ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2016

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the quarter ended 31 March 2016.

This interim report is prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting" and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2015.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	3 months ended		Year-to-date 3 months ended	
	31.03.2016 RM'000	31.03.2015 RM'000	31.03.2016 RM'000	31.03.2015 RM'000
Revenue	60,763	62,823	60,763	62,823
Cost of sales	(38,786)	(41,544)	(38,786)	(41,544)
Gross profit	21,977	21,279	21,977	21,279
Other operating income	3,015	2,290	3,015	2,290
Operating expenses	(26,579)	(25,784)	(26,579)	(25,784)
Profit/(Loss) from operations	(1,587)	(2,215)	(1,587)	(2,215)
Finance costs	(1,047)	(1,325)	(1,047)	(1,325)
Share of results of associates and joint venture	429	(13)	429	(13)
Profit/(Loss) before tax	(2,205)	(3,553)	(2,205)	(3,553)
Income tax expense	(1,149)	(945)	(1,149)	(945)
Net profit/(loss) for the financial period	(3,354)	(4,498)	(3,354)	(4,498)
Attributable to:				
Owners of the parent	(3,651)	(5,323)	(3,651)	(5,323)
Non-controlling interests	297	825	297	825
	(3,354)	(4,498)	(3,354)	(4,498)
Loss per share attributable to owners of the parent:				
Basic (sen)	(0.55)	(0.80)	(0.55)	(0.80)
Diluted (sen)	(0.55)	(0.80)	(0.55)	(0.80)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 3 months ended	
	31.03.2016 RM'000	31.03.2015 RM'000	31.03.2016 RM'000	31.03.2015 RM'000
Net profit/(loss) for the financial period	(3,354)	(4,498)	(3,354)	(4,498)
Other comprehensive income/(expenses):				
Items that are or may be reclassified subsequently to profit or loss:				
Fair value of available-for-sale financial assets	-	(803)	-	(803)
Share of other comprehensive income of associates, net of tax	1	(51)	1	(51)
Foreign currency translation differences for foreign operations	(3,496)	3,305	(3,496)	3,305
Total items that are or may be reclassified subsequently to profit or loss	(3,495)	2,451	(3,495)	2,451
Other comprehensive income/(loss) for the financial period	(3,495)	2,451	(3,495)	2,451
Total comprehensive income/(loss) for the financial period	(6,849)	(2,047)	(6,849)	(2,047)
Attributable to:				
Owners of the parent	(6,701)	(2,805)	(6,701)	(2,805)
Non-controlling interests	(148)	758	(148)	758
Total comprehensive income/(loss) for the financial period	(6,849)	(2,047)	(6,849)	(2,047)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited as at 31.03.2016 RM'000	Audited as at 31.12.2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	126,594	127,736
Investment properties	8,870	8,870
Investment in associates	52,959	54,575
Investment securities	27,375	24,051
Investment in joint venture	6	9
Goodwill on consolidation	92,761	92,761
Intangible assets	4,765	4,887
Deferred tax assets	623	665
	313,953	313,554
Current assets		
Progress billings	25,088	20,489
Inventories	51,547	59,420
Trade and other receivables	76,030	74,217
Tax recoverable	2,471	2,411
Investment securities	433	433
Financial assets held for trading	313	411
Short term deposits	78,977	106,987
Cash and bank balances	62,183	52,777
	297,042	317,145
TOTAL ASSETS	610,995	630,699
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	199,216	199,216
Irredeemable Convertible Unsecured Loan Stocks ("ICULS") - equity component	64,803	64,861
Reserves	169,553	175,922
	433,572	439,999
Non-controlling interests	39,258	39,155
Total equity	472,830	479,154
Non-current liabilities		
Borrowings	42,617	42,844
ICULS - liability component	2,637	2,976
Deferred tax liabilities	2,650	2,659
Provision for retirement benefit obligations	1,475	1,427
	49,379	49,906
Current liabilities		
Trade and other payables	56,661	63,942
Borrowings	31,699	37,203
Tax payable	426	494
	88,786	101,639
Total Liabilities	138,165	151,545
TOTAL EQUITY AND LIABILITIES	610,995	630,699

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2016

	Attributable to owners of the parent									
			Non-distributable				*Distributable*			
	Share Capital	**ICULS-Equity Component**	**Share Premium**	**Revaluation Reserve**	**Exchange Translation Reserve**	**Available-For-Sale Reserve**	**Retained Profits**	**Total**	**Non-Controlling Interests**	**Total Equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Balance as at 1 January 2016	199,216	64,861	117,317	15,998	8,699	4,987	28,921	439,999	39,155	479,154
Net profit/(loss) for the financial period	-	-	-	-	-	-	(3,651)	(3,651)	297	(3,354)
Share of other comprehensive income of associates, net of tax	-	-	-	-	-	1	-	1	-	1
Foreign currency translation differences for foreign operations	-	-	-	-	(3,051)	-	-	(3,051)	(445)	(3,496)
Total comprehensive income/(loss) for the financial period	-	-	-	-	(3,051)	1	(3,651)	(6,701)	(148)	(6,849)
Transactions with owners in their capacity as owners:										
Disposal of interest in a subsidiary	-	-	-	-	-	-	140	140	-	140
Disposal of partial interest in a subsidiary								-	443	443
Acquisition of additional shares in a subsidiary	-	-	-	-	-	-	192	192	(192)	-
Issue of new ordinary shares pursuant to the conversion of ICULS and changes in income tax rate	-	(58)	-	-	-	-	-	(58)	-	(58)
	-	(58)	-	-	-	-	332	274	251	525
Balance as at 31 March 2016	199,216	64,803	117,317	15,998	5,648	4,988	25,602	433,572	39,258	472,830

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2016 (Continued)

	Attributable to owners of the parent									
			Non-distributable				*Distributable*			
	Share Capital RM'000	**ICULS-Equity Component RM'000**	**Share Premium RM'000**	**Revaluation Reserve RM'000**	**Exchange Translation Reserve RM'000**	**Available-For-Sale Reserve RM'000**	**Retained Profits RM'000**	**Total RM'000**	**Non-Controlling Interests RM'000**	**Total Equity RM'000**
Balance as at 1 January 2015	198,677	65,384	117,317	15,998	(2,757)	6,490	42,172	443,281	36,498	479,779
Net profit/(loss) for the financial period	-	-	-	-	-	-	(5,323)	(5,323)	825	(4,498)
Fair value of available-for-sale financial assets	-	-	-	-	-	(803)	-	(803)	-	(803)
Share of other comprehensive income of associates, net of tax	-	-	-	-	(51)	-	-	(51)	-	(51)
Foreign currency translation differences for foreign operations	-	-	-	-	3,372	-	-	3,372	(67)	3,305
Total comprehensive income/(loss) for the financial period	-	-	-	-	3,321	(803)	(5,323)	(2,805)	758	(2,047)
Transactions with owners in their capacity as owners:										
Issue of new ordinary shares pursuant to the conversion of ICULS	210	(204)	-	-	-	-	-	6	-	6
	210	(204)	-	-	-	-	-	6	-	6
Balance as at 31 March 2015	198,887	65,180	117,317	15,998	564	5,687	36,849	440,482	37,256	477,738

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2016

	3 months ended 31.03.2016 RM'000	3 months ended 31.03.2015 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	(2,205)	(3,553)
Adjustments for :-		
Non-cash items	3,999	5,488
Other investing and financing items	400	718
Operating profit before working capital changes	2,194	2,653
Changes in working capital		
Inventories	2,126	(7,272)
Receivables	(8,847)	(2,627)
Financial assets held for trading	99	-
Payables	(3,249)	2,302
Cash used in operations	(7,677)	(4,944)
Retirement benefit paid	-	(9)
Tax paid	(1,295)	(1,272)
Net cash used in operating activities	(8,972)	(6,225)
Cash flows from investing activities		
Acquisition of intangible assets	(394)	(242)
Acquisition of a subsidiary, net of cash acquired	-	(725)
Investment in associates	(623)	(3,647)
Acquisition of investment securities	(495)	-
Interest received	647	606
Proceeds from disposal of partial interest in a subsidiary	481	-
Proceeds from disposal of an associate	-	4,848
Proceeds from disposal of property, plant and equipment	69	1
Proceeds from disposal of a subsidiary, net of cash disposed	5,298	-
Purchase of property, plant and equipment	(1,506)	(1,382)
Net cash generated from/(used) in investing activities	3,477	(541)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2016 (Continued)

	3 months ended 31.03.2016 RM'000	3 months ended 31.03.2015 RM'000
Cash flows from financing activities		
Drawdown of hire purchase	341	-
Interest paid	(2,695)	(2,741)
Payment to hire purchase payables	(12)	(11)
Pledged of short term deposits	(447)	(239)
Repayment of term loans and revolving credit	(6,075)	(630)
Net cash used in financing activities	(8,888)	(3,621)
Effect of exchange rate changes	(1,065)	192
Net decrease in cash and cash equivalents	(15,448)	(10,195)
Cash and cash equivalents as at beginning of financial period		
As previously reported	125,989	94,592
Effect of exchange rate changes	(3,603)	1,868
As restated	122,386	96,460
Cash and cash equivalents as at end of financial period *	106,938	86,265

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

Short term deposits	78,977	82,243
Cash and bank balances	62,183	40,514
Bank overdrafts	-	(3,004)
	141,160	119,753
Less : Deposits placed with lease creditors as security deposit for lease payments	(23,211)	(22,077)
Cash held under Housing Development Accounts	(570)	(552)
Deposits pledged to licensed banks	(10,441)	(10,859)
	(34,222)	(33,488)
	106,938	86,265

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

The unaudited interim financial report has been prepared in compliance with MFRS 134 - "Interim Financial Reporting" and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The unaudited interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.

2. Significant accounting policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2015, except for the adoption of the following new and revised Malaysian Financial Reporting Standards ("MFRS"), amendments/improvements to MFRSs, IC Interpretations ("IC Int") and amendment to IC Int:

Amendments/Improvements to MFRSs

MFRS 5	Non-current Asset Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosures of Interests in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 127	Separate financial statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 138	Intangible Assets
MFRS 141	Agriculture

The adoption of the above amendments to MFRSs and IC Int will have no significant impact on the financial statements of the Group upon their initial application.

MFRSs, Amendments to MFRSs and IC Int issued but not yet effective

The following MFRSs, Amendments/Improvements to MFRSs that are issued but are not yet effective, have yet to be adopted by the Group:

New MFRS		**Effective for financial periods beginning on or after**
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018

3 Audit report

The auditors' report on the financial statements for the year ended 31 December 2015 was not subject to any qualification.

4 Seasonal or cyclical factors

The operations of the Group for the quarter ended 31 March 2016 were not materially affected by any seasonal or cyclical factors.

5. Unusual items

There were no unusual significant items during the quarter under review.

6. Changes in estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the quarter under review.

7 Debt and equity securities

There were no issuances, cancellations, repurchases, resale and/or repayments of debt and equity securities during the financial period ended 31 March 2016.

8 Dividends paid

There was no payment of any dividend during the financial period ended 31 March 2016.

9. Segmental Information

For the financial period ended 31 March 2016

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External	178	15,318	11,464	6,572	23,546	3,685	-	60,763
Inter-segment	462	-	-	-	84	-	(546)	-
Total revenue	640	15,318	11,464	6,572	23,630	3,685	(546)	60,763
Results								
Segment results	(1,736)	174	1,327	930	1,173	(4,487)	(15)	(2,634)
Share of results of associates and joint venture	414	10	(2)	-	7	-	-	429
Consolidated profit/(loss) before tax	(1,322)	184	1,325	930	1,180	(4,487)	(15)	(2,205)
Income tax expense								(1,149)
Consolidated profit/(loss) after tax								(3,354)
Non-controlling interests								(297)
Net profit/(loss) for the financial period attributable to owners of the parent								(3,651)

9. Segmental Information (Continued)

For the financial period ended 31 March 2016

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information								
Segment assets	62,651	185,666	167,919	70,632	26,318	41,750	-	554,936
Investment in associates and joint venture	33,933	17,382	1,218	-	432	-	-	52,965
Unallocated corporate assets								3,094
Total assets								610,995
Segment liabilities	33,967	54,667	13,871	8,622	7,954	16,008	-	135,089
Unallocated corporate liabilities								3,076
Total liabilities								138,165
Capital expenditure:								
- Property, plant & equipment	162	697	199	-	1	447	-	1,506
- Software development expenditure	-	-	363	-	-	-	-	363
- Licenses	-	-	-	-	-	31	-	31

9. Segmental Information (Continued)

For the financial period ended 31 March 2015

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External	356	15,161	13,299	1,190	21,158	11,659	-	62,823
Inter-segment	397	-	-	2	51	-	(450)	-
Total revenue	753	15,161	13,299	1,192	21,209	11,659	(450)	62,823
Results								
Segment results	(2,680)	(1,592)	2,304	(4)	723	(2,305)	14	(3,540)
Share of results of associates	301	113	(3)	-	(424)	-	-	(13)
Consolidated profit/(loss) before tax	(2,379)	(1,479)	2,301	(4)	299	(2,305)	14	(3,553)
Income tax expense								(945)
Consolidated profit/(loss) after tax								(4,498)
Non-controlling interests								(825)
Net profit/(loss) for the financial period attributable to owners of the parent								(5,323)

9. Segmental Information (Continued)

For the financial period ended 31 March 2015

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information								
Segment assets	62,765	196,743	163,882	64,597	17,380	71,110	-	576,477
Investment in associates	31,932	18,533	16	-	3,542	-	-	54,023
Unallocated corporate assets								2,915
Total assets								633,415
Segment liabilities	10,205	80,942	13,823	9,265	7,167	32,289	-	153,691
Unallocated corporate liabilities								1,986
Total liabilities								155,677
Capital expenditure								
- Property, plant and equipment	129	555	472	16	55	155	-	1,382
- Software development expenditure	-	-	242	-	-	-	-	242

10. Property, plant and equipment

The valuation of land and buildings have been brought forward without amendment from the financial statements for the year ended 31 December 2015.

11. Significant events after the reporting period

The Company announced on 12 April 2016 that an application has been submitted to the Hong Kong Companies Registry on 12 April 2016 for the deregistration of Excellent Result Investments Limited (a dormant indirect wholly-owned subsidiary of the Company incorporated in Hong Kong) under Section 750 of the Companies Ordinance.

Apart from the above, there are no significant events after the reporting period.

12. Changes in the composition of the Group

(a) On 5 February 2016, Pacific Prime Ventures Pty. Ltd., as trustee for the E Naidu Trust ("Purchaser") signed the Share Sale Agreement to acquire from Calmford Incorporated ("Calmford"), a wholly-owned subsidiary of the Company, its 4,700,002 shares representing 100% shareholding in Advansa Pty. Ltd. for a cash consideration of AUD2,300,000 only (equivalent to approximately RM7 million) ("Proposed Disposal") as part of the Group's plan to divest non-core business. Following the completion of the Proposed Disposal on 18 March 2016, Advansa Pty. Ltd. ceased to be a subsidiary of Calmford and the Company.

The summary effects on the disposal of Advansa Pty. Ltd. are as follows:

	RM'000
Property, plant and equipment	229
Intangible asset	235
Inventories	5,512
Receivables	2,632
Cash and bank balances	1,758
Payables	(2,722)
Exchange translation reserve	296
Net assets disposed	7,940
Net proceeds from disposal	(7,056)
Loss on disposal of the subsidiary	884
Realisation of foreign exchange reserve on disposal	737
Net loss on the disposal of the subsidiary	1,621
Net proceeds from disposal	7,056
Cash and bank balances of the subsidiary disposed	(1,758)
Net cash inflows	5,298

(b) Pursuant to the Share Sale Agreement dated 12 August 2015 which was entered into by Alangka-Suka International Limited ("ASIL"), an indirect wholly-owned subsidiary of the Company, to dispose 75 ordinary shares of USD200.00 each, representing its 10% equity interest in P.T. Diwangkara Holiday Villa Bali ("PT Diwangkara") to Triadi Putranta Soewondo for a total cash consideration of USD115,415.00, PT Diwangkara became an indirect 90%-owned subsidiary of the Company held via ASIL. Following an increase in the share capital of PT Diwangkara, ASIL's equity interest in PT Diwangkara increased to 94.81% effective from 12 February 2016.

(c) On 8 March 2016, Captii Limited, an indirect 58.3%-owned subsidiary of the Company, announced that its wholly-owned subsidiary, Captii Ventures Pte. Ltd., completed its investment in 50,000 convertible preference shares in OOPA Pte. Ltd. ("OOPA"), which in turn is convertible into ordinary shares of OOPA representing a 25% stake in OOPA on a fully convertible basis.

Other than the above, there were no changes in the composition of the Group for the current financial period.

13. Changes in contingent liabilities

There were no changes in contingent liabilities since the last annual statements of financial position as at 31 December 2015.

14. Review of performance

Overall performance

For the current 3-month period ended 31 March 2016 ("Q1 2016"), the Group recorded a lower revenue of RM60.8 million compared to a revenue of RM62.8 million recorded for the corresponding period last year ("Q1 2015"), a decrease of RM2.0 million or 3.3%. This was mainly due to Information & Communications Technology ("ICT") and Others divisions showing a decline in revenue of RM1.8 million and RM8.0 million respectively. However, the decline in revenue of these two divisions was mitigated by an increase in revenue recorded by Property Development division of RM5.4 million for Q1 2016 compared to corresponding period last year and Travel & Tours division's increase in revenue of RM2.4 million for Q1 2016 compared to Q1 2015. Despite the lower revenue compared to Q1 2015, the Group recorded a lower loss before tax of RM2.2 million for Q1 2016 compared to a loss before tax of RM3.6 million for Q1 2015 and this was mainly attributable to higher gross profit margin of 36.2% in Q1 2016 compared to 33.9% for Q1 2015 and lower finance costs for Q1 2016 compared to Q1 2015. The improved results was adversely affected by a loss on disposal of a subsidiary resulting in higher operating expenses for Q1 2016 mitigated by higher other operating income for Q1 2016 compared to Q1 2015 attributable mainly to higher other operating income recorded by the Hotels & Resorts division.

Investment Holding

The division recorded a lower loss before tax of RM1.3 million for Q1 2016 compared to RM2.4 million for Q1 2015. The higher loss in Q1 2015 was attributable mainly to a loss on disposal of an associate.

Hotels & Resorts

The Hotels & Resorts division registered a comparable revenue for Q1 2016 of RM15.3 million to RM15.2 million for Q1 2015. For the quarter under review, one of our local hotels recorded higher revenue compared to Q1 2015 while our overseas hotels recorded lower revenue. Overall, the Hotels & Resorts division achieved a higher occupancy rate this quarter compared to Q1 2015 while maintaining its average room rate. The flowdown effect of revenue coupled with lower operating expenses resulted in a profit before tax for Q1 2016 of RM0.2 million compared to a loss before tax of RM1.5 million in the corresponding period last year.

Information & Communications Technology

The lower revenue from ICT division was attributable mainly to lower system sale contract revenue recorded by GlobeOSS business unit ("BU") and lower revenue share contract revenue recorded by Unifiedcomms BU. This was partly mitigated by higher GlobeOSS BU's managed service contract revenue and higher Unifiedcomms BU's maintenance contract revenue.

With the lower revenue for Q1 2016, mitigated by higher gross profit margin of 64% compared to 54% for the same period last year, the division recorded a lower profit before tax of RM1.3 million for Q1 2016 compared to RM2.3 million for Q1 2015.

Property Development

The Property Development division registered a higher revenue for Q1 2016 of RM6.6 million compared to RM1.2 million for Q1 2015. With the higher revenue, this division recorded a profit before tax of RM0.9 million for Q1 2016 compared to breakeven result for the same quarter last year.

Travel & Tours

For the quarter under review, our Travel & Tours division achieved a higher revenue of RM23.6 million as compared to a revenue of RM21.2 million for Q1 2015, an increase of RM2.4 million. With the higher revenue, this division recorded a higher profit before tax of RM1.2 million for Q1 2016 compared to RM0.3 million for Q1 2015.

Others

The Others division registered a lower revenue of RM3.7 million in Q1 2016 compared to a revenue of RM11.7 million achieved in Q1 2015, a decrease of RM8.0 million. The bulk of the reduction in revenue was due to a decline in revenue of the Coach Building unit from RM6.1 million for Q1 2015 to RM1.6 million for Q1 2016, coupled with the absence of the revenue from a loss making manufacturing subsidiary which was disposed in Q1 2016 as part of the plan to improve the Group's performance. With the lower revenue and the net loss on disposal of the loss making manufacturing subsidiary as mentioned above of RM1.6 million, this division recorded a higher loss before tax for Q1 2016 of RM4.5 million compared to RM2.3 million for Q1 2015.

15. Comparison of results with preceding quarter

Overall performance

The Group achieved a revenue of RM60.8 million for the current quarter ended 31 March 2016 ("Q1 2016") which was lower compared to the revenue in the previous quarter ended 31 December 2015 ("Q4 2015") of RM76.5 million, a decrease of RM15.8 million. Despite the lower revenue, the Group recorded a lower loss before tax of RM2.2 million in the current quarter under review compared to a loss of RM7.1 million in the preceding quarter. The Q4 2015 results included a loss on termination of lease for an overseas hotel of RM11.7 million.

Investment Holding

The Investment Holding division recorded a loss before tax of RM1.3 million for Q1 2016 as compared to a profit before tax of RM11.5 million for Q4 2015. The results for Q4 2015 included dividends from subsidiaries (eliminated at Group level) of RM12.0 million.

Hotels & Resorts

The Hotels & Resorts division registered a lower revenue for Q1 2016 of RM15.3 million compared to a revenue of RM16.4 million in the preceding quarter which was a year end holiday season. Despite the lower revenue in the current quarter under review compared to preceding quarter, the division recorded a profit before tax of RM0.2 million compared to a loss before tax of RM12.3 million in Q4 2015 which was mainly attributable to a loss on termination of lease for an overseas hotel of RM11.7 million.

Information & Communications Technology

The ICT division registered a slightly lower revenue for Q1 2016 of RM11.5 million compared to a revenue of RM12.0 million for the preceding quarter mainly due to lower sales from Unifiedcomms BU. The lower revenue coupled with lower gross profit margin of 62% compared to 71% in Q4 2015 resulted in the division reporting a lower profit before tax of RM1.3 million for Q1 2016 compared to RM2.2 million for Q4 2015.

Property Development

The Property Development division recorded a lower revenue of RM6.6 million for Q1 2016 compared to RM14.7 million in Q4 2015 mainly due to slowdown of property market in East Malaysia. With the lower revenue, a lower profit before tax of RM0.9 million was recorded for Q1 2016 compared to RM2.8 million for Q4 2015.

Travel & Tours

The Travel & Tours division recorded a lower revenue of RM23.6 million in the quarter under review compared to RM27.4 million in the previous quarter, a decrease of RM3.8 million or 13.8%. The lower revenue was mainly attributable to lower outbound travel business partly offset by higher inbound travel business. With the lower revenue, the division recorded a lower profit before tax of RM1.2 million in Q1 2016 compared to RM1.8 million in Q4 2015.

Others

The Others division recorded a lower revenue for Q1 2016 of RM3.7 million compared to RM6.2 million in the preceding quarter. The decrease in revenue was attributable mainly to the absence of the revenue from a loss making manufacturing subsidiary which was disposed in Q1 2016 as part of the plan to improve the Group's performance. This was mitigated by improved revenue from the Coach Building unit. With the decreased revenue in this quarter and net loss on the disposal of the manufacturing subsidiary of RM1.6 million, the Others division recorded a higher loss before tax of RM4.5 million for Q1 2016 compared to RM1.4 million in Q4 2015.

16. Prospects

Our Board expects the remaining period of 2016 to be challenging for the Group.

With the anticipated challenges ahead, our Group will continue its focus on measures to improve operational efficiencies and productivity coupled with cost reduction efforts. The Group will also continue to pursue its strategic plan which is already in place to grow our established core businesses, explore opportunities of new markets and restructure or divest the non-core loss-making businesses.

Although the Hotels & Resorts division views the business outlook for the remaining period of 2016 to be challenging, the division is cautiously optimistic taking into consideration the expected return of Chinese tourists to many parts of destination where Holiday Villas are located, the opening of several new Holiday Villas made possible through our strategy of seeking opportunities to secure hotel management and operations agreements to increase our room inventories and the anticipated increased online sales from additional investment in upgrading our websites, booking engine and web optimization.

16. Prospects (Continued)

The Information & Communications Technology ("ICT") division expects the remaining period of 2016 to be challenging. The division's need to continue strengthening the managed service contract portfolio for delivering steady and substainable growth remains the focus for growth in 2016. The growing interest and opportunity in internet-driven application services, new media and applications delivered on an advertisement-supported or advertisement-funded model continues to be recognised by the management. The division's strategic investment plan in the year ahead will continue to focus primarily on these growth businesses in the South East Asia and South Asia regions and will complement the growth plans of the existing businesses.

Our Property Development division expects to face continued challenges in the remaining period of 2016 due to the softening of the property market in Kuching and the cooling measures on the property market. The division will focus on its on-going development project namely Federal Park, to drive the earnings of the division for the remaining period of 2016.

The outbound travel and tours business expects this sector to remain soft in the remaining period of 2016. Notwithstanding this, our travel and tours division remains focused on its corporate clients for the ticketing business and will continue to develop and adapt its products to the changing trend in demand to sustain its growth in the outbound travel and tours business. Our inbound travel and tours business will continue to focus on offering competitive and unique services and travel packages and develop products for corporate group to drive its earnings. The division is cautiously optimistic of its efforts in the inbound travel and tours business which are yielding broadly positive results.

The Others division is expected to face continued challenges in the remaining period of 2016 which may affect its revenue growth plan this year. Although growth in revenue may be more uncertain, the division will continue to focus on its key strategies to drive the revenue growth plan, improve the execution process and implement cost saving measures to address the challenge of rising cost pressure. Further restructuring plan for non-performing businesses which may include divestment (the Manufacturing unit was divested in the current quarter under review) will be implemented to improve the performance of this division.

17. Board of Directors' opinion on revenue or profit estimate, forecast, projection or internal targets

The Group did not previously announce or disclose any revenue or profit estimate, forecast, projection or internal targets in a public document.

18. Profit variance and shortfall in profit guarantee

Not Applicable.

19. Income tax expense

	3 months ended 31.03.2016 RM'000	**Year-to-date ended 31.03.2016 RM'000**
On current quarter results		
- Malaysian income tax	1,143	1,143
Under provision in prior years	24	24
Transfer (to)/from deferred taxation	(18)	(18)
	1,149	1,149

The effective tax rate of the Group for the financial quarter and period ended 31 March 2016 is higher than the statutory tax rate. This is mainly due to certain expenses which were not deductible for taxation purposes and the non-availability of group relief where tax losses of certain subsidiaries cannot be set off against the taxable income of other subsidiaries.

20. Status of corporate proposals

On 25 March 1996, the Company announced that it had accepted the offer from Perbadanan Kemajuan Negeri Kedah ("PKNK") to purchase from the Company 52,500,000 ordinary shares of RM1.00 each representing 70% equity interest in Kedah Marble Sdn Bhd ("KMSB") for a total cash consideration of RM59,797,500. In the meantime, a Winding-Up Petition dated 25 March 2002 was served on KMSB, on or about 19 April 2002, by Malaysia Airports Sdn Bhd, a trade creditor of KMSB. On 11 June 2003, a Winding-Up Order was granted by the Kuala Lumpur High Court and the Official Receiver was appointed the Provisional Liquidator.

The Company had on 14 June 2004 instituted legal action vide Alor Setar High Court Civil Suit No. MT2-22-95-2004 against PKNK to recover its investment in KMSB. Details of this legal suit are set out in Note 23(a).

21. Group borrowings

(a) Details of the borrowings by the Group are as follows :-

	As At 31.03.2016 RM'000	As At 31.12.2015 RM'000
Short term - secured		
- Term loans	1,938	1,920
- Hire purchase payables	77	15
- Finance lease payable	23,084	23,084
- Revolving credit	6,600	9,400
Short term - unsecured		
- Term loans	-	2,784
	31,699	37,203
Long term - secured		
- Term loans	42,350	42,844
- Hire purchase payables	267	-
	42,617	42,844
Total borrowings	74,316	80,047

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

	As At 31.03.2016 RM'000	As At 31.12.2015 RM'000
Australian Dollars	-	2,784

22. Financial Instruments

(a) Derivatives

The Group does not have any outstanding derivatives as at the date of this report.

(b) Gain/Loss arising from fair value changes of financial liabilities

There were no gain/loss arising from the fair value changes in financial liabilities for the current financial period.

23. Material litigation

(a) The Company initiated the Alor Setar High Court Civil Suit No. MT2-22-95-2004 on 14 June 2004 against Perbadanan Kemajuan Negeri Kedah ("PKNK") to recover its investment of RM52,500,000 representing 70% equity interest in Kedah Marble Sdn Bhd ("KMSB") together with other sums, damages, interests and costs.

PKNK then applied for the determination of points or issues of law pursuant to Order 14A and/or Order 33 Rule 2 of the Rules of High Court, 1980. The application was heard on 13 January 2011 and allowed by the High Court on the basis that the Company's claim was time barred under the Public Authorities Protection Act ("PAPA") and/or the Limitation Act. In the result, the suit was dismissed with costs. The Judgment of the High Court was appealed to the Court of Appeal of Malaysia vide Civil Appeal No.: K-01-85-2011. The appeal was heard on the 27 September 2012 and allowed with costs. In the result, the order of the High Court dated 13 January 2011 was set aside and the matter remitted to the High Court for trial. Following the order of the Court of Appeal of Malaysia, PKNK has filed an application for leave ("Leave Application") to appeal to the Federal Court of Malaysia vide Civil Application No.: 08-772-10/2012.

The Leave Application was heard by the Federal Court of Malaysia on 6 May 2014 and unanimously dismissed with costs of RM10,000.00 payable by PKNK to the Company. As a result, the suit will be tried by the High Court in Alor Setar. Case management of the suit in the High Court has been adjourned to a date to be fixed pending clarification and extraction of the order of the Federal Court dated 6 May 2014. The Federal Court has on 15 May 2015 clarified the earlier order made and directed that the defence of limitation taken by PKNK be tried by the High Court. The sealed order of the Federal Court was served on 29 July 2015.

The High Court in Alor Setar has now fixed the matter for the full trial on 15 June 2016, 28 June 2016 and 29 June 2016. The High Court in Alor Setar has also scheduled the matter for case management on 8 June 2016 to monitor the compliance of case management directions.

23. Material litigation (Continued)

(b) The Company had announced that a legal proceeding was instituted against PT Diwangkara, 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") and CV. Telabah Nasional Traiding Company ("Defendant II") which was read on 28 July 2015 at the Denpasar District Court. Defendant I has a lease agreement for the land and building which happened to be the building of Diwangkara Holiday Villa Beach Resort & Spa Bali ("Hotel") including its licences and in the agreement, the owner also gives the right to operate and manage the Hotel to Defendant I.

The Plaintiff's claims principally included among others to invalidate the lease agreement between the Defendant I and Defendant II for Defendant I to lease the Hotel for a period of 22 years, and for Defendant I to pay actual and general losses suffered by the Plaintiff amounting to Rp114,600,000,000 (equivalent of approximately RM36.4 million) and default penalty in the amount of Rp10,000,000 (equivalent of approximately RM3,180) for each day commencing from the pronounce of the judgement and court fees.

Mediation proceedings had ended and the trial continued with Response of the Parties for the claim and Defendant I had responded by filing its claims to Denpasar District Court 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 judgement is enforceable and all costs incurred in this case.

On 5 May 2016, the Company announced the Court's judgement which principally states that Jaya Mukmur has conducted an unlawful act by taking over the management of the Hotel from PT. Diwangkara Holiday Villa prior to the expiry of the lease under Deed No. 38 and No. 39 and therefore Jaya Makmur shall return the operations of the Hotel to PT. Diwangkara Holiday Villa, and pay material and immaterial losses of PT. Diwangkara Holiday Villa in the amount of Rp5,384,507,763 (equivalent of approximately RM1.7 million) plus costs incurred in this case in the amount of Rp1,706,000 (equivalent of approximately RM530).

With regard to the Court's Judgement, both parties have submitted an appeal to the High Court of Denpasar.

24. Notes To The Statement of Comprehensive Income

Included in the operating profit are:

	3 months ended <u>31.03.2016</u> RM'000	**3 months ended <u>31.03.2015</u> RM'000**
Amortisation of intangible assets	(551)	(689)
Depreciation of property, plant and equipment	(1,732)	(3,954)
Net gain/(loss) on disposal of:		
- an associate	389	(596)
- partial interest in a subsidiary	38	-
- property, plant and equipment	24	(2)
- subsidiaries	(884)	-
Impairment loss on:		
- loan and receivables	-	(6)
Fair value change in financial assets held for trading	1	-
Interest expenses	(1,047)	(1,325)
Interest income	647	606
Net unrealised loss on foreign exchange	(923)	(149)
Property, plant and equipment written off	(5)	(49)
Provision for retirement plan	(48)	(38)
Write back of impairment loss on:		
- loan and receivables	-	8
Realisation of foreign exchange reserve	(737)	-

25. Retained Earnings

	As At 31.03.2016 RM'000	As At 31.03.2015 RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries		
- Realised	(497,708)	(470,077)
- Unrealised	28,040	20,515
Total share of retained profits/(accumulated losses) from associates		
- Realised	(2,823)	(975)
- Unrealised	-	-
Total share of retained profits/(accumulated losses) from jointly controlled entities		
- Realised	(929)	(858)
- Unrealised	-	-
	(473,420)	(451,395)
Consolidation adjustments	499,022	488,244
Total Group retained profits as per consolidated statements of financial position	25,602	36,849

26. Dividend

The Board has on 31 March 2016 announced that the Company has proposed a first and final single-tier dividend of 0.25 sen per ordinary share of RM0.30 each for the financial year ended 31 December 2015 subject to shareholders' approval at the forthcoming Annual General Meeting to be held on 31 May 2016.

27. Loss per share

Basic loss per share

The basic loss per share for the current quarter and current year-to-date are computed based on the Group's net loss attributable to equity holders of the Company of RM3,651,000, divided by the weighted average number of ordinary shares of 664,052,332 for the current quarter and current year-to-date as follows:

	3 months ended		Year-to-date ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the period	664,052,332	662,255,682	664,052,332	662,255,682
Weighted average number of new ordinary shares arising from ICULS converted todate	-	342,491	-	342,491
Weighted average number of ordinary shares	664,052,332	662,598,173	664,052,332	662,598,173

	3 months ended		Year-to-date ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Basic loss per share (sen)	(0.55)	(0.80)	(0.55)	(0.80)

Diluted loss per share

The diluted loss per share for the current quarter and current year-to-date are computed based on the Group's net loss attributable to equity holders of the Company of RM3,612,000, after adjusting for interest saving on ICULS, divided by the weighted average number of ordinary shares of 929,194,952 for both the current quarter and current year-to-date assuming conversion of the remaining ICULS as follows:

	3 months ended		Year-to-date ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000		RM'000	
Net loss attributable to equity holders	(3,651)	(5,323)	(3,651)	(5,323)
Profit impact of assumed conversion- interest on ICULS	39	104	39	104
	(3,612)	(5,219)	(3,612)	(5,219)

27. Loss per share (Continued)

Diluted loss per share (Continued)

Weighted average number of ordinary shares (diluted)

	3 months ended		Year-to-date ended	
	31.03.2016	**31.03.2015**	**31.03.2016**	**31.03.2015**
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the period	664,052,332	662,255,682	664,052,332	662,255,682
Weighted average number of new ordinary shares arising from ICULS converted todate	-	342,491	-	342,491
Weighted average number of new ordinary shares assuming conversion of the remaining ICULS	265,142,620	266,596,779	265,142,620	266,596,779
Weighted average number of ordinary shares	929,194,952	929,194,952	929,194,952	929,194,952

	3 months ended		Year-to-date ended	
	31.03.2016	**31.03.2015**	**31.03.2016**	**31.03.2015**
Diluted loss per share (sen)	(0.55)	(0.80)	(0.55)	(0.80)

The diluted loss per share and basic loss per share for the current quarter, current year-to-date, corresponding quarter last year and corresponding year-to-date last year are reported to be the same as the effect arising from the deemed conversion of ICULS is anti-dilutive.

28. Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
24 May 2016