ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 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 September 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 9 months ended	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Revenue	65,395	59,352	196,340	176,990
Cost of sales	(43,866)	(36,904)	(137,539)	(114,008)
Gross profit	21,529	22,448	58,801	62,982
Other operating income	2,112	3,830	6,197	10,505
Operating expenses	(24,134)	(22,915)	(68,031)	(68,695)
Profit/(Loss) from operations	(493)	3,363	(3,033)	4,792
Finance costs	(1,492)	(1,370)	(4,325)	(3,944)
Share of results of associates and joint venture	710	(147)	1,103	(655)
Profit/(Loss) before tax	(1,275)	1,846	(6,255)	193
Income tax expense	(1,345)	(1,334)	(3,605)	(3,758)
Net profit/(loss) for the financial period	(2,620)	512	(9,860)	(3,565)
Attributable to:				
Owners of the parent	(4,227)	(553)	(12,363)	(6,235)
Non-controlling interests	1,607	1,065	2,503	2,670
	(2,620)	512	(9,860)	(3,565)
Loss per share attributable to owners of the parent:				
Basic (sen)	(0.45)	(0.08)	(1.36)	(0.93)
Diluted (sen)	(0.45)	(0.08)	(1.36)	(0.93)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 9 months ended	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Net profit/(loss) for the financial period	(2,620)	512	(9,860)	(3,565)
Other comprehensive income/(expenses):				
Items that are or may be reclassified subsequently to profit or loss:				
Fair value of available-for-sale financial assets	(401)	-	(2,009)	-
Foreign currency translation differences for foreign operations	1,951	(1,306)	(2,392)	(4,293)
Total items that are or may be reclassified subsequently to profit or loss	1,550	(1,306)	(4,401)	(4,293)
Other comprehensive income/(loss) for the financial period	1,550	(1,306)	(4,401)	(4,293)
Total comprehensive income/(loss) for the financial period	(1,070)	(794)	(14,261)	(7,858)
Attributable to:				
Owners of the parent	(2,283)	(1,479)	(15,568)	(10,493)
Non-controlling interests	1,213	685	1,307	2,635
Total comprehensive income/(loss) for the financial period	(1,070)	(794)	(14,261)	(7,858)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited as at 30.09.2018 RM'000	Audited as at 31.12.2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	158,454	156,848
Investment properties	8,060	8,060
Investment in associates and joint venture	48,119	46,742
Investment securities	42,778	42,565
Goodwill on consolidation	92,221	92,221
Intangible assets	3,536	3,646
Deferred tax assets	3,858	3,191
	357,026	353,273
Current assets		
Progress billings	1,422	5,887
Inventories	43,474	40,086
Trade and other receivables	145,643	139,912
Tax recoverable	1,834	1,946
Investment securities	424	459
Financial assets held for trading	308	361
Short term deposits	70,171	78,655
Cash and bank balances	71,423	79,392
	334,699	346,698
TOTAL ASSETS	691,725	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	33,591	51,482
	414,966	432,856
Non-controlling interests	63,738	63,213
Total equity	478,704	496,069
Non-current liabilities		
Borrowings	59,631	60,763
ICULS - liability component	-	108
Deferred tax liabilities	5,361	5,362
Provision for retirement benefit obligations	1,609	1,747
	66,601	67,980
Current liabilities		
Trade and other payables	98,436	96,837
Borrowings	47,979	39,039
Tax payable	5	46
	146,420	135,922
Total Liabilities	213,021	203,902
TOTAL EQUITY AND LIABILITIES	691,725	699,971

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 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	-	-	-	-	-	-	(12,363)	(12,363)	2,503	(9,860)
Fair value of available-for-sale financial assets	-	-	-	-	-	(2,009)	-	(2,009)	-	(2,009)
Foreign currency translation differences for foreign operations	-	-	-	-	(1,196)	-	-	(1,196)	(1,196)	(2,392)
Total comprehensive income/(loss) for the financial period	-	-	-	-	(1,196)	(2,009)	(12,363)	(15,568)	1,307	(14,261)
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
Dividends paid	-	-	-	-	-	-	(2,323)	(2,323)	-	(2,323)
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	(782)	(782)
	60,725	(60,724)	-	-	-	-	(2,323)	(2,322)	(782)	(3,104)
Balance as at 30 September 2018	381,375	-	-	23,510	5,993	(128)	4,216	414,966	63,738	478,704

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 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	-	-	-	-	-	-	(6,235)	(6,235)	2,670	(3,565)
Foreign currency translation differences for foreign operations	-	-	-	-	(4,258)	-	-	(4,258)	(35)	(4,293)
Total comprehensive income/(loss) for the financial period	-	-	-	-	(4,258)	-	(6,235)	(10,493)	2,635	(7,858)
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	3,889	(3,853)	-	-	-	-	-	36	-	36
Dividends paid	-	-	-	-	-	-	(1,693)	(1,693)	-	(1,693)
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	(2,501)	(2,501)
	3,889	(3,853)	-	-	-	-	(5,730)	(5,694)	(3,475)	(9,169)
Balance as at 30 September 2017	203,105	60,950	117,317	23,510	9,277	4,051	19,626	437,836	59,213	497,049

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

	9 months ended 30.09.2018 RM'000	9 months ended 30.09.2017 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	(6,255)	193
Adjustments for :-		
Non-cash items	4,096	6,125
Other investing and financing items	2,573	1,719
Operating profit before working capital changes	414	8,037
Changes in working capital		
Inventories	(3,388)	(779)
Receivables	(1,277)	37,967
Financial assets held for trading	55	124
Payables	2,780	22,251
Net cash (used in)/from operations	(1,416)	67,600
Retirement benefit paid	(391)	(68)
Tax paid	(4,203)	(4,022)
Net cash (used in)/generated from operating activities	(6,010)	63,510
Cash flows from investing activities		
Acquisition of intangible assets	(1,031)	(700)
Acquisition of additional shares in subsidiaries	-	(5,010)
Acquisition of additional shares in associates	(1,369)	(1,172)
Acquisition of investment securities	(2,313)	(9,618)
Interest received	1,752	2,225
Capital repayment from investment securities	-	1,320
Proceeds from disposal of property, plant and equipment	33	2
Purchase of property, plant and equipment	(5,938)	(8,382)
Net cash used in investing activities	(8,866)	(21,335)

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

	9 months ended 30.09.2018 RM'000	9 months ended 30.09.2017 RM'000
Cash flows from financing activities		
Dividends paid	(2,323)	(1,693)
Dividends paid to non-controlling interests of subsidiaries	(782)	(2,501)
Drawdown of term loans and revolving credit	10,000	14,250
Interest paid	(5,613)	(5,486)
Payment to hire purchase	(35)	(42)
Pledged of short term deposits	(1,383)	(3,914)
Repayment of term loans and revolving credit	(1,257)	(18,278)
Net cash used in financing activities	(1,393)	(17,664)
Effect of exchange rate changes	(1,261)	(3,231)
Net (decrease)/increase in cash and cash equivalents	(17,530)	21,280
Cash and cash equivalents as at beginning of financial period		
As previously reported	114,289	102,998
Effect of exchange rate changes	594	(943)
As restated	114,883	102,055
Cash and cash equivalents as at end of financial period #	97,353	123,335

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

Short term deposits	70,171	83,241
Cash and bank balances	71,423	80,859
Bank overdrafts	(827)	-
	140,767	164,100
Less : Deposits placed with lease creditors as security deposit for lease payments	(24,638)	(24,528)
Cash held under Housing Development Accounts	(617)	(598)
Deposits pledged to licensed banks	(18,159)	(15,639)
	(43,414)	(40,765)
	97,353	123,335

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:

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

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int 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 and IC Int issued but not yet effective

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

New MFRSs		**Effective for financial periods beginning on or after**
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 2	Share-based Payment	1 January 2020
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020
MFRS 101	Presentation of Financial Statements	1 January 2020
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
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
MFRS 134	Interim Financial Reporting	1 January 2020
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
MFRS 138	Intangible Assets	1 January 2020

2. Significant accounting policies (Continued)

New IC Int		Effective for financial periods beginning on or after
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IC Int		
IC Int 12	Service Concession Arrangements	1 January 2020
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020
IC Int 132	Intangible Assets - Web Site Costs	1 January 2020

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 September 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 September 2018.

8. Dividends paid

A single tier dividend of 0.25 sen per ordinary share in respect of the financial year ended 31 December 2017 was paid on 15 August 2018 after obtaining the approval from the shareholders of the Company at the Annual General Meeting held on 7 June 2018.

9. Segmental Information

For the financial period ended 30 September 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	550	40,535	67,652	38	79,172	8,393	-	196,340
Inter-segment	1,323	-	-	-	209	-	(1,532)	-
Total revenue	1,873	40,535	67,652	38	79,381	8,393	(1,532)	196,340
Results								
Segment results	(8,716)	(902)	8,762	(753)	1,631	(7,364)	(16)	(7,358)
Share of results of associates and joint venture	1,176	(4)	-	-	(69)	-	-	1,103
Profit/(Loss) before tax	(7,540)	(906)	8,762	(753)	1,562	(7,364)	(16)	(6,255)
Income tax expense								(3,605)
Net profit/(loss) for the financial period								(9,860)
Non-controlling interests								(2,503)
Net profit/(loss) for the financial period attributable to owners of the parent								(12,363)

9. Segmental Information (Continued)

For the financial period ended 30 September 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
Other information								
Segment assets	68,271	240,871	207,431	52,647	28,792	39,902	-	637,914
Investment in associates and joint venture	35,445	6,495	5,811	-	368	-	-	48,119
Unallocated corporate assets								5,692
Total assets								691,725
Segment liabilities	33,462	109,410	33,694	3,039	10,968	17,082	-	207,655
Unallocated corporate liabilities								5,366
Total liabilities								213,021
Capital expenditure:								
- Property, plant & equipment	-	4,312	1,465	3	116	42	-	5,938
- Software development expenditure	-	-	943	-	-	-	-	943
- Licenses	-	-	-	-	-	88	-	88

9. Segmental Information (Continued)

For the financial period ended 30 September 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	460	45,764	43,142	969	74,522	12,133	-	176,990
Inter-segment	1,226	-	-	-	382	-	(1,608)	-
Total revenue	1,686	45,764	43,142	969	74,904	12,133	(1,608)	176,990
Results								
Segment results	(6,470)	5,085	7,758	(23)	1,210	(6,712)	-	848
Share of results of associates and joint venture	(590)	(48)	-	-	(17)	-	-	(655)
Profit/(Loss) before tax	(7,060)	5,037	7,758	(23)	1,193	(6,712)	-	193
Income tax expense								(3,758)
Net profit/(loss) for the financial period								(3,565)
Non-controlling interests								(2,670)
Net profit/(loss) for the financial period attributable to owners of the parent								(6,235)

9. Segmental Information (Continued)

For the financial period ended 30 September 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	60,800	261,435	191,236	60,394	24,049	55,289	-	653,203
Investment in associates and joint venture	34,062	6,530	5,883	-	747	-	-	47,222
Unallocated corporate assets								5,079
Total assets								705,504
Segment liabilities	32,065	115,211	19,803	4,349	7,138	22,389	-	200,955
Unallocated corporate liabilities								7,500
Total liabilities								208,455
Capital expenditure								
- Property, plant and equipment	2	5,648	2,592	40	6	94	-	8,382
- Software development expenditure	-	-	550	-	-	-	-	550
- Licenses	-	-	-	-	-	150	-	150

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

On 31 October 2018, 57-59 Philbeach Gardens Limited ("UK Newco") was incorporated in United Kingdom. UK Newco with a paid up capital of £1.00 is wholly-owned by Posthotel Arosa AG, an indirect 65%-owned subsidiary of the Company.

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

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 9 months ended		
	30.09.2018 RM'000	30.09.2017 RM'000	Changes %
Revenue	196,340	176,990	10.9
Profit/(Loss) from operations	(3,033)	4,792	(163.3)
Profit/(Loss) before tax	(6,255)	193	(3,340.9)
Net profit/(loss) for the financial period	(9,860)	(3,565)	(176.6)
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(12,363)	(6,235)	(98.3)

Overall performance

For the current 9-month period ended 30 September 2018 ("9M 2018"), the Group recorded a higher revenue of RM196.3 million compared to a revenue of RM177.0 million recorded for the corresponding period last year ("9M 2017"). The revenue of Information & Communications Technology ("ICT") and Travel & Tours divisions increased by RM24.5 million and RM4.5 million respectively partly offset by a decline in revenue from Property Development and Hotels & Resorts divisions of RM0.9 million and RM5.2 million respectively for 9M 2018 compared to 9M 2017. The Group recorded loss before tax of RM6.3 million in 9M 2018 compared to profit before tax of RM0.2 million in 9M 2017 mainly due to lower gross profit margin of 29.9% in 9M 2018 compared to 35.6% in 9M 2017 which resulted in a decrease in gross profit of RM4.2 million and lower other operating income of RM6.2 million in 9M 2018 compared to RM10.5 million in 9M 2017. However, during the same period under review compared to 9M 2017, the loss in 9M 2018 is partly offset by the improvement in the results from associated companies by RM1.8 million and the reduction in operating expenses by RM0.7 million. The lower other operating income in 9M 2018 compared to 9M 2017 was mainly due to lower fair value gain on investment securities in the 9M 2018 whilst in 9M 2017, the other operating income included the additional insurance claim of RM1.5 million arising from a fire incidence in Arosa.

14. Review of performance (Continued)

Investment Holding

The division recorded a loss before tax of RM7.5 million for 9M 2018 compared to RM7.1 million for 9M 2017 mainly attributable to higher operating expenses. This was partly mitigated by better results from the associated companies.

Hotels & Resorts

The Hotels & Resorts division registered a lower revenue for 9M 2018 of RM40.5 million compared to RM45.8 million for 9M 2017. The lower revenue from the existing hotels coupled with lower management fee from Holiday Villa Hotel & Residence City Centre Doha was partly offset by the higher revenue from Holiday Villa Johor Bahru City Centre and the revenue contribution from the newly opened Holiday Villa Hotel & Residence Shanghai Jiading ("HV Shanghai"). With the lower revenue coupled with the higher operating expenses mainly due to the operating expenses of HV Shanghai, the division recorded a loss before tax of RM0.9 million for 9M 2018 compared to a profit before tax of RM5.0 million for 9M 2017. The 9M 2017 results included the additional insurance claim of RM1.5 million arising from a fire incidence in Arosa.

Information & Communications Technology

The division recorded a higher revenue of RM67.7 million for 9M 2018 compared to the revenue of RM43.1 million in 9M 2017 mainly driven by higher revenue from GlobeOSS business unit (“BU”) driven by their 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.

The division recorded higher profit before tax of RM8.8 million for 9M 2018 compared to RM7.8 million for 9M 2017 mainly due to the flowdown effect of the higher revenue coupled with lower total expenses recorded in 9M 2018 compared to 9M 2017 partly offset by a lower fair value gain assessed on the venture investment portfolio in 9M 2018 compared to 9M 2017.

Property Development

The Property Development division registered a lower revenue for 9M 2018 of RM38,000 compared to RM1.0 million for 9M 2017. Approval for the amendment in the approved plan for the development of Phase 2 Federal Park, comprising mainly of townhouses, is still pending and the on-going Taman Sri Matang project comprising 15 units of single storey detached houses has just been launched in November 2018. With the lower revenue, this division recorded a higher loss before tax of RM0.8 million for 9M 2018 compared to a loss of RM23,000 for 9M 2017.

Travel & Tours

For the current period under review, our Travel & Tours division achieved a higher revenue of RM79.4 million as compared to a revenue of RM74.9 million in 9M 2017, an increase of RM4.5 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 RM1.6 million for 9M 2018 compared to RM1.2 million for 9M 2017.

Others

The Others division registered a lower revenue of RM8.4 million for 9M 2018 compared to the revenue of RM12.1 million for 9M 2017. The lower revenue was mainly due to lower revenue from coach building unit partly offset by higher revenue from card & payment services. As a result, this division recorded a higher loss before tax of RM7.4 million for 9M 2018 as compared to a loss before tax of RM6.7 million for 9M 2017.

15. Comparison of results with preceding quarter

	3 months ended		
	30.09.2018	30.06.2018	Changes
	RM’000	RM’000	%
Revenue	65,395	65,132	0.4
Profit/(Loss) from operations	(493)	(1,827)	73.0
Profit/(Loss) before tax	(1,275)	(2,826)	54.9
Net profit/(loss) for the financial period	(2,620)	(3,631)	27.8
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(4,227)	(4,142)	(2.1)

15. Comparison of results with preceding quarter (Continued)

Overall performance

The Group achieved a revenue of RM65.4 million for the current quarter ended 30 September 2018 (“Q3 2018”) which was higher compared to the revenue in the previous quarter ended 30 June 2018 (“Q2 2018”) of RM65.1 million, an increase of RM0.3 million or 0.4%. The Group recorded a lower loss before tax of RM1.3 million in the current quarter under review compared to a loss before tax of RM2.8 million in the preceding quarter mainly due to the flowdown effect of higher revenue coupled with higher gross profit margin of 32.9% in Q3 2018 compared to 26.4% in Q2 2018. The increase of sales and gross profit was partly offset by lower other operating income and higher operating expenses.

Investment Holding

The Investment Holding division recorded a loss before tax of RM2.7 million for Q3 2018 as compared to RM1.9 million for Q2 2018. This was mainly due to higher operating cost partly offset by better results from the associated companies.

Hotels & Resorts

The Hotels & Resorts division's revenue for Q3 2018 was RM14.7 million compared to a revenue of RM11.4 million in the preceding quarter. The higher revenue in Q3 2018 was mainly due to higher revenue recorded by Holiday Villa Beach Resort & Spa Langkawi and Holiday Villa Hotel & Suites London compared to the preceding quarter coupled with revenue from the newly opened Holiday Villa Hotel & Residence Shanghai Jiading in Q3 2018. With the higher revenue in Q3 2018, the division recorded a breakeven position with a small profit before tax in Q3 2018 compared to a loss before tax of RM1.6 million in Q2 2018.

Information & Communications Technology

The ICT division registered a higher revenue for Q3 2018 of RM27.1 million compared to a revenue of RM22.7 million for the preceding quarter mainly due to higher system sale contract and maintenance contract revenue recorded by GlobeOSS BU. With the higher revenue and an overall improvement in its gross profit margin primarily due to lower third party costs coupled with higher other income arising mainly from the fair value gain assessed on the division's venture investment portfolio and a gain on disposal of a venture investment partly offset by higher operating expenses, the division reported a higher profit before tax of RM4.8 million for Q3 2018 compared to RM1.8 million for Q2 2018.

Property Development

There were no sales recorded due to the delay in the launching of Phase 2, Federal Park and the on-going Taman Sri Matang project has just been launched in November 2018. The division recorded a higher loss before tax of RM0.5 million in Q3 2018 compared to a loss before tax of RM0.2 million in Q2 2018.

Travel & Tours

The Travel & Tours division recorded a lower revenue of RM20.8 million in the quarter under review compared to the revenue of RM28.2 million in the previous quarter, a decrease of RM7.4 million as outbound travel and ticketing recorded lower revenue in the quarter under review partly offset by higher revenue recorded by inbound travel. With the lower revenue, the division recorded a lower profit before tax of RM90,000 in Q3 2018 compared to RM0.96 million in the preceding quarter.

Others

The Others division recorded a relatively flat revenue for Q3 2018 and Q2 2018 of RM2.7 million. A higher loss before tax was recorded in Q3 2018 of RM3.0 million compared to a loss before tax of RM1.8 million in the preceding quarter mainly due to the higher loss recorded by the coach building unit in Q3 2018 offset by the lower loss from the card & payment services unit in the current quarter under review.

16. Prospects

Our Board expects the remaining 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 coupled with the opening of our new hotel in Shanghai, Holiday Villa Hotel & Residence Shanghai Jiading. 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 and the current year to date 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. For the remaining financial year 2018, the division will focus on selling the 15 units of single storey detached houses in Taman Sri Matang which is now 72% completed 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 30.09.2018 RM'000	Year-to-date ended 30.09.2018 RM'000
On current quarter results		
- Malaysian income tax	1,363	4,291
- Overseas taxation	43	43
Over provision in prior years	(61)	(61)
Transfer from deferred taxation	-	(668)
	1,345	3,605

The effective tax rate of the Group for the financial quarter and period ended 30 September 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 still 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.

21. Group borrowings

Details of the borrowings by the Group are as follows:

	As At 30.09.2018 RM'000	As At 31.12.2017 RM'000
Short term - secured		
- Term loans	2,090	2,252
- Bank overdraft	827	1,728
- Hire purchase payables	62	59
- Revolving credit	45,000	35,000
	47,979	39,039
Long term - secured		
- Term loans	36,517	37,612
- Hire purchase payables	97	134
- Finance lease payable	23,017	23,017
	59,631	60,763
Total borrowings	107,610	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 period.

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:

	9 months ended 30.09.2018 RM'000	9 months ended 30.09.2017 RM'000
Amortisation of intangible assets	(1,201)	(1,487)
Depreciation of property, plant and equipment	(4,281)	(5,093)
Bad debts written off	(11)	(30)
Net gain/(loss) on disposal of:		
- investment securities	230	-
- property, plant and equipment	3	(2)
Impairment loss on:		
- loan and receivables	-	(251)
Fair value change in financial assets held for trading	2	(12)
Fair value change in held for trading investments	(34)	-
Interest expenses	(4,325)	(3,944)
Interest income	1,752	2,225
Write back of payables	-	80
Net unrealised gain/(loss) on foreign exchange	55	(1,412)
Property, plant and equipment written off	(69)	(62)
Provision for retirement benefits plan	(253)	(144)
Fair value change in investment in associates	(1,285)	-
Fair value change in fair value through profit or loss investment securities	1,645	2,943

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 RM4,227,000 and RM12,363,000 respectively, divided by the weighted average number of ordinary shares of 929,194,943 and 906,191,341 for the current quarter and current year-to-date respectively as follows:

	3 months ended		Year-to-date ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the period	929,194,943	674,062,132	677,775,932	664,052,332
Weighted average number of new ordinary shares arising from ICULS converted todate	-	2,392,815	228,415,409	6,516,879
Weighted average number of ordinary shares	929,194,943	676,454,947	906,191,341	670,569,211

	3 months ended		Year-to-date ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Basic loss per share (sen)	(0.45)	(0.08)	(1.36)	(0.93)

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 November 2018