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants does not require the external auditors to consider whether the Directors' statement on risk management and internal controls covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control procedures including the assessment and opinion by the Board and management thereon. They are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will in fact remedy the problems.

CORPORATE GOVERNANCE

Contents

Our Corporate Information

BOARD OF DIRECTORS

Dato' Ahmad Sebi Bakar
Group Chairman

Anton Syazi Dato' Ahmad Sebi
Group Executive Deputy Chairman

Lee Su Nie
Group Managing Director

Puan Sri Datin Masri Khaw binti Abdullah
Non-Independent Non-Executive Director

Yong Teck Ming
Independent Non-Executive Director

Dato' Ahmad Ghiti bin Mohd Daud
Independent Non-Executive Director

Rali bin Mohd Nor
Independent Non-Executive Director

Aryati Sasya Dato' Ahmad Sebi
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Yong Teck Ming
Chairman

Dato' Ahmad Ghiti bin Mohd Daud
Member

Rali bin Mohd Nor
Member

RISK MANAGEMENT COMMITTEE

Yong Teck Ming
Chairman

Dato' Ahmad Ghiti bin Mohd Daud
Member

Aryati Sasya Dato' Ahmad Sebi
Member

NOMINATION COMMITTEE

Dato' Ahmad Ghiti bin Mohd Daud *Chairman*

Puan Sri Datin Masri Khaw binti Abdullah *Member*

Rali bin Mohd Nor
Member

REMUNERATION COMMITTEE

Dato' Ahmad Ghiti bin Mohd Daud *Chairman*

Puan Sri Datin Masri Khaw binti Abdullah *Member*

Rali bin Mohd Nor
Member

COMPANY SECRETARY

Ho Tsae Feng (MAICSA 7028522)

REGISTERED OFFICE

Level 3, East Wing
Wisma Synergy
No. 72, Pesiaran Jubli Perak
Seksyen 22, 40000 Shah Alam
Selangor Darul Ehsan
Tel : 03-5192 8822
Fax : 03-5192 8811

SHARE REGISTRAR

Sectrars Management Sdn Bhd
Lot 9-7 Menara Sentral Vista
No. 150 Jalan Sultan Abdul Samad
Brickfields
50470 Kuala Lumpur
Tel : 03-2276 6138/ 6139/ 6130
Fax : 03-2276 6131

AUDITORS

Baker Tilly Monteiro Heng
Chartered Accountants
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel : 03-2297 1000
Fax : 03-2282 9980

PRINCIPAL BANKERS

Affin Bank Berhad

CIMB Bank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

WEBSITE

www.asb.com.my

Our Board

Dato' Ahmad Sebi Bakar

Group Chairman (age 70)

Dato' Ahmad Sebi Bakar is a Non-Independent Non-Executive Director and the Group Chairman of Advance Synergy Berhad. He was appointed to the Board on 9 April 1991 and redesignated from Executive Chairman to Group Executive Chairman on 28 September 2012. On 1 September 2017, he was redesignated to Non-Executive Group Chairman.

Dato' Ahmad Sebi holds a Bachelor of Arts (Hons) from the University of Malaya, Kuala Lumpur, a Diploma in Journalism from the Thomson Foundation, United Kingdom and a Master of Arts from Michigan State University, United States of America.

He was the Editor of the Malay Mail, a member of the New Straits Times Press Group from 1976 to 1982 and subsequently the Group Editor of Berita Harian from 1983 to 1986. From 1986 to 1989, he was the Managing Director of Sistem Televisyen Malaysia Bhd and a director of the New Straits Times Press Group from 1988 to 1989. He was also the Non-Executive Chairman of Unified Communications Holdings Limited (now known as Captii Limited), an indirect subsidiary of Advance Synergy Berhad which is listed on the Singapore Exchange Securities Trading Limited, from December 2003 to June 2006. Besides, he had held both the positions as Executive Chairman and Managing Director of Kumpulan Powernet Berhad from 12 January 2002 to 28 August 2015.

He was conferred the Ahli Mangku Negara (A.M.N.) by the Yang Di-Pertuan Agong, DYMM Tuanku Haji Ahmad Shah Al-Mustain Billah Ibni Almarhum Sultan Abu Bakar in 1983, the Justice of Peace (J.P.) by DYMM Sultan Azlan Muhibbuddin Shah Ibni Almarhum Sultan Yusoff Izzuddin Shah Ghafarullah, Sultan of Perak, in 1986 and the Dato' Setia Diraja Kedah (D.S.D.K.) by DYMM Tuanku Alhaj Abdul Halim Mu'adzam Shah Ibni Almarhum Sultan Badlishah, Sultan of Kedah, in 1988.

Dato' Ahmad Sebi Bakar (continued)

He is actively involved in social and charitable work and is the Chairman of several non-profit organisations, namely, the privately funded Orphanage Foundation of Malaysia (YATIM) and in the past the Bosnia Action Front, Malaysia. He was also the President of the Malaysian National Writers Association (PENA) from 1992 to 2008.

Dato' Ahmad Sebi is a substantial shareholder of Advance Synergy Berhad. He is also a substantial shareholder and a director of Suasana Dinamik Sdn Bhd and Bright Existence Sdn Bhd, companies that are also substantial shareholders of Advance Synergy Berhad.

Except for his daughter, Sasya who is a Non-Independent Non-Executive Director and his son, Anton, who is the Group Executive Deputy Chairman, Dato' Ahmad Sebi does not have any family relationship with any other director or major shareholder of Advance Synergy Berhad. And he has no conflict of interest with Advance Synergy Berhad.

Dato' Ahmad Sebi has not been convicted for any offences within the past 5 years and no public sanction or penalty has been imposed by the relevant regulatory bodies during the financial year.

Anton Syazi Dato' Ahmad Sebi

Group Executive Deputy Chairman (age 40)

Mr Anton Syazi Dato' Ahmad Sebi, was appointed to the Board on 27 February 2017 and was subsequently redesignated as Executive Deputy Chairman on 1 September 2017.

Anton graduated from the London School of Economics, University of London, with a Bachelor of Science in Economics. He has a Master of Arts in Finance and holds an Investment Management Certificate awarded by the UK Society of Investment Professionals.

Anton is also Group Executive Director of Captii Limited ("Captii"), a 58.3%-owned subsidiary of Advance Synergy Berhad and Chairman of Captii Ventures Pte Ltd, a Captii subsidiary. He has been a member of the Captii Board since 22 June 2006 and was previously Group Chief Executive Officer of Captii from 10 August 2010 to 31 August 2017 and Group Deputy Chief Executive Officer from December 2005 to 9 August 2010.

Anton sits on the Board of various other subsidiary, associate and joint venture companies of the Group and has been a Non-Executive Director of SJ Securities Sdn Bhd since 20 September 2005.

Prior to joining Advance Synergy Berhad in June 2001, Anton was with the South East Asia Investment Banking Division of Credit Suisse First Boston.

Anton Syazi Dato' Ahmad Sebi (continued)

He does not have any family relationship with any director and/or major shareholder of Advance Synergy Berhad, nor has he any conflict of interest with Advance Synergy Berhad, except that his father, Dato' Ahmad Sebi, is the Group Chairman and substantial shareholder of Advance Synergy Berhad. Anton is a director of Bright Existence Sdn Bhd and Suasana Dinamik Sdn Bhd, substantial shareholders of Advance Synergy Berhad. His father, Dato' Ahmad Sebi, is also a substantial shareholder and director of Bright Existence Sdn Bhd and Suasana Dinamik Sdn Bhd. His sister, Sasya, is also a Non-Independent Non-Executive Director of Advance Synergy Berhad. Anton has had no convictions for any offences within the past 5 years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Lee Su Nie

Group Managing Director (age 57)

Ms Lee Su Nie is a Non-Independent Director and the Group Managing Director of Advance Synergy Berhad. She was appointed to the Board on 9 July 2007 and redesignated from Executive Director/Chief Executive Officer to Group Managing Director on 28 September 2012.

Su Nie holds a Bachelor of Commerce (Accounting) degree from the University of Birmingham, United Kingdom and a Master of Science (Business Administration) from the University of Bath, United Kingdom. She is also a Fellow Member of The Association of Chartered Certified Accountants, United Kingdom.

In 1985, she joined Kassim Chan Management Consultants Sdn Bhd, where she provided management consultancy services. She joined the Corporate Finance Department of Rakyat Merchant Bankers Berhad in 1989. In 1991, she left Rakyat Merchant Bankers Berhad to join Perdana Merchant Bankers Berhad. She subsequently left her position as First Vice President, Corporate Finance of the Bank to join Advance Synergy Berhad in 1995 as Assistant General Manager, Corporate Planning & Finance. She was subsequently appointed the Group General Manager, Operations of Advance Synergy Berhad prior to her appointment as Chief Executive Officer on 22 April 2004.

She is a Non-Independent Non-Executive Director of Captii Limited, an indirect subsidiary of Advance Synergy Berhad which is listed on the Singapore Exchange Securities Trading Limited. She also sits on the Board of other subsidiaries and associate companies of Advance Synergy Berhad.

She does not have any family relationship with any director and/or major shareholder of Advance Synergy Berhad nor has she any conflict of interest with Advance Synergy Berhad. She has no convictions for any offences within the past 5 years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Puan Sri Datin Masri Khaw binti Abdullah

Non-Independent Non-Executive Director (age 65)

Puan Sri Datin Masri Khaw binti Abdullah is a Non-Independent Non-Executive Director of Advance Synergy Berhad. She was appointed to the Board on 6 January 1995.

Puan Sri Datin Masri was one of the first Asians to complete the General Manager's Programme at the Holiday Inn University in Memphis, USA in 1976. In 1982, she completed a summer course on Hotel Development & Design at Cornell University, USA and had undergone Hotel training in Singapore and Canada.

She was awarded the Best Marketing Person of the Year for Holiday Inn Hotels Asia Pacific in 1985. Puan Sri Datin Masri played a key role when Antara Holiday Villas Sdn Bhd garnered several awards namely, the Special Award for Quality Management in the Industry Excellence Award 1997 (organised by the Ministry of International Trade and Industry and received this prestigious award from the former Prime Minister Tun Dr. Mahathir Mohamad on 18 December 1997), the National HR Excellence Award 2004 and the Industry Excellence Award 2005 – Export Excellence (Services). Her experience in the hotel industry dates back to 1969 and she has since contributed significantly to the development of new hotels. She was the co-founder of Holiday Villa chain in 1987 with the opening of the 1st Holiday Villa Cherating.

She is presently the Managing Director and Chief Executive Officer of Antara Holiday Villas Sdn Bhd and Holiday Villas International Limited, subsidiaries of Advance Synergy Berhad. She also sits on the Board of other subsidiaries and an associate company of Advance Synergy Berhad, including Cherating Holiday Villa Berhad, which is a non-listed public company.

Puan Sri Datin Masri is a member of the Remuneration Committee and Nomination Committee of Advance Synergy Berhad.

She does not have any family relationship with any director and/or major shareholder of Advance Synergy Berhad, nor has she any conflict of interest with Advance Synergy Berhad. She has no convictions for any offences within the past 5 years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Yong Teck Ming

Independent Non-Executive Director (age 64)

Mr Yong Teck Ming was appointed to the Board on 9 July 2007. He is an Independent Non-Executive Director of Advance Synergy Berhad. He also serves as Chairman of the Audit Committee and Risk Management Committee.

Yong Teck Ming (continued)

He holds a Bachelor of Commerce Degree from the University of Auckland, New Zealand. He is a member of Chartered Accountants Australia, New Zealand and a member of the Institute of Chartered Secretaries and Administrators, United Kingdom.

Teck Ming started his career in New Zealand in 1973 and worked in several accounting positions before returning to Malaysia in February 1979. From March 1979 to January 1995, he served in various positions in the Berjaya Group of Companies including as Group Executive Director from February 1988 until January 1995. He currently sits on the Boards of several private limited companies.

He does not have any family relationship with any director and/or major shareholder of Advance Synergy Berhad, nor has he any conflict of interest with Advance Synergy Berhad. He has had no convictions for any offences within the past 5 years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Dato' Ahmad Ghiti bin Mohd Daud

Independent Non-Executive Director (age 68)

Dato' Ahmad Ghiti bin Mohd Daud is an Independent Non-Executive Director of Advance Synergy Berhad. He was appointed to the Board on 7 March 2013.

Dato' Ahmad Ghiti holds a Bachelor of Arts, Honours from University of Malaya majoring in International Relations and Diploma in Casualty Insurance from the Insurance School of Japan.

Dato' Ahmad Ghiti started his insurance career with an insurance company in 1974 and in 1979, he moved to an insurance broking company and became the General Manager and Director from 1982 to 1986. From 1987 to 1992, he was the Chief Executive Officer/Principal Officer of UMBC Insurans, and thereafter, served as Executive Chairman of Talasco Insurance from 1993 to 1994. He was also a Founder Director of Pernas Reinsurance Brokers Sdn Bhd from 1986 to 1993. From 1996 to 2005, he was the Managing Director and Chief Executive Officer of Inchcape Insurance Brokers Sdn Bhd (now known as Transnational Insurance Brokers Sdn Bhd) and subsequently moved to AAO Global Insurance Brokers to assume the position of Regional Director until April 2013. Presently, he is the Executive Chairman and Managing Director of Advancetc Group Sdn Bhd, a smart phone producer under the MAGIC brand.

Dato' Ahmad Ghiti has been conferred the Darjah Setia Pangkuan Negeri (D.S.P.N.) by Tuan Yang Terutama (T.Y.T.) Tun Dato' Seri Utama Haji Abdul Rahman bin Haji Abbas, the Yang di-Pertua Negeri Pulau Pinang on 28 August 2013.

Dato' Ahmad Ghiti bin Mohd Daud
(continued)

Through the years, Dato' Ahmad Ghiti contributed immensely towards the insurance industry and was responsible for developing and spearheading the Oil and Gas business and Owner-Controlled Insurance Programme for major construction risks in Malaysia.

He was the President of the Insurance Brokers Association of Malaysia (IBAM) from 1982 to 1987 and a member of the Board of Governors of the Pusat Latihan Insurans Malaysia from 1982 to 1986. In 1996, he was elected Deputy Chairman and in 2001, Chairman of IBAM for two (2) terms. He represented IBAM on the Board of Directors of the Malaysian Insurance Institute (MII) from 2001 to 2005 and as a member of MII's Audit Committee. In 2002, he was appointed to the Board of Advance Synergy Capital Berhad (now known as Advance Synergy Capital Sdn Bhd) ("ASCAP") and subsequently resigned from the Board in 2010. In 2004, he was elected as Chairman of The Council of International Insurance Brokers Association for the 2004/2005 term.

Dato' Ahmad Ghiti is the Chairman of the Nomination Committee and Remuneration Committee of Advance Synergy Berhad. He is also a member of the Audit Committee and Risk Management Committee of Advance Synergy Berhad.

He does not have any family relationship with any director and/or major shareholder of Advance Synergy Berhad, nor has he any conflict of interest with Advance Synergy Berhad. He has had no convictions for any offences within the past 5 years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Rali bin Mohd Nor

Independent Non-Executive Director (age 64)

Mr Rali bin Mohd Nor is an Independent Non-Executive Director of Advance Synergy Berhad. He was appointed to the Board on 10 March 2016.

Rali holds a Master of Business Administration (Finance) from Brunel University, United Kingdom, Advance Post Graduate Diploma in Management Consultancy from Henley Business School, University of Reading, United Kingdom, Diploma in Management (Merit) from Malaysian Institute of Management, Kuala Lumpur and Diploma in Syariah (Merit) from University of Malaya, Kuala Lumpur.

Rali bin Mohd Nor (continued)

He was formerly the Managing Director and Chief Executive Officer of Proton Parts Centre Sdn Bhd, a subsidiary of PROTON Holdings Berhad since 2003 until his retirement in February 2015. Prior to that, he was the Chief Finance Officer of Proton Parts Centre Sdn Bhd for more than 10 years. He joined PROTON in 1985 as a Production Planning Manager and progressed to serve in International Business Division as a Senior Manager of Parts Business for 6 years. He started his career in Dunlop Malaysian Industries Berhad in 1977 as a Management Trainee and later on served as Planning Superintendent in the Planning Department. He has worked in Dunlop for 8 years before joining PROTON.

He is a Fellow Member of the Institute of Leadership and Management, United Kingdom. He is also a member of the Chartered Institute of Marketing, United Kingdom, the Malaysian Institute of Management, Malaysia and the Harvard Business School Alumni Club of Malaysia. He has attended Senior Management Development Program at Havard Business School Alumni Club of Malaysia and Advance Management Program at Henley Business School.

Rali is a member of the Audit Committee, Nomination Committee and Remuneration Committee of Advance Synergy Berhad.

He does not have any family relationship with any director and/or major shareholder of Advance Synergy Berhad, nor has he any conflict of interest with Advance Synergy Berhad. He has no convictions for any offences within the past 5 years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Aryati Sasya Dato' Ahmad Sebi

Non-Independent Non-Executive Director (age 43)

Ms Aryati Sasya Dato' Ahmad Sebi is a Non-Independent Non-Executive Director of Advance Synergy Berhad. She was appointed to the Board on 7 March 2013.

Sasya holds a Bachelor of Commerce from Deakin University, Australia, a Diploma in Economics from La Trobe University, Melbourne and a Master of Finance from RMIT University, Melbourne.

She worked at SJ Securities Sdn Bhd, Malaysia as a Research Analyst before joining the retailing industry in 2002. From late 2002 to 2005, she entered the retail industry and undertook a consulting position with a local specialised men's retailer in Melbourne where she was responsible for the day-to-day management of the company as well as preparing sales and market forecasting for the board of directors. Within the same period, she was appointed as a Director of Tantalum Australia NL, now known as ABM Resources NL, a public listed company in Australia. During her time at ABM Resources NL, she gained considerable knowledge of the mining sector as well as expanded her financial analysis skills to include some technical analysis of the commodities sector. She resigned from the Board in 2006.

Aryati Sasya Dato' Ahmad Sebi (continued)

Presently, she continues to be involved in the corporate industry in a consulting capacity. She has over 9 years' experience in corporate management and finance in various companies ranging from hospitality, mining to manufacturing. She also sits on the board of various Malaysian companies and Australian incorporated companies.

Sasya is a member of the Risk Management Committee of Advance Synergy Berhad.

She does not have any family relationship with any director and/or major shareholder of Advance Synergy Berhad, nor has she any conflict of interest with Advance Synergy Berhad, except that her father, Dato' Ahmad Sebi, is the Group Chairman and substantial shareholder of Advance Synergy Berhad. Her brother, Anton, is the Group Executive Deputy Chairman and also a director of Bright Existence Sdn Bhd and Suasana Dinamik Sdn Bhd, both companies are substantial shareholders of Advance Synergy Berhad. Her father, Dato' Ahmad Sebi, is also a substantial shareholder and director of Bright Existence Sdn Bhd and Suasana Dinamik Sdn Bhd. She has had no convictions for any offences within the past 5 years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Our Company Secretary

Ho Tsae Feng

Company Secretary and Group Secretarial Manager (age 48)

Ms Ho Tsae Feng, is the Company Secretary and Group Secretarial Manager of Advance Synergy Berhad. She joined Advance Synergy Berhad on 2 September 2003 as the Group Secretarial Manager and assumed an additional position as Company Secretary on 28 October 2003. Tsae Feng is an Associate Member of The Malaysian Institute of Chartered Secretaries and Administrators.

Prior to joining Advance Synergy Berhad, she was with The Malayan United Industries Berhad Group as an Assistant Company Secretary from March 2000 until August 2003. From April 1997 to March 2000, she was a Senior Secretarial Assistant with Corporatehouse Services Sdn Bhd, an affiliate to PricewaterhouseCoopers providing corporate secretarial services. From September 1995 to April 1997, she was attached to Ekovest Berhad, a public listed company, as Assistant Company Secretary. She has more than 20 years' experience in corporate secretarial services.

Tsae Feng does not hold any directorship in public company.

She does not have any family relationship with any director and/or major shareholder of Advance Synergy Berhad, nor has she any conflict of interest with Advance Synergy Berhad. She has had no convictions for any offences within the past 5 years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Our Key Management

CORPORATE OFFICE

Dato' Ahmad Sebi Bakar
Group Chairman

Anton Syazi Dato' Ahmad Sebi
Group Executive Deputy Chairman

Lee Su Nie
Group Managing Director

Sng Ngiap Koon
Chief Operating Officer – Asset Development

Wong Joon Hian
Chief Operating Officer – Financial Services

Yap Chee Kong
General Manager – Corporate Services

Daniel Tan Wooi Hoo
Senior Finance Manager

Ho Tsae Feng
Group Secretarial Manager

HEADS OF GROUP DIVISIONS

HOTELS AND RESORTS

ALANGKA-SUKA HOTELS & RESORTS SDN BHD

Tan Sri Dato' Azman Shah Haron
Chairman

Puan Sri Datin Masri Khaw binti Abdullah
Managing Director & Chief Executive Officer

INFORMATION & COMMUNICATIONS TECHNOLOGY

CAPTII LIMITED

Wong Tze Leng
Group Executive Chairman

Anton Syazi Dato' Ahmad Sebi
Group Executive Director

INVESTMENT HOLDING

ADVANCE SYNERGY CAPITAL SDN BHD

Wong Joon Hian
Managing Director

EDUCATION

THE LANGUAGE HOUSE

Patricia Mary Jayasuriya @ Cecilia
Principal

Cheah Ping Huey
Registrar

CARD & PAYMENT SERVICES

SYNERGY CARDS SDN BHD

Wong Joon Hian
Managing Director & Chief Executive Officer

COACH-BUILDING

QUALITY BUS & COACH (M) SDN BHD

Yap Chee Kong
Managing Director

Frank Michael Turrisi
Production & Technical Director

TRAVEL & TOURS

ORIENT ESCAPE TRAVEL SDN BHD

Cheah Ping Huey
Executive Director

SYNERGY TOURS SDN BHD

Cheah Ping Huey
Chief Executive Officer

PROPERTY DEVELOPMENT

ADVANCE SYNERGY REALTY SDN BHD

Sng Ngiap Koon
Executive Director/Chief Operating Officer

Our Group
Senior Management

Tan Sri Dato' Azman Shah Haron *(age 68)*

• Chairman of Alangka-Suka Hotels & Resorts Sdn Bhd

Tan Sri Dato' Azman Shah Haron is the co-founder of Holiday Villa hotels and resorts and presently, the Chairman of Alangka-Suka Hotels & Resorts Sdn Bhd which owns and manages the Holiday Villa hotel chain operating in Malaysia and abroad. He was appointed the Chairman on 26 August 1996.

Tan Sri Dato' Azman was educated in Japan and Australia and has received extensive training in general hotel management in the United States of America.

Tan Sri Dato' Azman has held various senior appointments in major hotels. Prior to this, he was the Managing Director and shareholder of Central Holdings Berhad, the company which owns and manages the three Holiday Inn hotels in the Klang Valley, namely Holiday Inn On The Park Kuala Lumpur, Holiday Inn City Centre Kuala Lumpur and Holiday Inn Shah Alam over two decades. His excellent leadership brought the three Holiday Inn hotels to great heights. During his tenure, he received numerous awards and accolades, among them were Holiday Inn International Torchbearer's Award (The Holiday Inn Systems Worldwide Performance Award for the Top 50 hotels), Gold Award for Inter-Hotel Performance and Productivity, Tourism Gold Award for Hotel Performance and Service – 1st Class Category by the Malaysian Ministry of Tourism.

He was the President of the Malaysian Association of Hotels for over a decade and a member of the Malaysia Tourism Board for over 12 years. He was also the President and board member of ASEANTA (Asean Tourism Association) and Asean Hotel & Restaurant Association (AHRA) and contributed a lot in the promotion and expansion of tourism activities in the ASEAN region. He was the Past President of International Organisation of Employers (IOE) Geneva. He retired as a Director of ACE Synergy Insurance Berhad on 22 March 2011 and Director of Malaysian Industrial Development Authority (MIDA) in 2015.

Tan Sri Dato' Azman Shah Haron
(continued)

Tan Sri Dato' Azman is currently the President of Malaysian Employers Federation (MEF), and Chairman of the Consultative Panel for the Hospitality Industry at the Malaysia Productivity Corporation (MPC), Confederation of Asia Pacific Employers (CAPE), Asean Confederation of Employers (ACE), Industrial Advisory Committee, Department of Polytechnic, Higher Education Department, as well as a Board Member of the Malaysia Productivity Corporation (MPC) and Employees Provident Fund (EPF).

Currently, he also serves as member of the Task Force (PEMUDAH) and Co-Chairman of the Working Group Efficiency Issues (WGEI), as Alternate Member of the Asia-Pacific Economic Cooperation (APEC)/ Business Advisory Council (ABAC) Malaysia, as Substantive Member on National Labour Advisory Council (NLAC), as Council Member of the National Wages Consultative Committee (NWCC), Ministry of Human Resources and as Member of the Public Services Commission of Malaysia (Suruhanjaya Perkhidmatan Awam (SPA)) and Yayasan Kebajikan Anak-Anak Yatim Selangor (Rumah Bakti Ulu Kelang) and as Treasurer of Rumah Bakti Dato' Harun Idris, Ulu Klang, Selangor (Orphanage).

In recognition of his immense contribution and excellent service, Tan Sri Dato' Azman received awards of Ahli Mahkota Selangor (AMS) Award by His Highness, The Sultan of Selangor, Datuk Paduka Tuanku Jaafar (DPTJ) Award by His Highness, The Yang Di Pertuan Negeri Sembilan and Darjah Kebesaran Panglima Setia Mahkota (PSM) Award by His Majesty, The Yang Di Pertuan Agong XIV Tuanku Al-Haj Abdul Halim Mu'adzam Shah.

Tan Sri Dato' Azman also sits on the Board of various subsidiaries of Advance Synergy Berhad, including Cherating Holiday Villa Berhad, which is a non-listed public company.

He does not have any family relationship with any director and/or major shareholder of Advance Synergy Berhad, nor has he any conflict of interest with Advance Synergy Berhad, save for his spouse, Puan Sri Datin Masri, is a Non-Independent Non-Executive Director of Advance Synergy Berhad.

He has no convictions for any offences within the past 5 years and no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

Sng Ngiap Koon *(age 70)*

- *Chief Operating Officer – Asset Development of Advance Synergy Berhad*
- *Executive Director/Chief Operating Officer of Advance Synergy Realty Sdn Bhd*

Mr Sng Ngiap Koon was appointed the Executive Director/Chief Operating Officer of Advance Synergy Realty Sdn Bhd on 14 July 2007 and the Chief Operating Officer – Asset Development of Advance Synergy Berhad on 28 September 2012.

Ngiap Koon is an Associate Member of the Institute of Chartered Accountants in England and Wales.

Prior to 1984, he was working in London, England. Between 1984 to 1985, he was the Group Accountant of Innovest Berhad. He joined Advance Synergy Berhad in 1986 as the Group Accountant. In 1987, he was appointed the Group Financial Controller of Advance Synergy Berhad. Prior to his appointment as the Executive Director of Advance Synergy Berhad in 2003 till 2006, he held the positions of Senior Group General Manager and Company Secretary. He was also a Director of Advance Synergy Berhad from 1988 to early 1991.

Ngiap Koon currently sits on the Board of various subsidiaries of Advance Synergy Berhad including Cherating Holiday Villa Berhad, which is a non-listed public company.

He does not have any family relationship with any director and/or major shareholder of Advance Synergy Berhad, nor has he any conflict of interest with Advance Synergy Berhad. He has no convictions for any offences within the past 5 years and no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

Wong Joon Hian *(age 68)*

- *Chief Operating Officer – Financial Services of Advance Synergy Berhad*
- *Managing Director of Advance Synergy Capital Sdn Bhd*
- *Managing Director & Chief Executive Officer of Synergy Cards Sdn Bhd*

Mr Wong Joon Hian was appointed the Chief Operating Officer – Financial Services of Advance Synergy Berhad on 28 September 2012. Joon Hian was appointed to the Board of ASCAP on 3 August 1995 and appointed as the Managing Director on 22 September 1995. He was appointed the Managing Director of Synergy Cards Sdn Bhd on 15 March 2010 and assumed additional role as the Chief Executive Officer of Synergy Cards Sdn Bhd on 16 March 2012.

Joon Hian is a member of the Malaysian Institute of Certified Public Accountants, the Malaysian Institute of Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales.

Wong Joon Hian (continued)

He has accumulated over 30 years of working experience in the areas of audit, accountancy, financial services and corporate management. He commenced his career in 1973 when he joined Price Waterhouse & Co. in Birmingham, England after qualifying as a Chartered Accountant. He returned to Malaysia in 1975 to work for Price Waterhouse (now known as PricewaterhouseCoopers), Malaysia until 1985. He then served as the Technical Manager of The Malaysian Association of Certified Public Accountants from 1986 until he was appointed as the General Manager – Operations of Supreme Finance (Malaysia) Berhad in December 1987. After Mayban Finance Berhad had completed the acquisition of Supreme Finance (Malaysia) Berhad in 1991, he joined BDO Binder where he stayed until 1994 when he left to work for Advance Synergy Berhad.

During the period from 1995 to 2006, he served as a director in several financial institutions viz Southern Finance Bhd, Ban Hin Lee Bank Bhd and Perdana Merchant Bankers Bhd. He was the Independent Non-Executive Director of Integrax Berhad from 2008 to 2009.

Currently, he is a director in several non-listed public companies namely, SIBB Berhad (formerly known as Southern Investment Bank Berhad), SFB Auto Berhad, CIMB – Principal Asset Management Berhad and CIMB Islamic Asset Management Sdn Bhd. Joon Hian also sits on the Board of various subsidiaries of Advance Synergy Berhad.

He does not have any family relationship with any director and/or major shareholder of Advance Synergy Berhad, nor has he any conflict of interest with Advance Synergy Berhad. He has no convictions for any offences within the past 5 years and no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

Wong Tze Leng *(age 53)*

• Group Executive Chairman of Captii Limited

Mr Wong Tze Leng was appointed the Group Executive Chairman of Captii Limited, a 58.3% – owned subsidiary of Advance Synergy Berhad which is listed on the Singapore Exchange Securities Trading Limited on 10 August 2010. He previously served as Group Chief Executive Officer of Captii Limited, a position he held since 22 December 2002 until his appointment as Executive Chairman.

Tze Leng has over 20 years' experience in the information technology industry, with specific expertise in the telecommunications sector. He started his career in 1988 as an Engineer in the Singapore Institute of Standards & Industrial Research's design and development centre. He gained specialised expertise in computer telephony technology when he joined Federal Computer Services Pte Ltd in 1990 as a Software Engineer and later progressed to the position of Software Manager.

Wong Tze Leng (continued)

In 1993, he joined Dialogic as an Applications Engineer and was later promoted to the position of Business Development Director for the Asia Pacific region. During his career with Dialogic, he established a close rapport and working relationship with numerous IT companies and telcos in the Asia Pacific region. In 1998, he left Dialogic and founded the Captii Limited Group.

Tze Leng graduated from Monash University, Victoria, Australia, with a Bachelor's degree in Computer Science in 1985 and subsequently obtained a Bachelor's degree in Electrical and Electronic Engineering in 1987 from the same university.

Tze Leng also sits on the Board of various private limited companies including subsidiaries and associated companies of Advance Synergy Berhad. He does not hold any directorship in other public companies.

He does not have any family relationship with any director and/or major shareholder of Advance Synergy Berhad, nor has he any conflict of interest with Advance Synergy Berhad, save for his substantial shareholding in Captii Limited. He has no convictions for any offences within the past 5 years and no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

Yap Chee Kong *(age 50)*

- *Financial Controller of Advance Synergy Capital Sdn Bhd*
- *General Manager – Corporate Services of Advance Synergy Berhad*
- *Managing Director of Quality Bus & Coach (M) Sdn Bhd*

Mr Yap Chee Kong was appointed as a Financial Controller of Advance Synergy Capital Sdn Bhd on October 2001 and General Manager – Corporate Services of Advance Synergy Berhad on 28 September 2012. He was appointed as the Managing Director of Quality Bus & Coach (M) Sdn Bhd on 27 March 2017.

He is a qualified accountant by training and prior to joining Advance Synergy Capital Sdn Bhd, he was an audit manager with PricewaterhouseCoopers. During his time with PricewaterhouseCoopers, he gained extensive experience in auditing where he held a portfolio of public listed companies involved in diverse range of industries, which included financial institutions and stock broking companies. He also has experience in financial advisory work and was actively involved in due diligence review, technical research, training and recruitment. He was also involved in special audit and special business approval certification of stock broking companies.

He also sits on the Board of various subsidiaries and an associate company of Advance Synergy Berhad. He does not hold any directorship in public companies.

Yap Chee Kong (continued)

Chee Kong is a member of the Malaysian Institute of Accountants and a fellow member of the Association of Chartered Certified Accountants, England.

He does not have any family relationship with any director and/or major shareholder of Advance Synergy Berhad, nor has he any conflict of interest with Advance Synergy Berhad. He has no convictions for any offences within the past 5 years and no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

Frank Michael Turrisi *(age 64)*

- *Production & Technical Director of Quality Bus & Coach (M) Sdn Bhd*

Mr Frank Michael Turrisi was appointed as the Chief Executive Officer of Quality Bus & Coach (M) Sdn Bhd on 1 June 2003 and subsequently redesignated as the Production & Technical Director on 27 March 2017.

Frank has over 34 years' working experience in the areas of bus manufacturing and bus repairs. He commenced his career in the bus industry in 1983 when he joined Watts Bus & Coach Works Pty Ltd in Brisbane as a Manager, overseeing all aspects of bus management, repairs, scheduling and employee training and supervision until 1995, and moved on to start his own company in the bus industry in Australia in 1995. In 2002, he set-up Quality Bus & Coach (M) Sdn Bhd, a local production facility. Quality Bus & Coach (M) Sdn Bhd became a subsidiary of ASCAP in 2003.

Frank also sits on the Board of subsidiaries of Quality Bus & Coach (M) Sdn Bhd. He does not hold any directorship in public companies.

He does not have any family relationship with any director and/or major shareholder of Advance Synergy Berhad, nor has he any conflict of interest with Advance Synergy Berhad. He has no convictions for any offences within the past 5 years and no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

Cheah Ping Huey *(age 46)*

- *Executive Director of Orient Escape Travel Sdn Bhd*
- *Chief Executive Officer of Synergy Tours Sdn Bhd*
- *Registrar of The Language House*

Ms Cheah Ping Huey joined the Travel and Tours Division of Advance Synergy Berhad in 2004 and was appointed the Executive Director of Orient Escape Travel Sdn Bhd on 12 April 2007. Since joining the Group, she has held several positions in the Group including the current position.

Cheah Ping Huey (continued)

With over 20 years' working experience, Ping Huey has served at management level in various international hotels including Guoman Hotels Group and Nikko Hotel.

Upon graduating from Stamford College with a Diploma in Business Administration in early 90's, she began her career as a Banquet Sales Secretary in Istana Hotel. She accumulated her experience in sales as a Sales Executive and worked her way up the corporate ladder while studying Hotel Management Diploma Course. She was awarded the Youngest Director of Sales, Corporate Division by Nikko Hotel in 2000 and Most Outstanding Sales Achievement in 2001. Her other accomplishments include spearheading the hotels pre-opening Sales & Marketing Team of Guoman Hotels Group in Port Dickson and Hanoi.

In 2002, Ping Huey took on a new challenge and joined the travel industry. She was appointed as General Manager in a Japanese – owned travel agency, Intersect Travel and Tour Sdn Bhd. Her acute insight and quick execution was quickly noted and in 2004, she was appointed the General Manager of Orient Escape Travel Sdn Bhd, a subsidiary of Advance Synergy Berhad and has since grown the company into one of the leading travel agency in Malaysia. In 2007, she was promoted to her current position as the Executive Director of Orient Escape Travel Sdn Bhd.

Ping Huey does not hold any directorship in public companies.

She does not have any family relationship with any director and/or major shareholder of Advance Synergy Berhad, nor has she any conflict of interest with Advance Synergy Berhad. She has no convictions for any offences within the past 5 years other than traffic offence (if any) and no public sanction or penalty imposed on her by the relevant regulatory bodies during the financial year.

Notes:

The profiles of the following Key Senior Management who are also Directors of Advance Synergy Berhad are set out in the Directors' Profile on pages 44, 45 and 46 of this Annual Report:

1. **Puan Sri Datin Masri Khaw binti Abdullah**
   - *Managing Director & Chief Executive Officer of Alangka-Suka Hotels & Resorts Sdn Bhd*

2. **Mr Anton Syazi Dato' Ahmad Sebi**
   - *Group Executive Deputy Chairman of Advance Synergy Berhad*
   - *Group Executive Director of Captii Limited*

Governance

The Board has included **gender balance** as one of the main criteria for appointment of new directors to promote the representation of women in the composition of the Board. Currently, we have three (3) women directors representing more than 30% of the Board of eight (8) members.

COMMITTED TO THE HIGHEST STANDARDS

Responsibility for good governance lies with the Board. The Board is accountable to shareholders and is committed to the highest standards of corporate governance as set out in the Malaysia Code on Corporate Governance ("the Code"). This Corporate Governance Overview Statement, describes how the Board has applied the main practices of good governance, as set out in the Code, during the year under review.

BOARD COMPOSITION AND SUCCESSION

As at the date of this report, the Board was made up of eight (8) members, comprising the Group Chairman, the Group Executive Deputy Chairman, the Group Managing Director, two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. The age of our Board members ranges from 40 to 70 years. The current Directors bring a wide range of business and financial experience, skills and knowledge necessary for the effective stewardship of the Group. Profiles of the Directors are set out on pages 43 to 50 of this Annual Report.

HOW WE GOVERN THE COMPANY

The Board leads the Group's governance framework; it is responsible for setting the strategic targets for the Group, monitoring progress made, approving proposed actions and for ensuring that the appropriate internal controls are in place and that they are operating effectively.

The Board is assisted by four (4) principal committees (Audit, Nomination, Remuneration and Risk Management), each of which is responsible for reviewing and dealing with matters within its own terms of reference. At scheduled Board meetings, the minutes of all committee meetings are circulated. All the non-executive directors are members of all principal committees. Individual reports from each principal committee can be found on pages 67 to 79.

The roles and responsibilities of the Board and the Board Committees as well as the relationship with the management are clearly set out and with clear accountability.

BOARD COMPOSITION AND SUCCESSION (continued)

Each of the Independent Non-Executive Directors is considered independent of management and free of any relationship that could materially interfere with the exercise of their independent judgement. The Board considers that each Independent Non-Executive Director brings their own senior level of experience, gained within their field.

Although the Group Chairman, Dato' Ahmad Sebi Bakar, is also a major shareholder, the Board believes that the Group Chairman has always acted and will continue to act at all times in the best interest of shareholders as a whole and will strive to protect and enhance the long-term shareholder values and the financial performance of the Group.

Succession planning for the Board is an on-going process and certainly the recent appointment of Anton Syazi Dato' Ahmad Sebi is one planned change to address succession planning. Succession planning is also viewed at executive management level, which at present is stable, on an on-going basis.

Diversity and gender balance

The Board recognises diversity in the boardroom as a critical element for efficient functioning of the Board and good governance practices. The Board also believes that diversity leads to the consideration of all facets of an issue and, consequently, better decisions and performance. Hence, the appointment of Board members and senior management not only takes into consideration the objective criteria and merit but also gives due regard for diversity in skills, experience, age, cultural background and gender.

The Board has included gender balance as one of the main criteria for appointment of new directors to promote the representation of women in the composition of the Board. Currently, we have three (3) women directors representing more than 30% of the Board of eight (8) members.

The remuneration for all Directors including Executive Directors is determined at levels so as to ensure that the Company attracts and retains the right calibre of Directors needed for the successful performance of the Group. The Remuneration Committee Report is set out on pages 76 to 79.

LEADERSHIP AND RESPONSIBILITIES

The Board is committed to ensuring that it provides leadership to the business as a whole, having regards to the interests and views of its shareholders and other stakeholders. It is also responsible for setting the Group's strategy, value and standards.

The Board has a formal schedule of matters reserved for its decision as follows:

- Strategy and management
- Communication
- Board membership and other appointments
- Remuneration
- Financial reporting and controls
- Delegation of authority
- Internal controls
- Corporate governance matters
- Contracts/acquisitions/disposal
- Dividend Policy
- Capital structure
- Other matters

LEADERSHIP AND RESPONSIBILITIES (continued)

The Board acknowledges its overall responsibility for maintaining a sound risk management framework and internal control system to safeguard shareholders' investments, the Company's assets, and the need to review the adequacy and integrity of these systems regularly. The effectiveness of the Group's risk management and internal controls framework is reviewed periodically by the RMC and Audit Committee. The Risk Management and Audit Committee reports can be found on pages 32 to 40 and pages 67 to 70 respectively.

The presence of three (3) Independent Non-Executive Directors making up more than one-third (1/3) of the total number of Directors fulfils a pivotal role in ensuring that there is balance of power and authority. Although all the Directors have an equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by the executive management are fully deliberated upon, and take into account the long term interests of the shareholders, employees, customers, suppliers and the many communities in which the Group conducts its business. Together, their representations on the Board fairly reflect the investment of the minority shareholders of the Company and in addition carry sufficient weight for decision making.

INDEPENDENCE OF DIRECTORS

The Board, through the Nomination Committee, evaluates the independence of its independent directors annually in accordance with the criteria as prescribed by the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Independent Directors are required to affirm their commitment to bring independent and objective judgement upon their appointments and annually thereafter.

During the financial year ended 31 December 2017, the Board, through the Nomination Committee, has conducted such assessment on all the Independent Directors and each Independent Director has confirmed his independence to the Nomination Committee. Based on the said assessment, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company during deliberation at meetings of the Board and Committees.

The Code stipulates that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to re-designation as a Non-Independent Director.

That notwithstanding, the Nomination Committee also is tasked by the Code, to assess and assist the Board in recommending and providing justification for shareholders' consideration and approval in the event such an Independent Director is to remain independent after serving a cumulative nine-year term.

The shareholders of the Company had at the 93rd AGM which was held on 24 May 2017 approved that Mr Yong Teck Ming who has served on the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years on 9 July 2017 to continue to act as an Independent Non-Executive Director of the Company.

INDEPENDENCE OF DIRECTORS (continued)

On 28 February 2018, the Nomination Committee met and concluded that during Mr Yong Teck Ming's long service to the Company, his performance as an Independent Non-Executive Director was excellent and there is no reason to believe that he will not continue to act independently and to contribute to the Company taking into consideration the following:

(a) he fulfilled the Independent Director criteria under the Listing Requirements of Bursa Securities and thus is able to function as a check and balance and to bring an element of objectivity to the Board;

(b) he is a member of the Chartered Accountants, Australia, New Zealand and a member of the Institute of Chartered Secretaries and Administrators, United Kingdom. He has vast experience in accounting and a diverse range of business which will enable him to provide the Board with constructive opinion;

(c) he has been with the Company for more than nine (9) years and is familiar with the Company's business operations which will enable him to contribute actively and effectively during deliberation at meetings of the Board and Board Committees;

(d) he has exercised his objective and independent judgement on all Board deliberations;

(e) he has devoted sufficient time and attention to his professional obligations for informed and balanced decision-making;

(f) he has exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the best interest of the Company and shareholders; and

(g) he has been providing invaluable contributions to the Board in his role as an Independent Non-Executive Director and Chairman of the Audit Committee and RMC.

In view of the above, the Nomination Committee recommended to the Board that a resolution for the retention of Mr Yong Teck Ming as an Independent Non-Executive Director of the Company, be tabled for shareholders' approval at the forthcoming 94th AGM of the Company. The Board is unanimous in supporting this recommendation.

SUFFICIENT PROVISIONS

The Company recognises that its Directors may be invited to become directors of other companies and the Directors are therefore at liberty to accept other Board appointments so long as such appointments are not in conflict with the business of the Group and do not adversely affect the Directors' performance as a member of the Board. In maintaining and monitoring the limitation on directorship as required by the Listing Requirements of Bursa Securities, the Directors upon appointment, and from time to time during their tenure, will notify the Company Secretary of their directorship in other companies for disclosure to the Board at Board meetings.

SUFFICIENT PROVISIONS (continued)

The Board is of the opinion that the provisions of the Companies Act 2016 (“Act”) and Listing Requirements of Bursa Securities are sufficient to ensure adequate commitment given by the Directors to perform their duties without it being formally regulated.

To facilitate the Directors’ time planning, a planned annual meeting calendar is prepared and circulated to them before the beginning of each year. It provides the scheduled dates for meetings of the Board and Board Committees as well as the AGM.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities and this is demonstrated by the attendance record of the Directors at the meetings of the Board and Board Committees for the financial year ended 31 December 2017 as set out below:

Name of Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee
Dato’ Ahmad Sebi Bakar	6 / 6	-	-	-	-
Anton Syazi Dato’ Ahmad Sebi *(appointed on 27 February 2017)*	5 / 5	-	-	-	-
Lee Su Nie	6 / 6	-	-	-	-
Puan Sri Datin Masri Khaw binti Abdullah	6 / 6	-	3 / 3	3 / 3	-
Yong Teck Ming	6 / 6	5 / 5	-	-	4 / 4
Dato’ Ahmad Ghiti bin Mohd Daud	6 / 6	5 / 5	3 / 3	3 / 3	4 / 4
Rali bin Mohd Nor	6 / 6	5 / 5	3 / 3	3 / 3	*4 / 4
Aryati Sasya Dato’ Ahmad Sebi	6 / 6	*5 / 5	-	-	4 / 4

** Attended the meetings by invitation.*

CONTINUAL TRAINING FOR DIRECTORS

The Board acknowledges the importance of continual education and training to enhance its competencies, to broaden its perspectives, skills, knowledge and to keep abreast of the relevant changes in law, regulations and the business environment.

In addition to the relevant regulatory and governance updates provided by the Company Secretary and the Directors each updating themselves by attending relevant courses/ seminar, the Board also evaluates the training needs of its members on a continuous basis pursuant to the Listing Requirements of Bursa Securities and is updated on quarterly basis on the training programmes/courses/seminars attended by Directors.

CONTINUAL TRAINING FOR DIRECTORS (continued)

The Directors have also been regularly updated on developments in corporate governance, relevant laws, regulations and business practices as a continuing effort to train and equip themselves to effectively discharge their duties.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

For corporate reporting to our shareholders and stakeholders, our Board ensures that information are complete and accurate and are disseminated in a timely manner. The Company has established a dedicated section for investor on its website. This section provides information relating to corporate governance, annual reports, announcements to Bursa Securities and Board Charter. Contact details are provided on the Company's website to address queries from its shareholders and stakeholders.

The Board acknowledges the importance of establishing a direct line of communication with shareholders and investors through timely dissemination of information on the Group's performance and operations via distribution of annual reports and relevant circulars, and release of quarterly financial results, press releases and announcements.

The AGM is the principal forum for dialogue with shareholders. There is an open 'question and answer' session in which shareholders may pose questions regarding the resolutions being proposed at the meeting and also on matters relating to the Group's businesses and affairs.

The Board members are in attendance at general meetings to provide explanations to all shareholders' queries and shareholders are encouraged to participate in discussions and to give their views to the Directors. The Chair of the Audit, Nomination, Remuneration and Risk Management Committees are also in attendance to provide meaningful response to questions.

ACTIVITIES AND FOCUS OF THE BOARD DURING THE YEAR AND FOR THE COMING YEAR

During the financial year ended 31 December 2017, six (6) Board meetings were held where the Board deliberated upon and considered a variety of matters including the Group's corporate developments, financial results, investments and reports on risk management and internal audits of the Group. The Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting.

The Board, through the Nomination Committee, also conducted assessments on all the independent directors, reviewed the training programmes attended by the Directors to keep abreast with the current developments in laws, regulations and business practices to aid them in discharging their duties, and assessed the appointment of Mr Anton Syazi Dato' Ahmad Sebi as Non-Independent Non-Executive Director and re-designation to Executive Deputy Chairman respectively.

ACTIVITIES AND FOCUS OF THE BOARD DURING THE YEAR AND FOR THE COMING YEAR (continued)

The Remuneration Committee met to review the annual fixed fee structure of members of the Board taking into consideration the increasing responsibilities and time commitment expected from the Directors and the remuneration packages of the Group Chairman, Group Executive Deputy Chairman, Group Managing Director and Chief Operating Officers of the Company and advised the Board accordingly.

During the financial year ended 31 December 2017, the Audit Committee met with the external auditors three (3) times without the presence of the Executive Directors to discuss the audit plan, audit findings and the Company's audited financial statements.

The Board also focused on the Group Risk Management Framework assessing the risk registers and internal controls to ensure that the Group Risk Management Framework was sufficiently robust in addressing and mitigating the various risks of the Group.

For the coming year, there will be continuous on-going assessment by the Board of the business risks and the effectiveness of the risk management frameworks and internal control systems to manage risks. More emphasis will also be placed on sustainability reporting as the Board acknowledges the importance of employing principles and adopting practices that support corporate sustainability.

The Board also intends to revisit the implementation of a whistleblowing policy. Although the Board believes that the current internal controls, work culture and the "open-door" concept adopted by the Group support a clear and open communication, breed healthy work cultures and encourage open flow of communication, the Board believes that a whistleblowing policy would strangthen the element of Internal Control System and Corporate Governance of the Group.

This report is to be read together with the Corporate Governance Report 2017 of the Company which is available on the Company's website. The Corporate Governance Report 2017 provides the details on how the Company has applied each practice as set out in the Code during the financial year 2017.

Audit Committee Report

Key objectives are the provision of effective governance over the appropriateness of the Group's financial reporting, including the adequacy of related disclosures, the performance of both the internal and external audit functions, and the management of the Group's systems of internal control, business risks and related compliance activities.

COMPOSITION

The Audit Committee comprises a Chairman, and two (2) members, all of whom are independent non-executive directors. Members of the Audit Committee are appointed by the Board following recommendations by the Nomination Committee. The Audit Committee's membership is reviewed by the Nomination Committee and as part of the annual Board performance evaluation.

Each member of the Audit Committee brings an appropriate balance of senior level financial and commercial experience, combines with a good understanding of the Company's business and is therefore considered by the Board to be competent. The Board considers that each member of the Audit Committee is independent within the definition set out in the Listing Requirements of Bursa Securities. The Audit Committee Chairman is considered by the Board to have significant, recent and relevant financial experience and to be competent in auditing and accounting.

Audit Committee members are expected to have an understanding of the principles of, and recent developments in, financial reporting, including the applicable accounting standards and statements, recommended practice, key aspects of the Company's policies, financial, internal control mechanisms, and matters that require the use of judgement in the presentation of accounts and key figures as well as the role of internal and external auditors. Members of the Audit Committee undertake ongoing training as required.

OBJECTIVES

The Audit Committee's key objectives are the provision of effective governance over the appropriateness of the Group's financial reporting, including the adequacy of related disclosures, the performance of both the internal and external audit functions, and the management of the Group's systems of internal control, business risks and related compliance activities.

OBJECTIVES (continued)

The Audit Committee is responsible for the development, implementation and monitoring of the Company's policy on external audit. The Audit Committee reserves oversight responsibility for monitoring the auditor's independence, objectivity and compliance with ethical, professional and regulatory requirements. The Audit Committee is also responsible for the re-tendering selection process and recommends the appointment, reappointment and removal of the Company's external auditor, and considers the risks associated with the change of the external auditors in its risk evaluation and planning.

The Audit Committee also reviews and sets the terms, areas of responsibility and scope of the audit as set out in the external auditor's engagement letter; the overall work plan for the forthcoming year, together with the associated fee proposal and cost effectiveness of the audit; the external auditors' independence; any major issues which arise during the course of the audit and their resolution; key accounting and audit judgements; the level of errors identified during the audit; the recommendations made to management by the auditor and management's response; and the auditor's overall performance.

The duties and functions of the Audit Committee are set out in its Terms of Reference ("TOR") which are available on the Company's website at www.asb.com.my under Schedule 1 of the Board Charter.

MEETINGS AND ATTENDANCE

The Audit Committee met five (5) times during the year under review and members' attendance at the meetings is set out in the table below:

Name of Directors	Attended
Yong Teck Ming *Chairman*	5 / 5
Dato' Ahmad Ghiti bin Mohd Daud *Member*	5 / 5
Rali bin Mohd Nor *Member*	5 / 5

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2017, the principal activities of the Audit Committee comprised:

Financial Reporting

(i) Reviewed the quarterly unaudited financial results and turnaround plan for non-performing subsidiaries prior to tabling of the same to the Board for approval.

(ii) Reviewed the draft announcements on quarterly and yearly unaudited financial results of the Group prior to tabling the same to the Board for approval.

(iii) Reviewed the annual audited financial statements for the financial year ended 31 December 2016 prior to submission to the Board for approval.

SUMMARY OF ACTIVITIES (continued)

Financial Reporting (continued)

(iv) Reviewed the applicability of the new accounting standards and new financial reporting regime issued by the Malaysian Accounting Standards Board.

Internal Audit

(i) Reviewed the objectives, adequacy and coverage of the internal audit activities of the proposed 2017 internal audit plan. A total of twenty one (21) internal audit assignments was approved for the 2017 internal audit plan.

(ii) Reviewed a total of seventeen (17) internal audit ("IA") reports (comprising one (1) from 2015 IA plan, two (2) from 2016 IA plan and fourteen (14) from 2017 IA plan) on the adequacy and effectiveness of internal control systems and risk management including audit recommendations and the management's responses thereto.

(iii) Reviewed the resource requirements of the internal audit function.

(iv) Reviewed the processes on implementation of Goods and Services Tax ("GST") including GST accounting and related transactions.

(v) Reviewed compliance on Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") policies, process and procedures on AML/CFT's Independent Assessments.

External Audit

(i) Convened meetings with the external auditors on 27 February 2017, 10 April 2017 and 22 November 2017 without the presence of the management to review and deliberate on various matters including the audit planning memorandum and audit review memorandum prepared by the external auditors. These memorandum includes significant audit findings, auditing and accounting issues, adequacy of management's response and other key matters arising from the statutory audit for the financial years ended 31 December 2016 and 2017, as well as the changes in regulatory environment following the enforcement of the new Act which came into effect on 31 January 2017.

(ii) Reviewed the audit fees payable to the external auditors.

(iii) Considered and recommended to the Board the re-appointment of external auditors.

Related Party Transactions and Recurrent Related Party Transactions

Reviewed the Group's related party transactions and recurrent related party transactions as well as conflict of interest situations that may arise within the Company or the Group and to ensure that the transactions are conducted in the best interest of the Company, on fair and reasonable as well as on normal commercial terms and are not detrimental to the interest of the minority shareholders.

SUMMARY OF ACTIVITIES (continued)

Audit Committee Report

Reviewed the Audit Committee Report and recommended to the Board for inclusion in the Annual Report for the financial year ended 31 December 2016.

TOR of Audit Committee

The detailed information on the TOR of Audit Committee is accessible via the Company's website at *www.asb.com.my* under Schedule 1 of the Board Charter.

INTERNAL AUDIT FUNCTION

The Audit Committee has adopted a top-down, risk-based approach in the implementation and monitoring of internal controls of the Group. This approach was achieved through critical in-depth review and deliberation of the reports and relevant issues presented during the Audit Committee meetings. This top-down, risk-based approach has enabled the Audit Committee to identify any major breakdown in the risk management and internal controls of the Group and to make the necessary recommendations to address the issues.

The Audit Committee is assisted by the Internal Auditors (outsourced professional internal audit company) to provide an independent appraisal and assurance to ensure the maintaining of a sound system of internal control to safeguard shareholders' investment. The Internal Auditors conducts regular systematic reviews of the system of controls in accordance with the Internal Audit Plan approved by the Audit Committee and independently reports directly to the Audit Committee.

During the financial year ended 31 December 2017, the Internal Auditors carried out various operational, system and risk assessment reviews to review and appraise the effectiveness of the risk management and internal control processes within the Group. Follow-up audits were also performed by the Internal Auditors to ensure that audit recommendations and corrective action plans were implemented accordingly. A total of seventeen (17) – IA reports was presented to the Audit Committee during the financial year ended 31 December 2017. The Internal Auditors also reviewed the related party transactions entered into by the Company and its subsidiaries to ensure that the transactions were carried out on an arm's length basis.

The costs incurred for the internal audit function of the Group in respect of the financial year ended 31 December 2017 was RM149,000.

Nomination Committee Report

The Nomination Committee considers candidates for directorship proposed by the Executive Directors and, where practicable, by any other senior executive or any director or shareholder or any suitably qualified candidates from independent sources.

COMPOSITION

The Nomination Committee consists of three (3) Non-Executive Directors:

Dato' Ahmad Ghiti bin Mohd Daud
Chairman, Independent Non-Executive Director

Puan Sri Datin Masri Khaw binti Abdullah
Member, Non-Independent Non-Executive Director

Rali bin Mohd Nor
Member, Independent Non-Executive Director

The Committee's role is to review the size and structure of the Board, consider succession planning and make recommendations to the Board on potential candidates for the Board. Its key objective is to ensure that the Board comprises individuals with the necessary skill, knowledge and experience to ensure that the Board is effective in discharging its responsibilities, to recommend proposed appointments to the Board for approval and to assess the contribution of each Director on an on-going basis.

The Chairman of our Nomination Committee is an Independent Non-Executive Director. The Board believes that the existing Chairman of the Nomination Committee is competent to chair the Nomination Committee by virtue of his vast experience and is capable to lead the Nomination Committee in ensuring that the Board composition meets the needs of the Company.

With the establishment of the Nomination Committee, a formal transparent procedure is in place for the appointment of new Directors to the Board whereby the Nomination Committee will recommend to the Board candidates for directorships in the Company. This procedure involves identification of candidates for directorship, evaluation of suitability of candidates, deliberation by the Nomination Committee and recommendation to the Board.

COMPOSITION (continued)

The Nomination Committee is responsible for making recommendations on any nomination to the Board and to Committees of the Board. The Nomination Committee considers candidates for directorship proposed by the Executive Directors and, where practicable, by any other senior executive or any director or shareholder or any suitably qualified candidates from independent sources.

Its key objective is to ensure that the Board comprises individuals with the necessary skill, knowledge and experience to ensure that the Board is effective in discharging its responsibilities, to recommend proposed appointments to the Board for approval and to assess the contribution of each Director on an on-going basis.

DUTIES AND FUNCTIONS

The duties and functions of the Nomination Committee are set out in its TOR which is reviewed annually by the Nomination Committee and approved by the Board before the same was uploaded to the Company's website under Schedule 1 of the Board Charter.

The Nomination Committee will assess annually, the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director including Independent Non-Executive Directors, as well as Executive Directors. The Board, through the Nomination Committee, reviews annually its required mix of skills and experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board.

In line with the recent amendments to the Listing Requirements of Bursa Securities, the Nomination Committee will also review the term of office and performance of the Audit Committee and each of its members annually to ensure that the Audit Committee has carried out their duties in accordance with their TOR.

PRINCIPAL ACTIVITIES

The Committee's focus during the year was overseeing the process for the appointment of a new executive director and to assist the Board to assess the independence of independent director including a director who has served on the Board for a cumulative term of nine (9) years and to recommend to the Board for approval to retain the said director.

During the financial year ended 31 December 2017, the Nomination Committee has reviewed the following training programmes/ courses/ seminars attended by Directors and concluded that all Directors have attended programmes/ courses/ seminars to keep abreast with the current developments in laws, regulations, corparate governance and business practices to aid them in discharging their duties:

PRINCIPAL ACTIVITIES (continued)

Directors	Date	Programmes/courses/seminars/ conferences attended	Organiser
Dato' Ahmad Sebi Bakar	13.12.2017	Goods & Services Tax (GST) in Malaysia	Crowe Horwath Mr Chris Yee
Anton Syazi Dato' Ahmad Sebi	20.01.2017	Crisis Management & Anti-Money Laundry Act (AMLA) Part 2	SJ Securities Sdn Bhd
	07 & 10.04.2017	Mandatory Accreditation Programme (MAP)	The Iclif Leadership and Governance Centre ("ICLIF")
	12 & 13.04.2017	Echelon Malaysia 2017 – From Second City to Startup City	E27 and TE4P
	04.05.2017	ASEAN Conference 2017	Jointly organised by the Singapore Business Federation (SBF) and founding partners United Overseas Bank (UOB)
	11.07.2017	Building Fintech Bridges between Europe and Malaysia	Khazanah Europe and MDEC
	08 & 09.11.2017	Leadership Energy Summit Asia 2017	ICLIF
Lee Su Nie	18.07.2017	Capital Market Conference 2017:	Malaysia Institute of Accountants ("MIA")
	13.09.2017	Global Capital Markets: Entering New Era	Bursa Malaysia & PwC Malaysia Consulting
	03.10.2017	Advocacy Session on Corporate Disclosure for Directors and Principal Officers of listed Issuers	Bursa Malaysia
	23.10.2017	Directors Risk Management Programme: "I am Ready to Manage Risks"	Bursa Malaysia
Puan Sri Datin Masri Khaw binti Abdullah	27.09.2017	Advocacy Session on Corporate Disclosure for Directors and Principal Officers of listed Issuers	Bursa Malaysia
	13.12.2017	Goods & Services Tax (GST) in Malaysia	Crowe Horwath Mr Chris Yee
Yong Teck Ming	02.03.2017	Global Business Insight Series: Embracing Paradox by Professor Salvatore Cantale	Securities Industry Development Corporation ("SIDC")
	10.01.2017	Sustainability Forum for Directors/ CEOs: "The Velocity of Global Change & Sustainability-The New Business Model	Bursa Malaysia/MINDA

PRINCIPAL ACTIVITIES (continued)

Directors	Date	Programmes/courses/seminars/ conferences attended	Organiser
Yong Teck Ming (continued)	02.03.2017	Global Business Insight Series: Embracing Paradox by Professor Salvatore Cantale	Securities Industry Development Corporation ("SIDC")
	10.04.2017	Global Business Insights Series: High Performance Leadership In Times of Change and Uncertainty	SIDC
	03.05.2017	Sustaining Business Growth with Sound Governance, Risk Management, Internal Control and Compliance	Bursa Malaysia
	17.07.2017	Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability	Bursa Malaysia
	30.08.2017	Advocacy Session on Corporate Disclosure for Directors and Principal Officers of listed Issuers	Bursa Malaysia
	13.09.2017	Directors Risk Management Programme: "I am Ready to Manage Risks"	Bursa Malaysia & PwC Malaysia Consulting *(attended session 1 and 2 only).*
	13.10.2017	CG Breakfast Series for Directors: Leading in a volatile, uncertain, complex, ambiguous (VUCA) world	ICLIF
	16.10.2017	Case study workshop for independent directors "Rethinking-Independent Directors: A New frontier"	SIDC *(attended morning session only).*
Dato' Ahmad Ghiti bin Mohd Daud	03.05.2017	Sustaining Business Growth with Sound Governance, Risk Management, Internal Control and Compliance	Bursa Malaysia
	18.07.2017	Capital Market Conference 2017: Global Capital Markets: Entering New Era	MIA
	13.10.2017	CG Breakfast Series for Directors: Leading in a volatile, uncertain, complex, ambiguous (VUCA) world	ICLIF
	09.11.2017	Case study workshop for independent directors "Rethinking-Independent Directors: A New frontier"	SIDC
	05.12.2017	CG Breakfast Series for Directors: Leading Change @ The Brain "Rethinking-Independent Directors: A New frontier"	ICLIF

PRINCIPAL ACTIVITIES (continued)

Directors	Date	Programmes/courses/seminars/ conferences attended	Organiser
Rali bin Mohd Nor	27.09.2017	Advocacy Session on Corporate Disclosure for Directors and Principal Officers of listed Issuers	Bursa Malaysia
	13.10.2017	CG Breakfast Series for Directors: Leading in a volatile, uncertain, complex, ambiguous (VUCA) world	ICLIF
	09.11.2017	Case study workshop for independent directors "Rethinking-Independent Directors: A New frontier"	SIDC
Aryati Sasya Dato' Ahmad Sebi	10.01.2017	Sustainability Forum for Directors/CEOs: "The Velocity of Global Change & Sustainability-The New Business Model"	Bursa Malaysia/ MINDA
	13.10.2017	CG Breakfast Series for Directors: Leading in a volatile, uncertain, complex, ambiguous (VUCA) world	ICLIF

DIVERSITY

The Committee and the Board have sought to ensure that appointments are of the best candidates to promote the success of the Group and are based on merit, with due regard for the benefits of diversity on the Board.

Further information regarding Board diversity can be found on page 61 and gender diversity in the Group as a whole on page 61.

LOOKING AHEAD

In the year ahead, the Nomination Committee will continue to assess the Board composition and how it may be enhanced.

Remuneration Committee Report

The policy for variable compensation is to recognise corporate performance and individual achievement of objectives through discretionary bonus.

COMPOSITION

The Remuneration Committee consists of three (3) Non-Executive Directors:

Dato' Ahmad Ghiti bin Mohd Daud
Chairman, Independent Non-Executive Director

Puan Sri Datin Masri Khaw binti Abdullah
Member, Non-Independent Non-Executive Director

Rali bin Mohd Nor
Member, Independent Non-Executive Director

The Remuneration Committee is responsible for setting the remuneration policy for all directors including the executive directors and other senior executives in the Group. The Remuneration Committee ensures that the Directors are fairly remunerated or rewarded for the contributions or individual level of responsibilities. Additionally, the Remuneration Committee is responsible for determining the overall Remuneration Policy applied to the Group, including the quantum of variable remuneration and the method of delivery. In carrying out its delegated responsibilities the Committee receives advice, when they consider it to be appropriate, on remuneration, tax, accounting and regulatory issues from external advisers and internally from the Human Resources, Compliance, Risk and Finance departments.

REMUNERATION POLICY FOR EXECUTIVES

The Remuneration Committee believes strongly that total remuneration should take into account the competition for talent in an industry where successful people are rewarded and mobile. The Group compensates employees through both fixed and variable compensation.

Fixed compensation comprises principally base salaries and the Committee reviews these as part of their overall annual review taking into account the performance of the individual, comparisons with peer group companies within the industry, the experience of the individual and their level of responsibility. Other elements related to base salary include an employer's contribution to the Employees Provident Fund.

REMUNERATION POLICY FOR EXECUTIVES (continued)

The policy for variable compensation is to recognise corporate performance and individual achievement of objectives through discretionary bonus. Discretionary variable compensation can be delivered in two main forms:

- Annual cash bonus; and
- A long-term incentive award.

The executive directors and other senior executive assess individual performance through clearly defined objectives and structured process of review and feedback. In particular, the aggregate fixed and variable remuneration by individual is determined with regard to the performance of the individual, performance of the area or function of the business in which the individual works or for which the individual is responsible, the profitability of the Group and levels of reward for comparable roles in the external market.

Executive directors and members of the senior management team do not participate in decisions concerning their own remuneration.

REMUNERATION FOR THE YEAR

The remuneration breakdown of individual Directors which includes fees, salary, bonus, benefits-in-kind and other emoluments for the financial year ended 31 December 2017 are as follows:

(a) Remuneration of Directors received from the Company:

Name of Director	Fees RM	Salaries, Bonuses, Allowances and other emoluments RM	Benefits-in-kind RM	Total RM
Executive				
Anton Syazi Dato' Ahmad Sebi	-	206,080	-	206,080
Lee Su Nie	-	898,240	41,155	939,395
Non-Executive				
Dato' Ahmad Sebi Bakar	150,000	-	65,500	215,500
Puan Sri Datin Masri Khaw binti Abdullah	-	-	-	-
Yong Teck Ming	47,000	-	-	47,000

REMUNERATION FOR THE YEAR (continued)

(a) Remuneration of Directors received from the Company: (continued)

Name of Director	Fees RM	Salaries, Bonuses, Allowances and other emoluments RM	Benefits-in-kind RM	Total RM
Non-Executive (continued)				
Dato' Ahmad Ghiti bin Mohd Daud	48,000	-	-	48,000
Rali bin Mohd Nor	40,000	-	-	40,000
Aryati Sasya Dato' Ahmad Sebi	30,000	-	-	30,000

(b) Remuneration of Directors received from the Group:

Name of Director	Fees RM	Salaries, Bonuses, Allowances and other emoluments RM	Benefits-in-kind RM	Total RM
Executive				
Anton Syazi Dato' Ahmad Sebi	11,229	551,011	-	562,240
Lee Su Nie	-	898,240	41,155	939,395
Non-Executive				
Dato' Ahmad Sebi Bakar	150,000	297,500	72,700	520,200
Puan Sri Datin Masri Khaw binti Abdullah	271,875	517,500	-	789,375
Yong Teck Ming	47,000	-	-	47,000
Dato' Ahmad Ghiti bin Mohd Daud	48,000	-	-	48,000
Rali bin Mohd Nor	40,000	-	-	40,000
Aryati Sasya Dato' Ahmad Sebi	30,000	50,960	-	80,960

REMUNERATION FOR THE YEAR (continued)

(c) Remuneration of top five (5) senior management:

In view of the competitive nature of the human resource market, the remuneration of the top five (5) senior management which includes salary, bonus, benefits in-kind and other emoluments for the financial year ended 31 December 2017 is disclosed in bands of RM50,000:

Remuneration Range	Number of Senior Management staff
Between RM350,001 – RM400,000	1
Between RM500,001 – RM550,000	2
Between RM550,001 – RM600,000	1
Between RM900,001 – RM950,000	1

Directors' responsibility statement

in respect of the audited financial statements

In presenting the annual financial statements and quarterly announcement of results, the Board aims to present a balanced and understandable assessment of the Group's position and prospects. This also applies to other price sensitive public reports and reports to regulators. The Audit Committee assists the Board in scrutinising such reports to ensure accuracy and adequacy. The Audit Committee meets on a quarterly basis to review the integrity and reliability of the quarterly announcement of results. At least twice a year, the Audit Committee will meet to review the integrity and reliability of the Group's annual financial results in the presence of the external auditors without the management, prior to recommending them for the Board's approval and issuance to shareholders.

As part of the Directors' responsibility for preparing financial statements, the Directors are required by the Act to prepare financial statements for each financial year which have been made out in accordance with applicable approved financial reporting standards in Malaysia and the Act so as to give a true and fair view of the financial position of the Group and the Company at the end of the financial year and of the financial performance and cash flows of the Group and the Company for the financial year. The Directors have the responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Act.

In preparing the financial statements, the Directors have:

- Selected suitable accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent;
- Ensured that all applicable financial reporting standards have been followed; and
- Prepared financial statements on an going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

Additional Compliance Information

1. AUDIT AND NON-AUDIT FEES PAID OR PAYABLE TO EXTERNAL AUDITORS

For the financial year ended 31 December 2017, the following audit and non-audit fees are paid or payable by the Company and the Group:

Description	Company	Group
Audit Fees paid or payable to the external auditors, Messrs Baker Tilly Monteiro Heng ("BTMH")	RM100,000	RM423,000
Non-Audit Fees paid or payable to BTMH, or a firm or corporation affiliate to BTMH (Note 1)	RM15,000	RM15,000

Note 1 The amount disclosed included non-audit fees incurred for reviewing the statement on risk management and internal control.

2. MATERIAL CONTRACTS INVOLVING THE INTERESTS OF THE DIRECTORS, CHIEF EXECUTIVE WHO IS NOT A DIRECTOR OR MAJOR SHAREHOLDERS

Save as disclosed below, there were no material contracts entered into by the Group which involved the interest of the directors, chief executive who is not a director or major shareholders either still subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous financial year:

(a) Dato' Ahmad Sebi Bakar (a director and major shareholder of the Company), with effect from 29 October 2010 became the ultimate owner of the 100% equity interest in Leeds Property Limited ("Leeds Property") which owns the Holiday Villa Hotel and Suites London ("Hotel"), has an indirect interest in the new Lease Agreement dated 23 September 2015 entered into by Holiday Villa (UK) Ltd ("HVUK"), a wholly-owned subsidiary of the Company [held via Holiday Villas International Limited, a wholly-owned subsidiary of Alangka-Suka Hotels & Resorts Sdn Bhd ("ASHR"), which in turn is a wholly-owned subsidiary of the Company], together with ASHR as guarantor, with Leeds Property for the lease of the Hotel currently being operated by HVUK ("HVUK Lease"). His son, Mr Anton Syazi Dato' Ahmad Sebi, who was appointed as a Non-Independent Non-Executive Director of the Company on 27 February 2017 and was subsequently redesignated as Executive Deputy Chairman on 1 September 2017, is also a Director of Leeds Property.

2. MATERIAL CONTRACTS INVOLVING THE INTERESTS OF THE DIRECTORS, CHIEF EXECUTIVE WHO IS NOT A DIRECTOR OR MAJOR SHAREHOLDERS (continued)

The HVUK Lease commenced on 16 December 2015, i.e. upon expiry of the former lease pursuant to Lease Agreement dated 16 December 2005 entered into by HVUK.

The HVUK Lease has been renewed until 30 June 2019.

(b) Synergy Realty Incorporated ("SRI"), an indirect wholly-owned subsidiary of the Company [held via Advance Synergy Properties Sdn Bhd ("ASP")] had provided funding via advances to and/or subscription of shares in HHL, a 40%-owned indirect associated company of the Company totaling GBP1,558,660 (equivalent RM8.83 million).

HHL owns a property in North London situated on Kilburn High Road comprising 38 serviced apartments and 12 residential apartments ("Kilburn Apartments"), ground floor retail unit and a basement unit ("hereinafter referred to as "Property"). The above funding will be utilised to refurbish and renovate the Kilburn Apartments and to convert the 50 existing units into a higher density configuration and such funding shall be unsecured, interest-free and to be repaid on demand.

Dato' Ahmad Sebi Bakar, the Group Chairman and substantial shareholder of the Company, is a director of HHL holding 35% equity interest in HHL.

His son, Mr Anton Syazi Dato' Ahmad Sebi, is Group Executive Deputy Chairman of the Company holding less than 5% equity interest in the Company, is also a Director of HHL holding 25% equity interest in HHL.

FINANCIAL STATEMENTS

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Directors' Report

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and the provision of full corporate and financial support to its subsidiaries. The principal activities of the subsidiaries are stated in Note 8 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group	Company
	RM'000	RM'000
Net profit for the financial year	3,751	2,878
Attributable to:		
Owners of the parent	(663)	2,878
Non-controlling interests	4,414	-
	3,751	2,878

DIVIDENDS

Since the end of the previous financial year, a first and final single tier dividend of 0.25 sen per ordinary share totalling RM1,692,540 in respect of the financial year ended 31 December 2016 was paid on 18 August 2017 after the approval from the shareholders of the Company was obtained at the Annual General Meeting held on 24 May 2017.

At the forthcoming Annual General Meeting, a first and final single tier dividend of 0.25 sen per ordinary share in respect of the financial year ended 31 December 2017 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS

The names of the directors of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Dato' Ahmad Sebi Bakar
Anton Syazi bin Ahmad Sebi *(Appointed on 27.02.2017)*
Lee Su Nie
Puan Sri Datin Masri Khaw binti Abdullah
Yong Teck Ming
Dato' Ahmad Ghiti bin Mohd Daud
Rali bin Mohd Nor
Aryati Sasya binti Ahmad Sebi

The names of the directors of the Company's subsidiaries in office during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Ahmad Sebi Bakar
Anton Syazi bin Ahmad Sebi
Lee Su Nie
Tan Sri Dato' Azman Shah Haron
Puan Sri Datin Masri Khaw binti Abdullah
Dato' Ahmad Ghiti bin Mohd Daud
Rali bin Mohd Nor
Aryati Sasya binti Ahmad Sebi
Ahmad Kamal bin Ali Merican
Alain Cheseaux
Ann Wan Kuan
Armeda binti Haji Udin
Chee Chong Fatt
Chew Lee Fong

DIRECTORS (continued)

The names of the directors of the Company's subsidiaries in office during the financial year and during the period from the end of the financial year to the date of this report are (continued):

Chin Wei Li	*(Appointed on 02.10.2017)*
Chuah Seong Phaik	
Chye Kit Choong	
Darren Cheah Foo Choong	*(Appointed on 02.10.2017)*
Dato' Wira Abdul Halim bin Che Din	*(Resigned on 06.06.2017)*
Dato' Abdul Murad bin Khalid	
Datuk Hardew Kaur a/p Hazar Singh	
Deanne Marie Turrisi	*(Removed as alternate director on 11.09.2017)*
Frank Michael Turrisi	
Ho Ting Sai	
Hossam Ahmed Wahid Eldin Naguib Suwailem	
Ir. Haji Mansor bin Salleh @ Md Salleh	
Lee Chien Siong	
Lim Hong Hoo	
Md Nazri Mubin bin Julkiflee	
Ng Sai Kit	
Nina Karina binti Azman Shah	
P A Eiswaran Naidu a/l Athinaidu	*(Resigned on 30.11.2017)*
Phang Deng Sheng	*(Appointed on 02.10.2017)*
Phuah Peng Hock	
Sng Ngiap Koon	
Triandi Putranta Soewando	
Wong Joon Hian	
Wong Kwai Yim, Woo	
Wong Tze Leng	
Yap Chee Kong	
Yap Wai Shoong	
Yong Choon Vooi	*(Appointed on 02.10.2017)*

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for setting the remuneration policy for all directors including the executive directors and other senior executives in the Group. The Remuneration Committee ensures that the Directors are fairly remunerated and rewarded for the contributions or individual level of responsibilities. Additionally the Remuneration Committee is responsible for determining the overall Remuneration Policy applied to the Group, including the quantum of variable remuneration and the method of delivery.

The members of the Remuneration Committee during the financial year ended 31 December 2017 are as follows:

- Dato' Ahmad Ghiti bin Mohd Daud *(Chairman, Independent Non-Executive Director)*
- Puan Sri Datin Masri Khaw binti Abdullah *(Member, Non-Independent Non-Executive Director)*
- Rali bin Mohd Nor *(Member, Independent Non-Executive Director)*

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of the Directors in office at the end of the financial year in the securities of Advance Synergy Berhad ("ASB") and shares of its related corporations during the financial year ended 31 December 2017 are as follows:

	Number of ASB ordinary shares*			
	At 1.1.2017	**Bought**	**Sold**	**At 31.12.2017**
Direct Interest				
Dato' Ahmad Sebi Bakar #	76,810,009	-	-	76,810,009
Deemed Interest				
Dato' Ahmad Sebi Bakar #	*[1]122,805,936	-	-	*[1]92,338,936
Anton Syazi bin Ahmad Sebi	*[2]30,467,000	-	-	*[2]30,467,000
Lee Su Nie	*[3]365,000	-	-	*[3]365,000
Puan Sri Datin Masri Khaw binti Abdullah	*[4]5,000,000	-	-	*[4]5,000,000

	Number of ordinary shares			
	At 1.1.2017	**Bought**	**Sold**	**At 31.12.2017**
Subsidiary				
Captii Limited ("Captii")				
Direct Interest				
Anton Syazi bin Ahmad Sebi	517,600	-	-	517,600
Lee Su Nie	20,000	-	-	20,000

	Number of ordinary shares*			
	At 1.1.2017	**Bought**	**Sold**	**At 31.12.2017**
Segi Koleksi Sdn. Bhd. ("SKSB")				
Deemed Interest				
Dato' Ahmad Sebi Bakar	*[5]105,000	-	-	*[5]105,000
Anton Syazi bin Ahmad Sebi	*[6]105,000	-	-	*[6]105,000
Aryati Sasya binti Ahmad Sebi	*[6]105,000	-	-	*[6]105,000

	Number of ordinary shares*			
	At 1.1.2017	**Bought**	**Sold**	**At 31.12.2017**
Metroprime Corporation Sdn. Bhd.				
Deemed Interest				
Dato' Ahmad Sebi Bakar	*[7]350,000	-	-	*[7]350,000
Anton Syazi bin Ahmad Sebi	*[8]350,000	-	-	*[8]350,000
Aryati Sasya binti Ahmad Sebi	*[8]350,000	-	-	*[8]350,000

	Number of ordinary shares*			
	At 1.1.2017	**Bought**	**Sold**	**At 31.12.2017**
Acrylic Synergy Sdn. Bhd.				
Direct Interest				
Anton Syazi bin Ahmad Sebi	1	-	-	1

DIRECTORS' INTERESTS (continued)

	Number of ordinary shares of CHF500.00 each			
	At 1.1.2017	Bought	Sold	At 31.12.2017
Subsidiary (continued)				
Posthotel Arosa AG				
Deemed Interest				
Aryati Sasya binti Ahmad Sebi	*93,150	-	-	*93,150

	Number of ASB ICULS**			
	At 1.1.2017	Bought	Sold	At 31.12.2017
Deemed Interest				
Dato' Ahmad Sebi Bakar	*1094,105,835	-	-	*1094,105,835
Puan Sri Datin Masri Khaw bin Abdullah	*412,240,000	-	-	*412,240,000

* Introduction of no par value regime effective from 31 January 2017.

** 2% 10-Year Irredeemable Convertible Unsecured Loan Stocks at 100% of the nominal value of RM0.15 each issued by ASB.

\# By virtue of his interest in ASB, Dato' Ahmad Sebi Bakar is also deemed to be interested in the shares of all investee companies (including subsidiaries) to the extent that ASB has an interest.

*1 By virtue of his interest in Bright Existence Sdn. Bhd. ("BESB") and Suasana Dinamik Sdn. Bhd. ("SDSB"), Dato' Ahmad Sebi Bakar is also deemed to be interested in the shares to the extent that BESB and SDSB have an interest respectively. This includes his son's interest in 30,467,000 ordinary shares of ASB which shall be treated as his interest in the ordinary shares of ASB pursuant to Section 59(11)(c) of the Companies Act 2016 in Malaysia effective from 31 January 2017. However, his son's interest shall be excluded with effect from his appointment as Director of ASB on 27 February 2017.

*2 By virtue of his interest in Eighth Review (M) Sdn. Bhd. ("ERSB"), he is also deemed to be interested in the shares to the extent that ERSB has an interest. This interest which was previously treated as his father's deemed interest shall be excluded and to be disclosed as his interest with effect from his appointment as Director of the Company on 27 February 2017.

*3 This is her spouse's interest in the ordinary shares of ASB which shall be treated as her interest in the ordinary shares of ASB pursuant to Section 59(11)(c) of the Companies Act 2016 in Malaysia effective from 31 January 2017.

*4 By virtue of her interest in ASH Holdings Sdn. Bhd. ("ASH"), Puan Sri Datin Masri Khaw binti Abdullah is deemed to be interested in the securities of ASB to the extent that ASH has an interest.

DIRECTORS' INTERESTS (continued)

*5 This is the interest of his children (Ms Aryati Sasya binti Ahmad Sebi and Mr Anton Syazi bin Ahmad Sebi) in SKSB which shall be treated as his interest in the ordinary shares of SKSB pursuant to Section 59(11)(c) of the Companies Act 2016 in Malaysia effective from 31 January 2017.

*6 By virtue of their interest in Pacific Existence Sdn. Bhd. ("PESB"), Ms Aryati Sasya binti Ahmad Sebi and Mr Anton Syazi bin Ahmad Sebi are also deemed to be interested in the shares to the extent that PESB has an interest.

*7 By virtue of his interest in SKSB pursuant to Section 8 of the Companies Act 2016 in Malaysia effective from 31 January 2017, Dato' Ahmad Sebi Bakar is deemed to be interested in the shares to the extent that SKSB has an interest.

*8 By virtue of their interest in SKSB via PESB, Ms Aryati Sasya binti Ahmad Sebi and Mr Anton Syazi bin Ahmad Sebi are deemed to be interested in the shares to the extent that SKSB has an interest.

*9 By virtue of her interest in Kibar Konsep Sdn. Bhd. ("KKSB"), Ms Aryati Sasya binti Ahmad Sebi is deemed to be interested in the shares to the extent that KKSB has an interest.

*10 By virtue of his interest in BESB, Dato' Ahmad Sebi Bakar is deemed to be interested in the securities of the Company to the extent that BESB has an interest.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in the securities of the Company and shares of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors shown in the Directors' Remuneration and the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 33 to the financial statements.

Neither during, nor at the end of the financial year, was the Company a party to any arrangement where the object was to enable the directors to acquire benefits by means of the acquisition of ordinary shares in, or debentures of the Company or any other body corporate.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and certain officers of the Company were RM30 million and RM32,585 respectively.

DIRECTORS' REMUNERATION

	Group RM'000	Company RM'000
Directors' fees	598	315
Directors' other emoluments	2,315	1,104
Benefit-in-kind	115	108

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

The auditors' reports on the accounts of the subsidiaries did not contain any qualification.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of the significant events during the financial year are disclosed in Note 38 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of the significant events subsequent to the end of the financial year are disclosed in Note 39 to the financial statements.

AUDITORS' REMUNERATION

	Group RM'000	Company RM'000
Auditors' remuneration		
- statutory:		
- holding company	100	100
- subsidiaries	836	-
- under accrual in prior years	32	3
- non-statutory:		
- holding company	15	15

AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

LEE SU NIE
Director

YONG TECK MING
Director

Selangor Darul Ehsan
Date: 9 April 2018

Statements of Financial Position

as at 31 December 2017

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	RM'000	RM'000 Restated*	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	156,848	153,289	30	36
Investment property	5	8,060	8,060	-	-
Intangible assets	6	95,867	97,172	-	-
Investment in subsidiaries	8	-	-	474,593	474,593
Investment in associates	9	46,742	46,937	-	-
Investment in joint venture	10	-	-	-	-
Investment securities	11	42,565	33,899	-	-
Deferred tax assets	13	3,191	1,850	9	139
Total non-current assets		353,273	341,207	474,632	474,768
Current assets					
Inventories	14	40,086	42,016	-	-
Trade and other receivables	12	139,125	170,570	141,559	142,730
Prepayments		6,674	5,284	-	-
Tax recoverable		1,946	2,459	1,665	1,661
Investment securities	11	459	460	-	-
Financial assets held for trading	15	361	429	-	-
Cash and bank balances and short term deposits	16	158,047	139,849	4,093	1,309
Total current assets		346,698	361,067	147,317	145,700
TOTAL ASSETS		699,971	702,274	621,949	620,468

as at 31 December 2017 (continued)

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	RM'000	RM'000 Restated*	RM'000	RM'000
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	17	320,650	199,216	320,650	199,216
Share premium	18	-	117,317	-	117,317
Other reserves	18	32,580	41,096	69	69
Retained earnings	18	18,902	25,295	11,755	10,570
ICULS - equity component	19	60,724	64,803	60,724	64,803
Shareholders' funds		432,856	447,727	393,198	391,975
Non-controlling interests		63,213	63,763	-	-
Total equity		496,069	511,490	393,198	391,975
Non-current liabilities					
Borrowings	20	60,763	79,745	-	-
Deferred tax liabilities	13	5,362	5,926	-	-
Provision for retirement benefit obligations	21	1,747	1,609	-	-
ICULS - liability component	19	108	1,593	108	1,593
Total non-current liabilities		67,980	88,873	108	1,593
Current liabilities					
Borrowings	20	39,039	23,499	-	-
Tax payable		46	787	-	-
Trade and other payables	22	96,837	77,625	228,643	226,900
Total current liabilities		135,922	101,911	228,643	226,900
Total liabilities		203,902	190,784	228,751	228,493
TOTAL EQUITY AND LIABILITIES		699,971	702,274	621,949	620,468

* Restated as a result of the completion of purchase price allocation as disclosed in Note 8(b).

The accompanying notes form an integral part of these financial statements.

Statements of Comprehensive Income

for the financial year ended 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000 Restated*	RM'000	RM'000
Revenue	23	265,923	276,775	9,645	9,960
Cost of sales	24	(176,091)	(179,299)	-	-
Gross profit		89,832	97,476	9,645	9,960
Other operating income		20,762	63,392	1	154
Distribution costs		(6,202)	(6,749)	-	-
Administrative expenses		(62,257)	(67,940)	(3,430)	(4,111)
Other operating expenses		(27,704)	(73,880)	(870)	(989)
Operating profit	25	14,431	12,299	5,346	5,014
Finance costs	26	(5,245)	(4,579)	(2,340)	(1,423)
Share of results of associates and joint ventures		(826)	(65)	-	-
Profit before tax		8,360	7,655	3,006	3,591
Income tax expense	27	(4,609)	1,084	(128)	(82)
Profit for the financial year		3,751	8,739	2,878	3,509
Other comprehensive income for the financial year, net of tax:					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment		-	7,695	-	-
		-	7,695	-	-
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(7,798)	3,211	-	-
Fair value of available-for-sale financial assets		(2,170)	(1,045)	-	-
Share of other comprehensive income of associates, net of tax		-	109	-	-
		(9,968)	2,275	-	-
		(9,968)	9,970	-	-
Total comprehensive (loss)/income for the financial year		(6,217)	18,709	2,878	3,509

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000 Restated*	RM'000	RM'000
(Loss)/Profit attributable to:					
Owners of the parent		(663)	(2,438)	2,878	3,509
Non-controlling interests		4,414	11,177	-	-
		3,751	8,739	2,878	3,509
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(9,179)	9,114	2,878	3,509
Non-controlling interests		2,962	9,595	-	-
		(6,217)	18,709	2,878	3,509
Loss per ordinary share attributable to owners of the parent (sen)					
-Basic	28	(0.10)	(0.37)		
-Diluted	28	(0.10)	(0.37)		

* Restated as a result of the completion of purchase price allocation as disclosed in Note 8(b).

The accompanying notes form an integral part of these financial statements.

Statements of Changes In Equity

for the financial year ended 31 December 2017

Group	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 Earnings RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
At 1 January 2017, as previously reported	199,216	64,803	117,317	23,510	13,535	4,051	31,591	454,023	60,053	514,076
Effect of completion of purchase price allocation (Note 8(b))	-	-	-	-	-	-	(6,296)	(6,296)	3,710	(2,586)
At 1 January 2017, as restated	199,216	64,803	117,317	23,510	13,535	4,051	25,295	447,727	63,763	511,490
Net (loss)/profit for the financial year	-	-	-	-	-	-	(663)	(663)	4,414	3,751
Fair value of available-for-sale financial assets	-	-	-	-	-	(2,170)	-	(2,170)	-	(2,170)
Foreign currency translation differences for foreign operations	-	-	-	-	(6,346)	-	-	(6,346)	(1,452)	(7,798)
Total comprehensive (loss)/income for the financial year	-	-	-	-	(6,346)	(2,170)	(663)	(9,179)	2,962	(6,217)
Transactions with owners:										
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	(4,037)	(4,037)	(974)	(5,011)
Issue of new ordinary shares pursuant to the conversion of ICULS	4,117	(4,079)	-	-	-	-	-	38	-	38
Dividends paid (Note 29)	-	-	-	-	-	-	(1,693)	(1,693)	-	(1,693)
Dividends paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	(2,538)	(2,538)
Total transactions with owners	4,117	(4,079)	-	-	-	-	(5,730)	(5,692)	(3,512)	(9,204)
Transition to no par value regime	117,317	-	(117,317)	-	-	-	-	-	-	-
At 31 December 2017	320,650	60,724	-	23,510	7,189	1,881	18,902	432,856	63,213	496,069

Group	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 Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
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 (loss)/profit for the financial year	-	-	-	-	-	-	(2,438)	(2,438)	11,177	8,739
Fair value of available-for-sale financial assets	-	-	-	-	-	(1,045)	-	(1,045)	-	(1,045)
Share of other comprehensive income of associates, net of tax	-	-	-	-	-	109	-	109	-	109
Revaluation of properties	-	-	-	7,695	-	-	-	7,695	-	7,695
Foreign currency translation differences for foreign operations	-	-	-	-	4,793	-	-	4,793	(1,582)	3,211
Total comprehensive income/(loss) for the financial year	-	-	-	7,695	4,793	(936)	(2,438)	9,114	9,595	18,709
<u>Transactions with owners:</u>										
Disposal of interest in a subsidiary	-	-	-	(183)	43	-	280	140	-	140
Disposal of partial interest in a subsidiary	-	-	-	-	-	-	-	-	443	443
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	192	192	(192)	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	15,774	15,774
Changes in income tax rate	-	(58)	-	-	-	-	-	(58)	-	(58)
Dividends paid (Note 29)	-	-	-	-	-	-	(1,660)	(1,660)	-	(1,660)
Dividends paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	(1,012)	(1,012)
Total transactions with owners	-	(58)	-	(183)	43	-	(1,188)	(1,386)	15,013	13,627
At 31 December 2016, as restated	199,216	64,803	117,317	23,510	13,535	4,051	25,295	447,727	63,763	511,490

Company	Share Capital RM'000	ICULS- Equity Component RM'000	Share Premium RM'000	Capital Reserve RM'000	Retained Earnings RM'000	Total RM'000
At 1 January 2016	199,216	64,861	117,317	69	8,721	390,184
Total comprehensive income for the financial year	-	-	-	-	3,509	3,509
Transactions with owners:						
Changes in income tax rate	-	(58)	-	-	-	(58)
Dividends paid	-	-	-	-	(1,660)	(1,660)
Total transactions with owners	-	(58)	-	-	(1,660)	(1,718)
At 31 December 2016	199,216	64,803	117,317	69	10,570	391,975
Total comprehensive income for the financial year	-	-	-	-	2,878	2,878
Transactions with owners:						
Issue of new ordinary shares pursuant to the conversion of ICULS	4,117	(4,079)	-	-	-	38
Dividends paid	-	-	-	-	(1,693)	(1,693)
Total transactions with owners	4,117	(4,079)	-	-	(1,693)	(1,655)
Transition to no par value regime	117,317	-	(117,317)	-	-	-
At 31 December 2017	320,650	60,724	-	69	11,755	393,198

The accompanying notes form an integral part of these financial statements.

Statements of Cash Flows

for the financial year ended 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000 Restated*	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Profit before tax		8,360	7,655	3,006	3,591
Adjustments for:					
Write down of inventories		12	160	-	-
Amortisation of intangible assets		1,825	2,003	-	-
Bad debts written off		151	-	-	-
Depreciation		6,411	7,454	8	9
Loss/(Gain) on disposal of:					
- property, plant and equipment		16	(72)	-	-
- an associate		-	(389)	-	-
- a subsidiary		-	884	-	-
- partial interest in a subsidiary		-	(38)	-	-
Gross dividend income		(5)	-	-	-
Impairment loss on:					
- goodwill		540	4,319	-	-
- loan and receivables		637	8	-	23
- development expenditure		-	300	-	-
- available-for-sale investment securities		-	1	-	-
- property, plant and equipment		-	93	-	-
Insurance claim compensation		(12,161)	(32,646)	-	-
Interest expenses		5,245	4,579	2,340	1,423
Interest income		(3,015)	(2,949)	(24)	(28)
Net unrealised loss/(gain) on foreign exchange		1,828	2,026	-	(54)
Property, plant and equipment written off		96	44,474	-	-
Provision for retirement benefits obligations		206	190	-	-
Realisation of foreign exchange reserve		-	737	-	-
Share of results in associates and joint venture		826	65	-	-
Write back of impairment loss on:					
- loan and receivables		(60)	(272)	-	-
- available-for-sale investment securities		-	(99)	-	(99)
Fair value change in:					
- investment in associates		744	(13,733)	-	-
- foreign currencies held for sale		8	(17)	-	-
- held for trading investments		2	(28)	-	-
- investment property		-	810	-	-
- fair value through profit or loss investment securities		658	(5,428)	-	-
Write back of payables		(198)	-	-	-
Operating profit before working capital changes		12,126	20,087	5,330	4,865

	Note	Group 2017 RM'000	Group 2016 RM'000 Restated*	Company 2017 RM'000	Company 2016 RM'000
Changes in working capital:					
Inventories		1,918	11,682	-	-
Receivables		6,117	(59,350)	2,990	(5,778)
Financial assets held for trading		60	(1)	-	-
Payables		2,038	15,122	2	(54)
Net cash generated from/(used in) operations		22,259	(12,460)	8,322	(967)
Retirement benefits paid		(68)	(8)	-	-
Tax paid		(6,740)	(5,643)	(7)	(10)
Net cash generated from/(used in) operating activities		15,451	(18,111)	8,315	(977)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of intangibles assets		(1,007)	(1,719)	-	-
Acquisition of additional shares in an existing subsidiary		(5,010)	-	-	-
Acquisition of fair value through profit or loss investments		(13,975)	(6,698)	-	-
Acquisition of a subsidiary, net of cash acquired		-	1,158	-	-
Acquisition of associates		-	(1,459)	-	-
Acquisition of additional shares in an associate		(1,916)	-	-	-
Dividend income received, net of tax		5	-	-	-
Interest received		3,015	2,949	24	28
Proceeds from disposal of available-for-sale investments		-	4,999	-	4,999
Proceeds from disposal of partial interest in a subsidiary		-	481	-	-
Proceeds from disposal of property, plant and equipment		25	130	-	-
Proceeds from disposal of shares in Capital repayment from investment securities		1,320	-	-	-
Proceeds from disposal of a subsidiary, net of cash disposed		-	5,298	-	-
Proceeds from insurance claim compensation		52,822	-	-	-
Purchase of property, plant and equipment	(a)	(11,990)	(3,803)	(2)	(6)
Net cash generated from investing activities		23,289	1,336	22	5,021

for the financial year ended 31 December 2017 (continued)

	Note	Group 2017 RM'000	Group 2016 RM'000 Restated*	Company 2017 RM'000	Company 2016 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES:	(b)				
Dividends paid to non-controlling interests of a subsidiary		(2,538)	(1,012)	-	-
Dividends paid		(1,693)	(1,660)	(1,693)	(1,660)
Drawdown of hire purchase		-	341	-	-
Drawdown of revolving credit		14,250	11,350	-	-
Interest paid		(6,757)	(6,150)	(3,860)	(2,919)
Payments to hire purchase payables		(57)	(105)	-	-
Placement of pledged deposits		(5,180)	(3,076)	-	-
Repayment of term loans		(19,660)	(5,469)	-	-
Net cash used in financing activities		(21,635)	(5,781)	(5,553)	(4,579)
Effects of exchange rate changes		(3,258)	(2,268)	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS		13,847	(24,824)	2,784	(535)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR					
As previously reported		102,998	125,989	1,309	1,844
Effect of exchange rate changes		(2,556)	1,833	-	-
		100,442	127,822	1,309	1,844
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		114,289	102,998	4,093	1,309
ANALYSIS OF CASH AND CASH EQUIVALENTS:					
Cash and bank balances	16	79,392	56,620	243	159
Short term deposits	16	78,655	83,229	3,850	1,150
Bank overdrafts	20	(1,728)	-	-	-
		156,319	139,849	4,093	1,309
Less: Deposit placed with lease payables as security deposit for lease payments	16(c)	(24,745)	(23,851)	-	-
Less: Deposit pledged to licensed banks	16(a)	(16,683)	(12,416)	-	-
Less: Cash held under Housing Development Account	16(b)	(602)	(584)	-	-
		114,289	102,998	4,093	1,309

(a) Purchase of property, plant and equipment

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000 Restated*	RM'000	RM'000
Purchase of property, plant and equipment	11,990	3,803	2	6

(b) Reconciliation of liabilities arising from financial liabilities

	1.1.2017	**Cash flows movement**	**Foreign exchange movement**	**31.12.2017**
	RM'000	RM'000	RM'000	RM'000
Hire purchase	250	(57)	-	193
Revolving credit	20,750	14,250	-	35,000
Term loans	59,235	(19,660)	289	39,864
	80,235	(5,467)	289	75,057

* Restated as a result of the completion of purchase price allocation as disclosed in Note 8(b).

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

31 December 2017

1. GENERAL INFORMATION

The principal activities of the Company during the financial year are that of investment holding and the provision of full corporate and financial support to its subsidiaries. The principal activities of the Company's subsidiaries are stated in Note 8 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The registered office of the Company is located at Level 3, East Wing, Wisma Synergy, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan.

The principal place of business of the Company is located at Level 3, West Wing, Wisma Synergy, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan.

The financial statements are expressed in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ('000) except when otherwise stated.

The financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution of the directors on 9 April 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 2.3 to the financial statements.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.2 **New MFRSs and Amendments/Improvements to MFRSs**

(a) **Adoption of Amendments/Improvements to MFRSs**

The Group and the Company have adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 12	Disclosure of Interest in Other Entities
MFRS 107	Statements of Cash Flows
MFRS 112	Income Taxes

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies.

Amendments to MFRS 107 Statement of Cash Flows

Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The Group and the Company have applied the amendments prospectively and accordingly, have disclosed the reconciliation in the Statements of Cash Flows.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.2 **New MFRSs and Amendments/Improvements to MFRSs** (continued)

(b) **New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective**

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective:

		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
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 3	Business Combinations	1 January 2019
MFRS 4	Insurance Contracts	1 January 2018
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 2018/ 1January 2019/ Deferred
MFRS 140	Investment Property	1 January 2018
New IC Int		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs and new IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.2 **New MFRSs and Amendments/Improvements to MFRSs** (continued)

(b) **New MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective** (continued)

MFRS 9 Financial Instruments

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.2 **New MFRSs and Amendments/Improvements to MFRSs** (continued)

(b) **New MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective** (continued)

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- identify the contracts with a customer;
- identify the performance obligation in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract;
- recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Int 13	Customer Loyalty Programmes
IC Int 15	Agreements for the Construction of Real Estate
IC Int 18	Transfers of Assets from Customers
IC Int 131	Revenue – Barter Transactions Involving Advertising Services

MFRS 16 Leases

Currently under MFRS 117 *Leases*, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

MFRS 17 Insurance Contracts

MFRS 17 introduces consistent accounting for all insurance contracts. MFRS 17 requires entities that issue insurance contracts to recognise and measure a group of insurance contracts at: (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts. Profits from the group of insurance contracts are recognised over the insurance coverage period. In addition, insurance revenue is presented separately from insurance finance income or expenses.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.2 **New MFRSs and Amendments/Improvements to MFRSs** (continued)

(b) **New MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective** (continued)

MFRS 17 Insurance Contracts *(continued)*

For insurance contracts with coverage period of one year or less, MFRS 17 allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period.

Amendments to MFRS 1 First-time Adoption of MFRSs

Amendments to MFRS 1 deleted the short-term exemptions that relate to MFRS 7 *Financial Instruments: Disclosur*e, MFRS 119 *Employee Benefits* and MFRS 10 *Consolidated Financial Statements* because they are no longer applicable.

Amendments to MFRS 2 Share-based Payment

Amendments to MFRS 2 provide specific guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 4 Insurance Contracts

Amendments to MFRS 4 introduce two additional voluntary options, namely an overlay approach and a deferral approach to be applied subject to certain criteria being met, which help to address temporary volatility in reported results of entities dealing with insurance contracts. The overlay approach involves option to recognise the possible volatility in other comprehensive income, instead of profit or loss, whilst the deferral approach provides temporary exemption from applying the Standard on Financial Instruments for entities whose activities are predominantly connected with insurance.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.2 **New MFRSs and Amendments/Improvements to MFRSs** (continued)

(b) **New MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective** (continued)

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates or joint ventures at fair value through profit or loss.

The amendments also clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

Amendments to MFRS 140 Investment Property

Amendments to MFRS 140 clarify that to transfer to, or from, investment properties there must be evidence of a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of investment property. A change in intention, in isolation, does not provide evidence of a change in use.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.2 **New MFRSs and Amendments/Improvements to MFRSs** (continued)

(b) **New MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective** (continued)

Amendments to MFRS 140 Investment Property *(continued)*

The amendments also clarify that the list of circumstances that evidence a change in use is not exhaustive.

IC Int 22 Foreign Currency Transactions and Advance Consideration

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int clarifies that where there is uncertainty over income tax treatments, an entity shall:

- assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

- reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

2.3 **Significant Accounting Policies**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities.

(a) **Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year.

The financial statements of the parent and its subsidiaries are all drawn up to the same reporting date.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(a) Basis of Consolidation (continued)

The excess of the cost of the acquisition over the net fair value of the Group's share of the identifiable net assets, liabilities and contingent liabilities represents goodwill. The policy for the goodwill is in accordance with Note 2.3(i) to the financial statements. Any excess of the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Intra-group transactions and balances, and resulting unrealised gains are eliminated on consolidation. Unrealised losses resulting from intra-group transactions are also eliminated on consolidation to the extent of the cost of the asset that can be recovered. The extent of the costs that cannot be recovered is treated as impairment losses as appropriate. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if that results in a deficit balance.

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at the acquisition date either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their respective interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly on shareholders' equity.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date the control is lost. Subsequently, it is accounted for as an equity investee or as an available for sale financial asset depending on the level of influence retained.

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.3 **Significant Accounting Policies** (continued)

(b) **Subsidiaries**

Potential voting rights are considered when assessing control only when such rights are substantive.

The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

In the Group's consolidated financial statements, the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in profit or loss attributable to the parent.

Investment in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sales. The cost of investments includes transaction costs.

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. The financial statements of the parent and its subsidiaries are all drawn up to the same reporting date.

(c) **Associates**

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the Company's separate financial statements at cost less accumulated impairment losses, if any unless the investment is classified as held for sale or distribution. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(k) to the financial statements.

Investments in associates are accounted for in the consolidated financial statements using the equity method. The Group's investments in associates are initially recognised in the consolidated statement of financial position at cost. The initial carrying amount is increased or decreased to recognise the Group's share of post-acquisition net results and other changes in comprehensive income of the associates less impairment loss, if any, determined on an individual basis. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(k) to the financial statements.

The consolidated statement of comprehensive income reflects the share of the associates' results after tax. Where there has been a change recognised directly in the equity of associates, the Group recognises its share of such changes. Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in associates.

When the Group's share of losses in an associate exceeds its interest in the associate, the Group does not recognise further losses except to the extent that the Group has legal or constructive obligations or made payments on the behalf of the associate.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.3 **Significant Accounting Policies** (continued)

(c) **Associates** (continued)

Goodwill relating to an associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

After the application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If there is such evidence, the Group calculates the impairment as the difference between the recoverable amount of the associates and its carrying value and recognise the amount in the share of profit of associates in the profit or loss. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(k) to the financial statements.

The associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate. Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value and this amount is regarded as the initial carrying amount of a financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss. When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gain or losses previously recognised in other comprehensive income are also reclassified to profit or loss on the disposal of the related assets or liabilities.

The most recent available audited or management financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

On disposal of such investment, the differences between net disposals proceed and the carrying amount of the investment in an associate is recognised in the statement of profit or loss.

(d) **Joint Arrangements**

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

A joint arrangement is classified as "joint operation" when the Group has rights to the assets and obligations for the liabilities relating to an arrangement. The Group account for each of its share of assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.3 **Significant Accounting Policies** (continued)

(d) **Joint Arrangements** (continued)

A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investment in joint venture are measured in the Company's statement of financial position at cost less accumulated impairment losses, if any, unless the investment is classified as held for sale or distribution.

Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets in accordance with Note 2.3(k) to the financial statements.

(e) **Property, Plant and Equipment and Depreciation**

All property, plant and equipment were initially stated at cost. Hotel buildings were subsequently shown at fair value, based on valuations of external independent valuers, less subsequent accumulated depreciation and impairment losses, if any. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(k) to the financial statements.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Dismantlement, removal or restoration costs are included as part of property, plant and equipment if obligation for dismantlement, removal and restoration is included as consequence of acquiring or using the property, plant and equipment. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss as incurred.

Freehold lands are not depreciated as it has an infinite life. Construction work-in-progress is not depreciated until it is ready for its intended use. Upon completion, construction works in progress are transferred to categories of property, plant and equipment, depending on the nature of the assets. Depreciation on buses under refurbishment commences when the buses are ready for their intended use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(e) Property, Plant and Equipment and Depreciation (continued)

All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned. The annual rates used for this purpose are as follows:

Short term leasehold land	22 years
Hotel properties (buildings)	30-50 years
Buildings	0.5%-5%
Plant and machinery	10%-20%
Motor vehicles	15%-20%
Furniture, fittings and equipment	2%-25%
Renovation	2%-20%
Computer equipment and software	20%-33.33%
Crockeries, glassware, cutleries, linen and kitchen utensils	10%
Telecommunications, research and development equipment	20%-33.33%

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at end of each financial year.

At each financial year end, the Group and the Company assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

(f) Revaluation of Assets

Hotel properties at valuation are revalued with sufficient regularity to ensure that the carrying values of the revalued land and buildings do not differ materially from that which would be determined using fair value at end of the financial year.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any surplus or deficit arising from the revaluations will be dealt with in the Revaluation Reserve account. Any deficit is set-off against the Revaluation Reserve account only to the extent of the surplus credited from the previous revaluation of the land and buildings and the excess of the deficit is charged to profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.3 **Significant Accounting Policies** (continued)

(g) **Investment Property**

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Investment property is subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.

On disposal or retirement of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

(h) **Leases and Hire Purchase**

(i) **Finance Leases and Hire Purchase**

Assets financed by finance leases and hire purchase arrangements which transfer substantially all the risks and rewards of ownership to the Group are capitalised as property, plant and equipment, and the corresponding obligations are treated as liabilities. The assets so capitalised are depreciated in accordance with the accounting policy on property, plant and equipment.

Assets acquired by way of finance lease and hire purchase arrangements are stated at an amount equal to the lower of their fair values and the present value of minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(k) to the financial statements. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Property, plant and equipment acquired under finance leases and hire purchase are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance cost, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(ii) **Operating Leases**

An operating lease is a lease other than a finance lease. Lease payments under operating lease are recognised as an expense in profit or loss on a straight line basis over the lease period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(h) Leases and Hire Purchase (continued)

(iii) Leases of Land and Buildings

For leases of land and buildings, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and building are allocated between the land and the building elements of the lease in proportion to the relative fair values for leasehold interest in the land element and the building element of the lease at the inception of the lease.

Leasehold land that normally has an indefinite economic life and where the lease does not transfer substantially all the risks and rewards incidental to ownership is treated as an operating lease. The lump-sum upfront lease payment made on entering into or acquiring leasehold land are accounted for as prepaid lease payments and are amortised over the lease term on a straight line basis except for leasehold land that is classified as an asset held under property development. Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

The buildings element is classified as a finance or operating lease in accordance with Notes 2.3(h)(i) and (h)(ii) to the financial statements. If the lease payment cannot be allocated reliably between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating lease, in which case the entire lease is classified as an operating lease.

For a lease of land and building in which the amount that would initially be recognised for the land element is immaterial, the land and buildings is treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is recognised as the economic life of the entire leased assets.

(i) Intangible Assets

(i) Goodwill

Goodwill acquired in a business combination is recognised as an asset at the acquisition date and is initially measured at cost being the excess of the cost of business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(k) to the financial statements. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.3 **Significant Accounting Policies** (continued)

(i) **Intangible Assets** (continued)

(i) **Goodwill** (continued)

For the purpose of impairment testing, goodwill is allocated, at the acquisition date, to each of the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. An impairment loss is recognised for a CGU when the recoverable amount of the unit is less than the carrying amount of the unit. Any impairment loss recognised is first allocated to reduce the carrying amount of any goodwill allocated to the unit and then, to the other assets of the unit within pro rata on the basis of the carrying amount of each applicable asset in the unit. Any impairment loss recognised for goodwill is not reversed.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the CGU retained.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with Note 2.3(z) to the financial statements.

(ii) **Other Intangible Assets**

Other intangible assets are recognised only when identifiable, and control and economic benefit probability criteria are met.

The Group recognises at the acquisition date separately from goodwill, an intangible asset of the acquiree if the fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. In-process research and development projects acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for research and development is not met.

Intangible assets are initially measured at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(k) to the financial statements. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and are assessed for any indication that the asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the other operating expenses line item.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.3 **Significant Accounting Policies** (continued)

(i) **Intangible Assets** (continued)

(ii) **Other Intangible Assets** (continued)

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset is recognised in profit or loss when the asset is derecognised.

Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised, if, any only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Development costs that have been capitalised are amortised from the commencement of commercial production of the product to which they relate on a straight-line method over the period of their expected benefits, not exceeding a period of 5 years.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at end of each financial year. The effects of any revision are recognised in profit or loss when the changes arise.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.3 **Significant Accounting Policies** (continued)

(i) **Intangible Assets** (continued)

(ii) **Other Intangible Assets** (continued)

Intellectual Property

Expenditure on acquired intellectual property is capitalised and amortised using the straight line method over their expected benefits, not exceeding a period of five (5) years.

Subsequent to initial recognition, acquired intellectual property is stated at cost less accumulated amortisation and accumulated impairment losses, if any.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(k) to the financial statements.

(iii) Licenses are capitalised and amortised using the straight line method over their expected benefits, not exceeding a period of five (5) years.

Subsequent to initial recognition, licenses are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(k) to the financial statements.

(j) **Financial Assets**

Financial assets are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

On initial recognition, financial assets are measured at fair value, plus transaction costs for financial assets not at 'fair value through profit or loss'.

Effective interest method is a method of calculating the amortised cost of financial assets and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash receipts through the expected life of the financial assets or a shorter period to the net carrying amount of the financial assets.

After initial recognition, financial assets are classified into one of four categories: financial assets at 'fair value through profit or loss', 'held-to-maturity' investments, 'loans and receivables' and 'available-for-sale' financial assets.

(i) **Financial Assets at Fair Value through Profit or Loss**

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(j) Financial Assets (continued)

(i) Financial Assets at Fair Value through Profit or Loss (continued)

Other financial assets categorised as fair value through profit or loss is subsequently measured at their fair values with the gain or loss recognised in profit or loss.

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

(ii) Loan and Receivables

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loan and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(iii) Held-to-Maturity Investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(iv) Available-for-Sale Financial Assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment loss, if any.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.3 **Significant Accounting Policies** (continued)

(j) **Financial Assets** (continued)

(iv) **Available-for-Sale Financial Assets** (continued)

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the assets has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised and derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

(k) **Impairment**

(i) **Impairment of Financial Assets**

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any accumulated impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.3 **Significant Accounting Policies** (continued)

(k) **Impairment** (continued)

(i) **Impairment of Financial Assets** (continued)

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

(ii) **Impairment of Non-Financial Assets**

The carrying amounts of non-financial assets (except for inventories, assets arising from construction contract, deferred tax asset, assets arising from employee benefits, investment property that is measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGU that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit groups of units on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.3 **Significant Accounting Policies** (continued)

(l) **Contract Work-In-Progress**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the financial year ("percentage-of-completion method"), except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

At the end of the financial year, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented on the face of the statement of financial position as "Amount due from contract customers". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as "Amounts due to contract customers".

Progress billings not yet paid by customers and retentions are included within "Amounts due from contract customers".

(m) **Inventories**

Inventories are stated at the lower of cost and net realisable value.

(i) **Cost of the inventories is determined on the following basis:**

- Finished goods, food and beverages, operating supplies for Hotels and Resorts segment - First-in, first-out basis.
- Completed units of unsold developed properties - Specific identification basis.
- Finished goods, consumable goods, operating supplies work-in-progress - Weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of raw materials, food and beverage and operating supplies comprises all cost of purchase plus the cost of bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour and a proportion of production overheads based on normal operating capacity of the production facilities.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.3 **Significant Accounting Policies** (continued)

(m) **Inventories** (continued)

(ii) **Properties development inventory**

Cost includes:

- Freehold and leasehold rights for land
- Amounts paid to contractors for construction
- Borrowing costs, planning and design costs, costs for site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

The cost of inventory recognised in profit or loss is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative sale value of the property sold.

(n) **Cash and Cash Equivalents**

For the purpose of cash flow statements, cash and cash equivalents comprise cash in hand, bank balances, fixed deposits, demand deposits and short term highly liquid investments, that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value, net of bank overdrafts and deposits pledged to financial institutions.

(o) **Non-Current Assets Classified as Held for Sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to the terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, non-current assets (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with MFRS 5 that is at the lower of the carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

(p) **Equity Instruments**

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the financial year end. A dividend proposed or declared after the financial year end, but before the financial statements are authorised for issue, is not recognised as a liability at the financial year end.

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to profit or loss. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.3 **Significant Accounting Policies** (continued)

(q) **ICULS**

ICULS with fixed coupon rates are regarded as compound instruments consisting predominantly an equity component and a liability component.

(r) **Financial Liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) **Financial Liabilities at Fair Value through Profit or Loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resulted gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(ii) **Other Financial Liabilities**

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.3 **Significant Accounting Policies** (continued)

(r) **Financial Liabilities** (continued)

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(s) **Financial Guarantee Contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(t) **Provisions for Liabilities**

Provision for liabilities are recognised when the Group has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(u) **Government Grant**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

(v) **Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group’s activities.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.3 **Significant Accounting Policies** (continued)

(v) **Revenue Recognition** (continued)

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) **Revenue from the Sale of Goods**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) **Revenue from Services**

Revenue in respect of the rendering of services is recognised based on the stage of completion at the financial year end and when the cost incurred can be reliably measured. The stage of completion is determined by the services performed to date as a percentage of total services to be performed. The percentage of completion is estimated by management with reference to the stage of completion of the obligation under the contract with the customers. Where it is probable that a loss will arise from a contract, the excess estimated costs over revenue are recognised as an expense immediately.

(iii) **Hotel and Resort Services**

Revenue represents income from the rental of rooms, sale of food and beverages and other related services.

Revenue is recognised as follows:

- room revenue is recognised upon actual occupancy by guest;
- food and beverage revenue is recognised upon servicing; and
- other related services are recognised upon rendering of services.

(iv) **Information and Communications Technology Related Services**

(a) Revenue from service contracts

Revenue and profit from contracts are recognised on an individual contract basis using the percentage of completion method, when the stage of contract completion can be reliably determined, costs to date can be clearly identified, and the total revenue to be received and costs to complete can be reliably estimated. The percentage of completion is estimated by management with reference to the stage of completion of the obligations under the contract with the customer. Where it is probable that a loss will arise from a contract, the excess of total estimated costs over revenue is recognised as an expense immediately.

(b) Revenue from maintenance contract is recognised on a straight line basis over the period of the respective contracts.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.3 **Significant Accounting Policies** (continued)

(v) **Revenue Recognition** (continued)

(v) **Coach Building**

Revenue from sale of buses is recognised when significant risk and rewards of ownership of the buses has been transferred to the customer and where the Group retains neither continuing managerial involvement over the buses, which coincides with delivery of buses and services and acceptance by customers.

(vi) **Sale of Completed Properties**

A property is recognised as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

(vii) **Sale of Property under Development**

For a portfolio of property development contracts with customers, when control of property under the development is transferred over time to the customer (and hence the performance obligation is satisfied over time), revenue is recognised in profit or loss over time or progressively by reference to the stage of completion in a performance obligation. The stage of completion is determined by the proportion of property development costs incurred for work performed to date bear to the estimated total property development costs (an input method). When the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. If a customer does not obtain control when the asset is under development, such as in build and sell units, revenue is recognised at a point in time when the construction of the asset is completed and handed over to the customer.

(viii) **Rental Income**

Rental income is accounted for on a straight line basis over the lease terms on ongoing leases. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight line basis.

(ix) **Travel and Tours**

Revenue from invoiced value of tickets sold is recognised in profit or loss upon issuance of the tickets.

Revenue from travel and tour is recognised in profit or loss based on accrual basis upon performance of services.

Revenue from foreign currencies exchange is recognised in profit or loss upon customer's acceptance.

Revenue from remittance commission is recognised in profit or loss upon rendering of remittance service.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.3 **Significant Accounting Policies** (continued)

(v) **Revenue Recognition** (continued)

(x) **Interest Income**

Interest income is recognised as it accrues, using the effective interest method unless collectability is in doubt.

(xi) **Dividend Income**

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(xii) **Card and Payment Services**

Joining fees is recognised upon issuance of cards to approved members. Cash advance fees is recognised upon billings to card members. Discount revenue and interchange fees are recognised upon the billing to/by merchants and inter-member banks. Interest income from line of credit facilities granted is recognised on an accrual basis.

(xiii) **Traditional Chinese Medicine Services**

Revenue from traditional Chinese medicine services is recognised when services are rendered and goods are delivered, net of discount and rebates.

(xiv) **Education**

Revenue is recognised to the extent that it is probable that the economic benefits will flow in and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from services rendered represents tuition fees, registration fees, programme fees and examination fees net of refunds and discounts allowed.

Revenue from tuition fees is recognised over the duration of the course. Amounts of fees relating to future periods of the course are included in fees received in advance under "trade and other payables".

(w) **Borrowing Costs**

Borrowing costs are capitalised as part of the costs of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sales are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. Capitalisation of borrowing costs will be suspended when the assets are completed or during the period in which development and construction are interrupted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(w) Borrowing Costs (continued)

The amount of borrowing costs eligible for capitalisation is the actual borrowings incurred on that borrowing during the period less any investment income on the temporary investment of funds drawdown from those borrowing facilities.

All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

(x) Income Taxes

The tax expense in profit or loss represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(y) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.3 **Significant Accounting Policies** (continued)

(y) **Employee Benefits** (continued)

(ii) **Defined Contribution Plans**

The Group contributes to the Employees Provident Fund, the national defined contribution plan. The contributions are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) **Defined Benefits Plans**

Certain subsidiaries operate an unfunded retirement benefits plan for rank and file employees in accordance with an article contained in the collective union agreement. The liabilities in respect of the retirement benefits plan are determined by an actuarial valuation for its defined benefit obligations under the Projected Unit Credit Method. Under this method, the current service cost is calculated as the present value of benefits that will accrue on valuation date (by reference to the number of employees providing the service in that year and projected final salaries). The liabilities will be recognised immediately in the year they are incurred.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or assets for the period by applying the discount rate used to measure the defined benefits obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

Net interest expense and other expenses relating to defined benefits plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains or losses on the settlement of a defined benefit plan when the settlement occurs.

(z) **Foreign Currencies**

(i) **Functional and Presentation Currency**

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in RM, which is the Group’s functional currency and presentation currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(z) Foreign Currencies (continued)

(ii) Transactions and Balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximately those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising in monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is transferred to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation on non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose from the acquisition on the foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rate prevailing at the date of acquisition.

Upon disposal of a foreign subsidiary, the accumulated amount of translation differences at the date of disposal of the subsidiary is taken to the consolidated statements of comprehensive income.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.3 **Significant Accounting Policies** (continued)

(aa) **Earnings per Ordinary Share**

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings/(loss) per share of the Group is calculated by dividing the profit/(loss) for the financial year attributable to equity holders of the Company by the adjusted weighted average number of ordinary shares in issue during the financial year. The adjusted weighted average number of ordinary shares in issue is arrived at assuming full conversion of the ICULS which represents the dilutive potential of the ordinary shares.

(ab) **Contingencies**

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group.

(ac) **Fair Value Measurements**

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer of the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

(ad) **Operating Segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the management, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustments to the carrying amount of the asset or liability affected in the future.

Key Source of Estimation Uncertainty

(a) **Impairment of Goodwill on Consolidation**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of CGU to which the goodwill is allocated. Estimating a value-in-use amount requires management to make an estimation of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill are disclosed in Note 7 to the financial statements.

The carrying amounts of the Group's goodwill key assumptions used to determine the recoverable amount for different cash-generating units, including sensitivity analysis, are disclosed in Note 7 to the financial statements.

(b) **Fair Value of Unquoted Investments**

The financial asset is not traded in an active market or if the quoted price is not readily and regularly available, the fair value is established by using valuation techniques that are appropriate in circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The fair value measurement requires the selection among a range of different valuation methodologies, making estimates about expected future cash flows and discounted rates. The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument when available. Where cost is used as an estimate of fair value, significant judgement is required where management considers various indicators where cost might not be representative of fair value.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Buildings	Short Term Leasehold land and building	Hotel properties -Freehold lands	Hotel properties -Buildings	Plant and machinery	Furniture, fittings and equipment	Renovation	Motor vehicles	Computer equipment and software	Crockeries, glassware, cutleries, linen and kitchen utensils	Telecom-munic-tions and research and develop-ment equipment	Construc-tion work-in-progress	Total
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost/Valuation														
At 1 January 2017	27,168	19,082	1,897	62,144	35,091	6,843	41,890	17,059	3,203	18,242	2,149	29,028	-	263,796
Additions	-	-	-	-	-	126	1,266	230	128	209	52	2,447	7,532	11,990
Disposals	-	-	-	-	-	-	(121)	(8)	-	(84)	-	-	-	(213)
Written off	-	-	-	-	-	-	(43)	(268)	-	(206)	-	-	-	(517)
Reclassification	-	-	-	-	67	-	(771)	-	(3)	(1)	773	(40)	(67)	(42)
Foreign exchange translation adjustment	-	(216)	(194)	(1,190)	-	-	(127)	(177)	(1)	(31)	-	(821)	(123)	(2,880)
At 31 December 2017	27,168	18,866	1,703	60,954	35,158	6,969	42,094	16,836	3,327	18,129	2,974	30,614	7,342	272,134
Representing:														
Cost	27,168	18,866	1,703	-	-	6,969	42,094	16,836	3,327	18,129	2,974	30,614	7,342	176,022
Valuation	-	-	-	60,954	35,158	-	-	-	-	-	-	-	-	96,112
Total	27,168	18,866	1,703	60,954	35,158	6,969	42,094	16,836	3,327	18,129	2,974	30,614	7,342	272,134

4. **PROPERTY, PLANT AND EQUIPMENT** (continued)

Group **2017**	**Freehold land** RM'000	**Buildings** RM'000	**Short Term Leasehold land and building** RM'000	**Hotel properties -Freehold lands** RM'000	**Hotel properties -Buildings** RM'000	**Plant and machinery** RM'000	**Furniture, fittings and equipment** RM'000	**Renovation** RM'000	**Motor vehicles** RM'000	**Computer equipment and software** RM'000	**Crockeries, glassware, cutleries, linen and kitchen utensils** RM'000	**Telecom-munic-tions and research and develop-ment equipment** RM'000	**Construc-tion work-in-progress** RM'000	**Total** RM'000
Accumulated Depreciation														
At 1 January 2017	-	3,340	1,179	-	5,586	5,522	37,143	8,695	2,524	17,498	506	17,868	-	99,861
Depreciation for the financial year	-	360	83	-	1,274	298	1,305	852	194	359	344	1342	-	6,411
Disposals	-	-	-	-	-	-	(90)	(4)	-	(77)	-	-	-	(171)
Written off	-	-	-	-	-	-	(78)	(200)	-	(143)	-	-	-	(421)
Reclassification	-	-	-	-	-	-	(48)	16	(68)	2	129	(30)	-	1
Capitalisation to intangible assets	-	-	-	-	-	-	10	19	-	2	-	29	-	60
Foreign exchange translation adjustment	-	(89)	(126)	-	-	-	(125)	(74)	(1)	(32)	-	(426)	-	(873)
At 31 December 2017	-	3,611	1,136	-	6,860	5,820	38,117	9,304	2,649	17,609	979	18,783	-	104,868
Accumulated Impairment Loss														
At 1 January 2017	-	-	-	-	-	-	-	3,017	-	-	-	7,629	-	10,646
Foreign exchange translation adjustment	-	-	-	-	-	-	-	-	-	-	-	(228)	-	(228)
At 31 December 2017	-	-	-	-	-	-	-	3,017	-	-	-	7,401	-	10,418
Carrying Amount at 31 December 2017	27,168	15,255	567	60,954	28,298	1,149	3,977	4,515	678	520	1,995	4,430	7,342	156,848
Representing:														
Cost	27,168	15,255	567	-	-	1,149	3,977	4,515	678	520	1,995	4,430	7,342	67,596
Valuation	-	-	-	60,954	28,298	-	-	-	-	-	-	-	-	89,252
Total	27,168	15,255	567	60,954	28,298	1,149	3,977	4,515	678	520	1,995	4,430	7,342	156,848

4. **PROPERTY, PLANT AND EQUIPMENT** (continued)

Group	Freehold land	Buildings	Short Term Leasehold land and building	Hotel properties -Freehold lands	Hotel properties -Buildings	Plant and machinery	Furniture, fittings and equipment	Renovation	Motor vehicles	Computer equipment and software	Crockeries, glassware, cutleries, linen and kitchen utensils	Telecom-munictions and re-search and develop-ment equip-ment	Total
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
				Restated									Restated
Cost/Valuation													
At 1 January 2016	27,168	19,030	1,773	28,219	46,417	8,704	44,316	16,785	3,768	18,150	2,128	27,287	243,745
Additions	-	-	-	-	198	440	769	550	688	174	25	959	3,803
Acquisition of a subsidiary	-	-	-	19,437	47,571	249	886	-	-	-	-	-	68,143
Disposals of a subsidiary	-	-	-	-	-	(1,206)	(2,140)	-	(330)	-	-	-	(3,676)
Disposals	-	-	-	-	-	-	(60)	(62)	(845)	(21)	-	-	(988)
Written off	-	-	-	-	(46,763)	(1,294)	(1,129)	(7)	(48)	(59)	(4)	(33)	(49,337)
Reclassification	-	-	-	-	-	-	-	-	-	(21)	-	229	208
Revaluation	-	-	-	13,957	(11,525)	-	-	-	-	-	-	-	2,432
Foreign exchange translation adjustment	-	52	124	531	(807)	(50)	(752)	(207)	(30)	19	-	586	(534)
At 31 December 2016	27,168	19,082	1,897	62,144	35,091	6,843	41,890	17,059	3,203	18,242	2,149	29,028	263,796
Representing:													
Cost	27,168	19,082	1,897	-	-	6,843	41,890	17,059	3,203	18,242	2,149	29,028	166,561
Valuation	-	-	-	62,144	35,091	-	-	-	-	-	-	-	97,235
Total	27,168	19,082	1,897	62,144	35,091	6,843	41,890	17,059	3,203	18,242	2,149	29,028	263,796

4. **PROPERTY, PLANT AND EQUIPMENT** (continued)

Group 2016	Freehold land RM'000	Buildings RM'000	Short Term Leasehold land and building RM'000	Hotel properties -Freehold lands RM'000	Hotel properties -Buildings RM'000	Plant and machinery RM'000	Furniture, fittings and equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Computer equipment and software RM'000	Crockeries, glassware, cutleries, linen and kitchen utensils RM'000	Telecom-munictions and re-search and develop-ment equip-ment RM'000	Total RM'000
Accumulated Depreciation													
At 1 January 2016	-	2,953	1,021	-	9,798	7,332	38,696	7,660	3,472	16,506	219	16,422	104,079
Depreciation for the financial year	-	358	81	-	1,351	275	1,542	1,048	219	1,027	287	1,266	7,454
Acquisition of a subsidiary	-	-	-	-	2,780	143	443	-	-	-	-	-	3,366
Disposals of a subsidiary	-	-	-	-	-	(1,051)	(2,140)	-	(256)	-	-	-	(3,447)
Disposals	-	-	-	-	-	-	(53)	(25)	(837)	(15)	-	-	(930)
Written off	-	-	-	-	(2,888)	(1,135)	(708)	(7)	(47)	(45)	-	(33)	(4,863)
Reclassification	-	-	-	-	-	-	12	16	-	3	-	(63)	(32)
Revaluation	-	-	-	-	(5,389)	-	-	-	-	-	-	-	(5,389)
Capitalisation to intangible assets	-	-	-	-	-	-	8	16	-	1	-	28	53
Foreign exchange translation adjustment	-	29	77	-	(66)	(42)	(657)	(13)	(27)	21	-	248	(430)
At 31 December 2016	-	3,340	1,179	-	5,586	5,522	37,143	8,695	2,524	17,498	506	17,868	99,861
Accumulated Impairment Loss													
At 1 January 2016	-	-	-	-	1,622	-	-	3,017	-	-	-	7,291	11,930
Impairment loss for the financial year	-	-	-	-	-	-	-	-	-	-	-	93	93
Reclassification	-	-	-	-	-	-	-	-	-	-	-	(8)	(8)
Revaluation	-	-	-	-	(1,622)	-	-	-	-	-	-	-	(1,622)
Foreign exchange translation adjustment	-	-	-	-	-	-	-	-	-	-	-	253	253
At 31 December 2016	-	-	-	-	-	-	-	3,017	-	-	-	7,629	10,646
Carrying Amount at 31 December 2016	27,168	15,742	718	62,144	29,505	1,321	4,747	5,347	679	744	1,643	3,531	153,289
Representing:													
Cost	27,168	15,742	718	-	-	1,321	4,747	5,347	679	744	1,643	3,531	61,640
Valuation	-	-	-	62,144	29,505	-	-	-	-	-	-	-	91,649
Total	27,168	15,742	718	62,144	29,505	1,321	4,747	5,347	679	744	1,643	3,531	153,289

4. **PROPERTY, PLANT AND EQUIPMENT** (continued)

Company	Computer equipment RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Total RM'000
2017				
Cost				
At 1 January 2017	105	5	191	301
Additions	2	-	-	2
At 31 December 2017	107	5	191	303
Accumulated Depreciation				
At 1 January 2017	102	5	158	265
Depreciation for the financial year	1	-	7	8
At 31 December 2017	103	5	165	273
Carrying Amount at 31 December 2017	4	-	26	30
2016				
Cost				
At 1 January 2016	103	5	187	295
Additions	2	-	4	6
At 31 December 2016	105	5	191	301
Accumulated Depreciation				
At 1 January 2016	100	5	151	256
Depreciation for the financial year	2	-	7	9
At 31 December 2016	102	5	158	265
Carrying Amount at 31 December 2016	3	-	33	36

(a) Included in property, plant and equipment of the Group are assets acquired under hire purchase instalment plans with the following carrying amounts:

	Group	
	2017 RM'000	**2016** RM'000
Motor vehicles	355	467

4. **PROPERTY, PLANT AND EQUIPMENT** (continued)

(b) Included in property, plant and equipment of the Group are assets pledged to the licensed banks to secure credit facilities granted to the Company and its subsidiaries as disclosed in Note 20 to the financial statements with the following carrying amounts:

	Group	
	2017	**2016**
	RM'000	RM'000
Hotel properties	33,496	34,423
Buildings	39,617	39,888
	73,113	74,311

(c) Had the revalued assets been carried at cost less accumulated depreciation, the carrying amounts would have been as follows:

Group	**Cost**	**Accumulated depreciation**	**Carrying amount**
	RM'000	RM'000	RM'000
2017			
Hotel properties			
- lands	28,325	-	28,325
- buildings	30,652	(7,127)	23,525
	58,977	(7,127)	51,850
2016			
Hotel properties			
- lands	28,837	-	28,837
- buildings	30,656	(6,534)	24,122
	59,493	(6,534)	52,959

(d) Fair value information

Fair values of revalued properties are categorised as follows:

Group	**Level 1**	**Level 2**	**Level 3**	**Total**
2017	RM'000	RM'000	RM'000	RM'000
Hotel properties				
- lands	-	59,547	-	59,547
- buildings	-	31,900	-	31,900
	-	91,447	-	91,447
2016				
Hotel properties				
- lands	-	61,068	-	61,068
- buildings	-	31,900	-	31,900
	-	92,968	-	92,968

4. **PROPERTY, PLANT AND EQUIPMENT** (continued)

(d) Fair value information (continued)

The fair value of revalued properties has been determined based on the valuation report dated in April 2016 and May 2016 carried out by accredited independent valuers with recognised and relevant qualification and recent experience in the location and assets being valued. The valuation method used was Comparison Method that makes reference to recent transactions and sales evidences involving other similar properties in the vicinity. The most significant input to this valuation approach is price per square feet of comparable properties.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Fair value hierarchy

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical properties that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the properties, either directly or indirectly.

Level 3 fair value

Level 3 fair value is estimated using unobservable input for the properties.

The Group does not have non-financial assets measured at Level 1 and Level 3 hierarchy.

Transfer between levels of fair value hierarchy

There is no transfer between levels of fair values hierarchy during the financial year.

(e) Included in property, plant and equipment of the Group are assets under sale and finance leaseback arrangements as follows:

	Group	
	2017	**2016**
	RM'000	RM'000
Hotel properties - Freehold land	27,077	27,077
Hotel properties - Buildings	9,937	10,213
	37,014	37,290

(f) The leasehold land and building has unexpired lease period of less than fifty (50) years.

5. INVESTMENT PROPERTY

	Group	
	2017	**2016**
	RM'000	RM'000
At fair value:		
At 1 January	8,060	8,870
Fair value change recognised to profit or loss	-	(810)
At 31 December	8,060	8,060

There are no restrictions on the realisability of investment property or the remittance of income and proceeds on disposal.

The fair value of the investment property was measured in December 2017 based on the highest and best use method to reflect the actual market state and circumstances as of the end of financial year. The fair value was based on a valuation made by C H William Talhar & Wong, a firm of independent professional valuers, which hold a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment property being valued. There has been no change to the valuation technique during the year. Management determined that the highest and best use of the assets is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

Strata title has not been issued by Department of Director General of Lands and Mines in Malaysia as at 31 December 2017.

Details of the Group's investment property are as follows:

Descriptions	Location	Existing use
Shop office	Lot 3A-5-1, 5th floor, block 3A, Plaza Sentral, Kuala Lumpur, Malaysia.	Generate rental income

The following amounts are recognised in the profit or loss:

	Group	
	2017	**2016**
	RM'000	RM'000
Rental income	-	576
Direct operating expenses arising from investment property that generate rental income	(150)	(146)

5. **INVESTMENT PROPERTY** (continued)

Fair value information

Fair value of investment property is categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2017				
Building	-	8,060	-	8,060
2016				
Building	-	8,060	-	8,060

Valuation techniques and significant other observable inputs

Valuation technique for recurring fair value measurements:	Comparison with market evidence of recently transaction prices for similar properties
Significant observable inputs:	Price per square foot RM1,001 (2016: RM1,001)
Sensitivity on management's estimates – 10% variation from estimate:	Impact-lower by RM806,000 (2016: RM806,000); higher by RM806,000 (2016: RM806,000)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Fair value hierarchy

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 3 fair value

Level 3 fair value is estimated using unobservable input for the investment property.

The Group does not have non-financial assets measured at Level 1 and Level 3 hierarchy.

Transfer between levels of fair value hierarchy

There is no transfer between levels of fair values hierarchy during the financial year.

6. INTANGIBLE ASSETS

Group 2017	Goodwill on consolidation RM'000 (Note 7)	Intellectual property RM'000 (Note a)	Software development expenditure RM'000 (Note b)	Licenses RM'000 (Note c)	Total RM'000
Cost					
At 1 January 2017	98,576	5,250	25,577	582	129,985
Additions	-	-	844	163	1,007
Capitalisation of development equipment	-	-	60	-	60
At 31 December 2017	98,576	5,250	26,481	745	131,052
Accumulated Amortisation and Impairment					
At 1 January 2017	5,815	5,250	21,572	176	32,813
Amortisation for the financial year	-	-	1,686	139	1,825
Impairment for the financial year	540	-	-	-	540
Foreign exchange translation difference	-	-	7	-	7
At 31 December 2017	6,355	5,250	23,265	315	35,185
Carrying Amount at 31 December 2017	92,221	-	3,216	430	95,867

Group 2016	Goodwill on consolidation RM'000 (Note 7)	Intellectual property RM'000 (Note a)	Software development expenditure RM'000 (Note b)	Licenses RM'000 (Note c)	Total RM'000
Cost					
At 1 January 2016	94,257	5,250	23,987	400	123,894
Additions	4,319	-	1,537	182	6,038
Capitalisation of development equipment	-	-	53	-	53
At 31 December 2016	98,576	5,250	25,577	582	129,985
Accumulated Amortisation and Impairment					
At 1 January 2016	1,496	5,250	19,429	71	26,246
Amortisation for the financial year	-	-	1,898	105	2,003
Impairment for the financial year	4,319	-	300	-	4,619
Foreign exchange translation difference	-	-	(55)	-	(55)
At 31 December 2016	5,815	5,250	21,572	176	32,813
Carrying Amount at 31 December 2016	92,761	-	4,005	406	97,172

6. **INTANGIBLE ASSETS** (continued)

(a) **Intellectual property**

Intellectual property comprises rights and titles relating to mobile software.

(b) **Software development expenditure**

The software development expenditure mainly comprises staff costs, operating expenses and depreciation expenses for the development of the Captii Group's proprietary mobile software and has an average amortisation period of 3 years (2016: 3 years).

(c) **Licenses**

The licenses comprise compliance and testing costs of bus models and have an average amortisation period of 5 years.

7. GOODWILL ON CONSOLIDATION

	Group	
	2017	**2016**
	RM'000	RM'000 Restated
At 1 January	92,761	92,761
Acquisition of a subsidiary	-	4,319
Impairment loss	(540)	(4,319)
At 31 December	92,221	92,761

The carrying amounts of goodwill allocated to the Group's CGU are as follows:

	Group	
	2017	**2016**
	RM'000	RM'000
Information and communications technology - CGU 1	85,202	85,202
Hotels and resorts - CGU 2	2,348	2,348
Travel and tours - CGU 3	3,659	3,659
Others	1,012	1,552
	92,221	92,761

Impairment loss

Impairment loss of RM540,000 was recognised during the year, representing the impairment of traditional Chinese medicine segment, as there is no future economic benefit to be expected from the CGU as a result of ceased operation.

7. **GOODWILL ON CONSOLIDATION** (continued)

CGU 1

The recoverable amount of the CGU was determined based on its value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets and forecasts approved by management covering a five-year period using a discount rate of 14.5% (2016: 13%). The forecasted growth rate used to extrapolate cash flow projections beyond the five-year period is 2% (2016: 2%).

The discount rate applied to the cash flow projections is pre-tax and reflects management's estimate of the risks specific to the CGU at the date of assessment. Management determined the forecasted growth rate and budgeted gross margin based on past performance and its expectations of market developments.

Based on the sensitivity analysis performed, management believe that no reasonably possible change in base case key assumptions would cause the carrying values of the CGU to exceed its recoverable amounts.

The value in use was determined by management using discounted cash flow valuation technique. The key assumptions used for value in use calculations are as stated above.

CGU 2 and CGU 3

The recoverable amount of the CGUs was determined based on its value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets and forecasts approved by management covering a five-year period using a discount rate of 10% (2016: 10%). The forecasted growth rate used to extrapolate cash flow projections beyond the five-year period is 3% - 5% (2016: 3% - 5%).

The discount rate applied to the cash flow projections is pre-tax and reflects management's estimate of the risks specific to the CGUs at the date of assessment. Management determined the forecasted growth rate and budgeted gross margin based on past performance and its expectations of market developments.

Based on the sensitivity analysis performed, management believe that no reasonably possible change in base case key assumptions would cause the carrying values of the CGUs to exceed its recoverable amounts.

The value in use was determined by management using discounted cash flow valuation technique. The key assumptions used for value in use calculations are as stated above.

8. **INVESTMENT IN SUBSIDIARIES**

	Company	
	2017	**2016**
	RM'000	RM'000
Unquoted shares - at cost	700,874	700,874
Less: Impairment loss	(226,281)	(226,281)
	474,593	474,593

8. **INVESTMENT IN SUBSIDIARIES** (continued)

(a) Certain shares of subsidiaries in the Group have been charged to financial institutions for credit facilities granted to the Group as disclosed in Note 20(e) to the financial statements.

(b) Acquisition of Posthotel Arosa AG

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

In the previous financial year, the management used its best estimates and assumptions as part of the purchase price allocation ("PPA") process to value the assets acquired and liabilities assumed and the consideration transferred at the acquisition date. The PPA and considerations for acquisitions may be provisional within the measurement period of up to 12 months after the acquisition date and is subject to refinement as more detailed analysis are completed and additional information about the fair values of the considerations becomes available.

During the financial year, the Group completed its PPA exercise within the stipulated time period resulting in adjustments to certain assets acquired, liabilities assumed, the fair value of consideration transferred and the goodwill previously recognised in the financial statements of the Group.

The following summarises the revised and assumed consideration transferred and recognised amount of assets acquired and liabilities assumed at the acquisition date:

	Assumed	**Adjustments**	**Revised**
	RM'000	RM'000	RM'000
Property, plant and equipment	51,667	13,110	64,777
Inventories	184	-	184
Receivables	618	-	618
Cash and bank balances	1,987	-	1,987
Payables	(1,398)	-	(1,398)
Borrowings	(16,917)	-	(16,917)
Deferred tax liabilities	(3,979)	(3,220)	(7,199)
Total net assets	32,162	9,890	42,052
Net assets acquired	20,098	6,180	26,278
Goodwill on consolidation	107	4,212	4,319
Fair value of consideration	20,205	10,392	30,597
Fair value of previously held equity interest	(10,087)	(10,392)	(20,479)
	10,118	-	10,118
Capitalisation of advances to Arosa	(9,289)	-	(9,289)
Cash and cash equivalents of the subsidiary acquired	(1,987)	-	(1,987)
Net cash inflows on acquisition	(1,158)	-	(1,158)

8. **INVESTMENT IN SUBSIDIARIES** (continued)

(b) Acquisition of Posthotel Arosa AG (continued)

The effects of the adjustment arising from the completion of the PPA exercise are as follows:

	Group 2016 RM'000 As previously reported	**Group 2016** RM'000 As restated
Statements of Financial Position		
Non-current assets		
Property, plant and equipment	156,155	153,289
Equity		
Retained earnings	31,591	25,295
Non-controlling interests	60,053	63,763
Non-current liabilities		
Deferred tax liabilities	6,206	5,926
Statements of Comprehensive Income		
Other operating income	53,000	63,392
Other operating expenses	(53,692)	(73,880)
Income tax expenses	(2,416)	1,084
Statements of Cash Flows		
Impairment loss on goodwill	107	4,319
Property, plant and equipment written off	28,498	44,474
Fair value change in investment in associates	(3,341)	(13,733)

On 23 January 2017, HVA completed its acquisition of the remaining 226 shares in 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%-owned subsidiary of HVA.

8. **INVESTMENT IN SUBSIDIARIES** (continued)

(c) The details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Effective Equity Interest 2017 %	2016 %	Principal Activities
Direct subsidiaries				
Advance Synergy Capital Sdn. Bhd.	Malaysia	100	100	Investment holding and provision of management services
Advance Synergy Properties Sdn. Bhd.	Malaysia	100	100	Investment holding
* Advance Synergy Realty Sdn. Bhd.	Malaysia	100	100	Property development
Advance Synergy Timber Sdn. Bhd.	Malaysia	100	100	Dormant
Alam Samudera Corporation Sdn. Bhd.	Malaysia	100	100	Investment holding
Alangka-Suka Hotels & Resorts Sdn. Bhd.	Malaysia	100	100	Investment holding
* Ausborn Sawmill Sdn. Bhd.	Malaysia	100	100	Inactive
* Bornion Sawmill Sdn. Bhd.	Malaysia	100	100	Inactive
Calmford Incorporated	British Virgin Islands	100	100	Investment holding
Diversified Gain Sdn. Bhd.	Malaysia	100	100	Investment holding
Excellent Arch Sdn. Bhd.	Malaysia	100	100	Investment holding
Excellent Display Sdn. Bhd.	Malaysia	100	100	Property investment, management and rental of properties
iSynergy Sdn. Bhd.	Malaysia	100	100	Inactive
Nagapura Management Corporation Sdn. Bhd.	Malaysia	100	100	Provision of management services
Sadong Development Sdn. Bhd.	Malaysia	100	100	Property development
Segi Koleksi Sdn. Bhd.	Malaysia	70	70	Investment holding
Strategic Research & Consultancy Sdn. Bhd.	Malaysia	100	100	Investment holding
Synergy Gold Incorporated	British Virgin Islands	100	100	Inactive
Synergy Petroleum Incorporated	British Virgin Islands	100	100	Investment holding
Worldwide Matrix Sdn. Bhd.	Malaysia	100	100	Investment holding

8. **INVESTMENT IN SUBSIDIARIES** (continued)

(c) The details of the subsidiaries are as follows (continued):

Name of Company	Country of Incorporation	Effective Equity Interest 2017 %	Effective Equity Interest 2016 %	Principal Activities
Indirect subsidiaries held through Advance Synergy Capital Sdn. Bhd.				
AESBI Power Systems Sdn. Bhd.	Malaysia	100	100	Property investment and management services
ASC Credit Sdn. Bhd.	Malaysia	100	100	Credit and leasing
ASC Equities Sdn. Bhd.	Malaysia	100	100	Investment holding and venture capital business
Quality Bus & Coach (M) Sdn. Bhd.	Malaysia	71	71	Designing, building and fabrication of coaches
Triton-K Sdn. Bhd.	Malaysia	100	100	Provision of management services
Synergy Cards Sdn. Bhd.	Malaysia	100	100	Provision of payment card issuing and acquiring services
Indirect subsidiary held through Quality Bus & Coach (M) Sdn. Bhd.				
# Quality Bus & Coach Pty. Ltd.	Australia	71	71	Designing, building and fabrication of coaches and coach certification and testing
Indirect subsidiary held through Quality Bus & Coach Pty. Ltd.				
# Autobus Australia Pty. Ltd.	Australia	71	71	Designing, building and fabrication of coaches and coach certification and testing
Indirect subsidiaries held through Alangka-Suka Hotels & Resorts Sdn. Bhd.				
Alangka-Suka International Limited	British Virgin Islands	100	100	Investment holding
Alor Setar Holiday Villa Sdn. Bhd.	Malaysia	100	100	Operates Holiday Villa City Centre Alor Setar
Antara Holiday Villas Sdn. Bhd.	Malaysia	100	100	Hotel management services
Asbina Hotel & Property Sdn. Bhd.	Malaysia	100	100	Inactive
Cherating Holiday Villa Berhad	Malaysia	100	100	Operates Holiday Villa Beach Resort & Spa Cherating

8. **INVESTMENT IN SUBSIDIARIES** (continued)

(c) The details of the subsidiaries are as follows (continued):

Name of Company	Country of Incorporation	Effective Equity Interest 2017 %	Effective Equity Interest 2016 %	Principal Activities
Indirect subsidiaries held through Alangka-Suka Hotels & Resorts Sdn. Bhd. (continued)				
Grand Hotel Sudan Limited	British Virgin Islands	100	100	Inactive
Holiday Villa Assets Sdn. Bhd.	Malaysia	100	100	Investment holding
Holiday Villa Travel & Tours Sdn. Bhd.	Malaysia	100	100	Hiring of limousines
Holiday Villas International Limited	British Virgin Islands	100	100	Hotel management services
Langkawi Holiday Villa Sdn. Bhd.	Malaysia	100	100	Operates Holiday Villa Beach Resort & Spa Langkawi
Mayor Hotels Sdn. Bhd.	Malaysia	100	100	Owns and operates City Villa Kuala Lumpur
Super Leisure Sdn. Bhd.	Malaysia	100	100	Investment holding
Indirect subsidiaries held through Alangka-Suka International Limited				
Asbina Shenzhen Limited	British Virgin Islands	90	90	Dormant
Holiday Villa Makkah Limited	British Virgin Islands	100	100	Inactive
# Interwell Management Limited	England and Wales	100	100	Dormant
Larkswood Assets Limited	British Virgin Islands	100	100	Inactive
* P.T. Diwangkara Holiday Villa Bali	Republic of Indonesia	94.81	94.81	Manages Wina Holiday Villa Kuta Bali
Indirect subsidiary held through Asbina Hotel & Property Sdn. Bhd.				
Asbina Hotel & Property (Cambodia) Pte. Ltd.	Kingdom of Cambodia	100	100	Inactive
Indirect subsidiary held through Holiday Villa Assets Sdn. Bhd.				
* Posthotel Arosa AG	Switzerland	65	62.49	Owns and operates Holiday Villa Arosa. Ceased operation since 30 December 2016.

8. **INVESTMENT IN SUBSIDIARIES** (continued)

(c) The details of the subsidiaries are as follows (continued):

Name of Company	Country of Incorporation	Effective Equity Interest 2017 %	Effective Equity Interest 2016 %	Principal Activities
Indirect subsidiaries held through Holiday Villas International Limited				
Holiday Villa China International Limited	British Virgin Islands	95	95	Hotel management services
Holiday Villa Middle East Limited	British Virgin Islands	100	100	Hotel management services
* Holiday Villa (UK) Ltd.	England and Wales	100	100	Operates Holiday Villa Hotel & Suites London
Indirect subsidiary held through Holiday Villa China International Limited				
* Changshu Holiday Villa Hotel Management Co. Ltd.	People's Republic of China	95	95	Hotel management services
Indirect subsidiary held through Changshu Holiday Villa Hotel Management Co. Ltd.				
* Shanghai Li Wei Hotel Co. Ltd.	People's Republic of China	95	-	Hotel management services
Indirect subsidiaries held through Advance Synergy Properties Sdn. Bhd.				
Synergy Realty Incorporated	British Virgin Islands	100	100	Investment holding
Indirect subsidiary held through Segi Koleksi Sdn. Bhd.				
Metroprime Corporation Sdn. Bhd.	Malaysia	70	70	Owns and operates The Language House
Indirect subsidiary held through Synergy Realty Incorporated				
* Builderworks Pty. Ltd.	Australia	100	100	Inactive
Indirect subsidiaries held through Calmford Incorporated				
Advansa Sdn. Bhd.	Malaysia	100	100	Inactive
* Home Cinema Studio Pty. Ltd.	Australia	100	100	Inactive
Indirect subsidiary held through Alam Samudera Corporation Sdn. Bhd.				
Synergy Tours (Borneo) Sdn. Bhd.	Malaysia	100	100	Tour operator

8. **INVESTMENT IN SUBSIDIARIES** (continued)

(c) The details of the subsidiaries are as follows (continued):

Name of Company	Country of Incorporation	Effective Equity Interest 2017 %	Effective Equity Interest 2016 %	Principal Activities
Indirect subsidiary held through Diversified Gain Sdn. Bhd.				
Orient Escape Travel Sdn. Bhd.	Malaysia	100	100	Travel and tour agent and the provision of travel related services
Indirect subsidiaries held through Orient Escape Travel Sdn. Bhd.				
Motorsports Adventure Sdn. Bhd.	Malaysia	100	100	Inactive
OET Money Service Sdn. Bhd.	Malaysia	100	100	Money services business
Orient Escape Travel (Penang) Sdn. Bhd.	Malaysia	100	100	Inactive
Synergy Tours Sdn. Bhd.	Malaysia	100	100	Tour operator
Indirect subsidiary held through Excellent Arch Sdn. Bhd.				
Advance Synergy Furniture Sdn. Bhd.	Malaysia	100	100	In liquidation
Indirect subsidiary held through Excellent Display Sdn. Bhd.				
Dama TCM Sdn. Bhd.	Malaysia	100	100	Provision of traditional Chinese medicine consultation, products and services
Indirect subsidiaries held through iSynergy Sdn. Bhd.				
Cosmocourt.com (Malaysia) Sdn. Bhd.	Malaysia	100	100	Inactive
Datakey Sdn. Bhd.	Malaysia	100	100	Dormant
Rewardstreet.com (Malaysia) Sdn. Bhd.	Malaysia	100	100	Inactive
Indirect subsidiaries held through Nagapura Management Corporation Sdn. Bhd.				
Acrylic Synergy Sdn. Bhd.	Malaysia	81	81	Inactive
Syarikat Fit and Weld Engineering (M) Sdn. Bhd.	Malaysia	70	70	In liquidation
Xgo Technik Sdn. Bhd.	Malaysia	100	100	Provision of management services
Indirect subsidiary held through Sadong Development Sdn. Bhd.				
Hotel Golden Dragon Sdn. Bhd.	Malaysia	95	95	Inactive

8. **INVESTMENT IN SUBSIDIARIES** (continued)

(c) The details of the subsidiaries are as follows (continued):

Name of Company	Country of Incorporation	Effective Equity Interest 2017 %	Effective Equity Interest 2016 %	Principal Activities
Indirect subsidiary held through Hotel Golden Dragon Sdn. Bhd.				
Simpang Tiga Realty Sdn. Bhd.	Malaysia	95	95	Inactive
Indirect subsidiary held through Worldwide Matrix Sdn. Bhd				
* Captii Limited	Singapore	58.30	58.30	Investment holding and the provision of management services
Indirect subsidiaries held through Captii Limited				
* Captii Ventures Pte. Ltd.	Singapore	58.30	58.30	Undertake investment in technology companies
* Mobilization Sdn. Bhd.	Malaysia	58.30	58.30	Provision of telecomunnications products, technology and customised solutions to telecommunication operators, service providers and enterprises
* Unified Assets Sdn. Bhd.	Malaysia	58.30	58.30	Investment holding
* Unified Communications (OHQ) Sdn. Bhd.	Malaysia	58.30	58.30	Provisions of management services
* Unified Communications (OSS) Sdn. Bhd.	Malaysia	58.30	58.30	Investment holding
* Unified Communications Pte. Ltd.	Singapore	58.30	58.30	Distribution of telecommunications products, the design and development of telecommunications solutions, project management, and maintenance and support services for the telecommunications industry
* Unified Communications Sdn. Bhd.	Malaysia	58.30	58.30	Research and development, software engineering, system integration, project management, and maintenance and support services for the telecommunications industry
Indirect subsidiary held through Unified Communications (OSS) Sdn. Bhd.				
* GlobeOSS Sdn. Bhd.	Malaysia	29.73	29.73	Provision of global roaming quality of service management solutions

8. **INVESTMENT IN SUBSIDIARIES** (continued)

(c) The details of the subsidiaries are as follows (continued):

Name of Company	Country of Incorporation	Effective Equity Interest 2017 %	Effective Equity Interest 2016 %	Principal Activities
Indirect subsidiary held through GlobeOSS Sdn. Bhd.				
* GlobeOSS Pte. Ltd.	Singapore	29.73	29.73	Provision of global roaming quality of service management solutions
Indirect subsidiary held through GlobeOSS Pte. Ltd.				
* GlobeOSS (Brunei) Sdn. Bhd.	Brunei Darussalam	29.73	29.73	Provision of global roaming quality of services management solutions
Indirect subsidiaries held through Unified Communications Pte. Ltd.				
* Adzentrum Sdn. Bhd.	Malaysia	58.30	58.30	Dormant
* Unified Communications (Private) Limited	Pakistan	58.30	58.30	Provision of telecommunications products, technology and customised solutions to telecommunications operators, service providers and enterprises
* Unified Communications (VAS) Sdn. Bhd.	Malaysia	58.30	58.30	Provision of telecommunications products, technology and customised solutions to telecommunications operators, service providers and enterprises
Indirect subsidiaries held through Unified Communications Sdn. Bhd.				
* Ahead Mobile Sdn. Bhd.	Malaysia	58.30	58.30	Software engineering, system integration, project management, and maintenance and support services for the telecommunications industry
* Unified Communications (Tech) Pte. Ltd.	Singapore	58.30	58.30	Distribution of information technology and telecommunications products

* *Companies audited by another firm of auditors other than Baker Tilly Monteiro Heng.*

Companies not required to be audited in their countries of incorporation. The financial statements have been reviewed for consolidation purposes.

8. INVESTMENT IN SUBSIDIARIES (continued)

(d) The Group's subsidiaries that have material non-controlling interest ("NCI") are as follows:

	2017				
	Captii Limited RM'000	**Posthotel Arosa AG** RM'000	**Quality Bus & Coach (M) Sdn. Bhd.** RM'000	**Other individually immaterial subsidiaries** RM'000	**Total** RM'000
NCI percentange of ownership interest and voting interest	41.7%	35%	29%		
Carrying amount of NCI	50,798	17,042	(4,785)	158	63,213
Profit/(Loss) allocated to NCI	5,059	144	(817)	28	4,414
Summary financial information before intra-group elimination					
As at 31 December					
Non-current assets	79,481	18,778	748		
Current assets	83,587	41,276	19,570		
Non-current liabilities	(923)	(1,075)	-		
Current liabilities	(40,326)	(10,288)	(45,896)		
Net assets/(liabilities)	121,819	48,691	(25,578)		
Year ended 31 December					
Revenue	77,448	-	5,391		
Profit/(Loss) for the financial year	7,184	10,994	(2,816)		
Total comprehensive income/(loss)	9,950	10,994	(2,816)		
Cash flows from/(used in) operating activities	8,201	(610)	18		
Cash flows (used in)/from investing activities	(11,913)	52,822	38		
Cash flows (used in)/from financing activities	(7,521)	(16,942)	2,795		
Net (decrease)/increase in cash and cash equivalents	(11,233)	35,270	2,851		
Dividends paid to NCI	2,538	-	-		

8. **INVESTMENT IN SUBSIDIARIES** (continued)

(d) The Group's subsidiaries that have material NCI are as follows (continued):

	2016				
	Captii Limited RM'000	**Posthotel Arosa AG** RM'000 Restated	**Quality Bus & Coach (M) Sdn. Bhd.** RM'000	**Other individually immaterial subsidiaries** RM'000	**Total** RM'000 Restated
NCI percentange of ownership interest and voting interest	41.7%	37.51%	29%		
Carrying amount of NCI	49,728	18,118	(3,968)	(115)	63,763
Profit/(Loss) allocated to NCI	10,001	2,098	(681)	(241)	11,177
Summary financial information before intra-group elimination					
As at 31 December					
Non-current assets	71,889	19,968	881		
Current assets	83,046	49,494	24,570		
Non-current liabilities	(1,557)	(17,571)	-		
Current liabilities	(34,126)	(3,589)	(48,384)		
Net assets/(liabilities)	119,252	48,302	(22,933)		
Year ended 31 December					
Revenue	70,035	6,519	12,363		
Profit/(Loss) for the financial year	19,287	(8,231)	(2,347)		
Total comprehensive income/(loss)	16,267	22,595	(2,347)		
Cash flows from/(used in) operating activities	1,221	(13,197)	(6,687)		
Cash flows used in investing activities	(10,255)	-	(219)		
Cash flows (used in)/from financing activities	(4,262)	14,215	7,237		
Net (decrease)/increase in cash and cash equivalents	(13,296)	1,018	331		
Dividends paid to NCI	1,012	-	-		

9. INVESTMENT IN ASSOCIATES

	Group 2017 RM'000	Group 2016 RM'000
Unquoted shares, at cost	34,066	34,066
Unquoted shares, at fair value	4,228	2,312
Fair value change	2,597	3,341
	40,891	39,719
Share of post-acquisition reserve, net of dividends received	6,394	7,218
	47,285	46,937
Foreign exchange adjustments	(543)	-
	46,742	46,937

The summarised financial information of the associates is as follows:

	Group 2017 RM'000	Group 2016 RM'000
Results		
Revenue	5,183	15,426
Profit for the financial year	(1,444)	1,935
Assets and Liabilities		
Total assets	204,811	200,591
Total liabilities	73,875	69,362

The details of the associates are as follows:

Name of Company	Country of Incorporation	Effective Equity Interest 2017 %	Effective Equity Interest 2016 %	Principal Activities
Indirect associate held through Advance Synergy Capital Sdn. Bhd.				
* SIBB Berhad	Malaysia	20	20	Investment dealings
Indirect associate held through Synergy Realty Incorporated				
* Helenium Holdings Limited	British Virgin Islands	40	40	Property investment, management and rental of property

9. **INVESTMENT IN ASSOCIATES** (continued)

The details of the associates are as follows (continued):

Name of Company	Country of Incorporation	Effective Equity Interest 2017 %	Effective Equity Interest 2016 %	Principal Activities
Indirect associates held through Alangka-Suka Hotels & Resorts Sdn. Bhd.				
Holiday Villa Hotels & Resorts Sdn. Bhd.	Malaysia	40	40	Dormant
Holiday Villa Kuala Lumpur Sdn. Bhd.	Malaysia	40	40	Investment holding
Indirect associate held through Langkawi Holiday Villa Sdn. Bhd.				
M OOD Perfumes Sdn. Bhd.	Malaysia	30	30	Inactive
Indirect associate held through Super Leisure Sdn. Bhd.				
Smile Integrated Solution Sdn. Bhd.	Malaysia	49	49	Provide total solution for hotel industry which concentrate in marketing of SMILE Hospitality System, providing training and maintenance of software
Indirect associates held through Synergy Tours Sdn. Bhd.				
* P.T. Panorama Synergy Indonesia	Republic of Indonesia	49	49	Tour operator
* Synergy Holidays Company Limited	Republic of The Union of Myanmar	50	50	Tour operator
Indirect associate held through Dama TCM Sdn. Bhd.				
Medical Palace Sdn. Bhd.	Malaysia	50	50	Dormant
Indirect associate held through Strategic Research & Consultancy Sdn. Bhd.				
* Kopistop Sdn. Bhd.	Malaysia	40	40	Food and beverage cafe, restaurant and consultancy
Indirect associate held through Captii Ventures Pte. Ltd.				
* OOPA Pte. Ltd.	Vietnam	23.21	14.58	Provision of mobile credits top-up services with loyalty rewards

** Companies audited by another firm of auditors other than Baker Tilly Monteiro Heng.*

9. INVESTMENT IN ASSOCIATES (continued)

The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates:

	SIBB Berhad RM'000	Holiday Villa Kuala Lumpur Sdn. Bhd. RM'000	Helenium Holdings Limited RM'000
Group			
2017			
Summarised financial information			
As at 31 December			
Non-current assets	11,275	20,169	114,913
Current assets	50,315	129	4,585
Non-current liabilities	(2,639)	-	(46,910)
Current liabilities	(226)	(4,320)	(17,683)
Net assets	58,725	15,978	54,905
Year ended 31 December			
Revenue	1,116	-	4,039
Profit/(Loss) for the financial year	805	(217)	(1,818)
Other comprehensive income	-	-	-
Total comprehensive income/(loss)	805	(217)	(1,818)

	SIBB Berhad RM'000	Holiday Villa Kuala Lumpur Sdn. Bhd. RM'000	Helenium Holdings Limited RM'000	Other individually immaterial associates RM'000	Total RM'000
Reconciliation of net assets to carrying amount					
As at 31 December					
Group's share of net assets	11,745	6,391	21,962	7,478	47,576
Foreign exchange translation differences	-	-	(311)	(328)	(639)
Carrying amount in the statement of financial position	11,745	6,391	21,651	7,150	46,937
Group's share of results					
Year ended 31 December					
Group's share of profit or loss	161	(87)	(727)	(173)	(826)

9. INVESTMENT IN ASSOCIATES (continued)

The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates (continued):

	SIBB Berhad RM'000	Holiday Villa Kuala Lumpur Sdn. Bhd. RM'000	Helenium Holdings Limited RM'000
Group			
2016			
Summarised financial information			
As at 31 December			
Non-current assets	10,692	17,863	113,518
Current assets	49,007	1,510	4,523
Non-current liabilities	(2,499)	(1,633)	(50,768)
Current liabilities	(254)	(1,545)	(11,303)
Net assets	56,946	16,195	55,970
Year ended 31 December			
Revenue	1,716	-	7,768
Profit/(Loss) for the financial year	1,309	(172)	96
Other comprehensive income	540	-	-
Total comprehensive income/(loss)	1,849	(172)	96

	SIBB Berhad RM'000	Holiday Villa Kuala Lumpur Sdn. Bhd. RM'000	Helenium Holdings Limited RM'000	Other individually immaterial associates RM'000	Total RM'000
Reconciliation of net assets to carrying amount					
As at 31 December					
Group's share of net assets	11,389	6,478	22,388	6,718	46,973
Foreign exchange translation differences	-	-	(10)	(26)	(36)
Carrying amount in the statement of financial position	11,389	6,478	22,378	6,692	46,937
Group's share of results					
Year ended 31 December					
Group's share of profit or loss	262	(69)	38	(284)	(53)
Group's share of other comprehensive income	108	-	-	-	108
Group's share of total comprehensive income/(loss)	370	(69)	38	(284)	55

10. INVESTMENT IN JOINT VENTURE

	Group 2017 RM'000	Group 2016 RM'000
At cost:		
At 1 January	-	9
Share of post-acquisition reserve, net of dividends received	-	(12)
Foreign exchange translation differences	-	3
At 31 December	-	-

The details of the joint venture are as follows:

Name of Company	Country of Incorporation	Effective Equity Interest 2017 %	Effective Equity Interest 2016 %	Principal Activities
Indirect joint venture held through Unified Communications Pte. Ltd.				
* Unified Telecom Private Limited	India	29.15	29.15	Provision of telecomunnications products, technology and customised solutions.

* *Companies audited by another firm of auditors other than Baker Tilly Monteiro Heng.*

The statutory reporting year end of the joint venture is 31 March. The unaudited management financial statements for the period from 1 January 2017 to 31 December 2017 of the joint venture have been used for equity accounting since it is not significant to the Group.

The summarised financial information of the joint venture, not adjusted for the percentage ownership held by the Group is as follows:

	Group 2017 RM'000	Group 2016 RM'000
Results		
Revenue	-	-
Loss for the financial year	(2)	(27)
Assets		
- Current assets	17	19
- Non-current assets	-	-
	17	19
Liabilities		
- Current liabilities	11	34
Operating cash inflows	-	-
Investing cash inflows	-	-
Financing cash inflows	-	-

11. INVESTMENT SECURITIES

	Group	
	2017	**2016**
	RM'000	RM'000
Non-Current:		
Available-for-sale financial assets		
Quoted securities		
In Malaysia		
- Equity instruments, at fair value	9,650	11,820
Available-for-sale financial assets		
Unquoted securities		
In Malaysia		
- Equity instruments, at cost	5	5
- Less: Impairment loss	-	-
	5	5
Outside Malaysia		
- Equity instruments, at cost	18,839	20,158
- Less: Impairment loss	(14,808)	(14,808)
	4,031	5,350
	4,036	5,355
Fair value through profit or loss financial assets:		
Designated as at fair value through profit or loss		
Unquoted securities		
In Malaysia		
- Convertible preference shares, at fair value	860	666
- Convertible loan notes, at fair value	279	311
Outside Malaysia		
- Convertible preference shares, at fair value	17,757	5,257
- Convertible loan notes, at fair value	9,983	10,490
	28,879	16,724
Total non-current investment securities	42,565	33,899
Current:		
Financial assets at fair value through profit or loss:		
Held for trading investments		
Quoted securities		
In Malaysia		
- Equity instruments	470	470
- Fair value change	(11)	(10)
Total current investment securities	459	460
Total investment securities	43,024	34,359
Market value of quoted investments	10,109	12,280

12. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	RM'000	RM'000	RM'000	RM'000
Current:					
Trade					
Trade receivables	(a)	89,807	94,022	-	-
Amount owing from customers for contract work	(b)	9,169	765	-	-
Accrued billings		5,887	18,243	-	-
		104,863	113,030	-	-
Less : Impairment loss					
Trade receivables	(a)	(1,419)	(1,479)	-	-
		103,444	111,551	-	-
Non-Trade					
Other receivables		26,320	56,764	130	121
Deposits		7,202	2,824	12	17
Amounts owing from associates	(c)	3,673	308	-	-
Amounts owing from subsidiaries	(d)	-	-	141,417	142,592
		37,195	59,896	141,559	142,730
Less : Impairment loss					
Other receivables		(1,514)	(877)	-	-
		(1,514)	(877)	-	-
		35,681	59,019	141,559	142,730
Total current receivables		139,125	170,570	141,559	142,730
Total trade and other receivables		139,125	170,570	141,559	142,730
Add: Cash and bank balances and short term deposits	16	158,047	139,849	4,093	1,309
Total loan and receivables		297,172	310,419	145,652	144,039

12. **TRADE AND OTHER RECEIVABLES** (continued)

(a) **Trade receivables**

Trade receivables are non-interest bearing and normal credit terms offered by the Group range from 30 to 90 days (2016: 30 to 90 days). Other credit terms are assessed and approved on a case by case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The carrying amounts of trade and other receivables approximate their fair values.

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2017	**2016**
	RM'000	RM'000
Neither past due nor impaired	60,304	61,214
Past due 0 to 3 months	14,013	10,542
Past due 3 to 9 months	12,387	18,387
Past due over 9 months	1,684	2,400
	28,084	31,329
Impaired- Individually	1,377	1,437
Impaired- Collectively	42	42
	89,807	94,022

<u>Receivables that are neither past due nor impaired</u>

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

12. **TRADE AND OTHER RECEIVABLES** (continued)

(a) **Trade receivables** (continued)

Receivables that are past due but not impaired

Included in the Group's trade and other receivable balances are receivables with carrying values of RM28.1 million (2016: RM31.3 million) which are past due but not impaired at the end of the financial year. The Group has not made any allowances for impairment for these receivables since there has not been a significant change in the credit quality of these receivables and the amounts owing are still considered as recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date the credit was initially granted up to the reporting date. The Group has policies in place to ensure that credit is extended only to customers with acceptable credit history and/or payment track records. Allowances for impairment are made on specific trade receivables when there is objective evidence that the Group will not be able to collect all amounts due. Included in current year provisions are mainly specific allowances for impairment.

Trade receivables that are past due but not impaired are unsecured in nature.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement in allowance accounts used to record the impairment are as follows:

Movement in allowance accounts:

	Group	
	2017	**2016**
	RM'000	RM'000
At 1 January	1,479	1,774
Charge for the financial year	19	-
Disposal of a subsidiary	-	(198)
Written off	(78)	-
Reversal of impairment loss	-	(100)
Exchange differences	(1)	3
At 31 December	1,419	1,479

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments.

12. **TRADE AND OTHER RECEIVABLES** (continued)

(b) **Amount owing from/(to) customers for contract work**

	Group 2017 RM'000	Group 2016 RM'000
Aggregate costs incurred to date and attributable profits recognised to date	19,550	18,970
Less: Progress billings	(12,439)	(23,618)
	7,111	(4,648)
Analysed as follows:		
Amount owing to customers for contract work	(2,058)	(5,413)
Amount owing from customers for contract work	9,169	765
	7,111	(4,648)

The contract work relates to proprietary solution contracts undertaken by the Group for its customers. At the end of the financial year, amounts in trade and other receivables arising from service contracts are due for settlement within 12 months.

(c) **Amount owing from associates**

The amount owing from associates are unsecured, interest-free and are repayable on demand by cash.

(d) **Amount owing from subsidiaries**

	Company 2017 RM'000	Company 2016 RM'000
Amount owing from subsidiaries	205,416	206,591
Less : Impairment loss	(63,999)	(63,999)
	141,417	142,592

The amount owing from subsidiaries are unsecured, interest-free and are repayable on demand by cash.

13. DEFERRED TAX (ASSETS)/LIABILITIES

(a) Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts of deferred tax assets and liabilities, after appropriate offsetting, are as follows:

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000 Restated	RM'000	RM'000
At 1 January		4,076	1,994	(139)	(270)
Recognised in profit or loss	27	(1,902)	(6,939)	126	73
Recognised directly in equity:					
- ICULS	19	4	58	4	58
Acquisition of a subsidiary		-	7,199	-	-
Recognised in other comprehensive income:					
- Revaluation of properties		-	1,747	-	-
Foreign exchange translation adjustment		(7)	17	-	-
At 31 December		2,171	4,076	(9)	(139)
Presented after appropriate offsetting:					
Deferred tax assets, net		(3,191)	(1,850)	(9)	(139)
Deferred tax liabilities, net		5,362	5,926	-	-
		2,171	4,076	(9)	(139)

The deferred tax assets of the Company are in relation to the ICULS.

(b) The component and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group

	Property, Plant and Equipment RM'000	Others RM'000	Total RM'000
At 1 January 2017	5,084	842	5,926
Recognised in profit or loss	(629)	65	(564)
At 31 December 2017	4,455	907	5,362
At 1 January 2016	1,723	936	2,659
Recognised in profit or loss	(5,585)	(94)	(5,679)
Acquisition of a subsidiary	7,199	-	7,199
Recognised in other comprehensive income	1,747	-	1,747
At 31 December 2016	5,084	842	5,926

13. **DEFERRED TAX (ASSETS)/LIABILITIES** (continued)

(b) The component and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (continued):

Deferred tax assets of the Group

	Unutilised tax losses and unabsorbed capital allowances RM'000	**Others** RM'000	**Total** RM'000
At 1 January 2017	2,168	(318)	1,850
Recognised in profit or loss	1,470	(125)	1,345
Recognised in equity	-	(4)	(4)
At 31 December 2017	3,638	(447)	3,191
At 1 January 2016	836	(171)	665
Recognised in profit or loss	1,332	(89)	1,243
Recognised in equity	-	(58)	(58)
At 31 December 2016	2,168	(318)	1,850

(c) The amount of temporary differences for which no deferred tax assets have been recognised are as follows:

	Group	
	2017 RM'000	**2016** RM'000
Deductible temporary differences	11,306	12,484
Unutilised tax losses	212,054	210,871
Unabsorbed capital allowances	25,067	24,673
	248,427	248,028

The unutilised tax losses and deductible temporary differences do not expire under current tax legislation.

14. INVENTORIES

	Group	
	2017	**2016**
	RM'000	RM'000
At cost/net realisable value:		
Raw materials	43	43
Work-in-progress	1,342	4,093
Finished goods	140	86
Food and beverages	196	204
Operating supplies	7,416	7,918
Completed properties and properties under development	30,949	29,672
	40,086	42,016

Completed properties and properties under development consist of the following:

	Group	
	2017	**2016**
	RM'000	RM'000
Current assets		
Leasehold land	10,970	10,970
Development costs	8,554	6,927
	19,524	17,897
Completed properties	11,425	11,775
	30,949	29,672

Included in properties under development are the following charges incurred during the financial year:

	Group	
	2017	**2016**
	RM'000	RM'000
Interest expenses	-	41

Certain leasehold land held under development with carrying amount of RM5.15 million (2016: RM5.15 million) have been charged to financial institutions for credit facilities granted to a subsidiary as disclosed in Note 20 to the financial statements.

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM8.16 million (2016: RM30.74 million).

15. FINANCIAL ASSETS HELD FOR TRADING

	Group	
	2017	**2016**
	RM'000	RM'000
Financial assets held for trading at fair value through profit or loss:		
Foreign currencies held for sale	361	429

16. CASH AND BANK BALANCES AND SHORT TERM DEPOSITS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	79,392	56,620	243	159
Short term deposits	78,655	83,229	3,850	1,150
	158,047	139,849	4,093	1,309

Included in the short term deposits of the Group are:

(a) an amount of RM16.68 million (2016: RM12.42 million) charged to licensed banks as security for banking facilities granted to certain subsidiaries as disclosed in Note 20 to the financial statements;

(b) included in deposits with licensed banks of the Group at the end of the reporting period was an amount of RM0.60 million (2016: RM0.58 million) held under the Housing Development Account pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore restricted from use in other operations; and

(c) an amount of RM24.75 million (2016: RM23.85 million) placed with lease payables as security deposits for lease payments as disclosed in Note 20 to the financial statements.

The weighted average effective interest rate of the short term deposits is disclosed in Note 36(c) to the financial statements.

17. SHARE CAPITAL

	2017		2016	
	Number of Shares '000	RM'000	Number of Shares '000	RM'000
Authorised:				
Ordinary shares				
At 1 January	3,000,000	900,000	3,000,000	900,000
Transition to no par value regime	(3,000,000)	(900,000)	-	-
At 31 December	-	-	3,000,000	900,000
Issued and fully paid:				
Ordinary shares				
At 1 January	664,052	199,216	664,052	199,216
Transition to no par value regime:				
- Share premium	-	117,317	-	-
Arising from conversion of ICULS (Note 19)	13,724	4,117	-	-
At 31 December	677,776	320,650	664,052	199,216

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM117,317,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM117,317,000 for the purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one (1) vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

18. RESERVES

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000 Restated	RM'000	RM'000
Available-for-sale reserve	(a)	1,881	4,051	-	-
Capital reserve		-	-	69	69
Foreign exchange translation reserve	(b)	7,189	13,535	-	-
Revaluation reserve	(c)	23,510	23,510	-	-
Share premium	(d)	-	117,317	-	117,317
		32,580	158,413	69	117,386
Retained earnings		18,902	25,295	11,755	10,570
		51,482	183,708	11,824	127,956

(a) **Available-for-Sale Reserve**

The available-for-sale reserve represents the fair value reserve relating to the fair valuation of financial assets categorised as available-for-sale and share of available-for-sale reserve of associates.

(b) **Foreign Exchange Translation Reserve**

The foreign exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation and share of foreign exchange translation reserve of associates.

(c) **Revaluation Reserve**

The revaluation reserve represents the surplus on the revaluation of certain hotel properties of the Group and share of revaluation reserve of associates.

(d) **Share Premium**

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. Pursuant to Section 618(2) of the Act, the sum of RM117,317,000 standing to the credit of the Company's share premium account has been transferred and become parts of the Company's share capital as disclosed in the Note 17 to the financial statements.

19. **ICULS**

On 29 January 2008, the Company issued 1,182,277,666 ICULS.

The ICULS are constituted by a Trust Deed dated 10 December 2007 as varied in the First Supplemental Trust Deed dated 4 August 2008, the Second Supplemental Trust Deed dated 20 July 2012 and the Third Supplemental Trust Deed dated 26 September 2013 ("Trust Deed"). The ICULS at the nominal amount of RM0.15 each issued by the Company have a tenure of ten (10) years from the date of issue and are not redeemable in cash. Unless converted, all outstanding ICULS will be mandatorily converted by the Company into new ordinary shares of the Company ("ASB Shares") at the conversion price applicable on the maturity date (i.e. 26 January 2018).

The ICULS may be converted into new ASB Shares by:

(a) surrendering the ICULS with an aggregate nominal value equivalent to RM0.30 for every one (1) new ASB Share (subject to adjustments in accordance with the provisions of the Trust Deed) ("Conversion Price"); or

(b) surrendering one (1) ICULS together with the necessary cash payment constituting the difference between the Conversion Price and the nominal value of the ICULS surrendered, for one (1) new ASB Share. For avoidance of doubt, for every one (1) ICULS surrendered together with the required cash payment, the holder will only be entitled to subscribe for one (1) new ASB Share.

The new ASB Shares to be issued upon conversion of the ICULS will, upon allotment and issuance, rank pari passu in all respects with the then existing issued ASB Shares save that they will not be entitled for any dividends, rights, allotments and/or other distributions, the entitlement date of which is before the date of allotment of the new ASB Shares pursuant to the conversion of the ICULS.

The interest on the ICULS at the rate of 2% per annum on the nominal value of the outstanding ICULS is payable annually in arrears, on the last day of each of the ten (10) successive periods of twelve (12) months calculated from the issue date with the last interest payment date falling on the maturity date of the ICULS.

19. **ICULS** (continued)

The ICULS is recognised in the statements of financial position of the Group and of the Company as follows:

		Group and Company		
	Note	Equity Component	Liability Component	Total
2017		RM'000	RM'000	RM'000
Nominal value				
At 1 January 2017		64,803	16,144	80,947
Deferred tax assets	13	-	(4)	(4)
Converted to ordinary shares during the financial year	17	(4,079)	(38)	(4,117)
At 31 December 2017		60,724	16,102	76,826
Expense recognised in profit or loss				
At 1 January 2017		-	8,100	8,100
Recognised during the financial year - ICULS interest		-	71	71
At 31 December 2017		-	8,171	8,171
Interest paid/accrued:				
At 1 January 2017		-	(22,651)	(22,651)
Paid/accrued during the financial year		-	(1,514)	(1,514)
At 31 December 2017		-	(24,165)	(24,165)
At 31 December 2017		60,724	108	60,832

		Group and Company		
	Note	Equity Component	Liability Component	Total
2016		RM'000	RM'000	RM'000
Nominal value				
At 1 January 2016		64,861	16,144	81,005
Deferred tax assets	13	(58)	-	(58)
At 31 December 2016		64,803	16,144	80,947
Expense recognised in profit or loss				
At 1 January 2016		-	7,892	7,892
Recognised during the financial year - ICULS interest		-	208	208
At 31 December 2016		-	8,100	8,100
Interest paid/accrued:				
At 1 January 2016		-	(21,060)	(21,060)
Paid/accrued during the financial year		-	(1,591)	(1,591)
At 31 December 2016		-	(22,651)	(22,651)
At 31 December 2016		64,803	1,593	66,396

Interest expense on the ICULS is calculated based on the effective yield by applying the effective interest rate of 7% (2016: 7%) for an equivalent non-convertible loan stock to the liability component of the ICULS.

20. BORROWINGS

		Group	
		2017	**2016**
	Note	RM'000	RM'000
Current liabilities			
Bank overdrafts	(a)	1,728	-
Revolving credit	(b)	35,000	20,750
Hire purchase payables	(d)	59	56
Term loans	(e)	2,252	2,693
		39,039	23,499
Non-current liabilities			
Finance lease payable	(c)	23,017	23,009
Hire purchase payables	(d)	134	194
Term loans	(e)	37,612	56,542
		60,763	79,745
		99,802	103,244
Total liabilities			
Bank overdrafts	(a)	1,728	-
Revolving credit	(b)	35,000	20,750
Finance lease payable	(c)	23,017	23,009
Hire purchase payables	(d)	193	250
Term loans	(e)	39,864	59,235
		99,802	103,244

(a) Bank Overdrafts

	Group	
	2017	**2016**
	RM'000	RM'000
Bank overdrafts:		
- secured	1,728	-

The bank overdrafts are secured by way of:

(i) a pledge of short term deposits;

(ii) fixed & floating charges over the assets of certain subsidiaries as disclosed in Note 14 and 16 to the financial statements;

(iii) a guarantee and an indemnity from the Company and its subsidiaries.

The weighted average effective interest rate of the revolving credit is disclosed in Note 36(c) to the financial statements.

20. **BORROWINGS** (continued)

(b) **Revolving Credit**

The revolving credit is secured by way of:

(i) a pledge of short term deposits;

(ii) fixed charges over certain hotel and other properties of the Group as disclosed in Note 4(b) to the financial statements;

(iii) certain shares of subsidiaries at carrying amounts of RM10.28 million (2016: RM10.28 million) and RM61.94 million (2016: RM61.94 million) respectively; and

(iv) a guarantee and an indemnity from the Company.

The weighted average effective interest rate of the revolving credit is disclosed in Note 36(c) to the financial statements.

(c) **Finance Lease Payable**

	Group	
	2017	**2016**
	RM'000	RM'000
Minimum lease payments:		
- not later than one (1) year	1,203	1,203
- later than one (1) year but not later than five (5) years	23,599	24,802
	24,802	26,005
Less: Future finance lease interest	(1,785)	(2,996)
Present value of finance lease liabilities	23,017	23,009
Represented by:		
Current		
- not later than one (1) year	-	-
Non-current		
- later than one (1) year but not later than five (5) years	23,017	23,009
	23,017	23,009

Finance lease payable represents obligation arising from the finance lease for a hotel property pursuant to sale and leaseback agreements entered in 2006 with an option to further extend for another period of two (2) years in the previous financial year.

The Group has an option to buy back the hotel property at RM23 million at the end of the extended lease term.

The weighted average effective interest rate of the finance lease payable is disclosed in Note 36(c) to the financial statements.

The finance lease payable is secured by way of a pledge of short term deposit as disclosed in Note 16(c) to the financial statements.

20. **BORROWINGS** (continued)

(d) **Hire Purchase Payables**

	Group	
	2017	**2016**
	RM'000	RM'000
Minimum hire purchase payments:		
- not later than one (1) year	68	68
- later than one (1) year but not later than five (5) years	142	206
	210	274
Less: Future hire purchase interest	(17)	(24)
Present value of hire purchase liabilities	193	250
Represented by:		
Current		
- not later than one (1) year	59	56
Non-current		
- later than one (1) year but not later than five (5) years	134	194
	193	250

The weighted average effective interest rate of the hire purchase payable is disclosed in Note 36(c) to the financial statements.

(e) **Term Loans**

	Group	
	2017	**2016**
	RM'000	RM'000
Term loans		
-secured	39,864	59,235
Represented by:		
Current		
- not later than one (1) year	2,252	2,693
Non-current		
- later than one (1) year but not later five (5) years	8,874	20,504
- later than five (5) years	28,738	36,038
	37,612	56,542
	39,864	59,235

20. **BORROWINGS** (continued)

(e) **Term Loans** (continued)

The term loans are secured by way of:

(i) fixed charges over certain hotel and other properties of the Group as disclosed in Note 4(b) to the financial statements;

(ii) the entire issued and paid up share capital of certain subsidiaries;

(iii) certain shares of subsidiaries at carrying amounts of RM10.28 million (2016: RM10.28 million) and RM61.94 million (2016: RM61.94 million) respectively;

(iv) fixed and floating charges over the assets of certain subsidiaries as disclosed in Notes 14 and 16(a) to the financial statements; and

(v) a corporate guarantee by the Company and its subsidiaries.

The weighted average effective interest rate of the term loans is disclosed in Note 36(c) to the financial statements.

21. **PROVISION FOR RETIREMENT BENEFIT OBLIGATIONS**

The Group operates unfunded defined retirement benefit plans for some of its employees.

The total amount recognised in the statements of financial position are as follows:

	Group	
	2017	**2016**
	RM'000	RM'000
Present value of unfunded defined benefits obligations	1,747	1,609

The following table shows a reconciliation from the opening balance to the closing balance for the retirement benefit plan:

	Group	
	2017	**2016**
	RM'000	RM'000
At 1 January	1,609	1,427
Include in the profit or loss:		
- Current service cost	108	102
- Interest cost	98	88
	206	190
Others:		
Paid during the financial year	(68)	(8)
At 31 December	1,747	1,609

21. PROVISION FOR RETIREMENT BENEFIT OBLIGATIONS (continued)

The principal actuarial assumptions used are as follows:

	Group	
	2017	**2016**
	%	%
Discount rate	6.0	6.0
Expected rate of salary increase	6.0	6.0
Future turnover rate	6.0	6.0

Assumptions regarding future mortality are based on published statistics and mortality tables.

Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Group	
	Defined benefit obligation	
	Increase	**Decrease**
2017	RM'000	RM'000
Increase/Decrease of 1% discount rate	(247)	296
Increase/Decrease of 1% expected rate of salary increase	355	(294)
Increase/Decrease of 1% future turnover rate	(66)	71
Increase/Decrease of 10% future mortality	(13)	13

Although the analysis does not account to the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

22. TRADE AND OTHER PAYABLES

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current:					
Trade					
Amount owing to customers for contract work	12(b)	2,058	5,413	-	-
Trade payables	(a)	38,444	24,153	-	-
Deferred revenue		4,417	2,339	-	-
		44,919	31,905	-	-
Current:					
Non-Trade					
Accruals		13,412	16,893	537	537
Accrued interest		1,396	1,472	1,396	1,472
Amount owing to associates	(b)	22	-	-	-
Amount owing to subsidiaries	(c)	-	-	226,710	224,891
Deposits received		2,001	821	-	-
Other payables		35,087	26,534	-	-
		51,918	45,720	228,643	226,900
Total current payables		96,837	77,625	228,643	226,900
Total trade and other payables		96,837	77,625	228,643	226,900
Less: Deferred revenue		4,417	2,339	-	-
Add: Borrowings (Note 20)		99,802	103,244	-	-
Total financial liabilities carried at amortised cost		192,222	178,530	228,643	226,900

(a) **Trade payables**

Trade payables are non-interest bearing and the normal credit terms granted to the Group range from 30 to 90 days (2016: 30 to 90 days).

(b) **Amount owing to associates**

The amount owing to associates is unsecured, interest-free and is repayable on demand by cash.

(c) **Amount owing to subsidiaries**

The amount owing to subsidiaries is unsecured, interest-free and is repayable on demand by cash.

23. REVENUE

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Sales of goods and services	11,028	13,483	-	-
Hotels and resorts services	51,722	50,113	-	-
Coach building	5,391	12,363	-	-
Information, communications technology and related service	77,448	70,035	-	-
Travel and tours	111,606	101,431	-	-
Card and payment services	6,629	6,287	-	-
Interest and financing income	24	28	24	28
Property development	1,145	22,154	-	-
Rental income	930	881	-	-
Gross dividend income	-	-	9,621	9,932
	265,923	276,775	9,645	9,960

24. COST OF SALES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Sales of goods and services	9,740	11,721	-	-
Hotels and resorts services	12,839	12,099	-	-
Coach building	2,982	8,263	-	-
Information, communications technology and related service	42,037	32,752	-	-
Travel and tours	103,362	92,818	-	-
Card and payment services	4,615	4,532	-	-
Property development	516	17,114	-	-
	176,091	179,299	-	-

25. **OPERATING PROFIT**

Operating profit has been arrived at:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000 Restated	RM'000	RM'000
After charging:				
Amortisation of intangible assets	1,825	2,003	-	-
Auditors' remuneration				
- statutory:				
- holding company	100	100	100	100
- subsidiaries	836	853	-	-
- under/(over) accrual in prior years	32	(15)	3	3
- non-statutory:				
- holding company	15	12	15	12
Write down of inventories	12	160	-	-
Bad debts written off	151	-	-	-
Depreciation	6,411	7,454	8	9
Directors' remuneration:				
- fees	598	621	315	315
- other emoluments	2,315	1,764	1,104	822
Impairment loss on:				
- development expenditure	-	300	-	-
- goodwill	540	4,319	-	-
- available-for-sale investment securities	-	1	-	-
- loan and receivables	637	8	-	23
- property, plant and equipment	-	93	-	-
Fair value change in:				
- held for trading investments	2	-	-	-
- fair value through profit or loss investment securities	658	-	-	-
- foreign currencies held for sale	8	-	-	-
- investment property	-	810	-	-
- an associate	744	-	-	-
Loss on disposal of:				
- a subsidiary	-	884	-	-
- property, plant and equipment	16	-	-	-
Lease rental	11,206	11,488	-	-
Net loss on foreign exchange:				
- realised	-	132	-	-
- unrealised	1,828	2,026	-	-
Property, plant and equipment written off	96	44,474	-	-
Provision for retirement benefits plan	206	190	-	-
Realisation of foreign exchange reserve	-	737	-	-
Rental expenses:				
- equipment	221	232	-	-
- premises	1,149	1,165	170	170
- others	299	309	-	-
Staff cost:				
- salaries and wages	41,276	41,279	2,536	2,149
- defined contribution plan	5,323	4,943	370	322
- other employee benefits	4,141	3,892	22	36

25. OPERATING PROFIT (continued)

Operating profit has been arrived at (continued):

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000 Restated	RM'000	RM'000
And crediting:				
Insurance claim compensation	12,161	32,646	-	-
Gain on disposal of:				
- property, plant and equipment	-	72	-	-
- an associate	-	389	-	-
- partial interest in a subsidiary	-	38	-	-
Fair value change in:				
- foreign currencies held for sale	-	17	-	-
- held for trading investments	-	28	-	-
- investment in associates	-	13,733	-	-
- fair value through profit or loss investment securities	-	5,428	-	-
Net gain on foreign exchange:				
- realised	208	-	-	1
- unrealised	-	-	-	54
Gross dividend income from:				
Available-for-sale financial assets				
- Malaysia:				
- unquoted securities	5	-	-	-
Interest income:				
- Short term deposits	2,783	2,722	24	28
- Loan and receivables	232	227	-	-
Rental income	1,410	1,621	-	-
Write back of impairment loss on:				
- available-for-sale investment securities	-	99	-	99
- loan and receivables	60	272	-	-
Write back of payables	198	-	-	-

26. FINANCE COSTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Interest expenses				
- bank overdrafts	42	1	-	-
- finance lease	1,211	1,316	-	-
- hire purchases	12	13	-	-
- ICULS	71	208	71	208
- term loans	3,908	3,039	2,269	1,215
- others	1	2	-	-
	5,245	4,579	2,340	1,423

27. INCOME TAX EXPENSE

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
		Restated		
Income tax				
Current year				
- In Malaysia	5,859	7,082	7	8
- Outside Malaysia	44	(3)	-	-
Prior years	608	(1,224)	(5)	1
Deferred tax (Note 13)				
Current year	(2,286)	(5,862)	-	-
Prior years	384	(1,077)	126	73
	4,609	(1,084)	128	82

The income tax is calculated at the statutory rate of 24% (2016: 24%) of the estimated assessable profit for the year.

Two indirect subsidiaries of the Company, GlobeOSS Sdn. Bhd. and Unified Communications (VAS) Sdn. Bhd., have been granted pioneer status as Multimedia Super Corridor ("MSC") companies under the Malaysia Promotion of Investment Act, 1986. The benefits to a company having MSC status include a five year pioneer status tax exemption on profits generated from the MSC qualifying activities during the same period. The MSC status of GlobeOSS Sdn. Bhd. after being extended once, expired on 14 January 2017. The MSC status of Unified Communications (VAS) Sdn. Bhd. commenced from 21 December 2015 and will expire on 20 December 2020.

In addition, another subsidiary of the Company, Unified Communications (OHQ) Sdn. Bhd. received the Malaysian Industrial Development Authority's approval in October 2009 of its Operational Headquarters ("OHQ") status to provide certain approved OHQ services to the Group entities. The OHQ status is granted for ten (10) years with certain tax incentives.

27. INCOME TAX EXPENSE (continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	%	%	%	%
		Restated		
Applicable tax rate	24	24	24	24
Tax effects arising from				
- Non allowable expenses	59	124	53	43
- Non taxable income	(71)	(101)	(77)	(67)
- Utilisation of previously unrecognised tax losses and capital allowances	(15)	(2)	-	-
- Deferred tax assets not recognised in the year	43	53	-	-
- Different tax rate in foreign jurisdiction	5	1	-	-
- Crystalisation of deferred tax liabilities	-	(80)	-	-
- Share of tax of associates included in share of profit of associates	2	-	-	-
- Utilisation of group relief	(4)	(3)	-	-
	43	16	-	-
- under/(over) accrual in prior years	12	(30)	4	2
Average effective tax rate	55	(14)	4	2

The tax savings of the Group and of the Company are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Arising from utilisation of previously unutilised tax losses	1,223	183	-	-

28. LOSS PER ORDINARY SHARE

(a) Basic loss per ordinary share

	Group	
	2017 RM'000	**2016** RM'000 Restated
Consolidated loss attributable to owners of the parent	(663)	(2,438)

	2017 '000	**2016** '000
Weighted average number of ordinary shares in issue	672,339	664,052

	2017 Sen	**2016** Sen Restated
Basic loss per share	(0.10)	(0.37)

(b) Diluted loss per ordinary share

Diluted loss per share of the Group is calculated by dividing the loss for the financial year attributable to owners of the parent by the adjusted weighted average number of ordinary shares in issue during the financial year. The adjusted weighted average number of ordinary shares in issue is arrived at assuming full conversion of the ICULS which represents the dilutive potential of the ordinary shares.

	Group	
	2017 RM'000	**2016** RM'000 Restated
Consolidated loss attributable to owners of the parent	(663)	(2,438)
Interest expenses on ICULS (net of tax)	197	281
Loss after mandatory conversion of ICULS	(466)	(2,157)

	2017 '000	**2016** '000
Weighted average number of ordinary shares in issue	672,339	664,052
Adjustment for ordinary shares deemed converted from ICULS	256,856	265,143
Weighted average number of ordinary shares in issue after deemed conversion of ICULS	929,195	929,195

28. **LOSS PER ORDINARY SHARE** (continued)

(b) **Diluted loss per ordinary share** (continued)

	Group	
	2017	**2016**
	Sen	Sen Restated
Diluted loss per share	(0.10)	(0.37)

The diluted loss per share for the current and previous financial year are equivalent to the basic loss per share as the effect arising from deemed conversion of ICULS is anti-dilutive.

29. **DIVIDENDS**

Dividends recognised by the Company are as follows:

	Sen per share	**Total Amount RM'000**	**Date of payment**
2017			
Final 2016 ordinary share (single tier)	0.250	1,693	18 August 2017
2016			
Final 2015 ordinary share (single tier)	0.250	1,660	23 August 2016

30. **CONTINGENT LIABILITIES**

	Group	
	2017	**2016**
	RM'000	RM'000
Unsecured:		
Litigation	6,362	6,541

On 19 November 2013, Unified Telecom Private Limited ("UTPL"), a joint venture entity in India of Unified Communications Pte. Ltd. ("UCPL"), a wholly-owned subsidiary of Captii Limited ("Captii"), which in turn an indirect 58.3%-owned subsidiary of the Company, filed a petition to the High Court of Delhi, New Delhi under Section 9 of India Arbitration and Conciliation Act, 1996 ("Act") to obtain interim relief on the protection of assets currently under the custody of a former customer, a mobile telecoms network operator and service provider in India ("Telco"), and to deny the penalty claims by the Telco against UTPL.

30. **CONTINGENT LIABILITIES** (continued)

The Telco had via a letter issued in July 2013 alleged that UTPL is liable for a sum of INR 10.7 crore (approximately SGD2.1 million or RM6.3 million) for damages and expenditure incurred in connection with the said contract during its currency.

Legal advice has been sought from reputable law firms in both India and Singapore with good credentials in handling contract litigation and dispute resolution, to review and advice on the merit of this claim by the Telco on UTPL. Based on the legal opinions obtained from the law firms concerned, management of Captii is of the view that UTPL has full rights and title to the assets and should be entitled to demand their return, and that the Telco's claim against UTPL has no legal merit. Accordingly, external legal counsels in Singapore and India have been appointed to advise and represent UCPL and UTPL to pursue legal recourse.

As announced by Captii on 16 January 2015, the hearing on the petition filed by UTPL which was originally scheduled to be heard on 23 April 2014, having been adjourned on several occasions, was dismissed by the High Court, as the Telco had initiated the arbitration proceedings before a tribunal. The High Court was of the view that the matter should be resolved through arbitration proceedings since the tribunal had already been constituted.

During the reporting year 2015, UTPL commenced an application pursuant to Section 17 of the Indian Arbitration and Conciliation Act 1996 for, amongst others, the return of the Hardware. However, the learned Arbitrator dismissed the application, but directed Telco to ensure the safety of and protect the Hardware from any damage during the period the Hardware is lying in Telco's premises.

A number of procedural hearings have been held by the Arbitrator to cross examine the affidavits of the admissions and denial documents relating to the aforesaid claim and counterclaims, with additional affidavit filed by the Telco. The Arbitrator has attempted to arrange for a number of hearings but these were adjourned a few times with the date of the next hearing has not been fixed.

In the opinion of management of Captii, no material losses are expected to arise pertaining to the aforesaid contingent matter.

31. **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.

31. MATERIAL LITIGATION (continued)

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 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 Bali, and pay material and immaterial losses of PT Diwangkara Holiday Villa Bali 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 High Court of Denpasar's judgment, Jaya Makmur has submitted a cassation appeal to the Supreme Court. PT Diwangkara Holiday Villa Bali also submitted a cassation appeal to the Supreme Court.

32. COMMITMENTS

The Group has lease commitments under non-cancellable operating leases, which are payable as follows:

	Group	
	2017	**2016**
	RM'000	RM'000
Not later than one (1) year	8,277	13,820
Later than one (1) year but not later than five (5) years	28,741	29,778
Later than five (5) years	52,576	61,511
	89,594	105,109

The Group leases a number of hotels and office premises under operating leases. The hotel leases typically run for the period of two to eighty years and the office premises leases run for average period of three years.

33. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identification of related parties

Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also included key management personnel defined as those group of persons having authority and responsibility for planning, directing, and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its subsidiaries, associates, significant investors, Directors and key management personnel.

(b) Significant related party transactions and balances

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Income				
(i) Dividends receivable from subsidiaries				
- Alangka-Suka Hotels & Resorts Sdn. Bhd.	-	-	5,076	4,778
- Worldwide Matrix Sdn. Bhd.	-	-	1,410	1,360
- Diversified Gain Sdn. Bhd.	-	-	1,320	1,980
- Advance Synergy Realty Sdn. Bhd.	-	-	1,815	1,814
(ii) Rental receivable from a company of which a director has deemed interest:				
- SJ Securities Sdn. Bhd.	549	552	-	-

33. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

(b) Significant related party transactions and balances (continued)

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows (continued):

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Expenses				
(i) Rental payable to a subsidiary				
- AESBI Power Systems Sdn. Bhd.	-	-	170	170
(ii) Purchase of goods and services from a subsidiary				
- Orient Escape Travel Sdn. Bhd.	-	-	119	27
(iii) Lease rental payable to a company of which a director has deemed interest:				
- Leeds Property Limited	4,904	4,822	-	-
(iv) Directors' emoluments:				
- fees	598	621	315	315
- salaries and bonuses	2,315	1,764	1,104	822
- benefit-in-kind	115	95	108	88

(c) Compensation of key management personnel

The remuneration of Directors and other key management personnel during the financial year are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Fees	609	674	315	315
Emoluments and benefits	4,643	4,830	1,445	1,166
Contributions to defined contribution plan	552	513	173	140
	5,804	6,017	1,933	1,621

The estimated monetary value of other benefits, not included in the above, received by Directors and other key management personnel of the Company and its subsidiaries were RM122,100 (2016: RM102,100) for the Company and RM114,900 (2016: RM94,900) for the Group.

Included in the employee benefits of the Group and of the Company are Executive Directors' remuneration amounting to RM1,970,280 (2016: RM1,764,106) and RM1,104,320 (2016: RM822,080) respectively.

34. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 Operating Segments and on the basis of internal reports on the Group's strategic business units which are regularly reviewed by the Group Managing Director in order to allocate resources to the segments and to assess their performances.

The Group's operating and reportable segments are business units engaged in providing different products or services and business units operating in different geographical locations. These businesses are managed and assessed separately as each requires a differentiated strategy focused on the specific products and services. The Group Managing Director reviews the internal management reports on a quarterly basis in order to assess their performance.

There are varying levels of integration among Investment Holding segment and Travel and Tours segment with the other segments. This integration includes rental of properties, corporate support and provision of travel related service. Inter-segment pricing is determined on a negotiated basis.

Segment results

Segment performance is used to measure performance as Group Managing Director believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group Managing Director. Segment total asset is used to measure the return on assets of each segment.

Segment liabilities

The total segment liability is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Group Managing Director.

The Group's operating segments are as follows:

Investment holding	:	Investment holding and providing full corporate and financial support to the Group.
Property development	:	Development of residential and commercial properties.
Hotels and resorts	:	Operate and manage hotels and resorts and other related services.
Information and communications technology	:	Design and development of telecommunications software applications and systems and the provision of solutions and services for the telecommunications industry.

34. **SEGMENT INFORMATION** (continued)

The Group's operating segments are as follows (continued):

Travel and tours : Travel and tour agent, money services business and provision of travel related services.

Others : Businesses involving design, building and fabrication of coaches and bus maintenance and related services, trading, payment card issuing and acquiring services, traditional Chinese medicine services and owns and operates language centre.

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by operating segment:

2017	Investment holding RM'000	Property development RM'000	Hotels and resorts RM'000	Information and communications technology RM'000	Travel and tours RM'000	Others RM'000	Elimination RM'000	Notes	Total RM'000
Revenue									
External	673	1,145	60,461	77,448	111,606	14,590	-		265,923
Inter-segment	11,348	-	-	-	567	-	(11,915)	(a)	-
	12,021	1,145	60,461	77,448	112,173	14,590	(11,915)		265,923
Results									
Segment results	641	134	15,711	8,783	2,088	(8,550)	(9,621)	(b)	9,186
Share of results of associates	(726)	-	(79)	-	(21)	-	-		(826)
Consolidated profit/ (loss) before tax	(85)	134	15,632	8,783	2,067	(8,550)	(9,621)		8,360
Income tax expense	(128)	(47)	(2,070)	(1,607)	(757)	-	-		(4,609)
Net profit for the financial year									3,751
Attributable to:									
Non-controlling interests									4,414
Owners of the parent									(663)

34. **SEGMENT INFORMATION** (continued)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by operating segment (continued):

2017	**Invest-ment holding** RM'000	**Property develop-ment** RM'000	**Hotels and resorts** RM'000	**Information and commu-nications technology** RM'000	**Travel and tours** RM'000	**Others** RM'000	**Elimi-nation** RM'000	**Notes**	**Total** RM'000
Other information									
Segments assets	62,602	54,725	243,987	208,136	25,859	52,783	-		648,092
Investment in associates and joint venture	34,167	-	6,499	5,639	437	-	-		46,742
Unallocated corporate assets									5,137
Total assets									699,971
Segment liabilities	30,014	4,028	96,038	39,639	7,997	20,778	-		198,494
Unallocated corporate liabilities									5,408
Total liabilities									203,902
Additions to non-current assets (other than financial instruments and deferred tax assets)									
- Property, plant and equipment	2	40	8,832	3,005	9	102	-		11,990
- Software development expenditure	-	-	-	844	-	-	-		844
- Licenses	-	-	-	-	-	163	-		163
Income:									
Interest income	62	339	2,041	482	91	-	-		3,015
Write back of impairment loss on:									
-loan and receivables	-	-	-	60	-	-	-		60
Insurance claim compensation	-	-	12,161	-	-	-	-		12,161
Expense:									
Amortisation of intangible assets	-	-	-	1,686	-	139	-		1,825
Depreciation	469	23	3,347	1,598	106	868	-		6,411
Finance cost	3,684	-	1,297	-	42	222	-		5,245

34. SEGMENT INFORMATION (continued)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by operating segment (continued):

2017	Invest-ment holding RM'000	Property develop-ment RM'000	Hotels and resorts RM'000	Information and commu-nications technology RM'000	Travel and tours RM'000	Others RM'000	Elimi-nation RM'000	Notes	Total RM'000
Other information (continued)									
Expense (continued):									
Fair value change in:									
-held for trading investments	-	-	(2)	-	-	-	-		(2)
-foreign currency held for trading	-	-	-	-	(8)	-	-		(8)
-investment in associates	-	-	-	439	305	-	-		744
-fair value through profit or loss investments	-	-	-	(658)	-	-	-		(658)
Impairment loss on:									
-loan and receivables	14	-	-	-	-	623	-		637
-goodwill	-	-	-	-	-	540	-		540
Write down on inventories	-	-	-	12	-	-	-		12
Bad debts written off	30	-	43	78	-	-	-		151
Property, plant and equipment written off	-	-	2	-	20	74	-		96
Loss on disposal of property, plant and equipment	-	-	3	2	-	11	-		16
Lease rental	-	-	11,206	-	-	-	-		11,206
Staff costs:									
- salaries and wages	4,317	674	12,898	15,315	3,635	4,437	-		41,276
- defined contribution plan	513	78	1,691	2,067	483	491	-		5,323
- other employee benefits	109	29	1,309	1,687	673	334	-		4,141

34. **SEGMENT INFORMATION** (continued)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by operating segment (continued):

2016	**Invest-ment holding** RM'000	**Property develop-ment** RM'000	**Hotels and resorts** RM'000	**Information and commu-nications technology** RM'000	**Travel and tours** RM'000	**Others** RM'000	**Elimi-nation** RM'000	**Notes**	**Total** RM'000
Revenue									
External	642	22,164	61,871	70,035	101,431	20,632	-		276,775
Inter-segment	11,762	-	-	-	381	-	(12,143)	(a)	-
	12,404	22,164	61,871	70,035	101,812	20,632	(12,143)		276,775
Results									
Segment results	621	4,240	(3,279)	22,126	4,295	(10,983)	(9,300)	(b)	7,720
Share of results of associates	299	-	(692)	(12)	340	-	-		(65)
Consolidated profit/ (loss) before tax	920	4,240	(3,971)	22,114	4,635	(10,983)	(9,300)		7,655
Income tax expense	(92)	(968)	5,421	(2,834)	(443)	-	-		1,084
Net profit for the financial year									8,739
Attributable to:									
Non-controlling interests									11,177
Owners of the parent									(2,438)

34. **SEGMENT INFORMATION** (continued)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by operating segment (continued):

2016	Invest-ment holding RM'000	Property develop-ment RM'000	Hotels and resorts RM'000	Information and commu-nications technology RM'000	Travel and tours RM'000	Others RM'000	Elimi-nation RM'000	Notes	Total RM'000
Other information									
Segments assets	55,682	64,069	253,054	201,092	25,306	51,825	-		651,028
Investment in associates and joint venture	33,927	-	6,578	5,668	764	-	-		46,937
Unallocated corporate assets									4,309
Total assets									702,274
Segment liabilities	32,476	5,557	88,710	33,407	5,112	18,809	-		184,071
Unallocated corporate liabilities									6,713
Total liabilities									190,784
Additions to non-current assets (other than financial instruments and deferred tax assets)									
- Property, plant and equipment	169	2	1,585	1,090	16	941	-		3,803
- Software development expenditure	-	-	-	1,537	-	-	-		1,537
- Licenses	-	-	-	-	-	182	-		182
Income:									
Interest income	94	55	1,937	773	90	-	-		2,949
Fair value change in:									
-held for trading investments	-	-	28	-	-	-	-		28
-foreign currency held for trading	-	-	-	-	17	-	-		17
-investment in associates	-	-	10,377	3,356	-	-	-		13,733
-fair value through profit or loss investments	-	-	-	5,428	-	-	-		5,428
Write back/(off) of impairment loss on:									
-available-for-sale investments	99	-	-	-	-	-	-		99
-loan and receivables	172	-	100	-	-	-	-		272

34. **SEGMENT INFORMATION** (continued)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by operating segment (continued):

2016	**Invest-ment holding** RM'000	**Property develop-ment** RM'000	**Hotels and resorts** RM'000	**Information and commu-nications technology** RM'000	**Travel and tours** RM'000	**Others** RM'000	**Elimi-nation** RM'000	**Notes**	**Total** RM'000
Other information (continued)									
Income (Continued):									
Gain/(Loss) on disposal of:									
-partial interest in a subsidiary	-	-	38	-	-	-	-		38
-an associate	-	-	-	-	389	-	-		389
-property, plant and equipment	-	16	95	(2)	-	(37)	-		72
Insurance claim compensation	-	-	32,646	-	-	-	-		32,646
Expense:									
Amortisation of intangible assets	-	-	-	1,898	-	105	-		2,003
Depreciation	578	20	3,599	1,495	126	1,636	-		7,454
Finance cost	2,850	-	1,484	-	1	244	-		4,579
Impairment loss on:									
-property, plant and equipment	-	-	-	93	-	-	-		93
-investment property	-	-	-	810	-	-	-		810
-development expenditure	-	-	-	300	-	-	-		300
-loan and receivables	8	-	-	-	-	-	-		8
-goodwill	-	-	4,319	-	-	-	-		4,319
Write down on inventories	-	-	-	60	-	100	-		160
Loss on disposal a subsidiary	-	-	-	-	-	884	-		884
Property, plant and equipment written off	63	11	44,386	-	-	14	-		44,474
Lease rental	-	-	11,488	-	-	-	-		11,488
Staff costs:									
- salaries and wages	4,366	731	13,225	15,116	3,798	4,043	-		41,279
- defined contribution plan	569	84	1,334	1,899	487	570	-		4,943
- other employee benefits	245	33	907	1,753	647	307	-		3,892

34. **SEGMENT INFORMATION** (continued)

Notes Nature of elimination to arrive at amounts reported in the consolidated financial statements:

(a) Inter-segment revenues are eliminated on consolidation;

(b) Inter-segment expenses are eliminated on consolidation; and

Geographical Information

The Group operates mainly in Malaysia, Singapore, Africa and Middle East, Europe and Australia. In determining the geographical segments of the Group, revenue is based on the geographical locations of customers. Segment assets and capital expenditure are based on the geographical location of the assets. The composition of each geographical segment is as follows:

Malaysia	:	Investment holding and providing full corporate and financial support to the Group, property development, owner and operator of hotels and resorts, travel and tours related services, payment card issuing and acquiring services, design and development of telecommunications software applications and systems and the provision of solutions and services for the telecommunications industry, design, building and fabrication of coaches, and bus maintenance and related services, traditional Chinese medicine services and owns and operates language centre.
Singapore	:	Design and development of telecommunications software applications and systems and the provision of solutions and services for the telecommunications industry, provision of management and investment holdings.
Africa and Middle East	:	Operate and manage hotels and resorts, design and development of telecommunications software applications and systems and the provision of solutions and services for the telecommunications industry.
Europe	:	Operate and manage hotels and resorts.
Others	:	Operate and manage hotels and resorts, design and development of telecommunications software applications and systems and the provision of solutions and services for the telecommunications industry.

34. **SEGMENT INFORMATION** (continued)

Geographical segments

The following table provides an analysis of the Group's revenue, segment assets and additions to non-current assets (other than financial instruments and deferred tax assets) by geographical segment:

	Revenue		**Segment assets**		**Acquisition of non-current assets (other than financial instruments and deferred tax assets)**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	234,168	237,143	498,435	503,220	4,971	4,973
Singapore	7,678	2,276	30,616	25,421	28	6
Africa & Middle East	2,070	9,340	4,304	7,143	156	326
Europe	13,461	13,152	52,434	57,602	170	29
Others	8,546	14,864	62,303	57,642	7,672	188
	265,923	276,775	648,092	651,028	12,997	5,522

Major customers

There are no major customers with revenue equal or more than 10% of the Group total revenue.

35. **FAIR VALUE OF FINANCIAL INSTRUMENTS**

(a) **Financial instruments that are not carried at fair value and whose carrying amounts are not reasonably approximated to fair value**

It is not practical to estimate the fair value of the unquoted investment in securities due to the lack of comparable quoted price in an active market and the inability to reliably estimate fair value.

35. **FAIR VALUE OF FINANCIAL INSTRUMENTS** (continued)

(b) **Financial instruments that are not carried at fair value and whose carrying amounts are reasonably approximated to fair value**

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Financial Assets	
Trade and other receivables	12
Financial assets held for trading	15
Cash and bank balances and short term deposits	16
Financial Liabilities	
Trade and other payables	22
Borrowings	20
ICULS	19

The carrying amount of these financial assets and liabilities is reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amount of the current portion of borrowings is reasonable approximation of fair values due to the insignificant impact of discounting.

The carrying amount of long term floating rate loans approximate their fair value as the loans to be repaid to market interest rate on or near report date.

The fair value of the liability component and the equity component were determined at the issuance of ICULS.

(c) **Fair value hierarchy**

The following are classes of financial instruments that are carried at fair value, by valuation method. The different levels have been defined as follows:

(i) Level 1 - Unadjusted quoted prices in active market for identical financial instruments

(ii) Level 2 - Inputs other than quoted prices include within Level 1 that are observable either directly or indirectly

(iii) Level 3 - Inputs that are not based on observable market data

35. **FAIR VALUE OF FINANCIAL INSTRUMENTS** (continued)

(c) **Fair value hierarchy** (continued)

The following table provides fair value measurement hierarchy of the Group's and the Company's financial instruments:

		Fair value of financial instruments carried at fair value				**Fair value of financial instruments not carried at fair value**					
		Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Fair value**	**Carrying amount**
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group											
2017											
Financial Assets											
Investment securities:	11										
- Available-for-sale financial assets		9,650	-	-	9,650	-	-	-	-	9,650	9,650
- Held for trading investments		459	-	-	459	-	-	-	-	459	459
Foreign currency held for trading	15	361	-	-	361	-	-	-	-	361	361
Financial Liabilities											
Borrowings:	20										
- Bank overdrafts		-	-	-	-	-	-	1,728	1,728	1,728	1,728
- Revolving credit		-	-	-	-	-	-	35,000	35,000	35,000	35,000
- Finance lease payable		-	-	-	-	-	-	23,017	23,017	23,017	23,017
- Hire purchase payable		-	-	-	-	-	-	193	193	193	193
- Term loans		-	-	-	-	-	-	39,864	39,864	39,864	39,864
ICULS	19	-	-	-	-	-	-	60,832	60,832	60,832	60,832
Company											
2017											
Financial Liabilities											
ICULS	19	-	-	-	-	-	-	60,832	60,832	60,832	60,832

35. **FAIR VALUE OF FINANCIAL INSTRUMENTS** (continued)

(c) **Fair value hierarchy** (continued)

The following table provides fair value measurement hierarchy of the Group's and the Company's financial instruments (continued):

		Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
		Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Fair value**	**Carrying amount**
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group											
2016											
Financial Assets											
Investment securities:	11										
- Available-for-sale financial assets		11,820	-	-	11,820	-	-	-	-	11,820	11,820
- Held for trading investments		460	-	-	460	-	-	-	-	460	460
Foreign currency held for trading	15	429	-	-	429	-	-	-	-	429	429
Financial Liabilities											
Borrowings:	20										
- Revolving credit		-	-	-	-	-	-	20,750	20,750	20,750	20,750
- Finance lease payable		-	-	-	-	-	-	23,009	23,009	23,009	23,009
- Hire purchase payable		-	-	-	-	-	-	250	250	250	250
- Term loans		-	-	-	-	-	-	59,235	59,235	59,235	59,235
ICULS	19	-	-	-	-	-	-	66,396	66,396	66,396	66,396
Company											
2016											
Financial Liabilities											
ICULS	19	-	-	-	-	-	-	66,396	66,396	66,396	66,396

35. **FAIR VALUE OF FINANCIAL INSTRUMENTS** (continued)

(c) **Fair value hierarchy** (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Fair value hierarchy

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Level 3 fair value

Level 3 fair value is estimated using unobservable input for the ICULS.

The reconciliation of Level 3 fair value of ICULS is as disclosed in Note 19 to the financial statements.

The valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

The fair value of the revolving credit, hire purchase payable, term loans and finance lease payable are determined using the discounted cash flows method based on discount rates that reflects the issuer's borrowing rate as at the end of the reporting period.

Transfer between levels of fair values hierarchy

There is no transfer between levels of fair values hierarchy during the financial year.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter party default on its obligation. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. It is the Group's and the Company's policy to monitor the financial standing of these receivables on an ongoing basis to ensure that the Group and the Company is exposed to minimal credit risk.

Cash deposits and trade receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted.

Exposure to credit risk

As at end of financial year, the Group has no significant concentration of credit risk other than an amount owing from a debtor of RM9.28 million (2016: RM9.14 million). The Group does not anticipate the carrying amounts as at the end of financial year to be significantly different from the values that would eventually be received.

The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the statement of financial position.

Credit risk concentration profile

The Group determines concentrations of credit risk by industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Company's trade receivables at the reporting date are as follows:

	Group			
	2017		2016	
	RM'000	% of total	RM'000	% of total
By industry sectors:				
Investment holding	33	0.0%	32	0.0%
Property development	699	0.8%	5,554	6.0%
Hotels and resorts	8,384	9.5%	9,140	9.9%
Information and communications technology	45,964	52.0%	50,143	54.2%
Travel and tours	13,675	15.5%	8,465	9.1%
Others	19,633	22.2%	19,209	20.8%
	88,388	100.0%	92,543	100.0%

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit Risk (continued)

Credit risk concentration profile (continued)

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 12 to the financial statements. Deposits with banks and other financial institutions, investment securities and derivatives are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are past due or impaired is disclosed in Note 12 to the financial statements.

Intercompany balances

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

The maximum exposure to credit risk amounts to RM78.24 million (2016: RM64.23 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, it was not probable that the counter party to the financial guarantee contract will claim under the contract. Consequently, the fair value for the corporate guarantee is NIL.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

36. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

(b) **Liquidity Risk**

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations:

			← Contractual cash flows →			
2017	**Carrying Amount** RM'000	**Contractual interest rate** %	**Within 1 Year** RM'000	**1 - 5 Years** RM'000	**More than 5 Years** RM'000	**Total** RM'000
Group						
Financial Liabilities						
Trade and other payables	92,420	-	92,420	-	-	92,420
Revolving credit	35,000	5.55	35,000	-	-	35,000
Finance lease payable	23,017	5.50	1,203	23,599	-	24,802
Hire purchase payables	193	2.70	68	142	-	210
Bank overdrafts	1,728	7.44	1,728	-	-	1,728
Term loans	39,864	4.65-7.71	4,049	15,670	37,600	57,319
ICULS	60,832	2.00	75,426	-	-	75,426
Company						
Other payables	228,643	-	228,643	-	-	228,643
ICULS	60,832	2.00	75,426	-	-	75,426

36. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

(b) **Liquidity Risk** (continued)

Maturity analysis (continued)

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations (continued):

2016	Carrying Amount RM'000	Contractual interest rate %	← Contractual cash flows Within 1 Year RM'000	1 - 5 Years RM'000	More than 5 Years RM'000	→ Total RM'000
Group						
Financial Liabilities						
Trade and other payables	75,286	-	75,286	-	-	75,286
Revolving credit	20,750	5.50	20,750	-	-	20,750
Finance lease payable	23,009	5.50	1,203	24,802	-	26,005
Hire purchase payables	250	2.70	68	206	-	274
Term loans	59,235	1.54-7.60	4,953	28,734	46,441	80,128
ICULS	66,396	2.00	81,134	-	-	81,134
Company						
Other payables	226,900	-	226,900	-	-	226,900
ICULS	66,396	2.00	81,134	-	-	81,134

(c) **Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and is managed through the use of fixed and floating rate debts. The Group does not use derivative financial instruments to hedge its risk.

The Company manages the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuation.

36. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

(c) **Interest Rate Risk** (continued)

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

		2017		**2016**	
	Note	**Weighted Average Effective Interest Rate** %	**Carrying Amount** RM'000	**Weighted Average Effective Interest Rate** %	**Carrying Amount** RM'000
Fixed Rate					
Group					
Financial Liabilities					
Finance lease payable	20(c)	5.50	23,017	5.50	23,009
Hire purchase payables	20(d)	5.10	193	5.10	250
Term loans	20(e)	-	-	1.71	17,140
			23,210		40,399
ICULS	19	7.00	60,832	7.00	66,396
			84,042		106,795
Company					
ICULS	19	7.00	60,832	7.00	66,396
Floating Rate					
Group					
Financial Assets					
Short term deposits	16	3.14	78,655	3.10	83,229
Financial Liabilities					
Bank overdrafts	20(a)	7.44	1,728	-	-
Revolving credit	20(b)	5.55	35,000	5.50	20,750
Term loans	20(e)	5.16	39,864	5.17	42,095
			76,592		62,845
Company					
Financial Assets					
Short term deposits	16	2.70	3,850	2.70	1,150

Sensitivity analysis for interest rate risk

(i) **Fair value sensitivity analysis for fixed rate instruments**

The Group and the Company do not account for any fixed rate financial assets at fair value through profit or loss and equity. Therefore a change in interest rates at the reporting date would not affect profit or loss and equity.

36. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

(c) **Interest Rate Risk** (continued)

Sensitivity analysis for interest rate risk (continued)

(ii) **Cash flow sensitivity analysis for variable rate instruments**

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM0.02 million and RM0.03 million higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings and higher/lower interest income from floating rate fixed deposits. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

(d) **Foreign Currency Risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM, Singapore Dollar ("SGD") and US Dollar ("USD"). The foreign currencies in which these transactions mainly denominated in US Dollar ("USD"), Australian Dollar ("AUD") and European Euro ("Euro").

The Group and the Company ensure that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Management does not enter into currency hedging transactions since it considers that the cost of such instruments outweigh the potential risk of exchange rate fluctuations.

The unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:

	← Functional currencies →				
Group	**Ringgit Malaysia**	**US Dollar**	**Singapore Dollar**	**Pound Sterling**	**Total**
2017	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets and liabilities not held in functional currency					
Investment securities					
Renminbi	-	1,693	-	-	1,693
Trade receivables					
US Dollar	9,476	-	975	-	10,451
Australia Dollar	7,893	-	-	-	7,893
Euro	15	-	-	-	15
Others	791	-	9	-	800
	18,175	-	984	-	19,159
Other receivables					
US Dollar	9	-	12	-	21

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Foreign Currency Risk (continued)

The unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows (continued):

	← Functional currencies →				
Group	**Ringgit Malaysia**	**US Dollar**	**Singapore Dollar**	**Pound Sterling**	**Total**
2017	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets and liabilities not held in functional currency					
Financial assets held for trading					
Australia Dollar	12	-	-	-	12
Euro	16	-	-	-	16
Hong Kong Dollar	22	-	-	-	22
Pound Sterling	40	-	-	-	40
Singapore Dollar	23	-	-	-	23
US Dollar	83	-	-	-	83
Others	156	-	-	-	156
	352	-	-	-	352
Cash and bank balances					
Australia Dollar	3	-	-	-	3
Euro	92	6	-	-	98
Pound Sterling	4	-	-	-	4
Renminbi	-	-	-	-	-
Singapore Dollar	15	728	-	-	743
US Dollar	5,573	-	1,033	16	6,622
Others	5	-	-	-	5
	5,692	734	1,033	16	7,475
Trade payables					
US Dollar	9,810	-	270	-	10,080
Euro	667	-	-	-	667
Others	376	-	36	-	412
	10,853	-	306	-	11,159

36. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

(d) **Foreign Currency Risk** (continued)

The unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows (continued):

	← Functional currencies →				
Group	**Ringgit Malaysia**	**US Dollar**	**Singapore Dollar**	**Pound Sterling**	**Total**
2016	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets and liabilities not held in functional currency					
Investment securities					
Renminbi	-	1,693	-	-	1,693
Trade receivables					
US Dollar	5,136	-	1,738	-	6,874
Others	3,286	-	9	-	3,295
	8,422	-	1,747	-	10,169
Other receivables					
Australia Dollar	333	-	-	-	333
US Dollar	9	-	6	31	46
Others	6	-	-	-	6
	348	-	6	31	385

36. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

(d) **Foreign Currency Risk** (continued)

The unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows (continued):

Group	← Functional currencies →				
	Ringgit Malaysia	US Dollar	Singapore Dollar	Pound Sterling	Total
2016	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets and liabilities not held in functional currency					
Financial assets held for trading					
Australia Dollar	31	-	-	-	31
Euro	18	-	-	-	18
Hong Kong Dollar	32	-	-	-	32
Pound Sterling	23	-	-	-	23
Renminbi	89	-	-	-	89
Singapore Dollar	20	-	-	-	20
US Dollar	111	-	-	-	111
Others	105	-	-	-	105
	429	-	-	-	429
Cash and bank balances					
Australia Dollar	3	-	-	-	3
Euro	136	6	-	-	142
Pound Sterling	3	-	-	-	3
Renminbi	1	4,913	-	-	4,914
Singapore Dollar	26	256	-	-	282
US Dollar	3,027	-	4,046	11	7,084
Others	6	-	-	-	6
	3,202	5,175	4,046	11	12,434
Trade payables					
US Dollar	12,309	-	1,040	-	13,349
Euro	542	-	-	-	542
Others	694	-	614	-	1,308
	13,545	-	1,654	-	15,199
Other payables					
US Dollar	-	-	-	83	83

36. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

(d) **Foreign Currency Risk** (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's post tax profit to a reasonably possible change in the USD, SGD and AUD exchange rate against the respective functional currencies of the Group entities, with all other variables held constant.

		Group 2017 RM'000 Profit/loss for the year
AUD/RM	- strengthened 10%	791
	- weakened 10%	(791)
USD/SGD	- strengthened 10%	177
	- weakened 10%	(177)
USD/RM	- strengthened 10%	533
	- weakened 10%	(533)

(e) **Market Price Risk**

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on Bursa Securities. These instruments are classified as held for trading or available-for-sale financial assets. The Group does not have exposure to commodity price risk.

Sensitivity analysis for equity price risk

This analysis assumes that all other variables remain constant and the Group's equity investments moved in correlation with FTSE Bursa Malaysia KLCI ("FBMKLCI").

A 10 percent strengthening in FBMKLCI at the end of the reporting period would have increased equity by RM0.97 million and post tax profit or loss by RM0.05 million. A 10 percent weakening in FBMKLCI would have had equal but opposite effect on equity and profit or loss respectively.

37. CAPITAL MANAGEMENT

The Group actively and regularly reviews and manages its capital structure with the objectives of ensuring that the Group will be able to continue as a going concern while maximising the return to stakeholders. These reviews take into consideration future capital requirements of the Group, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and strategic investment opportunities.

The capital structure of the Group consists of debt which includes borrowings (Note 20 to the financial statements), cash and cash equivalents (Statements of Cash Flows), and equity attributable to equity holders of the Company.

The Group's overall capital management strategy remains unchanged from 2016 and this includes maintaining a healthy gearing ratio taking into consideration the objectives of the Group. As at reporting date, the gearing ratio calculated as total borrowings divided by total equity is as follows:

	Group	
	2017	**2016**
	RM'000	RM'000 Restated
Total borrowings	99,802	103,244
Less : Cash and cash equivalents	(114,289)	(102,998)
Net (cash)/borrowings	(14,487)	246
Total equity	496,069	511,490
Debt-to-equity ratio	*	-

* Not applicable

There were no changes in the Group's approach to capital management during the year.

Certain subsidiaries are required to comply with the necessary capital requirements as prescribed in the rules & regulations of Bank Negara Malaysia and the Mainboard listing requirements of Singapore Exchange Securities Trading Limited.

38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are as follows:

(a) 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 RM11.20 million. Upon completion of the proposed disposal, HVKL will cease to be a 40%-owned associated company of ASHR.

38. **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR** (continued)

The significant events during the financial year are as follows (continued):

(b) 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"). The Definitive Agreements have yet to be entered into by the parties.

(c) The significant events relating to changes in the composition of the Group are disclosed in Notes 8 to the financial statements.

39. **SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

(a) 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.

(b) 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, a total of 251,075,761 new ordinary shares in the Company were allotted on 30 January 2018.

(c) 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.

Statement By Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, **LEE SU NIE** and **YONG TECK MING**, being two of the directors of ADVANCE SYNERGY BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 93 to 219 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance and cash flows for the financial year then ended.

Signed on behalf of the board in accordance with a resolution of the directors,

LEE SU NIE
Director

YONG TECK MING
Director

Selangor Darul Ehsan
Date: 9 April 2018

Statutory Declaration

Pursuant to Section 251(1) of the Companies Act 2016

I, **LEE SU NIE**, being the director primarily responsible for the financial management of ADVANCE SYNERGY BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 93 to 219 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

LEE SU NIE

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur, Wilayah Persekutuan on 9 April 2018.

Before me,
MOHD. FITRY ABDUL GHANI
No.: W703

Commissioner for Oaths
Malaysia

Independent Auditors' Report

to the Members of Advance Synergy Berhad

Report on the Audited Financial Statements

Opinion

We have audited the financial statements of Advance Synergy Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies, as set out on pages 93 to 219.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws* (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company of the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group

Impairment of goodwill (Notes 3(a) and 7 to the financial statements)

The carrying amount of the goodwill relating to the information and communications technology ("ICT") cash generating unit ("CGU") amounted to RM85,202,000. The recoverable amount of the CGU was determined based on its value in use ("VIU"). Cash flow projections used in the VIU calculation were based on financial budgets and forecasts approved by management covering a five year period using a discount rate and forecasted growth rate. Significant judgements arise over the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates and gross profit margins.

Key Audit Matters (continued)

Impairment of goodwill (Notes 3(a) and 7 to the financial statements) (continued)

Our audit response:
Our audit procedures focus on evaluating the cash flow projections and the Group's projection procedures which included, among others:

- understanding the methodology adopted by the Group;
- comparing the actual results with previous cash flow projections to assess the performance of the business and historical accuracy of the projections;
- comparing the Group's assumptions to externally derived data as well as our assessments in relation to key inputs such as discount rates, forecast growth rates and gross profit margins;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key inputs that are expected to be most sensitive to the recoverable amount.

Business combination (Note 8(b) to the financial statements)

In the previous financial year ended 31 December 2016, the Group increased its equity interest in Posthotel Arosa AG from 48.7% to 62.49%. The management used its best estimates and assumptions as part of the purchase price allocation ("PPA") process to value the assets acquired and liabilities assumed and the consideration transferred at the acquisition date. The PPA and the consideration for the acquisition may be provisional within the measurement period of up to 12 months after the acquisition date and is subject to refinement as more detailed analysis are completed and additional information about the fair values of the considerations becomes available. During the financial year, the Group completed its PPA exercise within the stipulated time period resulting in adjustments to certain assets acquired and the goodwill previously recognised in the financial statements of the Group.

Our audit response:
Our audit procedures focus on reviewing the purchase price allocation reconciliation performed by management which included, among others:

- agreeing the identifiable assets acquired and the liabilities assumed at the acquisition date to the management accounts at the date of acquisition;
- reviewing the assumptions used in determining the valuation of assets and liabilities assumed and agreeing the consideration transferred to the sale and purchase agreement;
- reviewing the computations in the allocation of the purchase price to the different assets and liabilities;
- engaging our in house specialist to review the PPA reconciliation in accordance with ISA620 *Using the Work of Auditor's Expert*;
- reviewing the valuation report which included the valuation methodology and the assumptions used in the valuation of the hotel property;
- reviewing the prior year adjustments made to the carrying value of the hotel property and the goodwill arising from the business combination and the corresponding impairment made to the profit and loss as a result of the fire that took place before the end of the previous financial years; and
- reviewing the appropriateness and adequacy of the related disclosures in compliance with MFRS 3: *Business Combinations*.

Fair value of unquoted investments (Notes 3(b), 9 and 11 to the financial statements)

Unquoted investments, comprise mainly of unquoted equity investments and unquoted debt securities. The fair value of a majority of these financial assets are determined, with the assistance of in-house specialists, using valuation methodologies that involves difficult and complex management judgements because these securities are not traded in an active market. Significant judgements arise over the discount rates applied and assumptions that support the valuation methodologies used.

Key Audit Matters (continued)

Fair value of unquoted investments (Notes 3(b), 9 and 11 to the financial statements) (continued)

Our audit response:
As the unquoted investments are held in a component where we are not the auditors, we performed our review of the work of the component auditors in accordance with ISA600 *Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors)* and their audit procedures performed include, among others:

- discussing with management the basis used in determining the fair values;
- reviewing the work of in-house specialists, especially in determining whether such valuation methodology is consistent with market practice;
- ensuring that the assumptions used and key inputs used has been assessed by the component auditors;
- testing the mathematical accuracy of the valuation methodology used; and
- reviewing the adequacy of the disclosures made in the financial statements in compliance with MFRS139 Financial Instruments.

Company

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Directors for the Financial Statements (continued)

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 8 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Heng Fu Joe
No. 02966/11/2018 J
Chartered Accountant

Kuala Lumpur
Date: 9 April 2018

OTHER INFORMATION

Contents

List of Properties

The top 10 properties of the Group as at 31 December 2017 are as follows:

Location	Description	Approx. land area	Approx. age of building (Years)	Tenure	Carrying Amount (RM'000)	Date of last revaluation / acquisition
* GM1126 Lot 1301, GM424 Lot 1302, GM857 Lot 1303, GM405 Lot 1305, HS(M) 1096 PT 1300 & HS(M) 1082 PT 1303 Mukim Sungai Karang Cherating Pahang Darul Makmur	Land with hotel building, recreational facilities, restaurants and apartment block	15 acres	24.5 - 30	Freehold	37,014	15.04.2016
Geran 85, Lot 2034 69, Jalan Haji Hussein 50300 Kuala Lumpur	18 storey hotel building	3,214 sq. m.	42	Freehold	33.496	04.05.2016
72, Pesiaran Jubli Perak Seksyen 22 40000 Shah Alam Selangor Darul Ehsan	Industrial land and buildings	61,492 sq. m.	24	Freehold	31,311	03.06.2003
Oberseepromenade Postfach 289 CH 7050 Arosa Switzerland	Land	1,606 sq. m.	-	Freehold	18,778	30.09.2016
Suite No. 3A-5-1 Level 5, Block 3A Plaza Sentral Jalan Stesen Sentral 5 Kuala Lumpur	Office Suite	749 sq. m. (floor area)	14	Freehold	8,060	12.01.2011

The top 10 properties of the Group as at 31 December 2017 are as follows (continued):

Location	Description	Approx. land area	Approx. age of building (Years)	Tenure	Carrying Amount (RM'000)	Date of last revaluation / acquisition
GRN 49945, Lot 39472 Mukim of Petaling District of Kuala Lumpur 20, Jalan Menara Gading 1 Taman Connaught Cheras 56000 Kuala Lumpur	Three storey mid terrace shop office	164 sq. m.	12	Freehold	2,737	20.12.2013
B-16-8, Megan Avenue II 12 Jalan Yap Kwan Seng 50450 Kuala Lumpur	Office	364 sq. m. (floor area)	19	Freehold	1,980	10.01.2013
GRN 232740, Lot 3063 Pekan Kinrara District of Petaling 167, Jalan Kenari 23A Bandar Puchong Jaya 47170 Puchong	Three and a half storey mid terrace shop office	156 sq. m.	8	Freehold	1,760	20.09.2013
PN5161, Lot 13 Seksyen 1 Bandar Petaling Jaya District Petaling Jaya 16, Jalan Othman 46000 Petaling Jaya Selangor	Leasehold land & building	503.33 sq. m.	56	Leasehold expiring on 13.09.2060	1,577	30.04.2012
9 Evesham House Hereford Road London W2 4PD United Kingdom	Apartment	120 sq. m. (floor area)	27	Leasehold expiring in 2987	1,112	23.06.1995

Notes:

* Hotel property under finance lease.

Statement on Directors' Interests in the Company

and related corporations as at 21 March 2018

	Ordinary shares	
	Number	Percentage
Direct Interest in the Company		
Dato' Ahmad Sebi Bakar *	76,810,009	8.27
Deemed Interest in the Company		
Dato' Ahmad Sebi Bakar *	①139,391,853	15.00
Anton Syazi Dato' Ahmad Sebi	②30,467,000	3.28
Lee Su Nie	③365,000	0.04
Puan Sri Datin Masri Khaw binti Abdullah	④11,120,000	1.20
Direct Interest in related corporation		
Captii Limited		
Anton Syazi Dato' Ahmad Sebi	517,600	1.62
Lee Su Nie	20,000	0.06
Direct Interest in related corporation		
Arcylic Synergy Sdn Bhd		
Anton Syazi Dato' Ahmad Sebi	1	negligible
Deemed Interest in related corporation		
Segi Koleksi Sdn Bhd		
Dato' Ahmad Sebi Bakar	⑤105,000	30.00
Anton Syazi Dato' Ahmad Sebi	⑥105,000	30.00
Aryati Sasya Dato' Ahmad Sebi	⑥105,000	30.00
Metroprime Corporation Sdn Bhd		
Dato' Ahmad Sebi Bakar	⑦350,000	100.00
Anton Syazi Dato' Ahmad Sebi	⑧350,000	100.00
Aryati Sasya Dato' Ahmad Sebi	⑧350,000	100.00
	Ordinary shares of CHF500.00 each	
Posthotel Arosa AG		
Aryati Sasya Dato' Ahmad Sebi	⑨3,150	35.00

Notes:

* By virtue of his interest in the Company, Dato' Ahmad Sebi Bakar is also deemed to be interested in the shares of all investee companies (including subsidiaries) to the extent that the Company has an interest.

① By virtue of his interest in Bright Existence Sdn Bhd ("BESB") and Suasana Dinamik Sdn Bhd ("SDSB"), Dato' Ahmad Sebi Bakar is also deemed to be interested in the shares to the extent that BESB and SDSB have an interest respectively.

② By virtue of his interest in Eighth Review (M) Sdn Bhd ("ERSB"), Mr Anton Syazi Dato' Ahmad Sebi is also deemed to be interested in the shares that ERSB has an interest.

③ This is her spouse's interest in the ordinary shares of the Company which shall be treated as her interest in the ordinary shares of the Company pursuant to Section 59(11)(c) of the Companies Act 2016.

④ By virtue of her interest in ASH Holdings Sdn Bhd ("ASH"), Puan Sri Datin Masri Khaw binti Abdullah is deemed to be interested in the shares that ASH has an interest.

⑤ This is the interest of his children (Ms Aryati Sasya Dato' Ahmad Sebi and Mr Anton Syazi Dato' Ahmad Sebi) in Segi Koleksi Sdn Bhd ("SKSB") which shall be treated as his interest in the ordinary shares of SKSB pursuant to Section 59(11)(c) of the Companies Act 2016.

⑥ By virtue of their interest in Pacific Existence Sdn Bhd ("PESB"), Ms Aryati Sasya Dato' Ahmad Sebi and Mr Anton Syazi Dato' Ahmad Sebi are also deemed to be interested in the shares to the extent that PESB has an interest in SKSB.

⑦ By virtue of his interest in SKSB pursuant to Section 8 of the Companies Act 2016, Dato' Ahmad Sebi Bakar is deemed to be interested in the shares to the extent that SKSB has an interest in its wholly-owned subsidiary, Metroprime Corporation Sdn Bhd ("MCSB").

⑧ By virtue of their interest in SKSB via PESB, Ms Aryati Sasya Dato' Ahmad Sebi and Mr Anton Syazi Dato' Ahmad Sebi are deemed to be interested in the shares to the extent that SKSB has an interest in MCSB.

⑨ By virtue of her interest in Kibar Konsep Sdn Bhd ("KKSB"), Ms Aryati Sasya Dato' Ahmad Sebi is also deemed to be interested in the shares to the extent that KKSB has an interest.

SUBSTANTIAL SHAREHOLDERS

Name of substantial shareholders	No. of shares held		% of issued share capital	
	Direct	Deemed	Direct	Deemed
Dato' Ahmad Sebi Bakar	76,810,009	139,391,853	8.27	15.00
Suasana Dinamik Sdn Bhd	80,799,926	-	8.70	-
Bright Existence Sdn Bhd	58,591,927	-	6.31	-

Statistics on Shareholdings

as at 21 March 2018

TOTAL NUMBER OF ISSUED SHARES	:	929,194,943
ISSUED SHARE CAPITAL	:	RM278,758,482.90
CLASS OF SHARE	:	Ordinary Shares
VOTING RIGHT	:	1 vote per ordinary share

ANALYSIS OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	% of shareholders	No. of shares held	% of issued shares
Less than 100 shares	317	1.67	9,262	negligible
100 - 1,000 shares	4,279	22.58	3,879,022	0.42
1,001 - 10,000 shares	9,408	49.65	41,265,322	4.44
10,001 - 100,000 shares	4,127	21.78	143,613,493	15.45
100,001 - less than 5% of issued shares	815	4.30	524,225,982	56.42
5% and above of issued shares	3	0.02	216,201,862	23.27
	18,949	100.00	929,194,943	100.00

LIST OF TOP 30 SHAREHOLDERS

No.	Name	No. of shares held	Percentage
1.	SJ Sec Nominees (Tempatan) Sdn Bhd Suasana Dinamik Sdn Bhd	80,799,926	8.70
2.	Dato' Ahmad Sebi Bakar	76,810,009	8.27
3.	SJ Sec Nominees (Tempatan) Sdn Bhd Bright Existence Sdn Bhd	58,591,927	6.31
4.	SJ Sec Nominees (Tempatan) Sdn Bhd Eighth Review (M) Sdn Bhd	30,467,000	3.28
5.	Lim Hong Liang	27,690,850	2.98
6.	HSBC Nominees (Asing) Sdn Bhd Exempt An for Bank Julius Baer & Co. Ltd.	25,605,400	2.76
7.	Chew Lee Hwa	19,856,000	2.14
8.	SJ Sec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chan Sai Kim	14,372,000	1.55

LIST OF TOP 30 SHAREHOLDERS (continued)

No.	Name	No. of shares held	Percentage
9.	Malpac Capital Sdn Bhd	11,269,150	1.21
10.	ASH Holdings Sdn Bhd	11,120,000	1.20
11.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Chan Sai Kim	10,547,625	1.14
12.	Malpac Capital Sdn Bhd	10,000,000	1.08
13.	Maybank Nominees (Tempatan) Sdn Bhd Lay Man Wan @ Lai Mun Wan	9,880,150	1.06
14.	PM Nominees (Tempatan) Sdn Bhd Malpac Management Sdn Bhd	9,874,361	1.06
15.	Goh Boon Seng	7,021,450	0.76
16.	Tan Pak Nang	6,320,000	0.68
17.	Chan Kid Ching	6,077,100	0.65
18.	Chung Kin Chuan	6,051,100	0.65
19.	Goh Geok Choo	5,750,300	0.62
20.	Yeoh Swee Leng	5,721,750	0.62
21.	Chuah Kim Seng	5,634,300	0.61
22.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Lim Soon	5,000,000	0.54
23.	Addeen Construction & Services Sdn Bhd	4,284,600	0.46
24.	Tay Teck Ho	3,805,000	0.41
25.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Lee Yoon Sing	3,314,700	0.36
26.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Hee Yuen Sang	3,300,000	0.36
27.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd	3,263,708	0.35
28.	Wong Ten An	3,217,500	0.35
29.	Mohd Jamel Bin Abdul Munin	3,151,100	0.34
30.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Chiew Kee	3,107,500	0.33
		471,904,506	50.79

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the **Ninety-fourth ANNUAL GENERAL MEETING** ("94th AGM") of Advance Synergy Berhad will be held at the Auditorium, Level 4, The Podium, Wisma Synergy, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 7 June 2018 at 10.30 a.m. for the following purposes:

1. To receive the audited financial statements for the financial year ended 31 December 2017 and the Directors' and Auditors' reports thereon. **Please refer to Explanatory Note**

2. To declare a single tier dividend of 0.25 sen per ordinary share in respect of the financial year ended 31 December 2017. **Resolution 1**

3. To approve the payment of Directors' fees for the financial year ended 31 December 2017. **Resolution 2**

4. To approve the payment of benefits to the Directors from 8 June 2018 until the next annual general meeting of the Company. **Resolution 3**

5. To re-elect the following Directors:
   5.1 Dato' Ahmad Ghiti bin Mohd Daud **Resolution 4**
   5.2 Mr Rali bin Mohd Nor **Resolution 5**

6. To re-appoint Messrs Baker Tilly Monteiro Heng as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

SPECIAL BUSINESS
To consider and, if thought fit, pass with or without modifications the following resolutions:

7. **Ordinary Resolution 1 – Retention of Independent Non-Executive Director** **Resolution 7**

   "THAT authority be and is hereby given for Mr Yong Teck Ming who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance."

8. **Ordinary Resolution 2 – Authority to allot and issue securities** **Resolution 8**

"THAT subject always to the Companies Act 2016, Articles of Association of the Company and/or approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised and empowered pursuant to Section 75(1) and Section 76(1) of the Companies Act 2016 to allot and issue new shares or convertible securities in the Company, from time to time at such price and upon such terms and conditions, for such purpose and to such person or persons whomsoever as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares or convertible securities to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding any treasury shares) of the Company for the time being AND THAT the Directors be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares or convertible securities so issued from Bursa Malaysia Securities Berhad AND THAT such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company."

9. To transact any other ordinary business of which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders at the 94th AGM, a single tier dividend of 0.25 sen per ordinary share in respect of the financial year ended 31 December 2017 will be paid on 15 August 2018 to the shareholders whose names appear in the Record of Depositors on 27 July 2018.

A depositor shall qualify for entitlement only in respect of:

a. Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 27 July 2018 in respect of transfer; and

b. Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

HO TSAE FENG
Secretary

Selangor Darul Ehsan
30 April 2018

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 31 May 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this meeting.

2. A member of the Company entitled to attend and vote at the general meeting is entitled to appoint at least one (1) proxy but not more than two (2) proxies to attend and vote in his/her stead. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

3. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with shares of the Company standing to the credit of the said securities account.

4. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney duly authorised in writing and in the case of a corporation, the instrument appointing a proxy must be under its common seal or under the hand of an officer or attorney duly authorised.

6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of such power or authority) shall be deposited at the Registered Office of the Company at Level 3, East Wing, Wisma Synergy, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any other adjournment thereof.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 94th AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the 94th AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 94th AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

EXPLANATORY NOTES ON ORDINARY BUSINESS

Agenda 1 – Audited Financial Statements for financial year ended 31 December 2017

The audited financial statements for the financial year ended 31 December 2017 are laid in accordance with Section 340(1)(a) of the Companies Act ("CA") 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

Resolution 2 – Directors' Fees
Resolution 3 – Directors' Benefits

Following the enforcement of Section 230(1) of the CA 2016 effective 31 January 2017, it provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

The proposed Resolution 2, if passed, will authorise the payment of Directors' fees for the financial year ended 31 December 2017 amounting to RM315,000 (2016: RM315,000).

The proposed Resolution 3, if passed, will authorise the payment of benefits to the Directors if any from 8 June 2018 until the next annual general meeting of the Company as and when incurred. The Board is of the view that it is just and equitable for these benefits to be paid as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the said period.

Resolutions 4 and 5 – Re-election of Directors

Details of the Directors standing for re-election under proposed Resolutions 4 and 5 are stated in Directors' profile on pages 47 to 49 of this Annual Report. None of them has any securities holdings in the Company and its subsidiaries.

EXPLANATORY NOTES ON SPECIAL BUSINESS

Resolution 7 – Retention of Independent Non-Executive Director

The Nomination Committee had assessed the independence of Mr Yong Teck Ming, who has served on the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and the Board had discussed and agreed with the recommendation of the Nomination Committee that in his long service to the Company, his performance as an Independent Non-Executive Director was excellent and there is no reason to believe that he will not continue to act independently and to contribute to the Company taking into consideration the following:

(a) he fulfilled the Independent Director criteria under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and thus is able to function as a check and balance and to bring an element of objectivity to the Board;

(b) he is a member of the Chartered Accountants, Australia, New Zealand and a member of the Institute of Chartered Secretaries and Administrators, United Kingdom. He has vast experience in accounting and a diverse range of business which will enable him to provide the Board with constructive opinion;

(c) he has been with the Company for more than nine (9) years and is familiar with the Company's business operations which will enable him to contribute actively and effectively during deliberation at meetings of the Board and Board Committees;

(d) he has exercised his objective and independent judgement on all Board deliberations;

(e) he has devoted sufficient time and attention to his professional obligations for informed and balanced decision making;

(f) he has exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the best interest of the Company and shareholders; and

(g) he has been providing invaluable contributions to the Board in his role as an Independent Non-Executive Director and Chairman of the Audit Committee and Risk Management Committee.

Resolution 8 – Authority to allot and issue securities

The proposed Resolution 8 is the renewal of the mandate obtained from the members at the last Annual General Meeting. As at the date of this Notice, the Company did not allot any shares pursuant to the mandate granted to the Directors at the Ninety-Third Annual General Meeting held on 24 May 2017 as there were no requirements for such fund raising activities.

The proposed Resolution 8, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to further placement of shares or convertible securities for the purpose of funding the Company's future investment project(s), working capital and/ or acquisition(s), by the issuance of shares or convertible securities in the Company to such persons at any time as the Directors may deem fit provided that the aggregate number of shares or convertible securities issued pursuant to the mandate does not exceed 10% of the total number of issued shares of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

At this juncture, there is no decision to issue new shares or convertible securities. If there should be a decision to issue new shares or convertible securities after the general mandate is obtained, the Company will make an announcement in respect of the purpose and utilisation of proceeds arising from such issue.

ADMINISTRATIVE DETAILS

Registration

1. Registration will start at 9.00 a.m. at Ground Floor, The Podium, Wisma Synergy, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan.

2. Please read the signage to ascertain where you should register yourself for the meeting and join the queue accordingly.

3. Please produce your ORIGINAL Identification Document at the registration counter for verification.

4. You will be given an identification wristband and will only be allowed to enter the Auditorium if you are wearing the identification wristband.

5. After registration and signing on the Attendance List, please proceed to the Auditorium, Level 4, The Podium, Wisma Synergy, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan.

Parking

6. Please register at the Guardhouse and park your vehicle at the designated visitor parking bays.

Meal

7. In view of the fasting month, no refreshment will be served before and after the meeting. However, each member or proxy who is present at the AGM will be given one (1) meal coupon only upon registration, to be redeemed for one (1) packed meal only at the redemption counter at Ground Floor after the conclusion of the AGM.

8. There will be no replacement of meal coupons in the event you lose or misplace such coupons.

Voting procedure

9. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM will be put to vote by poll.

ADVANCE SYNERGY BERHAD (Company No: 1225-D)

Proxy Form

I/We ______________________________ Contact No. ______________
(full name in block letters)

NRIC/Company No. ______________________ or CDS Account No. ______________
(for nominee companies only)

of ____
(full address)

being a shareholder/shareholders of ADVANCE SYNERGY BERHAD, hereby appoint ______________

______________________________ NRIC No. ______________
(full name in block letters)

of ____
(full address)

or failing him/her, ______________________________ NRIC No. ______________
(full name in block letters)

of ____
(full address)

or failing him/her, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us and on my/our behalf at the Ninety-fourth Annual General Meeting of the Company to be held at the Auditorium, Level 4, The Podium, Wisma Synergy, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 7 June 2018 at 10.30 a.m. and at any adjournment thereof and thereat to vote as indicated below:

Please indicate with (✓) how you wish to cast your vote. If neither "**FOR**" nor "**AGAINST**" is indicated, the proxy will vote or abstain from voting at his/her discretion.

NO.	RESOLUTION	FOR	AGAINST
1.	Declaration of dividend.		
2.	Approval of the payment of Directors' fees.		
3.	Approval of the payment of benefits to the Directors from 8 June 2018 until the next annual general meeting of the Company.		
4.	Re-election of Dato' Ahmad Ghiti bin Mohd Daud as Director.		
5.	Re-election of Mr Rali bin Mohd Nor as Director.		
6.	Re-appointment of Messrs Baker Tilly Monteiro Heng as auditors of the Company and authorisation for the Directors to fix their remuneration.		
7.	Retention of Mr Yong Teck Ming as Independent Non-Executive Director.		
8.	Authorisation for Directors to allot and issue new securities pursuant to Sections 75(1) and 76(1) of the Companies Act 2016.		

Dated this ____________ day of ____________________ 2018

Number of shares held	

____
Signature

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 31 May 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this meeting.
2. A member of the Company entitled to attend and vote at the general meeting is entitled to appoint at least one (1) proxy but not more than two (2) proxies to attend and vote in his/her stead. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
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5. The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney duly authorised in writing and in the case of a corporation, the instrument appointing a proxy must be under its common seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of such power or authority) shall be deposited at the Registered Office of the Company at Level 3, East Wing, Wisma Synergy, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any other adjournment thereof.

Personal Data Privacy: *By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 30 April 2018.*

Fold this flap for sealing

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AFFIX STAMP

THE SECRETARY

ADVANCE SYNERGY BERHAD
Level 3, East Wing, Wisma Synergy
No. 72, Pesiaran Jubli Perak
Seksyen 22
40000 Shah Alam
Selangor Darul Ehsan

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ADVANCE SYNERGY BERHAD (1225-D)
Level 3, East Wing, Wisma Synergy, No. 72, Pesiaran Jubli Perak, Seksyen 22
40000 Shah Alam, Selangor Darul Ehsan, Malaysia