ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED 30 JUNE 2018

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the quarter and period ended 30 June 2018.

This interim report is prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting" and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2017.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	3 months ended		Year-to-date 6 months ended	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Revenue	65,132	56,589	130,945	117,638
Cost of sales	(47,949)	(37,769)	(93,673)	(77,104)
Gross profit	17,183	18,820	37,272	40,534
Other operating income	2,388	4,201	4,085	6,675
Operating expenses	(21,398)	(22,814)	(43,897)	(45,780)
Profit/(Loss) from operations	(1,827)	207	(2,540)	1,429
Finance costs	(1,480)	(1,487)	(2,833)	(2,574)
Share of results of associates and joint venture	481	(273)	393	(508)
Profit/(Loss) before tax	(2,826)	(1,553)	(4,980)	(1,653)
Income tax expense	(805)	(1,052)	(2,260)	(2,424)
Net profit/(loss) for the financial period	(3,631)	(2,605)	(7,240)	(4,077)
Attributable to:				
Owners of the parent	(4,142)	(3,397)	(8,136)	(5,682)
Non-controlling interests	511	792	896	1,605
	(3,631)	(2,605)	(7,240)	(4,077)
Loss per share attributable to owners of the parent:				
Basic (sen)	(0.45)	(0.51)	(0.91)	(0.85)
Diluted (sen)	(0.45)	(0.51)	(0.91)	(0.85)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 6 months ended	
	30.06.2018	**30.06.2017**	**30.06.2018**	**30.06.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net profit/(loss) for the financial period	(3,631)	(2,605)	(7,240)	(4,077)
Other comprehensive income/(expenses):				
Items that are or may be reclassified subsequently to profit or loss:				
Fair value of available-for-sale financial assets	(1,608)	-	(1,608)	-
Foreign currency translation differences for foreign operations	(916)	(1,232)	(4,343)	(2,987)
Total items that are or may be reclassified subsequently to profit or loss	(2,524)	(1,232)	(5,951)	(2,987)
Other comprehensive income/(loss) for the financial period	(2,524)	(1,232)	(5,951)	(2,987)
Total comprehensive income/(loss) for the financial period	(6,155)	(3,837)	(13,191)	(7,064)
Attributable to:				
Owners of the parent	(6,554)	(5,294)	(13,285)	(9,014)
Non-controlling interests	399	1,457	94	1,950
Total comprehensive income/(loss) for the financial period	(6,155)	(3,837)	(13,191)	(7,064)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited as at 30.06.2018 RM'000	Audited as at 31.12.2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	157,174	156,848
Investment properties	8,060	8,060
Investment in associates and joint venture	47,264	46,742
Investment securities	43,514	42,565
Goodwill on consolidation	92,221	92,221
Intangible assets	3,613	3,646
Deferred tax assets	3,844	3,191
	355,690	353,273
Current assets		
Progress billings	1,422	5,887
Inventories	40,782	40,086
Trade and other receivables	135,017	139,912
Tax recoverable	1,895	1,946
Investment securities	429	459
Financial assets held for trading	308	361
Short term deposits	71,063	78,655
Cash and bank balances	74,784	79,392
	325,700	346,698
TOTAL ASSETS	681,390	699,971
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	381,375	320,650
Irredeemable Convertible Unsecured Loan Stocks ("ICULS") - equity component	-	60,724
Reserves	38,197	51,482
	419,572	432,856
Non-controlling interests	63,307	63,213
Total equity	482,879	496,069
Non-current liabilities		
Borrowings	59,955	60,763
ICULS - liability component	-	108
Deferred tax liabilities	5,339	5,362
Provision for retirement benefit obligations	1,856	1,747
	67,150	67,980
Current liabilities		
Trade and other payables	85,392	96,837
Borrowings	45,923	39,039
Tax payable	46	46
	131,361	135,922
Total Liabilities	198,511	203,902
TOTAL EQUITY AND LIABILITIES	681,390	699,971

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2018

	Share Capital RM'000	ICULS- Equity Component RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Exchange Translation Reserve RM'000	Available- For-Sale Reserve RM'000	Retained Profits RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
Balance as at 1 January 2018	320,650	60,724	-	23,510	7,189	1,881	18,902	432,856	63,213	496,069
Net profit/(loss) for the financial period	-	-	-	-	-	-	(8,136)	(8,136)	896	(7,240)
Foreign currency translation differences for foreign operations	-	-	-	-	(3,541)	-	-	(3,541)	(802)	(4,343)
Total comprehensive income/(loss) for the financial period	-	-	-	-	(3,541)	(1,608)	(8,136)	(13,285)	94	(13,191)
Transactions with owners in their capacity as owners:										
Issue of new ordinary shares pursuant to the conversion of ICULS	60,725	(60,724)	-	-	-	-	-	1	-	1
	60,725	(60,724)	-	-	-	-	-	1	-	1
Balance as at 30 June 2018	381,375	-	-	23,510	3,648	273	10,766	419,572	63,307	482,879

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2018 (Continued)

	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 2017	199,216	64,803	117,317	23,510	13,535	4,051	31,591	454,023	60,053	514,076
Net profit/(loss) for the financial period	-	-	-	-	-	-	(5,682)	(5,682)	1,605	(4,077)
Foreign currency translation differences for foreign operations	-	-	-	-	(3,332)	-	-	(3,332)	345	(2,987)
Total comprehensive income/(loss) for the financial period	-	-	-	-	(3,332)	-	(5,682)	(9,014)	1,950	(7,064)
Transactions with owners in their capacity as owners:										
Acquisition of additional shares in a subsidiary	-	-	-	-	-	-	(4,037)	(4,037)	(974)	(5,011)
Issue of new ordinary shares pursuant to the conversion of ICULS	3,003	(2,975)	-	-	-	-	-	28	-	28
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	(1,470)	(1,470)
	3,003	(2,975)	-	-	-	-	(4,037)	(4,009)	(2,444)	(6,453)
Balance as at 30 June 2017	202,219	61,828	117,317	23,510	10,203	4,051	21,872	441,000	59,559	500,559

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2018

	6 months ended 30.06.2018 RM'000	6 months ended 30.06.2017 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	(4,980)	(1,653)
Adjustments for :-		
Non-cash items	3,397	5,840
Other investing and financing items	2,136	1,208
Operating profit before working capital changes	553	5,395
Changes in working capital		
Inventories	(696)	(526)
Receivables	9,349	48,882
Financial assets held for trading	54	61
Payables	(10,052)	15,419
Net cash (used in)/from operations	(792)	69,231
Retirement benefit paid	(64)	(30)
Tax paid	(2,878)	(2,424)
Net cash (used in)/generated from operating activities	(3,734)	66,777
Cash flows from investing activities		
Acquisition of intangible assets	(759)	(549)
Acquisition of additional shares in a subsidiary	-	(5,010)
Acquisition of additional shares in an associate	(1,363)	-
Acquisition of investment securities	(1,631)	(2,416)
Interest received	697	1,366
Capital repayment from investment securities	-	1,320
Proceeds from disposal of property, plant and equipment	3	-
Purchase of property, plant and equipment	(3,353)	(6,507)
Net cash used in investing activities	(6,406)	(11,796)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2018 (Continued)

	6 months ended 30.06.2018 RM'000	6 months ended 30.06.2017 RM'000
Cash flows from financing activities		
Dividends paid to non-controlling interests of a subsidiary	-	(1,470)
Drawdown of term loans and revolving credit	7,300	13,950
Interest paid	(4,335)	(4,134)
Payment to hire purchase	(18)	(28)
Pledged of short term deposits	(1,785)	(2,404)
Repayment of term loans and revolving credit	(967)	(18,020)
Net cash generated from/(used in) financing activities	195	(12,106)
Effect of exchange rate changes	(2,215)	(2,689)
Net (decrease)/increase in cash and cash equivalents	(12,160)	40,186
Cash and cash equivalents as at beginning of financial period		
As previously reported	114,289	102,998
Effect of exchange rate changes	(1,587)	(590)
As restated	112,702	102,408
Cash and cash equivalents as at end of financial period #	100,542	142,594

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

	6 months ended 30.06.2018 RM'000	6 months ended 30.06.2017 RM'000
Short term deposits	71,063	87,452
Cash and bank balances	74,784	94,397
Bank overdrafts	(1,488)	-
	144,359	181,849
Less : Deposits placed with lease creditors as security deposit for lease payments	(24,968)	(24,299)
Cash held under Housing Development Accounts	(612)	(593)
Deposits pledged to licensed banks	(18,237)	(14,363)
	(43,817)	(39,255)
	100,542	142,594

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

The unaudited interim financial report has been prepared in compliance with MFRS 134 - "Interim Financial Reporting" and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The unaudited interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017.

2. Significant accounting policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2017, except for the adoption of the following new Malaysian Financial Reporting Standards ("MFRS"), amendments/improvements to MFRSs, IC Interpretations ("IC Int") and amendment to IC Int:

<u>New MFRSs</u>	
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
<u>Amendments/Improvements to MFRSs</u>	
MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property
<u>New IC Int</u>	
IC Int 22	Foreign Currency Translations and Advance Consideration

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

New MFRSs and IC Int and Amendments/Improvements to MFRSs issued but not yet effective

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

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

3. Audit report

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

4. **Seasonal or cyclical factors**

The operations of the Group for the quarter ended 30 June 2018 were not materially affected by any seasonal or cyclical factors.

5. **Unusual items**

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

6. **Changes in estimates**

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

7. **Debt and equity securities**

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

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

Apart from the above, there were no issuances, cancellations, repurchases, resale and/or repayments of debt and equity securities during the financial period ended 30 June 2018.

8. **Dividends paid**

There was no dividend paid during the financial period ended 30 June 2018.

9. Segmental Information

For the financial period ended 30 June 2018

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External	359	25,836	40,539	38	58,497	5,676	-	130,945
Inter-segment	876	-	-	-	123	-	(999)	-
Total revenue	1,235	25,836	40,539	38	58,620	5,676	(999)	130,945
Results								
Segment results	(5,352)	(941)	3,939	(221)	1,541	(4,339)	-	(5,373)
Share of results of associates and joint venture	464	(2)	-	-	(69)	-	-	393
Profit/(Loss) before tax	(4,888)	(943)	3,939	(221)	1,472	(4,339)	-	(4,980)
Income tax expense								(2,260)
Net profit/(loss) for the financial period								(7,240)
Non-controlling interests								(896)
Net profit/(loss) for the financial period attributable to owners of the parent								(8,136)

9. Segmental Information (Continued)

For the financial period ended 30 June 2018

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Other information</u>								
Segment assets	67,735	241,133	199,317	53,253	26,854	40,095	-	628,387
Investment in associates and joint venture	34,732	6,497	5,667	-	368	-	-	47,264
Unallocated corporate assets								5,739
Total assets								681,390
Segment liabilities	33,630	104,608	29,317	3,029	7,489	15,053	-	193,126
Unallocated corporate liabilities								5,385
Total liabilities								198,511
Capital expenditure:								
- Property, plant & equipment	-	2,234	1,085	3	20	11	-	3,353
- Software development expenditure	-	-	675	-	-	-	-	675
- Licenses	-	-	-	-	-	84	-	84

9. Segmental Information (Continued)

For the financial period ended 30 June 2017

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External	305	29,588	29,409	819	50,943	6,574	-	117,638
Inter-segment	843	-	-	-	190	-	(1,033)	-
Total revenue	1,148	29,588	29,409	819	51,133	6,574	(1,033)	117,638
Results								
Segment results	(3,915)	3,220	3,866	66	718	(5,100)	-	(1,145)
Share of results of associates and joint venture	(456)	(38)	-	-	(14)	-	-	(508)
Profit/(Loss) before tax	(4,371)	3,182	3,866	66	704	(5,100)	-	(1,653)
Income tax expense								(2,424)
Net profit/(loss) for the financial period								(4,077)
Non-controlling interests								(1,605)
Net profit/(loss) for the financial period attributable to owners of the parent								(5,682)

9. Segmental Information (Continued)

For the financial period ended 30 June 2017

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information								
Segment assets	59,122	266,288	188,227	63,015	23,441	50,868	-	650,961
Investment in associates and joint venture	33,472	6,539	5,684	-	750	-	-	46,445
Unallocated corporate assets								4,566
Total assets								701,972
Segment liabilities	31,568	115,912	18,759	4,253	5,332	18,332	-	194,156
Unallocated corporate liabilities								7,257
Total liabilities								201,413
Capital expenditure								
- Property, plant and equipment	-	4,439	1,930	40	3	95	-	6,507
- Software development expenditure	-	-	400	-	-	-	-	400
- Licenses	-	-	-	-	-	149	-	149

10. Property, plant and equipment

The valuation of land and buildings have been brought forward without amendment from the financial statements for the year ended 31 December 2017.

11. Significant events after the reporting period

There are no significant events after the reporting period other than as disclosed under Note 20.

12. Changes in the composition of the Group

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

(b) On 15 June 2018, the transfer by Changshu Holiday Villa Hotel Management Co. Ltd. ("Changshu HV") of its entire shares in Shanghai Holiday Villa Co. Ltd. ("Shanghai HV") to Holiday Villa Hong Kong Company Limited ("HV Hong Kong") was approved by the relevant authority of which the notification was received on 21 June 2018. Consequently, Shanghai HV became a wholly-owned subsidiary of HV Hong Kong.

Both Changshu HV and HV Hong Kong are wholly-owned subsidiaries of Holiday Villa China International Limited, an indirect 95%-owned subsidiary of the Company.

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

13. Changes in contingent liabilities

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

14. Review of performance

	Year-to-date 6 months ended		
	30.06.2018 RM'000	30.06.2017 RM'000	Changes %
Revenue	130,945	117,638	11.3
Profit/(Loss) from operations	(2,540)	1,429	(277.7)
Profit/(Loss) before tax	(4,980)	(1,653)	(201.3)
Net profit/(loss) for the financial period	(7,240)	(4,077)	(77.6)
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(8,136)	(5,682)	(43.2)

Overall performance

For the current 6-month period ended 30 June 2018 ("6M 2018"), the Group recorded a higher revenue of RM130.9 million compared to a revenue of RM117.6 million recorded for the corresponding period last year ("6M 2017"). The revenue of Information & Communications Technology ("ICT") and Travel & Tours divisions increased by RM11.1 million and RM7.5 million respectively partly offset by a decline in revenue from Property Development and Hotels & Resorts divisions of RM0.8 million and RM3.8 million respectively for 6M 2018 compared to 6M 2017. The Group recorded higher loss before tax of RM5.0 million in 6M 2018 compared to RM1.7 million in 6M 2017 mainly due to lower gross profit margin of 28.5% in 6M 2018 compared to 34.5% in 6M 2017 which resulted in a decrease in gross profit of RM3.3 million coupled with lower other operating income of RM4.1 million in 6M 2018 compared to RM6.7 million in 6M 2017 which was partly offset by lower operating expenses of RM43.9 million in 6M 2018 compared to RM45.8 million in 6M 2017. The lower other operating income in 6M 2018 compared to 6M 2017 was mainly due to lower interest income in the 6M 2018 under review coupled with the inclusion of the additional insurance claim of RM2.6 million arising from a fire incident in Arosa in the other operating income for 6M 2017.

Investment Holding

The division recorded a loss before tax of RM4.9 million for 6M 2018 compared to RM4.4 million for 6M 2017 mainly attributable to higher operating expenses. This was partly mitigated by better results from the associated companies.

14. Review of performance (Continued)

Hotels & Resorts

The Hotels & Resorts division registered a lower revenue for 6M 2018 of RM25.8 million compared to RM29.6 million for 6M 2017. The better performance from Holiday Villa Beach Resort & Spa Langkawi was offset mainly by the lower revenue from Holiday Villa Alor Setar City Centre and the lower management fee from Holiday Villa Hotel & Residence Doha City Centre. With the lower revenue, the division recorded a loss before tax of RM0.9 million for 6M 2018 compared to a profit before tax of RM3.2 million for 6M 2017. The 6M 2017 results included the additional insurance claim of RM2.6 million arising from a fire incident in Arosa.

Information & Communications Technology

The division recorded a higher revenue of RM40.5 million for 6M 2018 compared to the revenue of RM29.4 million in 6M 2017 mainly driven by higher revenue from GlobeOSS business unit ("BU") system sale and managed service contracts. Unifiedcomms BU, however, recorded a lower revenue due to lower system sale contract revenue which was only partly mitigated by higher revenue from managed service contracts.

Despite the higher revenue in 6M 2018 compared to 6M 2017, the profit before tax ("PBT") for 6M 2018 was relatively flat at RM3.94 million for 6M 2018 as compared to RM3.87 million recorded in 6M 2017. This was mainly attributable to an overall reduction in the division's gross profit margin primarily due to the significantly lower gross profit margin on GlobeOSS BU system sale contract revenue in 6M 2018 coupled with the lower foreign currency exchange rate for the conversion of PBT in Singapore Dollar ("S$") to Ringgit Malaysia ("RM") for 6M 2018 compared to the exchange rate used for conversion of PBT in 6M 2017.

Property Development

The Property Development division registered a lower revenue for 6M 2018 of RM38,000 compared to RM0.8 million for 6M 2017. The development of Phase 2 Federal Park, comprising mainly townhouses, has been delayed and is now slated to be launched later this year pending the necessary approvals for the amendment in the approved plan. With the lower revenue, this division recorded a loss before tax of RM0.2 million for 6M 2018 compared to a profit before tax of RM0.1 million for 6M 2017.

Travel & Tours

For the current period under review, our Travel & Tours division achieved a higher revenue of RM58.6 million as compared to a revenue of RM51.1 million in 6M 2017, an increase of RM7.5 million which was mainly from ticketing and outbound travel sales offset by the lower revenue in the inbound tours division. With the higher revenue, the division recorded a higher profit before tax of RM1.5 million for 6M 2018 compared to RM0.7 million for 6M 2017.

Others

The Others division registered a lower revenue of RM5.7 million for 6M 2018 compared to the revenue of RM6.6 million for 6M 2017. Despite the lower revenue, this division recorded a lower loss before tax of RM4.3 million for 6M 2018 as compared to a loss of RM5.1 million for 6M 2017 mainly due to cessation of the loss making traditional chinese medicine unit and an overall improvement in the coach building and card & payment services units offset by the higher loss in the education unit.

15. Comparison of results with preceding quarter

	3 months ended		
	30.06.2018	31.03.2018	Changes
	RM'000	RM'000	%
Revenue	65,132	65,813	(1.0)
Profit/(Loss) from operations	(1,827)	(713)	(156.2)
Profit/(Loss) before tax	(2,826)	(2,154)	(31.2)
Net profit/(loss) for the financial period	(3,631)	(3,609)	(0.6)
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(4,142)	(3,994)	(3.7)

15. Comparison of results with preceding quarter (Continued)

Overall performance

The Group achieved a revenue of RM65.1 million for the current quarter ended 30 June 2018 (“Q2 2018”) which was lower compared to the revenue in the previous quarter ended 31 March 2018 (“Q1 2018”) of RM65.8 million, a decline of RM0.7 million or 1.0%. The Group recorded a higher loss before tax of RM2.8 million in the current quarter under review compared to a loss of RM2.2 million in the preceding quarter mainly due to the flowdown effect of lower revenue coupled with lower gross profit margin of 26.4% in Q2 2018 compared to 30.5% in Q1 2018. The reduction of sales and gross profit was partly offset by higher other operating income, lower operating expenses and higher contribution from associated companies in Q2 2018 compared to Q1 2018.

Investment Holding

The Investment Holding division recorded a loss before tax of RM1.9 million for Q2 2018 as compared to RM2.9 million for Q1 2018. The better results for Q2 2018 was mainly due to lower operating cost and better results from the associated companies.

Hotels & Resorts

The Hotels & Resorts division's revenue for Q2 2018 was RM11.4 million compared to a revenue of RM14.4 million in the preceding quarter. In Q2 2018, Holiday Villa Beach Resort & Spa Langkawi, Holiday Villa City Centre Alor Setar, Holiday Villa Beach Resort & Spa Cherating and City Villa Kuala Lumpur recorded lower revenue compared to their revenues in Q1 2018 while Holiday Villa Hotel & Suites London recorded higher revenue in Q2 2018 compared to its revenue in the preceding quarter. With the lower revenue in Q2 2018, the division recorded a loss before tax of RM1.6 million in Q2 2018 compared to a profit before tax of RM0.7 million in Q1 2018.

Information & Communications Technology

The ICT division registered a higher revenue for Q2 2018 of RM22.7 million compared to a revenue of RM17.9 million for the preceding quarter mainly due to higher system sale contract revenue recorded by GlobeOSS BU. Despite the higher revenue, the division reported a lower profit before tax of RM1.8 million for Q2 2018 compared to RM2.2 million for Q1 2018 mainly attributable to an overall reduction in its gross profit margin primarily due to higher proportionate contribution of system sale contract revenue by GlobeOSS BU which yielded significantly lower gross profit in the system sale contract revenue in Q2 2018.

Property Development

There were no significant sales recorded due to the delay in the launching of Phase 2, Federal Park as approvals are still pending from the relevant authorities on the proposed amendment to the approved plan for Phase 2. The division recorded a higher loss before tax of RM149,000 in Q2 2018 compared to a loss before tax of RM72,000 in Q1 2018.

Travel & Tours

The Travel & Tours division recorded a lower revenue of RM28.2 million in the quarter under review compared to the revenue of RM30.4 million in the previous quarter, a decrease of RM2.2 million or 7.5% as outbound travel, ticketing and inbound travel all recorded lower revenue in the quarter under review. Despite the lower revenue, the division recorded a higher profit before tax of RM0.96 million in Q2 2018 compared to RM0.52 million in the preceding quarter mainly attributable to higher gross profit margin achieved and higher other operating income in Q2 2018 compared to Q1 2018.

Others

The Others division recorded a lower revenue for Q2 2018 of RM2.7 million compared to the revenue of RM2.9 million in the preceding quarter. The lower revenue was attributable mainly to lower sales in the coach building unit which was partly offset by the improved revenue from the card & payment services and education units. Despite the lower revenue in the current quarter under review, a lower loss before tax was recorded in Q2 2018 of RM1.8 million compared to a loss before tax of RM2.5 million in the preceding quarter mainly due to higher gross profit margin achieved by the coach building unit and the flowdown effect of higher revenue recorded by the card & payment services and education units in the current quarter under review.

16. Prospects

Our Board expects the financial year 2018 to be challenging for the Group. However, our Board is cautiously optimistic on the implementation of our business plans for our major divisions and non-core loss-making businesses and on measures to improve operational efficiencies and productivity coupled with cost reduction efforts. To deliver sustainable growth in revenues and profits of our major divisions, the Group will pursue its strategic plans which are already in place to grow our established core businesses and explore attractive opportunities to expand operations. For the non-core loss-making businesses, we will focus on turnaround restructuring plans failing which the business unit will cease operations and/or be divested.

The Hotels & Resorts division views the business outlook for the remaining period of 2018 to be challenging with the expected weak local meetings, incentives, conferences and exhibitions (MICE) market for this year and the political blockade in Qatar which will continue to have an adverse impact on our hotel performance in Doha, Qatar. However, the division is cautiously optimistic taking into consideration our focus on certain encouraging trends in the industry and the anticipated increased online sales from direct online bookings on our recently launched upgraded website. The division will also focus on developing business from the Asia region by working with tour operators, local corporate businesses, and be innovative in securing more residential meetings.

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

Our Property Development division faces continued challenges in 2018 due to the continued delay in the launching of Phase 2, Federal Park but remains optimistic about its prospects once Phase 2, Federal Park is launched and once the showhouse for the 15 units of single storey detached houses in Taman Sri Matang which is 52% completed is ready by October 2018 although there may be some weaknesses due to the softening of the property market in Kuching and the cooling measures on the property market.

Our travel and tours division is cautiously optimistic of their performance for the remaining period of 2018. The division will continue to remain focused on building its corporate client base and the wholesale market segment for the ticketing business and in developing and adapting its products to sustain growth in the leisure and corporate group markets for both inbound and outbound travel and tours.

The Others division will remain focused on its key strategies to drive the revenue growth plan although the continued challenges in 2018 may cause significant uncertainty in the achievement of such revenue growth plan this year. In addition, the division will focus on improving the execution process and implementing cost saving measures to address the challenge of rising cost pressure. Further restructuring plans to turnaround non-performing businesses (which may include cessation of such business and/or divestment if the restructuring is not successful within a targeted period) will be implemented to improve the performance of this division.

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

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

18. Profit variance and shortfall in profit guarantee

Not Applicable.

19. Income tax expense

	3 months ended 30.06.2018 RM'000	Year-to-date ended 30.06.2018 RM'000
On current quarter results		
- Malaysian income tax	1,482	2,928
Transfer from deferred taxation	(677)	(668)
	805	2,260

The effective tax rate of the Group for the financial quarter and period ended 30 June 2018 is higher than the statutory tax rate. This is mainly due to certain expenses which were not deductible for taxation purposes and the non-availability of group relief where tax losses of certain subsidiaries cannot be set off against the taxable income of other subsidiaries.

20. Status of corporate proposals

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

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

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

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

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

Subsequently, the parties have agreed to extend the completion period to 30 November 2018 pursuant to the Supplemental Agreements dated 13 July 2018 entered into between the aforesaid parties and pending the completion, the parties have agreed on the rental of the aforesaid properties to enable commencement of the renovation works.

21. Group borrowings

Details of the borrowings by the Group are as follows:

	As At 30.06.2018 RM'000	As At 31.12.2017 RM'000
Short term - secured		
- Term loans	2,074	2,252
- Bank overdraft	1,488	1,728
- Hire purchase payables	61	59
- Revolving credit	42,300	35,000
	45,923	39,039
Long term - secured		
- Term loans	36,823	37,612
- Hire purchase payables	115	134
- Finance lease payable	23,017	23,017
	59,955	60,763
Total borrowings	105,878	99,802

22. Financial Instruments

(a) Derivatives

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

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

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

23. Material litigation

The Company had announced that a legal proceeding was instituted against PT Diwangkara Holiday Villa Bali, an indirect subsidiary of the Company, arising from a claim dated 14 April 2015 made by PT Diwangkara Jaya Makmur ("Plaintiff" or "Jaya Makmur") against PT Diwangkara ("Defendant I" or "PT Diwangkara Holiday Villa Bali") and CV Telabah Nasional Traiding Company ("Defendant II") which was read on 28 July 2015 at the Denpasar District Court, Indonesia. Defendant I has a lease agreement for the land and building which happened to be the building of Diwangkara Holiday Villa Beach Resort & Spa Bali ("Hotel") including its licences and in the agreement, the owner also gives the right to operate and manage the Hotel to Defendant I.

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

Mediation proceedings were not successful and the trial continued with Response of the Parties for the claim and Defendant I had responded by filing its counter claims to Denpasar District Court, Indonesia which principally included among others to declare the lease agreement legitimate and binding under the law, order for Plaintiff to pay actual and general losses and compensation for the loss of public trust, image and reputation of the Hotel suffered by Defendant I amounting to Rp24,304,854,643 and USD1,313,860.13 (equivalent of approximately RM13.6 million), default penalty in the amount of Rp10,000,000 (equivalent of approximately RM3,180) for each day commencing from the date the judgment is enforceable and all costs incurred in this case.

On 5 May 2016, the Company announced the Denpasar District Court's judgment on 3 May 2016 which principally states that Jaya Makmur's lawsuit is declined by Denpasar District Court and Jaya Makmur has conducted an unlawful act by taking over the Hotel and office building and the management of the Hotel from PT Diwangkara Holiday Villa Bali prior to the expiry of the lease under Deed No. 38 and No. 39 and therefore Jaya Makmur shall return the operations of the Hotel to PT Diwangkara Holiday Villa, and pay material and immaterial losses of PT Diwangkara Holiday Villa in the amount of Rp5,384,507,763 (equivalent of approximately RM1.7 million) plus costs incurred in this case in the amount of Rp1,706,000 (equivalent of approximately RM530) ("Denpasar District Court's Judgment").

With regards to the Denpasar District Court's Judgment, both parties have submitted an appeal to the High Court of Denpasar, Indonesia, and judgment was given on 3 October 2017 which strengthen Denpasar District Court's Judgment dated 3 May 2016. Therefore Denpasar District Court's Judgment remains valid for both parties.

In regards with the High Court of Denpasar's judgment, both parties have submitted a cassation to the Supreme Court and it is still under cassation process.

24. Notes To The Statement of Comprehensive Income

Included in the operating profit/(loss) are:

	6 months ended 30.06.2018 RM'000	6 months ended 30.06.2017 RM'000
Amortisation of intangible assets	(835)	(1,002)
Depreciation of property, plant and equipment	(2,859)	(3,352)
Bad debts written off	(11)	-
Net gain/(loss) on disposal of:		
- property, plant and equipment	3	(4)
Impairment loss on:		
- loan and receivables	-	(250)
Fair value change in financial assets held for trading	1	(4)
Fair value change in held for trading investments	(30)	-
Interest expenses	(2,833)	(2,574)
Interest income	697	1,366
Net unrealised gain/(loss) on foreign exchange	212	(562)
Property, plant and equipment written off	(8)	(62)
Provision for retirement benefits plan	(173)	(96)
Fair value change in investment in associates	(1,279)	-
Fair value change in fair value through profit or loss investment securities	1,189	-

25. Dividend

A single tier dividend in respect of the financial year ended 31 December 2017 was paid on 15 August 2018 as approved by the shareholders of the Company at the AGM held on 7 June 2018.

26. Loss per share

Basic loss per share

The basic loss per share for the current quarter and current year-to-date are computed based on the Group's net loss attributable to equity holders of the Company of RM4,142,000 and RM8,136,000 respectively, divided by the weighted average number of ordinary shares of 929,194,943 and 894,498,902 for the current quarter and current year-to-date respectively as follows:

	3 months ended		Year-to-date ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the period	929,194,943	664,052,332	677,775,932	664,052,332
Weighted average number of new ordinary shares arising from ICULS converted todate	-	7,011,732	216,722,970	3,525,236
Weighted average number of ordinary shares	929,194,943	671,064,064	894,498,902	667,577,568

	3 months ended		Year-to-date ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Basic loss per share (sen)	(0.45)	(0.51)	(0.91)	(0.85)

Diluted loss per share

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

27. Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
28 August 2018