

ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED
30 JUNE 2016

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the quarter and period ended 30 June 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	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	63,283	64,959	124,046	127,782
Cost of sales	(41,216)	(44,150)	(80,002)	(85,694)
Gross profit	22,067	20,809	44,044	42,088
Other operating income	2,324	2,652	5,339	4,942
Operating expenses	(21,639)	(24,343)	(48,218)	(50,127)
Profit/(Loss) from operations	2,752	(882)	1,165	(3,097)
Finance costs	(1,188)	(1,401)	(2,235)	(2,726)
Share of results of associates and joint venture	565	(210)	994	(223)
Profit/(Loss) before tax	2,129	(2,493)	(76)	(6,046)
Income tax expense	(1,723)	(1,532)	(2,872)	(2,477)
Net profit/(loss) for the financial period	<u>406</u>	<u>(4,025)</u>	<u>(2,948)</u>	<u>(8,523)</u>
Attributable to:				
Owners of the parent	(948)	(5,027)	(4,599)	(10,350)
Non-controlling interests	1,354	1,002	1,651	1,827
	<u>406</u>	<u>(4,025)</u>	<u>(2,948)</u>	<u>(8,523)</u>
Loss per share attributable to owners of the parent:				
Basic (sen)	<u>(0.14)</u>	<u>(0.76)</u>	<u>(0.69)</u>	<u>(1.56)</u>
Diluted (sen)	<u>(0.14)</u>	<u>(0.76)</u>	<u>(0.69)</u>	<u>(1.56)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 6 months ended	
	<u>30.06.2016</u> RM'000	<u>30.06.2015</u> RM'000	<u>30.06.2016</u> RM'000	<u>30.06.2015</u> RM'000
Net profit/(loss) for the financial period	406	(4,025)	(2,948)	(8,523)
Other comprehensive income/(expenses):				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Fair value of available-for-sale financial assets	-	-	-	(803)
Share of other comprehensive income of associates, net of tax	-	2	1	(49)
Foreign currency translation differences for foreign operations	271	535	(3,225)	3,840
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	<u>271</u>	<u>537</u>	<u>(3,224)</u>	<u>2,988</u>
Other comprehensive income/(loss) for the financial period	<u>271</u>	<u>537</u>	<u>(3,224)</u>	<u>2,988</u>
Total comprehensive income/(loss) for the financial period	<u><u>677</u></u>	<u><u>(3,488)</u></u>	<u><u>(6,172)</u></u>	<u><u>(5,535)</u></u>
Attributable to:				
Owners of the parent	(478)	(4,331)	(7,179)	(7,136)
Non-controlling interests	1,155	843	1,007	1,601
Total comprehensive income/(loss) for the financial period	<u><u>677</u></u>	<u><u>(3,488)</u></u>	<u><u>(6,172)</u></u>	<u><u>(5,535)</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited as at <u>30.06.2016</u> RM'000	Audited as at <u>31.12.2015</u> RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	125,623	127,736
Investment properties	8,870	8,870
Investment in associates	54,175	54,575
Investment securities	28,206	24,051
Investment in joint venture	-	9
Goodwill on consolidation	92,761	92,761
Intangible assets	4,746	4,887
Deferred tax assets	594	665
	314,975	313,554
<u>Current assets</u>		
Progress billings	23,121	20,489
Inventories	47,949	59,420
Trade and other receivables	86,637	74,217
Tax recoverable	2,512	2,411
Investment securities	433	433
Financial assets held for trading	235	411
Short term deposits	88,529	106,987
Cash and bank balances	52,147	52,777
	301,563	317,145
TOTAL ASSETS	<u><u>616,538</u></u>	<u><u>630,699</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to owners of the parent</u>		
Share capital	199,216	199,216
Irredeemable Convertible Unsecured Loan		
Stocks ("ICULS") - equity component	64,803	64,861
Reserves	169,075	175,922
	433,094	439,999
Non-controlling interests	40,413	39,155
Total equity	473,507	479,154
<u>Non-current liabilities</u>		
Borrowings	42,077	42,844
ICULS - liability component	2,292	2,976
Deferred tax liabilities	2,636	2,659
Provision for retirement benefit obligations	1,522	1,427
	48,527	49,906
<u>Current liabilities</u>		
Trade and other payables	56,405	63,942
Borrowings	37,565	37,203
Tax payable	534	494
	94,504	101,639
Total Liabilities	143,031	151,545
TOTAL EQUITY AND LIABILITIES	<u><u>616,538</u></u>	<u><u>630,699</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2016

	← 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 2016	199,216	64,861	117,317	15,998	8,699	4,987	28,921	439,999	39,155	479,154
Net profit/(loss) for the financial period	-	-	-	-	-	-	(4,599)	(4,599)	1,651	(2,948)
Share of other comprehensive income of associates, net of tax	-	-	-	-	-	1	-	1	-	1
Foreign currency translation differences for foreign operations	-	-	-	-	(2,581)	-	-	(2,581)	(644)	(3,225)
Total comprehensive income/(loss) for the financial period	-	-	-	-	(2,581)	1	(4,599)	(7,179)	1,007	(6,172)
Transactions with owners in their capacity as owners:										
Disposal of interest in a subsidiary	-	-	-	(183)	43	-	280	140	-	140
Disposal of partial interest in a subsidiary	-	-	-	-	-	-	-	-	443	443
Acquisition of additional shares in a subsidiary	-	-	-	-	-	-	192	192	(192)	-
Issue of new ordinary shares pursuant to the conversion of ICULS and changes in income tax rate	-	(58)	-	-	-	-	-	(58)	-	(58)
	-	(58)	-	(183)	43	-	472	274	251	525
Balance as at 30 June 2016	199,216	64,803	117,317	15,815	6,161	4,988	24,794	433,094	40,413	473,507

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 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	-	-	-	-	-	-	(10,350)	(10,350)	1,827	(8,523)
Fair value of available-for-sale financial assets	-	-	-	-	-	(803)	-	(803)	-	(803)
Share of other comprehensive income of associates, net of tax	-	-	-	-	(49)	-	-	(49)	-	(49)
Foreign currency translation differences for foreign operations	-	-	-	-	4,066	-	-	4,066	(226)	3,840
Total comprehensive income/(loss) for the financial period	-	-	-	-	4,017	(803)	(10,350)	(7,136)	1,601	(5,535)
Transactions with owners in their capacity as owners:										
Issue of new ordinary shares pursuant to the conversion of ICULS	539	(523)	-	-	-	-	-	16	-	16
	539	(523)	-	-	-	-	-	16	-	16
Balance as at										
30 June 2015	199,216	64,861	117,317	15,998	1,260	5,687	31,822	436,161	38,099	474,260

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2016**

	6 months ended <u>30.06.2016</u> RM'000	6 months ended <u>30.06.2015</u> RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	(76)	(6,046)
Adjustments for :-		
Non-cash items	5,467	8,510
Other investing and financing items	940	1,413
Operating profit before working capital changes	<u>6,331</u>	<u>3,877</u>
Changes in working capital		
Inventories	5,724	(844)
Receivables	(17,318)	(345)
Financial assets held for trading	180	-
Payables	(3,902)	(3,186)
Net cash used in operations	<u>(8,985)</u>	<u>(498)</u>
Retirement benefit paid	-	(15)
Tax paid	(2,932)	(2,833)
Net cash used in operating activities	<u>(11,917)</u>	<u>(3,346)</u>
Cash flows from investing activities		
Acquisition of intangible assets	(879)	(756)
Acquisition of a subsidiary, net of cash acquired	-	(725)
Investment in associates	(1,232)	(3,647)
Acquisition of investment securities	(1,202)	(1,925)
Interest received	1,295	1,313
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	77	13
Proceeds from disposal of a subsidiary, net of cash disposed	5,298	-
Purchase of property, plant and equipment	(2,297)	(2,002)
Net cash generated from/(used in) investing activities	<u>1,541</u>	<u>(2,881)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2016 (Continued)**

	6 months ended 30.06.2016 RM'000	6 months ended 30.06.2015 RM'000
Cash flows from financing activities		
Drawdown of hire purchase	341	-
Drawdown of term loans and revolving credit	3,000	2,700
Interest paid	(3,832)	(3,988)
Payment to hire purchase	(79)	(22)
Pledged of short term deposits	(477)	(40)
Repayment of term loans and revolving credit	(3,754)	(864)
Net cash used in financing activities	(4,801)	(2,214)
Effect of exchange rate changes	(2,241)	(1,491)
Net decrease in cash and cash equivalents	(17,418)	(9,932)
Cash and cash equivalents as at beginning of financial period		
As previously reported	125,989	94,592
Effect of exchange rate changes	(2,220)	3,669
As restated	123,769	98,261
Cash and cash equivalents as at end of financial period *	106,351	88,329
* Cash and cash equivalents at the end of the financial period comprising the following :		
Short term deposits	88,529	93,611
Cash and bank balances	52,147	30,793
Bank overdrafts	(73)	(2,787)
	140,603	121,617
Less : Deposits placed with lease creditors as security deposit for lease payments	(23,428)	(21,933)
Cash held under Housing Development Accounts	(575)	(556)
Deposits pledged to licensed banks	(10,249)	(10,799)
	(34,252)	(33,288)
	106,351	88,329

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:

<u>New MFRS</u>		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 30 June 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 30 June 2016.

8 Dividends paid

There was no payment of any dividend during the financial period ended 30 June 2016.

9. Segmental Information

For the financial period ended 30 June 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	328	28,385	27,490	12,011	49,283	6,549	-	124,046
Inter-segment	912	-	-	-	177	-	(1,089)	-
Total revenue	1,240	28,385	27,490	12,011	49,460	6,549	(1,089)	124,046
Results								
Segment results	(4,127)	234	5,571	2,040	2,301	(7,436)	347	(1,070)
Share of results of associates and joint venture	813	(10)	(8)	-	199	-	-	994
Consolidated profit/(loss) before tax	(3,314)	224	5,563	2,040	2,500	(7,436)	347	(76)
Income tax expense								(2,872)
Consolidated profit/(loss) after tax								(2,948)
Non-controlling interests								(1,651)
Net profit/(loss) for the financial period attributable to owners of the parent								(4,599)

9. Segmental Information (Continued)

For the financial period ended 30 June 2016

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Other information</u>								
Segment assets	62,365	185,927	169,878	69,763	27,878	43,446	-	559,257
Investment in associates and joint venture	34,331	17,363	1,857	-	624	-	-	54,175
Unallocated corporate assets								3,106
Total assets								616,538
Segment liabilities	32,655	61,569	12,419	6,950	9,077	17,191	-	139,861
Unallocated corporate liabilities								3,170
Total liabilities								143,031
Capital expenditure:								
- Property, plant & equipment	165	1,045	391	1	12	683	-	2,297
- Software development expenditure	-	-	792	-	-	-	-	792
- Licenses	-	-	-	-	-	87	-	87

9. Segmental Information (Continued)

For the financial period ended 30 June 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	676	28,672	27,899	6,961	44,885	18,689	-	127,782
Inter-segment	912	-	-	5	149	-	(1,066)	-
Total revenue	1,588	28,672	27,899	6,966	45,034	18,689	(1,066)	127,782
Results								
Segment results	(4,872)	(2,522)	5,103	842	1,674	(6,076)	28	(5,823)
Share of results of associates	747	(467)	(10)	-	(493)	-	-	(223)
Consolidated profit/(loss) before tax	(4,125)	(2,989)	5,093	842	1,181	(6,076)	28	(6,046)
Income tax expense								(2,477)
Consolidated profit/(loss) after tax								(8,523)
Non-controlling interests								(1,827)
Net profit/(loss) for the financial period attributable to owners of the parent								(10,350)

9. Segmental Information (Continued)

For the financial period ended 30 June 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
<u>Other information</u>								
Segment assets	63,568	194,042	169,927	66,536	17,161	58,932	-	570,166
Investment in associates	32,377	17,954	9	-	3,473	-	-	53,813
Unallocated corporate assets								2,943
Total assets								626,922
Segment liabilities	9,985	82,121	17,344	10,563	6,522	24,138	-	150,673
Unallocated corporate liabilities								1,989
Total liabilities								152,662
Capital expenditure								
- Property, plant and equipment	135	932	701	16	59	159	-	2,002
- Software development expenditure	-	-	489	-	-	-	-	489
- Licenses	-	-	-	-	-	267	-	267

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 21 July 2016 that an application has been submitted to the Hong Kong Companies Registry on 21 July 2016 for the deregistration of Best Alpha 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	<u>7,940</u>
Net proceeds from disposal	<u>(7,056)</u>
Loss on disposal of the subsidiary	884
Realisation of foreign exchange reserve on disposal	<u>737</u>
Net loss on the disposal of the subsidiary	<u>1,621</u>
Net proceeds from disposal	7,056
Cash and bank balances of the subsidiary disposed	<u>(1,758)</u>
Net cash inflows	<u>5,298</u>

- (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 6-month period ended 30 June 2016 ("6M 2016"), the Group recorded a lower revenue of RM124.0 million compared to a revenue of RM127.8 million recorded for the 6-month period ended 30 June 2015 ("6M 2015"), a decrease of RM3.7 million or 2.9%. This was mainly due to Information & Communications Technology ("ICT") and Others divisions showing a decline in revenue of RM0.4 million and RM12.1 million respectively. However, the decline in revenue of these two divisions was mitigated by an increase in revenue recorded by Property Development division of RM5.0 million for 6M 2016 compared to the corresponding period last year and Travel & Tours division's increase in revenue of RM4.4 million for 6M 2016 compared to 6M 2015. Despite the lower Group revenue for the period under review compared to revenue for 6M 2015, the Group recorded a lower loss before tax of RM0.1 million for 6M 2016 compared to a loss before tax of RM6.0 million for 6M 2015. The improved results of the Group for 6M 2016 compared to 6M 2015 was mainly attributable to higher gross profit margin of 35.5% in 6M 2016 compared to 32.9% for 6M 2015, a reduction in finance costs and operating expenses of RM0.5 million and RM1.9 million respectively and the higher contribution from the associated companies.

Investment Holding

The division recorded a lower loss before tax of RM3.3 million for 6M 2016 compared to RM4.1 million for 6M 2015. The higher loss in 6M 2015 was attributable mainly to a loss on disposal of an associate.

Hotels & Resorts

The Hotels & Resorts division registered a comparable revenue for 6M 2016 of RM28.4 million to RM28.7 million for 6M 2015. For the period under review, one of our local hotels recorded higher revenue compared to 6M 2015 while our overseas hotels recorded lower revenue. Overall, the Hotels & Resorts division achieved a higher occupancy rate and average room rate for 6M 2016 compared to 6M 2015. With lower operating expenses, this division recorded a profit before tax for 6M 2016 of RM0.2 million compared to a loss before tax of RM3.0 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 and managed service contract revenue recorded by Unifiedcomms BU. This was partly mitigated by higher GlobeOSS BU's maintenance contract revenue and higher Unifiedcomms BU's system sale contracts revenue and maintenance contract revenue.

Despite the lower revenue for 6M 2016, our ICT division made a higher gross profit margin of 61% compared to 55% for the same period last year and coupled with the higher foreign exchange rate of Singapore Dollar against Ringgit Malaysia used in translation of the financial results for 6M 2016 compared to 6M 2015, the division recorded a higher profit before tax of RM5.6 million for 6M 2016 compared to RM5.1 million for 6M 2015.

Property Development

The Property Development division registered a higher revenue for 6M 2016 of RM12.0 million compared to RM7.0 million for 6M 2015 mainly due to more units sold from the Federal Park project. With the higher revenue, this division recorded a profit before tax of RM2.0 million for 6M 2016 compared to a profit before tax of RM0.8 million for the same period last year.

Travel & Tours

For the period under review, our Travel & Tours division achieved a higher revenue of RM49.5 million as compared to a revenue of RM45.0 million for 6M 2015, an increase of RM4.4 million mainly from ticketing and outbound travel sales. With the higher revenue, this division recorded a higher profit before tax of RM2.5 million for 6M 2016 compared to RM1.2 million for 6M 2015.

Others

The Others division registered a lower revenue of RM6.5 million in 6M 2016 compared to a revenue of RM18.7 million achieved in 6M 2015, a decrease of RM12.1 million. The bulk of the reduction in revenue was due to a decline in revenue of the Coach Building unit from RM7.9 million for 6M 2015 to RM2.4 million for 6M 2016, coupled with the absence of revenue from a loss making manufacturing subsidiary which was disposed in the previous quarter of 2016 as part of the restructuring 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 6M 2016 of RM7.4 million compared to RM6.1 million for 6M 2015.

15. Comparison of results with preceding quarter

Overall performance

The Group achieved a revenue of RM63.3 million for the current quarter ended 30 June 2016 (“Q2 2016”) which was higher compared to the revenue in the previous quarter ended 31 March 2016 (“Q1 2016”) of RM60.8 million, an increase of RM2.5 million. With the higher revenue, the Group recorded a profit before tax of RM2.1 million in the current quarter under review compared to a loss of RM2.2 million in the preceding quarter. The Q1 2016 results included a loss on disposal of a subsidiary of RM1.6 million.

Investment Holding

The Investment Holding division recorded a higher loss before tax of RM2.0 million for Q2 2016 as compared to a loss before tax of RM1.3 million for Q1 2016 mainly attributable to higher operating expenses and finance costs.

Hotels & Resorts

The Hotels & Resorts division registered a lower revenue for Q2 2016 of RM13.1 million compared to a revenue of RM15.3 million in the preceding quarter. With the lower revenue in the current quarter under review compared to preceding quarter, mitigated by lower operating expenses, the division recorded a nominal profit compared to a profit before tax of RM0.2 million in Q1 2016.

Information & Communications Technology

The ICT division registered a higher revenue for Q2 2016 of RM16.0 million compared to a revenue of RM11.5 million for the preceding quarter mainly due to higher system sale contracts revenue from GlobeOSS BU and Unifiedcomms BU. With the higher revenue coupled with lower operating expenses, the division reported a higher profit before tax of RM4.2 million for Q2 2016 compared to RM1.3 million for Q1 2016.

Property Development

The Property Development division recorded a lower revenue of RM5.4 million for Q2 2016 compared to RM6.6 million in Q1 2016 mainly due to lower number of affordable house units sold in Q2 2016 offset by higher sales from the Federal Park project. Despite the lower revenue, a higher profit before tax of RM1.1 million was recorded for Q2 2016 compared to RM0.9 million for Q1 2016 mainly attributable to higher profit margin from Federal Park project sales compared to last quarter.

Travel & Tours

The Travel & Tours division recorded a higher revenue of RM25.8 million in the quarter under review compared to RM23.6 million in the previous quarter, an increase of RM2.2 million or 9.3%. The higher revenue was mainly attributable to higher outbound travel and ticketing businesses partly offset by lower inbound travel business. With the higher revenue, the division recorded a higher profit before tax of RM1.3 million in Q2 2016 compared to RM1.2 million in Q1 2016.

Others

The Others division recorded a lower revenue for Q2 2016 of RM2.9 million compared to RM3.7 million in the preceding quarter. The decrease in revenue was attributable mainly to lower sales in the Coach Building unit. Despite the decreased revenue in the current quarter under review, lower loss before tax was recorded in Q2 2016 of RM2.9 million compared to loss before tax of RM4.5 million in the preceding quarter mainly attributable to the net loss on the disposal of the manufacturing subsidiary of RM1.6 million in Q1 2016.

16. Prospects

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

Our Group will continue its focus on measures to improve operational efficiencies and productivity coupled with cost reduction efforts. To deliver sustainable growth in revenues and profits of our major divisions, the Group will pursue its strategic plans which are already in place to grow our established core businesses and explore opportunities of new markets. For the non-core loss-making businesses, we will focus on restructuring or divestment plans.

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 remain challenging. The division's need to continue strengthening the managed service contract portfolio for delivering steady and sustainable 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.

Our travel and tours division is cautiously optimistic of their performance this year as they continue to remain focused on building its corporate client base for the ticketing business and in developing and adapting its products to sustain growth in the leisure and corporate group markets for both inbound and outbound travel and tours.

The Others division will remain focused on its key strategies to drive the revenue growth plan although the continued challenges in the remaining period of 2016 may cause significant uncertainty in the achievement of such revenue growth plan this year. In addition, the division will focus on improving the execution process and implementing cost saving measures to address the challenge of rising cost pressure. Further restructuring plan for non-performing businesses which may include divestment (the Manufacturing unit was divested in the preceding quarter) 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 <u>30.06.2016</u> RM’000	Year- to-date ended <u>30.06.2016</u> RM’000
On current quarter results		
- Malaysian income tax	1,718	2,861
Under provision in prior years	(23)	1
Transfer (to)/from deferred taxation	19	1
	<u>1,723</u>	<u>2,872</u>

The effective tax rate of the Group for the financial quarter and period ended 30 June 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 30.06.2016 RM'000	As At 31.12.2015 RM'000
Short term - secured		
- Term loans	1,954	1,920
- Hire purchase payables	54	15
- Finance lease payable	23,084	23,084
- Revolving credit	12,400	9,400
Short term - unsecured		
- Term loans	-	2,784
	<u>37,565</u>	<u>37,203</u>
Long term - secured		
- Term loans	41,855	42,844
- Hire purchase payables	222	-
	<u>42,077</u>	<u>42,844</u>
Total borrowings	<u>79,642</u>	<u>80,047</u>

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

	As At 30.06.2016 RM'000	As At 31.12.2015 RM'000
Australian Dollars	-	<u>2,784</u>

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. 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 hearing on 17 October 2016 to 19 October 2016.

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 Trading Company (“Defendant II”) which was read on 28 July 2015 at the Denpasar District Court, Indonesia. Defendant I has a lease agreement for the land and building which happened to be the building of Diwangkara Holiday Villa Beach Resort & Spa Bali (“Hotel”) including its licences and in the agreement, the owner also gives the right to operate and manage the Hotel to Defendant I.

The Plaintiff's claims principally included among others to invalidate the lease agreement between the Defendant I and Defendant II for Defendant I to lease the Hotel for a period of 22 years, and for Defendant I to pay actual and general losses suffered by the Plaintiff amounting to Rp114,600,000,000 (equivalent of approximately RM36.4 million) and default penalty in the amount of Rp10,000,000 (equivalent of approximately RM3,180) for each day commencing from the pronouncement 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, Indonesia which principally included among others to declare the lease agreement legitimate and binding under the law, order for Plaintiff to pay actual and general losses and compensation for the loss of public trust, image and reputation of the hotel that have been suffered by Defendant I amounting to Rp24,304,854,643 and USD1,313,860.13 (equivalent of approximately RM13.6 million), default penalty in the amount of Rp10,000,000 (equivalent of approximately RM3,180) for each day commencing from the date the 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, Indonesia.

24. Notes To The Statement of Comprehensive Income

Included in the operating profit are:

	6 months ended 30.06.2016 RM'000	6 months ended 30.06.2015 RM'000
Amortisation of intangible assets	(1,062)	(1,492)
Depreciation of property, plant and equipment	(3,515)	(6,008)
Bad debts written off	-	(7)
Net gain/(loss) on disposal of:		
- an associate	389	(596)
- partial interest in a subsidiary	38	-
- property, plant and equipment	22	9
- a subsidiary	(884)	-
Impairment loss on:		
- loan and receivables	-	(9)
Fair value change in financial assets		
held for trading	4	-
Interest expenses	(2,235)	(2,726)
Interest income	1,295	1,313
Net unrealised (loss)/gain on foreign exchange	(776)	8
Property, plant and equipment written off	(16)	(116)
Provision for retirement plan	(95)	(87)
Write back of impairment loss on:		
- loan and receivables	171	11
Realisation of foreign exchange reserve	(737)	-

25. Retained Earnings

	As At 30.06.2016 RM'000	As At 30.06.2015 RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries		
- Realised	(499,043)	(474,286)
- Unrealised	28,894	23,320
Total share of retained profits/(accumulated losses) from associates		
- Realised	(2,585)	(2,052)
- Unrealised	-	-
Total share of retained profits/(accumulated losses) from jointly controlled entities		
- Realised	(964)	(884)
- Unrealised	-	-
	<u>(473,698)</u>	<u>(453,902)</u>
Consolidation adjustments	498,492	485,724
Total Group retained profits as per consolidated statements of financial position	<u>24,794</u>	<u>31,822</u>

26. Dividend

The first and final single tier dividend in respect of the financial year ended 31 December 2015 was paid on 23 August 2016 as approved by the shareholders of the Company at the Annual General Meeting 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 RM948,000 and RM4,599,000 respectively, divided by the weighted average number of ordinary shares of 664,052,332 and 664,052,332 for the current quarter and current year-to-date respectively as follows:

	3 months ended		Year-to-date ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the period	664,052,332	662,956,232	664,052,332	662,255,682
Weighted average number of new ordinary shares arising from ICULS converted to date	-	516,219	-	782,046
Weighted average number of ordinary shares	<u>664,052,332</u>	<u>663,472,451</u>	<u>664,052,332</u>	<u>663,037,728</u>
	3 months ended		Year-to-date ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Basic loss per share (sen)	<u>(0.14)</u>	<u>(0.76)</u>	<u>(0.69)</u>	<u>(1.56)</u>

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 RM865,000 and RM4,480,000 respectively, after adjusting for interest saving on ICULS, divided by the weighted average number of ordinary shares of 929,194,953 and 929,194,953 for the current quarter and current year-to-date respectively assuming conversion of the remaining ICULS as follows:

	3 months ended		Year-to-date ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000		RM'000	
Net loss attributable to equity holders	(948)	(5,027)	(4,599)	(10,350)
Profit impact of assumed conversion-interest on ICULS	83	99	119	200
	<u>(865)</u>	<u>(4,928)</u>	<u>(4,480)</u>	<u>(10,150)</u>

27. **Loss per share (Continued)**
Diluted loss per share (Continued)

Weighted average number of ordinary shares (diluted)

	3 months ended		Year-to-date ended	
	<u>30.06.2016</u>	<u>30.06.2015</u>	<u>30.06.2016</u>	<u>30.06.2015</u>
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the period	664,052,332	662,956,232	664,052,332	662,255,682
Weighted average number of new ordinary shares arising from ICULS converted to date	-	516,219	-	782,046
Weighted average number of new ordinary shares assuming conversion of the remaining ICULS	265,142,621	265,722,502	265,142,621	266,157,225
Weighted average number of ordinary shares	<u>929,194,953</u>	<u>929,194,953</u>	<u>929,194,953</u>	<u>929,194,953</u>
	3 months ended		Year-to-date ended	
	<u>30.06.2016</u>	<u>30.06.2015</u>	<u>30.06.2016</u>	<u>30.06.2015</u>
Diluted loss per share (sen)	<u>(0.14)</u>	<u>(0.76)</u>	<u>(0.69)</u>	<u>(1.56)</u>

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 August 2016