ADVANCE SYNERGY BERHAD

annual report 2016

Five-Year Group Financial Highlights

	Year ended 31 December				
	2012	**2013**	**2014**	**2015**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Statements of Comprehensive Income					
Revenue	229,809	261,837	274,764	268,837	276,775
Gross Profit	88,859	91,914	93,400	93,944	97,476
Gross Profit Margin (%)	38.7	35.1	34.0	34.9	35.2
EBITDA	32,582	3,474	25,995	16,688	31,487
Profit/(Loss) before tax	9,174	(20,947)	2,630	(842)	17,451
Profit/(Loss) after tax	5,893	(26,456)	(2,534)	(7,561)	15,035
Statements of Financial Position					
Total assets	634,100	639,424	632,585	630,699	705,140
Total liabilities	136,651	163,671	152,806	151,545	191,064
Shareholders' funds	459,370	441,128	443,281	439,999	454,023
Share Information					
Per Ordinary Share					
Earnings/(Loss) per share, basic (sen)	(0.19)	(4.82)	(0.82)	(1.75)	0.58
Net assets per share (sen)	89.42	85.84	66.93	66.26	68.37
Financial Ratios					
Return on equity (%)	1.18	(5.56)	(0.53)	(1.58)	2.92
Current ratio	4.4 : 1	2.9 : 1	2.7 : 1	3.1 : 1	3.5 : 1
Debt -Equity ratio (Note 1)	0.12 : 1	0.17 : 1	0.15 : 1	0.17 : 1	0.20 : 1

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

Contents

Group Corporate Structure as at 28 March 2017

Advance Synergy Berhad (1225-D)

HOTELS & RESORTS

- 100% Alangka-Suka Hotels & Resorts Sdn Bhd
  - 100% Alor Setar Holiday Villa Sdn Bhd
  - 100% Antara Holiday Villas Sdn Bhd
  - 100% Asbina Hotel & Property Sdn Bhd
    - 100% Asbina Hotel & Property (Cambodia) Pte Ltd
  - 100% Cherating Holiday Villa Berhad
  - 100% Holiday Villa Assets Sdn Bhd
    - 65% Posthotel Arosa AG
  - 100% Holiday Villa Travel & Tours Sdn Bhd
  - 100% Langkawi Holiday Villa Sdn Bhd
    - 30% M OOD Perfumes Sdn Bhd
  - 100% Mayor Hotels Sdn Bhd
  - 100% Super Leisure Sdn Bhd
    - 49% Smile Integrated Solution Sdn Bhd
  - 100% Alangka-Suka International Limited
    - 100% Holiday Villa Makkah Limited
    - 100% Interwell Management Limited
    - 100% Larkswood Assets Limited
    - 94.81% P.T. Diwangkara Holiday Villa Bali
    - 90% Asbina Shenzhen Limited
  - 100% Grand Hotel Sudan Limited
  - 100% Holiday Villas International Limited
    - 100% Holiday Villa Middle East Limited
    - 100% Holiday Villa (UK) Ltd
    - 95% Holiday Villa China International Limited
      - 100% Changshu Holiday Villa Hotel Management Co. Ltd
    - 10% Grand Holiday Villa Khartoum Co. Ltd
  - 40% Holiday Villa Hotels & Resorts Sdn Bhd
  - 40% Holiday Villa Kuala Lumpur Sdn Bhd

INFORMATION & COMMUNICATIONS TECHNOLOGY

- 100% Worldwide Matrix Sdn Bhd
  - 58.3% Captii Limited
    - 100% Captii Ventures Pte Ltd
      - 25% OOPA Pte Ltd
    - 100% Mobilization Sdn Bhd
    - 100% Unified Assets Sdn Bhd
    - 100% Unified Communications Pte Ltd
      - 100% Adzentrum Sdn Bhd
      - 100% Unified Communications (Private) Limited
      - 100% Unified Communications (VAS) Sdn Bhd
      - 50% Unified Telecom Private Limited
    - 100% Unified Communications Sdn Bhd
      - 100% Ahead Mobile Sdn Bhd
      - 100% Unified Communications (Tech) Pte Ltd
    - 100% Unified Communications (OHQ) Sdn Bhd
    - 100% Unified Communications (OSS) Sdn Bhd
      - 51% GlobeOSS Sdn Bhd
        - 100% GlobeOSS Pte Ltd
          - 100% GlobeOSS (Brunei) Sdn Bhd

INVESTMENT HOLDING

- 100% Advance Synergy Capital Sdn Bhd ("ASC")
  - 100% AESBI Power Systems Sdn Bhd
  - 100% ASC Credit Sdn Bhd
  - 100% ASC Equities Sdn Bhd
  - 100% Triton-K Sdn Bhd
  - 20% SIBB Berhad
- 100% Advance Synergy Properties Sdn Bhd
  - 100% Synergy Realty Incorporated
    - 100% Builderworks Pty Ltd
    - 40% Helenium Holdings Limited
- 100% Calmford Incorporated
  - 100% Advansa Sdn Bhd
  - 100% Home Cinema Studio Pty Ltd
- 100% Excellent Display Sdn Bhd ("EDSB")
- 100% Synergy Petroleum Incorporated

TRAVEL & TOURS

- 100% Alam Samudera Corporation Sdn Bhd
  - 100% Synergy Tours (Borneo) Sdn Bhd
- 100% Diversified Gain Sdn Bhd
  - 100% Orient Escape Travel Sdn Bhd
    - 100% Motorsports Adventure Sdn Bhd
    - 100% OET Money Service Sdn Bhd
    - 100% Orient Escape Travel (Penang) Sdn Bhd
    - 100% Synergy Tours Sdn Bhd
      - 50% Synergy Holidays Company Limited
      - 49% PT Panorama Synergy Indonesia

PROPERTY DEVELOPMENT

- 100% Advance Synergy Realty Sdn Bhd
- 100% Sadong Development Sdn Bhd
  - 95% Hotel Golden Dragon Sdn Bhd
    - 100% Simpang Tiga Realty Sdn Bhd

OTHER DIVISIONS

WELLNESS

- 100% Dama TCM Sdn Bhd (Subsidiary of EDSB)
  - 50% Medical Palace Sdn Bhd

EDUCATION

- 70% Segi Koleksi Sdn Bhd
  - 100% Metroprime Corporation Sdn Bhd

COACH BUILDING

- 71% Quality Bus & Coach (M) Sdn Bhd (Subsidiary of ASC)
  - 100% Quality Bus & Coach Pty Ltd
    - 100% Autobus Australia Pty Ltd

CARD & PAYMENT SERVICES

- 100% Synergy Cards Sdn Bhd (Subsidiary of ASC)
- 51% iSynergy Sdn Bhd *
  - 100% Cosmocourt.com (Malaysia) Sdn Bhd
  - 100% Datakey Sdn Bhd
  - 100% Rewardstreet.com (Malaysia) Sdn Bhd

OTHERS

- 100% Advance Synergy Timber Sdn Bhd
- 100% Ausborn Sawmill Sdn Bhd
- 100% Bornion Sawmill Sdn Bhd
- 100% Excellent Arch Sdn Bhd
  - 100% Advance Synergy Furniture Sdn Bhd (In Liquidation)
- 100% Nagapura Management Corporation Sdn Bhd
  - 100% Xgo Technik Sdn Bhd
  - 81% Acrylic Synergy Sdn Bhd
  - 70% Syarikat Fit and Weld Engineering (M) Sdn Bhd (In Liquidation)
- 100% Strategic Research & Consultancy Sdn Bhd
  - 40% Kopistop Sdn Bhd
    - 100% Synfull Bites Sdn Bhd
- 100% Synergy Gold Incorporated

** 49% of the equity interest of the company is held by ASC.*

From the Chairman

Dear Advance Synergy Berhad Shareholder

Despite a challenging 2016 the Group performed well with a commendable three percent growth in revenue to RM276.8 million. All our core business units namely the Hotels and Resorts, Information & Communications Technology ("ICT") and Travel and Tours divisions reported higher revenues in 2016 compared to the year before.

Gross profit was higher at RM97.5 million compared to RM93.9 million in 2015 while the Group's earnings before interest, taxes, depreciation and amortization ("EBITDA") grew by 88.7% to RM31.5 million in 2016 from RM16.7 million achieved in 2015. The flow down effect of higher revenue coupled with improved gross profit and EBITDA resulted in the Group registering a profit after tax of RM15.0 million in 2016 compared to a loss after tax of RM7.6 million the year before. Consequently, the Group registered an earnings per share of 0.58 sen and a return on equity of 2.92% while the debt-equity ratio remained low at 0.20:1. Our shareholders funds stood at RM454.0 million as at 31 December 2016.

The Group expects the present state of volatility in the local and international markets to continue in the near term. In the face of another challenging year, the Group will continue to deepen its existing strategic plan to continue to grow our businesses, explore with caution new market opportunities and to restructure or divest the lower-potential or loss-making businesses.

DIVIDENDS

The Board of Directors is pleased to recommend for shareholders' approval, a single-tier dividend of 0.25 sen per ordinary share in respect of the financial year ended 31 December 2016.

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.

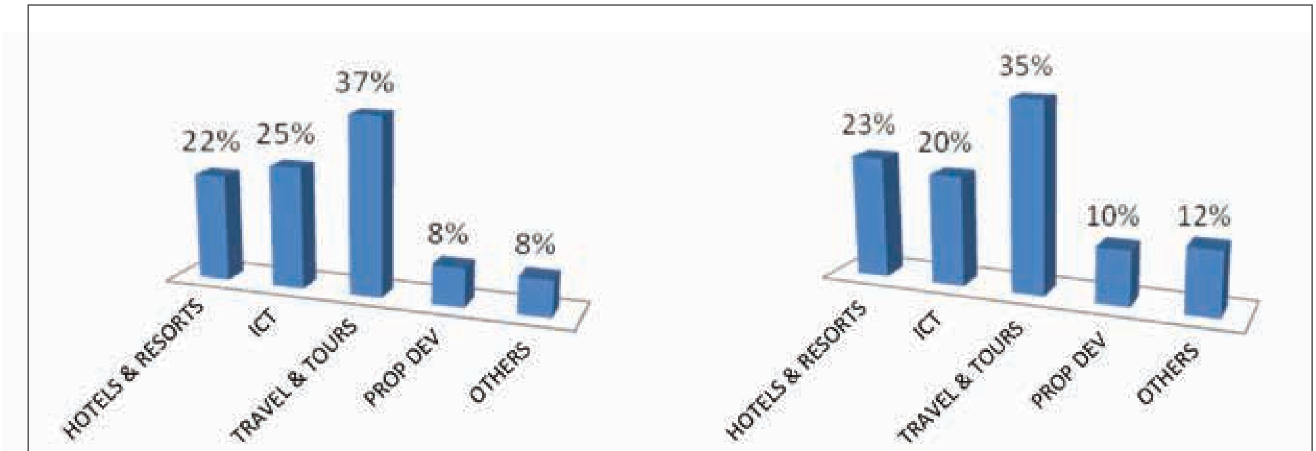
DATO' AHMAD SEBI BAKAR
Group Executive Chairman

Performance Review

FROM THE MANAGEMENT

Performance Review

Our Group recorded an overall positive performance in 2016 despite a challenging environment with a growth in revenue of 3.0% to RM276.8 million and a profit after tax of RM15.0 million. Major divisions like the hotels and resorts, information and communications technology ("ICT") and travel and tours divisions reported higher revenue in 2016 with an increase of RM1.4 million, RM15.3 million and RM7.7 million respectively. But two divisions, property development and others, experienced a drop in revenue from the previous year by RM5.2 million and RM10.9 million respectively. The contribution to the Group 2016 revenue compared to the Group 2015 revenue from the various divisions can be summarised as follows:

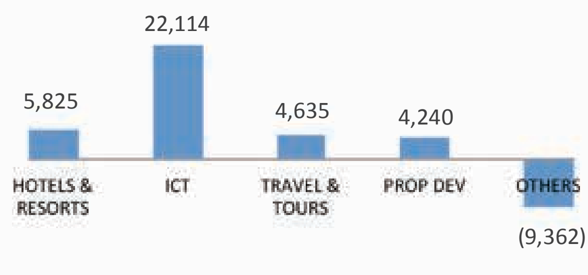


2016 REVENUE BY DIVISION **2015 REVENUE BY DIVISION**

Driven by the growth in revenue and improvement in cost of sales, the Group recorded a higher gross profit margin of 35.2% in 2016 compared to 34.9% in 2015. Our Group's profitability also improved significantly in 2016 compared to last year with the Group's earnings before interest, taxes, depreciation and amortisation ("EBITDA") growing by 88.7% to RM31.5 million from RM16.7 million in 2015. For 2016, our Group recorded an encouraging profit before tax of RM17.4 million compared to a loss before tax of RM0.8 million in 2015.

During the year, included in the other operating income are the higher other gains recorded by the ICT division arising mainly from a fair value gain assessed on ICT division's venture investment portfolio and from the insurance claim involving the resort in Arosa, Switzerland. Excluding this one-off other operating income items, all our operating divisions showed improvements in their profit from operations except for the property development division which recorded a lower profit for 2016 and a lower loss for the "others" division.

The Group's expenses increased by RM10.4 million to RM133.0 million in 2016 (2015: RM122.6 million). A major component of the increase in expenses is the higher write-off of property, plant and equipment of the hotels and resorts division due to the December 2016 fire incident in the hotel in Arosa where the amount written off amounted to RM28.4 million. But despite the increased expenses, our Group recorded an admirable profit after tax of RM15.0 million compared to a loss after tax of RM7.6 million in 2015.



2016 PROFIT/(LOSS) BEFORE TAX BY DIVISION (RM'000)

2015 PROFIT/(LOSS) BEFORE TAX BY DIVISION (RM'000)

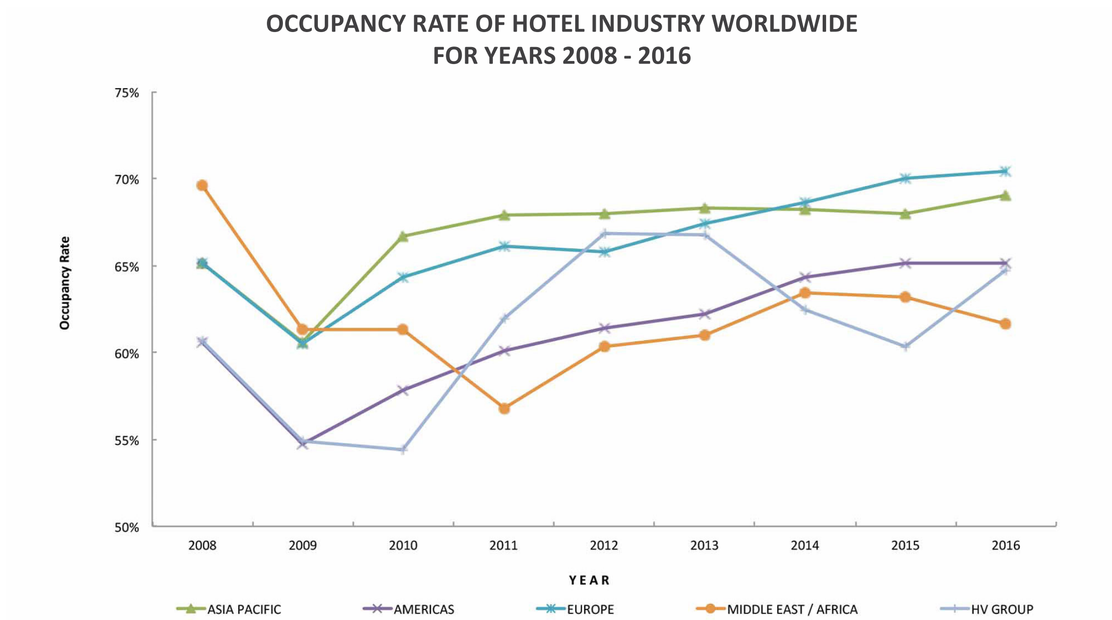
Total assets of the Group increased by 11.8% to RM705.1 million as at 31 December 2016 (2015: RM630.7 million). Trade and other receivables increased from RM90.1 million as at 31 December 2015 to RM170.6 million as at 31 December 2016 mainly attributed to the flow down effect of higher revenue in the ICT division and other income generated in the hotels and resorts division in 2016. With the improvement in the financial performance of the Group, total Group equity increased by 7.3% to RM514.1 million as at 31 December 2016 (2015: RM479.1 million) and thus achieved a significant improvement in earnings per share of 0.58 sen in 2016 compared to a loss per share of 1.75 sen in 2015 and a return on equity of 2.92% compared to a loss on equity of 1.58% in the previous year.

OUR hotels and resorts division have come a long way since we undertook major exercises to review and streamline the hotel portfolio. In the last five (5) years, we have disposed off non-performing hotels in Sudan and Cambodia and capitalised on our gain in the Paris hotel disposal. The efforts in building our brand, Holiday Villa, have increased our profile resulting in many successful signing of new management and licensing contracts in Malaysia, China and the Middle East. Today, our room inventory stands at 5,193 rooms which are operating with a further 1,366 rooms coming on board soon thus ranking us at No. 254 in the world by Hotels 325* in 2015.

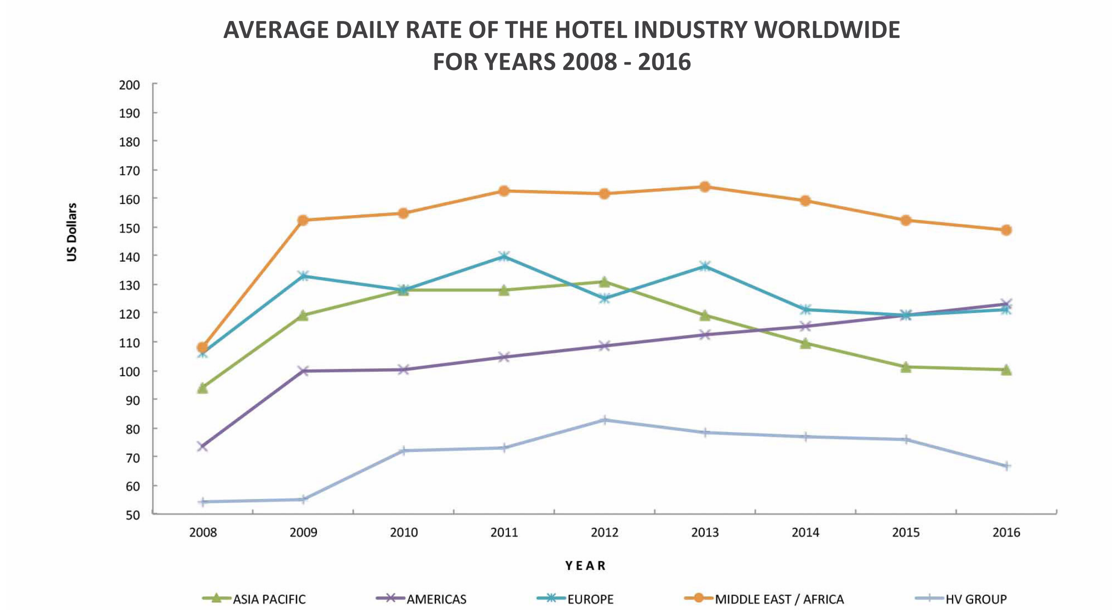
In 2016, the hotels and resorts division achieved a revenue of RM61.9 million, 2.2% higher than last year's revenue of RM60.5 million. The division's higher performance was significantly contributed by higher tourist arrivals. Our overall occupancy rate was higher by 10.2% at 55.6% compared to last year and the average room rate increased by 1.5% against last year to RM266.

** Hotels 325 is a World Hotel ranking 1st published by HOTELS magazine.*

The hotels and resorts division operates in various parts of the world. We have hotels in Malaysia, China, Indonesia, Qatar, Vietnam, Cambodia, United Kingdom and Saudi Arabia. As the hotel group is quite diversified in terms of location, we set out below some charts as a simple comparison in our occupancy rate and average daily rate to the hotel industry worldwide. But since we operate mainly in the 4-star hotel category and the information obtained are extracted from an online statistics portal compiled from certain participating hotels, majority of which are in the 5-star category, this comparison is for indicative purpose only.



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

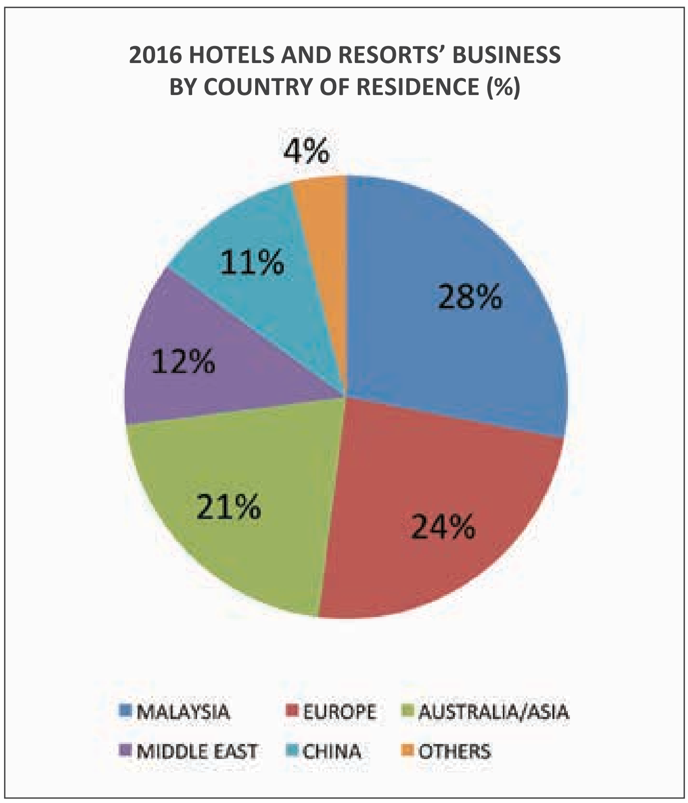


Asia Pacific: Central & South Asia, Northeastern Asia, Southeastern Asia, and Australia & Oceania
Americas: North America, Caribbean, Central America, and South America
Europe: Eastern Europe, Northern Europe, Southern Europe, and Western Europe
Middle East / Africa: Middle East, Northern Africa, and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

Source: Statista

Gross operating profit ("GOP") for the division was RM23.9 million in 2016 compared to RM22.6 million in 2015, an increase of 5.8%. GOP margin for the year was 38.7% and 1.2% higher than last year's GOP resulting from better cost efficiency in operations despite higher manpower cost resulting from a further increase in the minimum wage rate. The division registered improved profit for the current year with a profit before tax of RM5.8 million compared to a loss of RM14.8 million in 2015. Included in the current year's profit before tax are lease rental charges of RM13.1 million and gain from the Arosa hotel insurance claim which was completely gutted by a fire in December 2016.

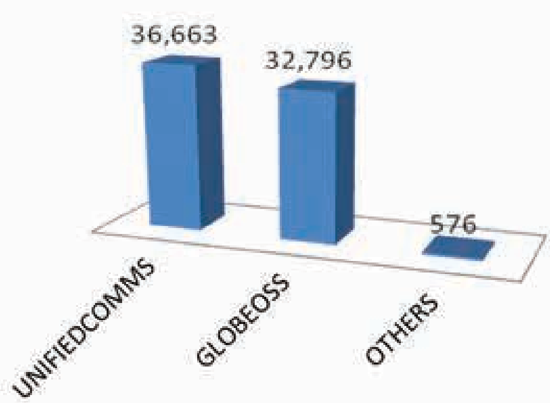
The majority of this division's bookings are individual bookings from business travellers for city hotels and leisure travel from families as well as couples for the resorts. More group bookings were received from direct bookings for residential meetings and also an increase of group bookings from travel agents for residential meetings and company outings. The breakdown in 2016 business by country of residence is as follows:



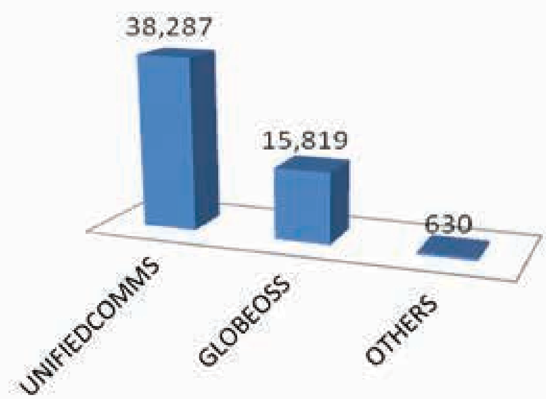
OUR ICT division represented by the Captii Limited Group operates primarily in the telecommunications technology markets of three regions: South East Asia ("SEA"), South Asia ("SA") and the Middle East and Africa ("MEA") with the concentration mainly in the SEA region.

2016 was another excellent year for the ICT division, its ninth consecutive profitable year, the ICT division delivered double-digit growth in bottom line performance having higher revenue compared to 2015.

Revenue for 2016 was RM70.0 million, an increase of 28.0% (2015: RM54.7 million). However, not all the business units ("BU") in the ICT division showed revenue growth. While ICT division's GlobeOSS business recorded an increase in revenue of 107.3% due to higher system sale and managed-service contract revenues, the Unifiedcomms business saw a decline in sales of 4.2% due to a decrease in its managed-service contract revenue.

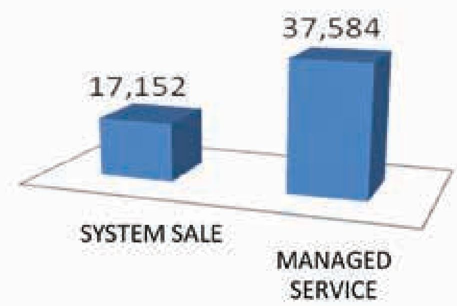


ICT 2016 REVENUE BY BUSINESS UNITS (RM'000)



ICT 2015 REVENUE BY BUSINESS UNITS (RM'000)

ICT 2016 REVENUE BY CONTRACT TYPE (RM'000)



ICT 2015 REVENUE BY CONTRACT TYPE (RM'000)

With higher revenue in 2016, gross profit rose by 11.7% to RM37.3 million (2015: RM33.4 million). The growth in gross profit was lower than the growth in revenue, due to the sales-mix achieved in 2016 where the bulk of revenue growth came from GlobeOSS which typically fielded lower gross profit margin.

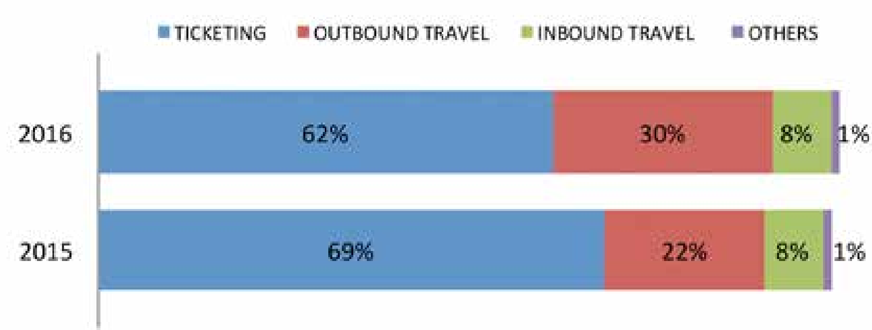
Overall, our ICT division recorded another year of good results with a profit before tax of RM22.1 million, an increase of 99.4% (2015: RM11.1 million) mainly due to higher revenue including a fair value gain assessed on the division's venture investment portfolio. The fair value gain on the division's venture investment portfolio amounted to RM8.8 million arising from Captii Ventures Pte Ltd's ("Captii Ventures") investment portfolio increasing in value during the year. Foreign exchange impact of the improved financial results of the ICT division from the stronger Singapore Dollar to Ringgit Malaysia also contributed to the higher percentage increase.

THE Group's property development division, Advance Synergy Realty Sdn Bhd ("ASR"), completed the development of Federal Park (Phase 1) comprising mainly of residential houses. The revenue for the property development division this year was lower by 19.1% from last year due to the lower sales of residential houses from the Federal Park (Phase 1) development as the project comes to completion with the bulk of the sales recorded in 2015. The division recorded a revenue of RM22.2 million in 2016 compared to RM27.4 million in 2015. With the lower revenue generated in 2016, the division achieved a marginally lower profit before tax of RM4.2 million in 2016 compared to RM4.5 million in 2015.

THE Group's travel and tours division - Orient Escape Travel Sdn Bhd ("OET") and Synergy Tours Sdn Bhd ("Synergy Tours") – remained resilient under the continued global economic uncertainty. The division performed well achieving a total revenue of RM101.8 million in 2016, an increase of RM7.7 million or 8.2% (2015: RM94.1 million). We have taken actions to reinforce our focus on the ticketing and outbound, thus making significant improvement in revenue for 2016, contributing the bulk of the division's revenue of RM94.2 millio (2015: RM86.5 million).

Despite the challenging conditions in Europe, our efforts to penetrate the meetings, incentives, conferences and exhibitions ("MICE") sector has yielded some good results for the year maintaining the revenue for the inbound travel at RM7.6 million.

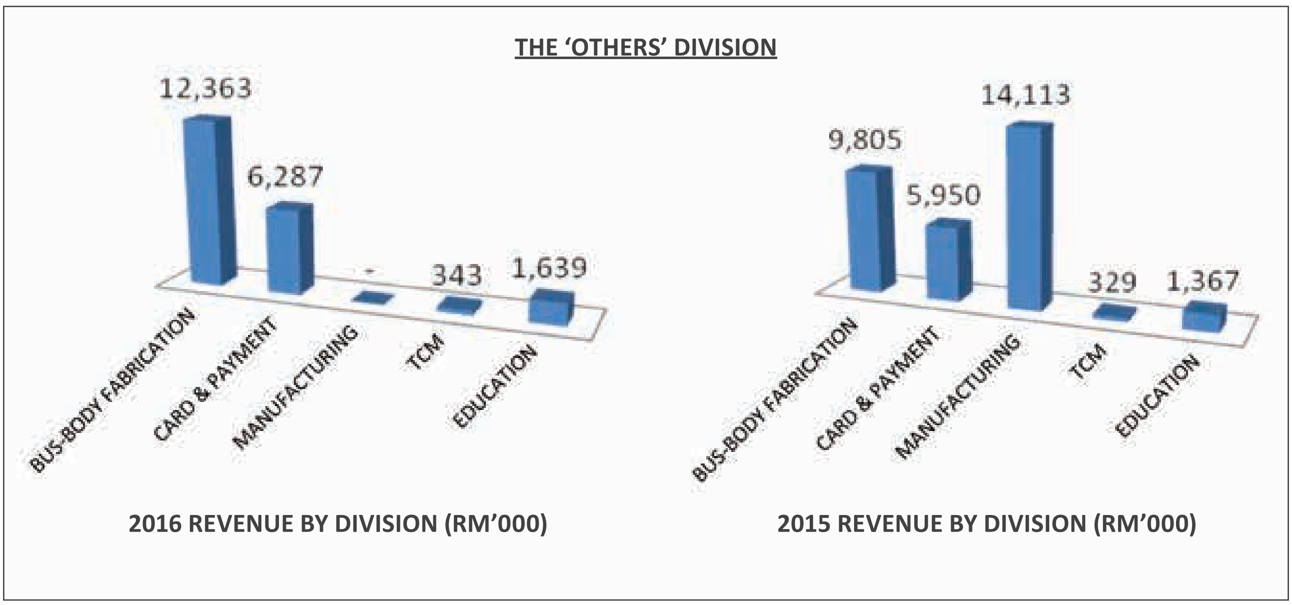
With the higher revenue achieved in 2016, the division continued to be profitable and recorded a higher profit of RM4.6 million in 2016 compared to RM4.0 million in 2015, an increase of 16.1%.



TRAVEL AND TOURS REVENUE BY BUSINESS UNITS (%)

THE "Others" division comprises manufacturing, card and payment services, coach building, wellness and traditional chinese medicine ("TCM") and the education businesses. These business units are considered 'young' and at a growing stage as they commenced their operations amidst a challenging business environment and a-not-too conducive economic situation for start-up companies.

Total revenue achieved by these businesses in 2016 amounted to RM20.6 million, a decrease of RM10.9 million or 34.6% compared to the revenue in 2015 of RM31.6 million mainly due to absence of revenue from the divested loss-making manufacturing subsidiary which was completed in early 2016 as part of the restructuring plan to improve the Group's performance. This reduction was mitigated by the higher revenue from the coach building unit which registered a 26.1% growth in revenue to RM12.4 million, the education business which recorded a 19.9% increased in revenue to RM1.6 million and the card and payment services business with an increase in revenue of 5.7% to RM6.3 million.



OUR coach and bus-body fabrication unit successfully completed and exported 40 buses to Australia compared to 15 units exported in 2015. During the year, the business unit was also awarded a contract by SCANIA to fabricate 69 Mass Rapid Transit KL ("MRT") buses. The success for 2016 rides on the success of this division in completing the refurbishment of 100 Volvo buses owned by Rapid KL in 2014 and 2015.

WE acquired the language education business, The Language House ("TLH"), in early 2015. For 2015 and 2016, the focus has been on improving and upgrading the infrastructure to form a strong base for future business with little focus on marketing. Despite that, our education unit showed an increase in its revenue from RM1.4 million in 2015 to RM1.6 million in 2016.

OUR card and payment services registered a revenue of RM6.3 million compared to RM6.0 million in the previous financial year, mainly due to higher volume of transactions being generated in its merchant acquiring business arising from the signing of more new merchants.

REVENUE for the TCM business in 2016 was relatively flat as compared to 2015 at RM343,000 mainly due to the closure of an under-performing outlet.

Excluding the loss on disposal of the manufacturing unit in Australia of RM1.6 million, the "Others" division recorded a lower loss before tax of RM9.4 million compared to a loss before tax of RM9.7 million in 2015. Although we have made some progress in increasing sales of the coach and bus-body fabrication, and in the education and card and payment services units, thus reducing further 1osses, the improvement is not significant enough to offset against costs.

The bulk of the increased costs in 2016 is attributed to higher United States Dollars ("USD") exchange rate against RM affecting the card and payment services unit because its fixed and variable costs, including settlement and clearing payments to MasterCard Worldwide ("MasterCard") and Visa International ("Visa") are denominated in USD. Elsewhere higher expenses on advertising and promotion to build the business of the education unit and higher overhead expenses in coach and bus-body fabrication unit to meet increased sales. The TCM unit incurred lower expenses in 2016 compared to 2015 due to cost cutting efforts and closure of an under-performing outlet.

The Year Ahead...

We expect the 2017 financial year to continue to be challenging with expected volatility in the global economy and increasing inflationary pressures in our domestic market. So our main strategy is to continue to focus on improving operational efficiencies, productivity, and cost reduction initiatives. We will continue to nurture and to grow our established core businesses while at the same time we shall explore attractive opportunities to expand operations.

We shall also continue to focus on turning around any loss-making business unit within a target period. If that effort is not successful, then that business unit will be up for divestment.

HOTELS & RESORTS:

Raising The Bar In 'Manja-ing' Culture...

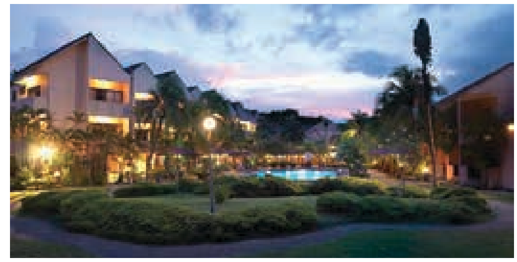
Our hotels and resorts division attaches significant importance on personal attention to ensure maximum comfort for our guests. So besides continuing to improve our "manja-you" culture, we continuously review and upgrade our hotel facilities. Where necessary, renovation and refurbishment works are carried out. The Holiday Villa Langkawi and the Holiday Villa Cherating are undergoing a renovation exercise that, when completed will add more charm and comfort for our guests.

The division also forsees certain encouraging trends in the industry that may augur well, such as packaged tours which are gaining a new impetus, as well as expansion of routes by low-cost carriers and major airlines in the Asia and SEA regions. This improved travel environment is also accelerating demand for personalised service particularly from the surge in business travellers from India and China.

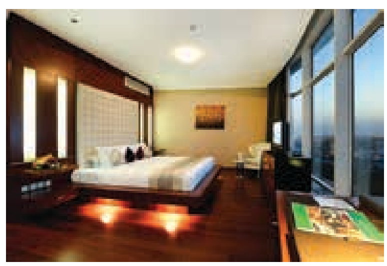
The division's upgraded website has been launched recently to cater for the anticipated increase in direct online bookings. We shall also continue to diligently develop business from the Asia region by working with tour operators, local corporate businesses and be innovative in securing more residential meetings. Our group series and incentive business are still our hotels & resorts division's mainstay; complementing the leisure markets of ASEAN, India, South Korea, Australia and the Middle East as well.

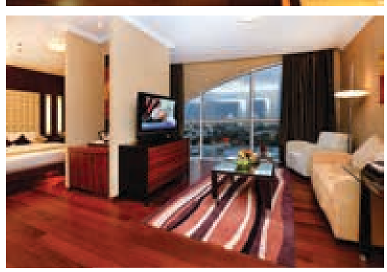
The division is also investing in 360 Solution, a new advertising solution on Google Business View, to enable guests to have a sense of 'presence' or rather the feeling of being in an actual location. The 4 selected hotels are Holiday Villa Langkawi, Holiday Villa Cherating, Eastern Pavilion Cherating, Holiday Villa Johor Bahru City Centre and Holiday Villa Doha. We are also engaging our customers in ALITRIP, the Alibaba group e-commerce platform that was launched by Tourism Malaysia Pavilion in November 2016. Invitations had been extended to Malaysian travel trade to promote travel products online to 200 million Alitrip online users in China.

Holiday Villa Langkawi

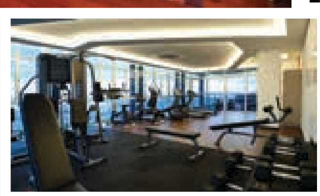


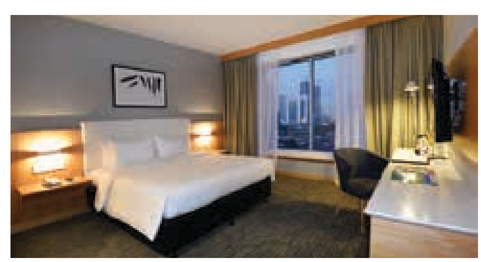
Eastern Pavilion Cherating

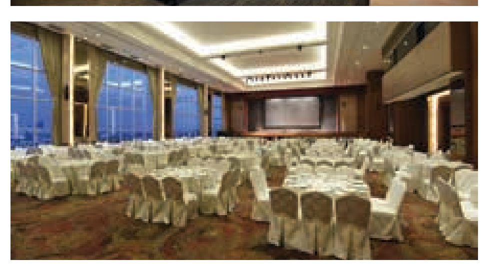




Holiday Villa Doha





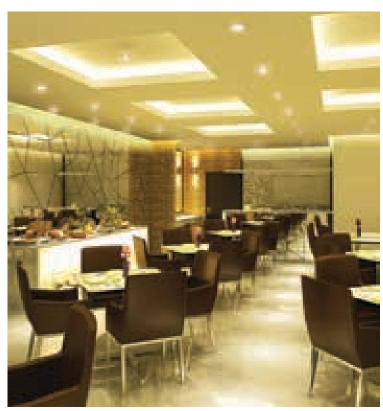


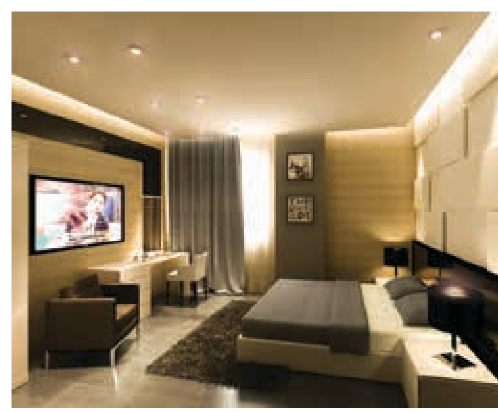
Holiday Villa Johor Bahru City Centre

We have successfully launched and signed two management contracts for our new brand called the D-Villa, established for hotel apartment concept. One of the new D-Villa apartment, D-Villa Residence, Doha, Qatar is expected to open by end of 2017. It will house 58 service apartments of 1 bedroom and 2 bedrooms in the city centre, a 30-minute drive from Hamad International Airport. And the other, D-Villa Hotel & Residence, Johor Bahru, is a 360-unit apartment in the Iskandar Zone, 30 mintues away from the Senai International Airport, is scheduled for opening in 2018.

The D-Villa brand will complement our highly established Holiday Villa brand, as a longer term stay option for guests and for those with family who prefer apartment living rather than a hotel room. We can also extend our focus to group and corporate bookings for meetings and outings in our D-Villa hotel apartment. With this latest concept, the division can provide a one-stop solution to property owners or developers who own both hotels and hotel apartments in their development. The division is optimistic that with the D-Villa complementing Holiday Villa brand, there will be more opportunities to grow our position worldwide.

D-Villa Residence, Doha, Qatar





D-Villa Hotel & Residence, Johor Bahru

The division has 5,193 rooms in operation as at 11 April 2017 with a further 1,366 rooms due to open soon. HOTELS, the prestigious industry publication covering Hotels worldwide, ranked Holiday Villa Hotels & Resorts in 2015 at 254 with 5,041 rooms. We expect to move up the ranking by a few notches once all due-to-open rooms are in full operation.

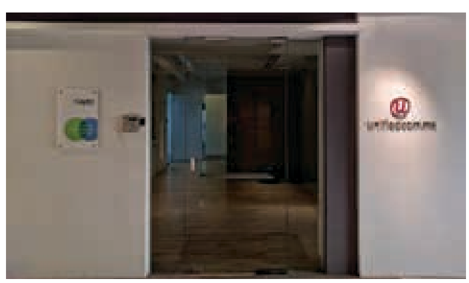
Villa Gold Card membership, the division's loyalty programme that continues to receive encouraging support has breached the 10,000-member mark as at March 2017. Proving that as a loyalty programme, it has contributed in retaining customers and has helped to strenghten our brand recognition. Villa Gold members enjoy special privileges at Holiday Villa participating hotels worldwide and some of the privileges include access to discounts from Holiday Villa's online best available room rate or internet rate, fabulous dining discounts, priority room upgrades, express check-in and check-out, access to Executive Floor Lounge where available, and redemption of free stay or hotel vouchers upon achieving certain room nights.

INFORMATION & COMMUNICATIONS TECHNOLOGY:

Increasingly Captiivating...

Our ICT division is positioned as a technology investment company that not only invests in growing its existing telecoms-tech businesses but also in the markets for promising new technology and innovation in SEA.

In 2016 this division's GlobeOSS business managed to secure an increase in both system sale and managed-service contract revenues despite the competitive operating environment. Several hard-fought and won system sale contract opportunities during the year resulted in the substantial revenue growth achieved by this business this year. However, the improvement in revenue performance came at the expense of thinning margins. The Unifiedcomms business meanwhile recorded lower managed-service contract revenues, due to the underperformance of certain managed-service contracts and continued delays with new contract opportunities. Although the growth in the system sale business of GlobeOSS in 2016 had effectively counteracted the slower than desired growth of the division's managed-service contract portfolio, significant uncertainty and hence lumpiness is still to be expected in the contribution of system sale contracts to the division's future results. The need for the ICT division to continue to strengthen its managed-service contract portfolio as the platform for delivering steady, if not rapid yet sustainable growth remains.



Apart from the contribution of existing long-standing managed-service contracts, the bulk of the system sale revenues that are expected to be realised by the division in 2017 are expected to be driven by new solution implementations, as well as solution enhancement, system upgrade and system capacity expansion activities of existing Unifiedcomms and GlobeOSS customers within the SEA and MEA region. The SEA and SA regions are expected to drive managed-service contract revenue growth.

Growing the managed-service contract portfolio across the Unifiedcomms and GlobeOSS businesses continues to have significant emphasis in the ICT division's 2017 business plan. Division management shall 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 our portfolio and to more quickly translate secured contracts into substantial sources of recurrent revenue. We continue to take note of the growing interest and opportunity in internet-driven application services for enterprises and marketplaces as well as internet and handset-app delivered media. This, along with the progress achieved with the ten investments made to-date, will continue to guide our venture investment activities at the division's Captii Ventures business in the new year.

Our ICT division expects 2017 to continue to be challenging but remains optimistic about the prospects for further growth. Its pursuit in 2017 of opportunities relating to internet-delivered application services including marketplaces and those that address enterprise problems, as well as ones that fall under the category of digital and mobile media, will continue to involve a combination of organic and growth-by-acquisition or strategic investment initiatives. The division's strategic investment plan in the year ahead – to be executed by Captii Ventures – will continue to focus primarily on these growth businesses in the SEA and SA regions and will complement the growth strategy already in place for the long-established telecoms-tech businesses.

ICT division management is optimistic that with the successful execution of the business plans for the existing telecoms-tech businesses and the relatively new venture investment business under Captii Ventures, that the progress achieved in 2016 can be further extended in the new year.

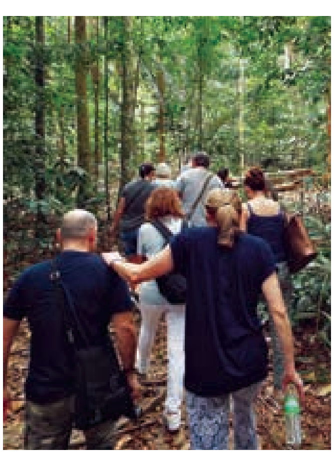
TRAVEL & TOURS:

Sky is Not the Limit...

Our travel and tours division is cautiously optimistic for 2017 as we continue to remain focused on building the corporate client base for the ticketing business, developing and adapting products to sustain growth for both inbound and outbound travel and tours. Our focus on corporate travel, where we provide a full range of services from managing customers' travel itineraries, providing various options on airlines, hotels, to arranging their other travel arrangements, is yielding excellent results. We believe this competitive strength will set us apart from our competitors. The division's inbound travel business relies primarily on the European market and business from this region is expected to improve in the coming year. Management is hopeful that the division's continuous effort to develop products for the MICE sector will show meaningful results in 2017. The division believes that there are huge growth opportunities in the local and global tourism and travel business. We are well positioned with clear growth strategies to reap significant benefit from a recovery in the international and local tourism markets.

Orient Escape Travel Sdn Bhd 137939-M

synergy tours®
Online, offline, on the ground



Tourists from France doing trekking at Temenggor, Gerik, Perak

Orchid Garlanding to welcome an Incentive group from Portugal

PROPERTY DEVELOPMENT:

Niche Building...

Our property development division expects continued challenges in 2017 in view of the softening of the property market in Kuching and the Malaysian government's market cooling measures. The division will focus on Federal Park, its on-going development project, to drive this division's earnings for 2017. The construction of Phase 1, Federal Park which consists of 16 units of three-storey shophouses and 148 units of landed residential units has been completed in 2016. Subject to approvals being obtained from the relevant authorities on the proposed amendment to the approved plan, the development of Phase 2, Federal Park comprising mainly of townhouses is slated to commence in the third quarter of 2017.

Federal Park (Phase 1)

Three-Storey Shophouses with Floor Area of 3,742.99 square feet to 4,732.83 square feet.

Single-Storey Terrace House.
Intermediate Unit, Standard Lot Size: 18 Feet x 65.6 feet
Built up area: 632 square feet.

Double-Storey Terrace Houses (Type A).
Intermediate Unit, Standard Lot Size : 23 Feet x 88.5 feet. Built up area: 1,923 square feet.

Double-Storey Terrace Houses (Type B).
23 Feet x 88.5 feet. Built up area: 1,923 square feet.

Being a niche property developer and taking into consideration the property market condition in Kuching, our property development division does not intend to undertake big township development but instead to build on project-by-project basis. This will ensure that we have a continuous steady income while not locking up our financial resources in huge landbank. As a niche property player, we concentrate on developing properties to our target market in terms of pricing the property to their market affordability while enhancing on our designs. We are focused in our market segment of medium to medium-low property pricing and have since built our track record and branding in this market segment. The strategy for the division would be to remain resilient and focused on marketing its balance stock while planning for future launches. For sustainability, the division is actively looking out for suitable land banks at reasonable prices in specific locations in both East and West Malaysia.

We are also cautiously confident that this division will be able to retain its current level of profitability for 2017.

BUS-BODY FABRICATION:

Turning the Corner...

Quality Bus & Coach (M) Sdn Bhd ("QBC") was set up in 2003 with our Australian joint venture partner who is highly skilled and knowledgeable in the design and fabrication of bus chassis and bus body for intra-city, inter-city and off-road usage. The buses are designed and fabricated in compliance with the internationally recognised safety standards of the Australian Design Regulations ("ADR").

In 2011 and 2012, our locally-designed and fabricated bus Chassis under QBC's house brand "Autobus" - for Models : LF 12250, LF 10200 and SD 12300 have been approved as "Barangan Buatan Malaysia" (Product Made In Malaysia) by Kementerian Perdangangan Dalam Negeri, Koperasi Dan Kepenggunaan.

Through years of diligent efforts in promoting and marketing our expertise in chassis and bus body fabrications, QBC has gained a foothold as a reputable chassis and body fabricator in the local and export markets since 2014.

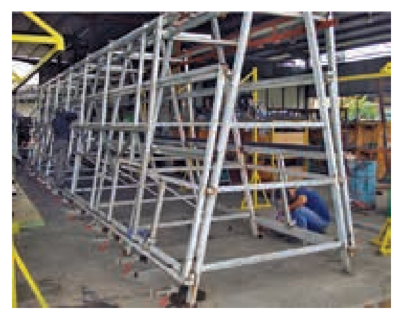
Our big break came in 2014 when we were awarded a bus refurbishment contract by Volvo (M) Sdn Bhd. Under this project, 100 units of Rapid KL buses owned by Prasarana were refurbished and delivered within the stipulated deadline - a first in the history of bus body refurbishment in Malaysia. Refurbishment of 56 buses were completed in 2014 and the balance of 44 units were delivered in 2015.

In 2016, QBC secured a major assembly contract from Scania (M) Sdn Bhd to assemble 69 units of feeder buses for the MRT feeder bus project. This contract commenced in July 2016 and is scheduled for completion by May 2017. We are on track to complete the project, again keeping to the stipulated timeline.

We have also initiated and signed an Assembly Agreement with I-Bus Pty Ltd, Australia, to manufacture bus body on Isuzu chassis. The Isuzu chassis will be supplied by I-Bus Pty Ltd. This Agreement and co-operation with I-Bus Pty Ltd would open more avenues to further expand QBC's export of its products into the lucrative and competitive Australian market. As it is, we have already seen an increase in its export of buses to Australia from 10 units in 2014 to 15 units in 2015. In 2016, the number of buses exported to Australia has increased to 40 units. We are cautiously optimistic that 2017 will see a further increase in the number of buses to be exported to Australia.

Another potential market that we believe could be developed is the Middle East. The successful introduction and launch of our specially designed 4 x 4 bus prototype named the IVECO TRAKKER in Doha/Qatar recently gave a very positive signal that there are opportunities for QBC to expand its market in Qatar and the surrounding region.

Component fabrication.



Jigs to optimise precision.

Bus structure build to ADR 59 standard

Autobus low floor city bus chassis

Front Cowl

Autobus in build.

Completed Autobus

Iveco Trakker

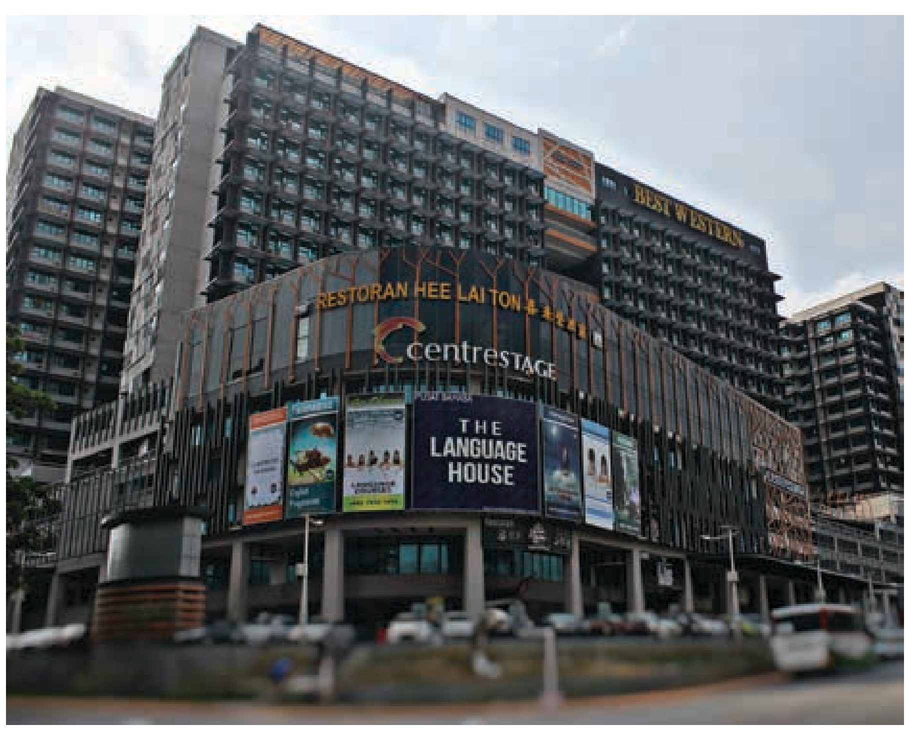
The IVECO TRAKKER is a prototype, a specially designed and fabricated vehicle by QBC to provide safe and comfortable Desert Sand Dunes tours. We believe that this vehicle would be able to assist Desert Tour operators meet the growing demand for such desert escapades on the Desert Sand Dunes Tours.

We are confident that 2017 would see the full impact of QBC's intensive effort in streamlining and restructuring its management and its operation. This ongoing exercise that was begun in January 2016 has produced very positive improvements in staff attitude, cost management, overall discipline and production efficiency.

EDUCATION:

The Gain in Translation...

Our newly acquired education business, TLH, expects improved results in 2017. In line with its aims to become an integrated provider of holistic education services with courses that are relevant to demands in the ELT (English Language Teaching) arena.

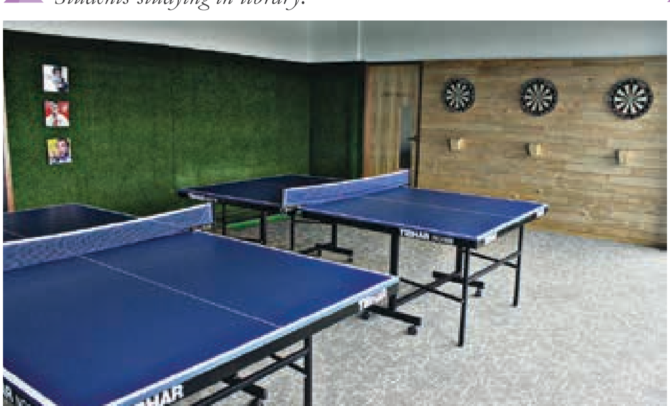


The Language House.

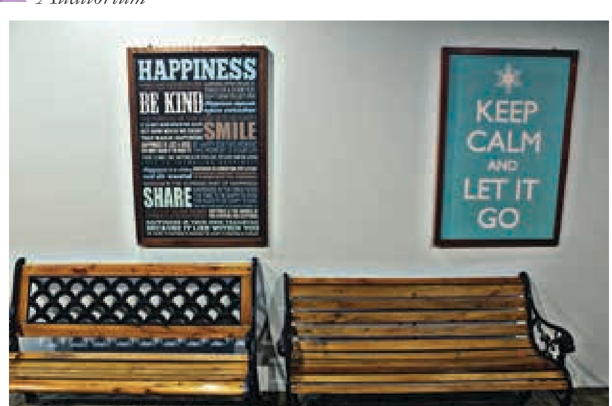
Different types of classroom fulfill different needs.

Students studying in library.

Auditorium



Entertainment Room.



Student relaxing benches in the corridor.

From 2017 onwards, the education division's aims are: Increasing Market Share; Moving into New Markets; and Expanding Existing Products and Services. In the coming year, TLH will spend more on marketing and promotional efforts to increase awareness of the existence of our new state of the art premises, which include fully equipped classrooms, cafeteria and a recreational area where weekly extracurricular activities are conducted. We are also planning to engage in regular road shows by installing booths in popular shopping malls and to participate in education fairs to reach out and to explain about our courses. Such interaction will not only create awareness but will also help us to follow-up and invite potential students to our Centre.

Our intensive English programmes are popular with foreign students and TLH has seen a growing number of students from various countries such as the Middle East, Korea and China. Besides this, since 2016 we have also seen an increase in the number of foreign student groups to learn English during their school breaks. In order to maintain quality of classroom instruction, regular course evaluations are conducted to give students the opportunity to voice out their opinion on the course, teachers and the office staff. As a further enhancement to classroom delivery, we shall continue with the "sharing sessions" where teachers contribute a class activity to promote student-centred approach in order to increase target language use in lessons during the monthly academic meetings. At the same time, to expose our teachers to new trends in the ELT field, we shall provide training opportunities for them as well. Seeing the market demand, in addition to our IEP (Intensive English Programme), we shall venture into offering IELTS (International English Language Testing System) preparation courses and make it a regular part of the monthly sessions. In fact, we have already started to conduct a 51-hour IELTS Preparation Class, to which the students have responded well and currently we are running another one (Session 4). This is definitely an area we would like to develop further as there is a constant demand in the ELT market.

Another programme that will be introduced to our sessions is Communicative English, which is to focus on collaborative student-centred activities to promote language use. This programme is to engage students in meaningful communication by employing tasks for which students need to work together to complete them successfully. It is basically a course where students are exposed to real-life situations and they have to use the target language in order to communicate their intended message.

In addition to its intensive English learning programme, TLH also conducts part-time courses for nine other languages that have been certified by the Malaysian Ministry of Education. These courses are taught by professional native speakers, who employ very interactive and creative techniques not only to teach but also to introduce the learners to the cultural aspects behind the target language. As a result of this wholesome approach, these courses have received good response from local adult students prompting them to continue with Level 2 and 3 to achieve a deeper more intermediate proficiency in the second or third language.

So far our corporate training and event management programmes have received encouraging response and this is one area of growth for the coming year. Effective business communications that include writing E-mails using appropriate tone, format, language; writing formal and informal reports; writing minutes using suitable format and fine-tuning the expression are highly sought after skills by employers and employees.

TLH is an accredited centre by Pembangunan Sumber Malaysia Berhad to conduct courses which are approved for Human Resource Development Fund. Some of the key corporate and event programmes conducted include "Personal Breakthrough & Transformation", "Power of Team Work makes the Dream Work" and "Personal & Team Coaching".

We are also beginning to organise programmes that cater specifically to the needs of the local student market; such courses that assist local students in coping with the demands of IGCSE (International General Certificate of Secondary Education) English (as second and first language) and courses that offer intensive/semi intensive holiday English courses, which may expose students to learning English in a fun yet effective way.

CARD & PAYMENT SERVICES:
Less Cash and Secure...

Our card and payments business unit operates its business through the MasterCard and Visa global payment system network regulated by Bank Negara Malaysia under the Financial Services Act, 2013. The operating environment will see significant changes over the next few years with the initiative by Bank Negara Malaysia to encourage a cashless society which will result in more payment card usage at merchants. This initiative is backed by a more secure mode of authorising payments through the use of a personal PIN by a cardholder. By 30 June 2017, all local payment cards will be PIN-enabled and the use of such cards to pay for goods and services will result in greater confidence in the use of payment cards. To achieve the objective of a cashless society, Bank Negara Malaysia has projected that the deployment of electronic data capture terminals shall increase three-fold by 2020. As we have also upgraded our systems to comply with the requirement to issue PIN-enabled credit cards and to acquire PIN-enabled transactions from our merchants, we are confident that we can grow our business in line with the industry.

For the coming year however, we shall remain focused on improving the acquiring business revenue stream by not just signing more merchants but also 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 implement the Recurring Payment Module which we believe will encourage more merchants to sign up. There are also plans to expand our electronic payment services (besides MasterCard and Visa) to include debit payment under the Malaysian Electronic Clearing Corporation (MyClear) and other payment service operators such as China Union Pay to provide a more comprehensive payment solution to our merchants. Another potential growth area is in the eCommerce transactions. Even though the number of internet users in Malaysia has grown nationwide, the domestic eCommerce market remains relatively untapped. We have now developed an internet acquiring platform that offers 3-D secure MasterCard payments for eCommerce merchants who require a secure internet payment platform.

The future looks promising even though the business environment continues to be challenging in terms of technology and competition.

WELLNESS:

Health is Wealth...

Facing a challenging 2017 environment our TCM division is evolving itself into a Wellness centre that provides wellness or health related services by introducing wellness concepts to existing TCM specialist treatment which shall include chiropractic and physiotherapy services. With these additional services, our TCM division shall be a one-stop centre for management of wellness in a holistic manner.

We believe that our revenue segments – treatment packages, beauty and slimming treatment, short courses and products will see this division through in 2017. There is a growing trend in Malaysia of herbal/traditional ingredients being incorporated into newly launched consumer health products. So our TCM unit will introduce new products such as bottled nutritional drinks that address general wellbeing and beauty needs. Our short courses are popular as they are designed for anyone who has interest in complementary medicines and treatments including learning about how to support our bodies' natural healing abilities. We have programmes scheduled for 2017 which we intend to promote with other health service providers and organisations.

Our marketing strategies will reflect the promotion of these revenue segments with a greater push towards corporate partnerships and working partnership with complementary health providers involving group treatments or workshops. Corporate partnership includes ways which we can work with any corporate entity to integrate wellness programme into their office culture and environment. We have already initiated these programmes with a few complementary health providers and fitness centres. More programmes shall be rolled out this coming year as our marketing and branding efforts continue to focus on the health and lifestyle sector via online, print and public awareness campaigns. Meanwhile, we shall continue to increase operational efficiencies by streamlining operations, better cost management and a significant improvement in our TCM doctor-patient ratio and relationship.

Wellness Centre Facilities