ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2018

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the quarter and year ended 31 December 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 12 months ended	
	31.12.2018 Unaudited RM'000	31.12.2017 Unaudited RM'000	31.12.2018 Unaudited RM'000	31.12.2017 Audited RM'000
Revenue	87,243	88,933	283,583	265,923
Cost of sales	(62,165)	(62,083)	(199,704)	(176,091)
Gross profit	25,078	26,850	83,879	89,832
Other operating income	13,489	10,257	19,686	20,762
Operating expenses	(31,181)	(27,468)	(99,212)	(96,163)
Profit/(Loss) from operations	7,386	9,639	4,353	14,431
Finance costs	(1,842)	(1,301)	(6,167)	(5,245)
Share of results of associates and joint venture	1,056	(171)	2,159	(826)
Profit/(Loss) before tax	6,600	8,167	345	8,360
Income tax expense	2,120	(851)	(1,485)	(4,609)
Net profit/(loss) for the financial period/year	8,720	7,316	(1,140)	3,751
Attributable to:				
Owners of the parent	7,468	5,572	(4,895)	(663)
Non-controlling interests	1,252	1,744	3,755	4,414
	8,720	7,316	(1,140)	3,751
Earnings/(Loss) per share attributable to owners of the parent:				
Basic (sen)	0.80	0.82	(0.54)	(0.10)
Diluted (sen)	0.80	0.60	(0.54)	(0.10)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 12 months ended	
	31.12.2018 Unaudited RM'000	31.12.2017 Unaudited RM'000	31.12.2018 Unaudited RM'000	31.12.2017 Audited RM'000
Net profit/(loss) for the financial period/year	8,720	7,316	(1,140)	3,751
Other comprehensive income/(expenses):				
Items that are or may be reclassified subsequently to profit or loss:				
Fair value through other comprehensive income financial assets	(1,126)	(2,170)	(3,135)	(2,170)
Foreign currency translation differences for foreign operations	602	(3,505)	(1,790)	(7,798)
Total items that are or may be reclassified subsequently to profit or loss	(524)	(5,675)	(4,925)	(9,968)
Other comprehensive income/(loss) for the financial period/year	(524)	(5,675)	(4,925)	(9,968)
Total comprehensive income/(loss) for the financial period/year	8,196	1,641	(6,065)	(6,217)
Attributable to:				
Owners of the parent	7,220	1,314	(8,348)	(9,179)
Non-controlling interests	976	327	2,283	2,962
Total comprehensive income/(loss) for the financial period/year	8,196	1,641	(6,065)	(6,217)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited as at 31.12.2018 RM'000	Audited as at 31.12.2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	158,965	156,848
Investment properties	49,789	8,060
Investment in associates and joint venture	43,781	46,742
Investment securities	47,023	42,565
Goodwill on consolidation	90,702	92,221
Intangible assets	3,481	3,646
Deferred tax assets	4,341	3,191
	398,082	353,273
Current assets		
Progress billings	1,417	5,887
Inventories	45,222	40,086
Trade and other receivables	134,110	139,912
Tax recoverable	4,549	1,946
Investment securities	410	459
Financial assets held for trading	317	361
Short term deposits	69,187	78,655
Cash and bank balances	72,053	79,392
	327,265	346,698
TOTAL ASSETS	725,347	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	40,811	51,482
	422,186	432,856
Non-controlling interests	64,705	63,213
Total equity	486,891	496,069
Non-current liabilities		
Borrowings	90,451	60,763
ICULS - liability component	-	108
Deferred tax liabilities	4,521	5,362
Provision for retirement benefit obligations	1,666	1,747
	96,638	67,980
Current liabilities		
Trade and other payables	88,034	96,837
Borrowings	53,461	39,039
Tax payable	323	46
	141,818	135,922
Total Liabilities	238,456	203,902
TOTAL EQUITY AND LIABILITIES	725,347	699,971

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital RM'000	ICULS-Equity Component RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Exchange Translation Reserve RM'000	Fair Value 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 year	-	-	-	-	-	-	(4,895)	(4,895)	3,755	(1,140)
Fair value of available-for-sale financial income financial assets	-	-	-	-	-	(3,135)	-	(3,135)	-	(3,135)
Realisation of revaluation reserves	-	-	-	(5,043)	-	-	5,043	-	-	-
Foreign currency translation differences for foreign operations	-	-	-	-	(318)	-	-	(318)	(1,472)	(1,790)
Total comprehensive income/(loss) for the financial year	-	-	-	(5,043)	(318)	(3,135)	148	(8,348)	2,283	(6,065)
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	-	-	-	-	-	-	-	-	(791)	(791)
	60,725	(60,724)	-	-	-	-	(2,323)	(2,322)	(791)	(3,113)
Balance as at 31 December 2018	381,375	-	-	18,467	6,871	(1,254)	16,727	422,186	64,705	486,891

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

	Share Capital RM'000	ICULS-Equity Component RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Exchange Translation Reserve RM'000	Fair Value 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
Effect of completion of purchase price allocation	-	-	-	-	-	-	(6,296)	(6,296)	3,710	(2,586)
Balance as at 1 January 2017, as restated	199,216	64,803	117,317	23,510	13,535	4,051	25,295	447,727	63,763	511,490
Net profit/(loss) for the financial year	-	-	-	-	-	-	(663)	(663)	4,414	3,751
Fair value of available-for-sale financial income financial assets	-	-	-	-	-	(2,170)	-	(2,170)	-	(2,170)
Foreign currency translation differences for foreign operations	-	-	-	-	(6,346)	-	-	(6,346)	(1,452)	(7,798)
Total comprehensive income/(loss) for the financial year	-	-	-	-	(6,346)	(2,170)	(663)	(9,179)	2,962	(6,217)
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	4,117	(4,079)	-	-	-	-	-	38	-	38
Dividends paid	-	-	-	-	-	-	(1,693)	(1,693)	-	(1,693)
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	(2,538)	(2,538)
	4,117	(4,079)	-	-	-	-	(5,730)	(5,692)	(3,512)	(9,204)
Transition to no par value regime	117,317	-	(117,317)	-	-	-	-	-	-	-
Balance as at 31 December 2017	320,650	60,724	-	23,510	7,189	1,881	18,902	432,856	63,213	496,069

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	12 months ended 31.12.2018 Unaudited RM'000	12 months ended 31.12.2017 Audited RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	345	8,360
Adjustments for :-		
Non-cash items	165	1,541
Other investing and financing items	2,974	2,225
Operating profit before working capital changes	3,484	12,126
Changes in working capital		
Inventories	(5,150)	1,918
Receivables	8,952	6,117
Financial assets held for trading	42	60
Payables	(7,775)	2,038
Net cash (used in)/from operations	(447)	22,259
Retirement benefit paid	(413)	(68)
Tax paid	(5,790)	(6,740)
Net cash (used in)/generated from operating activities	(6,650)	15,451
Cash flows from investing activities		
Acquisition of intangible assets	(1,298)	(1,007)
Acquisition of additional shares in subsidiaries	-	(5,010)
Acquisition of additional shares in associates	(1,991)	(1,916)
Acquisition of investment securities	(3,415)	(13,975)
Dividend income received	804	5
Interest received	2,389	3,015
Proceeds from disposal of investment securities	2,286	-
Capital repayment from investment securities	-	1,320
Net proceeds from disposal of associates	11,630	-
Proceeds from disposal of property, plant and equipment	3	25
Proceeds from insurance claim compensation	-	52,822
Purchase of property, plant and equipment	(8,546)	(11,990)
Purchase of investment properties	(42,789)	-
Net cash (used in)/generated from investing activities	(40,927)	23,289

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

	12 months ended 31.12.2018 Unaudited RM'000	12 months ended 31.12.2017 Audited RM'000
Cash flows from financing activities		
Dividends paid	(2,323)	(1,693)
Dividends paid to non-controlling interests of subsidiaries	(782)	(2,538)
Drawdown of borrowings	45,203	14,250
Interest paid	(7,312)	(6,757)
Payment to hire purchase	(59)	(57)
Pledged of short term deposits	(1,999)	(5,180)
Repayment of borrowings	(1,710)	(19,660)
Net cash generated from/(used in) financing activities	31,018	(21,635)
Effect of exchange rate changes	(3,355)	(3,258)
Net (decrease)/increase in cash and cash equivalents	(19,914)	13,847
Cash and cash equivalents as at beginning of financial year		
As previously reported	114,289	102,998
Effect of exchange rate changes	431	(2,556)
As restated	114,720	100,442
Cash and cash equivalents as at end of financial year #	94,806	114,289

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

Short term deposits	69,187	79,392
Cash and bank balances	72,053	78,655
Bank overdrafts	(2,404)	(1,728)
	138,836	156,319
Less : Deposits placed with lease creditors as security deposit for lease payments	(24,890)	(24,745)
Cash held under Housing Development Accounts	(622)	(602)
Deposits pledged to licensed banks	(18,518)	(16,683)
	(44,030)	(42,030)
	94,806	114,289

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 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 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:

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
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 31 December 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 year ended 31 December 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 year ended 31 December 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	1,560	54,298	94,232	38	122,744	10,711	-	283,583
Inter-segment	13,622	-	-	-	302	-	(13,924)	-
Total revenue	15,182	54,298	94,232	38	123,046	10,711	(13,924)	283,583
Results								
Segment results	4,540	3,350	10,795	(2,210)	2,081	(9,525)	(10,845)	(1,814)
Share of results of associates and joint venture	2,230	4	-	-	(75)	-	-	2,159
Profit/(Loss) before tax	6,770	3,354	10,795	(2,210)	2,006	(9,525)	(10,845)	345
Income tax expense								(1,485)
Net profit/(loss) for the financial year								(1,140)
Non-controlling interests								(3,755)
Net profit/(loss) for the financial year attributable to owners of the parent								(4,895)

9. Segmental Information (Continued)

For the financial year ended 31 December 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	75,259	234,648	211,282	91,019	24,493	35,975	-	672,676
Investment in associates and joint venture	36,459	112	6,848	-	362	-	-	43,781
Unallocated corporate assets								8,890
Total assets								725,347
Segment liabilities	32,528	102,798	37,827	38,532	8,501	13,426	-	233,612
Unallocated corporate liabilities								4,844
Total liabilities								238,456
Capital expenditure:								
- Property, plant & equipment	41	5,944	2,116	3	174	268	-	8,546
- Software development expenditure	-	-	1,199	-	-	-	-	1,199
- Licenses	-	-	-	-	-	99	-	99

9. Segmental Information (Continued)

For the financial year ended 31 December 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	673	60,461	77,448	1,145	111,606	14,590	-	265,923
Inter-segment	11,348	-	-	-	567	-	(11,915)	-
Total revenue	12,021	60,461	77,448	1,145	112,173	14,590	(11,915)	265,923
Results								
Segment results	641	15,711	8,783	134	2,088	(8,550)	(9,621)	9,186
Share of results of associates and joint venture	(726)	(79)	-	-	(21)	-	-	(826)
Profit/(Loss) before tax	(85)	15,632	8,783	134	2,067	(8,550)	(9,621)	8,360
Income tax expense								(4,609)
Net profit/(loss) for the financial year								3,751
Non-controlling interests								(4,414)
Net profit/(loss) for the financial year attributable to owners of the parent								(663)

9. Segmental Information (Continued)

For the financial year ended 31 December 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	62,599	243,987	208,136	54,725	25,859	52,786	-	648,092
Investment in associates and joint venture	34,167	6,499	5,639	-	437	-	-	46,742
Unallocated corporate assets								5,137
Total assets								699,971
Segment liabilities	30,014	96,038	39,639	4,028	7,997	20,778	-	198,494
Unallocated corporate liabilities								5,408
Total liabilities								203,902
Capital expenditure								
- Property, plant and equipment	2	8,832	3,005	40	9	102	-	11,990
- Software development expenditure	-	-	844	-	-	-	-	844
- Licenses	-	-	-	-	-	163	-	163

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 2 January 2019, the Company acquired 100% equity interest in Datakey Sdn Bhd, comprising 2 ordinary shares at RM1.00 each for a cash consideration of RM2.00 ("Proposed Acquisition") from its subsidiary, iSynergy Sdn Bhd, free from any encumbrances. The Proposed Acquisition is part of the internal reorganisation in streamlining the human resource management.

Apart from the above and as disclosed in Note 20(c), 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.

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

(d) On 31 October 2018, the Company's 58.30%-owned subsidiary, Captii Limited ("Captii"), announced the internal reorganisation of Captii Group which involved amongst others, the following:-

(i) Changing the name of Unified Communications (VAS) Sdn Bhd ("UC(VAS)"), a wholly-owned subsidiary of Unified Communications Pte Ltd, to Postpay Technology Sdn Bhd ("PTSB").

(ii) Captii to incorporate a new wholly-owned subsidiary in Malaysia, Postpay Asia Sdn Bhd ("PASB").

(iii) PASB to be the immediate holding company of Postpay Sdn Bhd (formerly known as Mobilization Sdn Bhd)("PSB") and PTSB by undertaking the following:-

(a) Transfer of Captii's 100% shareholding in PSB to PASB.

(b) Transfer of UCPL's 100% shareholding in PTSB to PASB.

On 29 November 2018, PASB was incorporated with an issued share capital of RM100.00.

On 3 December 2018, UC(VAS) changed its name to PTSB.

(e) On 13 December 2018, the proposed disposal by Alangka-Suka Hotels & Resorts Sdn Bhd ("ASHR"), a wholly-owned subsidiary of the Company, of its entire 6,811,628 ordinary shares representing 40% equity interest in Holiday Villa Kuala Lumpur Sdn Bhd ("HVKL") to Ri-Yaz Assets (Kuala Lumpur) Sdn Bhd (formerly known as Aurora Arena Sdn Bhd) for a cash consideration of RM11,200,000.00 pursuant to a share sale agreement entered into on 1 November 2017 was completed. Consequential thereto, HVKL will ceased to be a 40%-owned associated company of ASHR.

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 12 months ended		
	31.12.2018 Unaudited RM'000	31.12.2017 Audited RM'000	Changes %
Revenue	283,583	265,923	6.6
Profit/(Loss) from operations	4,353	14,431	(69.8)
Profit/(Loss) before tax	345	8,360	(95.9)
Net profit/(loss) for the financial year	(1,140)	3,751	(130.4)
Net profit/(loss) for the financial year attributable to the Owners of the Parent	(4,895)	(663)	(638.3)

Overall performance

For the current year ended 31 December 2018 ("FY2018"), the Group recorded a higher revenue of RM283.6 million compared to a revenue of RM265.9 million recorded for last year ("FY2017"). The revenue of Information & Communications Technology ("ICT") and Travel & Tours divisions increased by RM16.8 million and RM10.9 million respectively partly offset by a decline in revenue from Property Development, Hotels & Resorts and Others divisions of RM1.1 million, RM6.2 million and RM3.9 million respectively for FY2018 compared to FY2017. Despite the higher revenue for FY2018, the Group recorded a lower profit before tax of RM0.3 million in FY2018 compared to profit before tax of RM8.4 million in FY2017 attributable mainly to lower gross profit margin of 29.6% in FY2018 compared to 33.8% in FY2017 which resulted in a decrease in gross profit of RM6.0 million and lower other operating income of RM19.7 million in FY2018 compared to RM20.8 million in FY2017 partly offset by the improvement in the results from associated companies by RM3.0 million. The other operating income in FY2017 was higher than FY2018 mainly due to the additional insurance claim of RM12.1 million in FY2017 arising from a fire incidence in Arosa whilst in FY2018, there was a gain on disposal of an associated company of RM5.2 million and fair value gain assessed on the venture investment portfolio of RM6.1 million.

Investment Holding

The division recorded a profit before tax of RM6.8 million for FY2018 compared to a loss before tax of RM85,000 for FY2017 mainly attributable to higher dividends from subsidiaries (eliminated at group level), fair value gain assessed on the venture investment portfolio of RM3.4 million and better results from the associated companies.

Hotels & Resorts

The Hotels & Resorts division registered a lower revenue for FY2018 of RM54.3 million compared to RM60.5 million for FY2017. 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 in FY2018 compared to FY2017 coupled with the lower operating income mainly due to the additional insurance claim of RM12.1 million in FY2017 arising from a fire incidence in Arosa partly offset by the gain on disposal of an associated company of RM5.2 million in FY2018, the division recorded a profit before tax of RM3.4 million for FY2018 compared to a profit before tax of RM15.6 million for FY2017.

Information & Communications Technology

The division recorded a higher revenue of RM94.2 million for FY2018 compared to the revenue of RM77.4 million in FY2017 mainly driven by higher revenue from GlobeOSS business unit ("BU") derived from their system sale and managed service contracts.

The division recorded higher profit before tax of RM10.8 million for FY2018 compared to RM8.8 million for FY2017 mainly due to the flowdown effect of the higher revenue coupled with a fair value gain assessed on the venture investment portfolio in FY2018 compared to a fair value loss assessed in FY2017 which was partly offset by higher total expenses recorded in FY2018 compared to FY2017 attributable mainly to impairment loss on goodwill of a subsidiary of RM1.5 million, impairment loss on an investment property of RM1.1 million and higher technical support expenses due to increased technical support headcount.

14. Review of performance (Continued)

Property Development

The Property Development division registered a lower revenue for FY2018 of RM38,000 compared to RM1.1 million for FY2017. 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 loss before tax of RM2.2 million for FY2018 compared to a profit of RM0.1 million for FY2017.

Travel & Tours

For the current year, our Travel & Tours division achieved a higher revenue of RM123.0 million as compared to a revenue of RM112.2 million in FY2017, an increase of RM10.9 million which was mainly from ticketing and outbound travel sales offset by the lower revenue in the inbound tours division. Despite the higher revenue, the division recorded a slightly lower profit before tax of RM2.0 million for FY2018 compared to RM2.1 million for FY2017 mainly due to impairment loss on the investment securities of RM1.2 million in FY2018.

Others

The Others division registered a lower revenue of RM10.7 million for FY2018 compared to the revenue of RM14.6 million for FY2017. The lower revenue was mainly due to lower revenue from coach building and education units partly offset by higher revenue from card & payment services. As a result, this division recorded a higher loss before tax of RM9.5 million for FY2018 as compared to a loss before tax of RM8.6 million for FY2017. The FY2017 results included an impairment loss of goodwill of RM0.5 million on the traditional chinese medicine unit.

15. Comparison of results with preceding quarter

	3 months ended		
	31.12.2018 Unaudited	30.09.2018 Unaudited	Changes
	RM'000	RM'000	%
Revenue	87,243	65,395	33.4
Profit/(Loss) from operations	7,386	(493)	1,598.2
Profit/(Loss) before tax	6,600	(1,275)	617.6
Net profit/(loss) for the financial period	8,720	(2,620)	432.8
Net profit/(loss) for the financial period attributable to the Owners of the Parent	7,468	(4,227)	276.7

Overall performance

The Group achieved a revenue of RM87.2 million for the current quarter ended 31 December 2018 ("Q4 2018") which was higher compared to the revenue in the previous quarter ended 30 September 2018 ("Q3 2018") of RM65.4 million, an increase of RM21.8 million or 33.4%. The Group recorded a profit before tax of RM6.6 million in the current quarter under review compared to a loss before tax of RM1.3 million in the preceding quarter mainly due to the flowdown effect of higher revenue and higher other operating income partly offset by higher operating expenses. The higher operating income in the quarter under review compared to Q3 2018 was mainly due to gain on disposal of an associated company by the Hotels & Resorts division and fair value gain assessed on the venture investment portfolio recorded by Investment Holding and ICT divisions whilst the higher operating expenses was mainly attributable to impairment loss on goodwill of a subsidiary and impairment loss on an investment property recorded by the ICT division and impairment loss on investment securities recorded by the Travel & Tours division.

Investment Holding

The Investment Holding division recorded a profit before tax of RM14.3 million for Q4 2018 as compared to a loss before tax of RM2.7 million for Q3 2018. This was mainly due to dividends from subsidiaries (eliminated at group level), fair value gain assessed on the venture investment portfolio of RM3.4 million and better results from the associated companies compared to Q3 2018.

Hotels & Resorts

The Hotels & Resorts division's revenue for Q4 2018 was RM13.8 million compared to a revenue of RM14.7 million in the preceding quarter. The lower revenue in Q4 2018 was mainly due to lower revenue recorded by Holiday Villa Beach Resort & Spa Langkawi, Holiday Villa Beach Resort & Spa Cherating and Holiday Villa Hotel & Suites London compared to the preceding quarter partly offset by higher revenue from the newly opened Holiday Villa Hotel & Residence Shanghai Jiading in Q3 2018. Despite the lower revenue in Q4 2018, the division recorded a higher profit before tax of RM4.3 million compared to a small profit before tax in Q3 2018 mainly due to a gain on disposal of an associated company of RM5.2 million recorded in Q4 2018.

15. Comparison of results with preceding quarter (Continued)

Information & Communications Technology

The ICT division registered a slightly lower revenue for Q4 2018 of RM26.6 million compared to a revenue of RM27.1 million for the preceding quarter mainly due to lower revenue share contract revenues recorded by Unifiedcomms BU. With the lower revenue in Q4 2018 and the higher operating expenses in Q4 2018, partly mitigated by higher other operating income in Q4 2018 arising mainly from the higher fair value gain assessed on the division's venture investment portfolio of RM2.3 million, the division reported a lower profit before tax of RM2.0 million for Q4 2018 compared to RM4.8 million for Q3 2018. Included in the operating expenses in Q4 2018 are the impairment loss on goodwill of a subsidiary of RM1.5 million and impairment loss on an investment property of RM1.1 million.

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 RM1.5 million in Q4 2018 compared to a loss before tax of RM0.5 million in Q3 2018 mainly due to higher operating expenses.

Travel & Tours

The Travel & Tours division recorded a higher revenue of RM43.7 million in the quarter under review compared to the revenue of RM20.8 million in the previous quarter, an increase of RM22.9 million as outbound travel and ticketing recorded higher revenue in the current quarter under review coupled with higher revenue recorded by inbound travel. Despite the significant increase in revenue, the division recorded a profit before tax of RM444,000 in Q4 2018 compared to RM90,000 in the preceding quarter mainly due to an impairment loss on the investment securities of RM1.2 million in the current quarter.

Others

The Others division recorded a lower revenue for Q4 2018 of RM2.3 million compared to Q3 2018 of RM2.7 million. Despite a lower revenue, a lower loss before tax was recorded in Q4 2018 of RM2.2 million compared to a loss before tax of RM3.0 million in the preceding quarter mainly due to the lower loss recorded by the coach building unit in Q4 2018 offset by the higher loss from the card & payment services and education units in the current quarter under review.

16. Prospects

Our Board expects the financial year 2019 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 2019 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 Information & Communications Technology ("ICT") division expects financial year 2019 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.

16. Prospects (Continued)

Our Property Development division faced continued challenges in 2018 due to the softening of the property market in Kuching and protracted delay in the launching of Phase 2, Federal Park but remains optimistic about its prospects once Phase 2, Federal Park is launched. In the meantime, the division will focus on selling the 15 units of single storey detached houses in Taman Sri Matang which is now 80% completed and the 16 units of the three-storey shophouses under Phase 1 of the Federal Park project.

Our travel and tours division is cautiously optimistic of their performance for the 2019. 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 2019 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 31.12.2018 Unaudited RM'000	**Year-to-date ended 31.12.2018 Unaudited RM'000**
On current quarter results		
- Malaysian income tax	(1,096)	3,196
- Overseas taxation	266	308
Over provision in prior years	(55)	(116)
Transfer from deferred taxation	(1,235)	(1,903)
	(2,120)	1,485

The effective tax rate of the Group for the financial quarter ended 31 December 2018 is lower than the statutory tax rate mainly due to over provision of taxation in prior periods. The effective tax rate of the Group for the financial year ended 31 December 2018 is higher than the statutory tax rate mainly due to the non-availability of group relief where tax losses of certain subsidiaries cannot be set off against the taxable income of other subsidiaries and certain expenses which were not deductible for taxation purposes.

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:

(a) On 30 November 2018, Advance Synergy Realty Sdn Bhd ("ASR"), a wholly-owned subsidiary of the Company, completed the proposed acquisitions pursuant to the following two (2) Sale and Purchase Agreements entered into on 16 January 2018:-

(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.

20. Status of corporate proposals (Continued)

(b) On 3 August 2018, Synergy Realty Incorporated, an indirect wholly-owned subsidiary of the Company held via Advance Synergy Properties Sdn Bhd ("ASP"), agreed via a Memorandum of Sale dated 3 August 2018 to dispose of its entire investment of 40%-equity interest (represented by 6,400,040 ordinary shares of USD1.00 each) in Helenium Holdings Limited ("Helenium") to EEH Ventures Limited (or affiliate), for a cash consideration of GBP8.73 million (equivalent to approximately RM46.637 million)("Proposed Disposal"). Upon completion of the Proposed Disposal, Helenium will cease to be a 40%-owned associate company of the Company held via ASP.

(c) On 21 December 2018, PGL, a wholly-owned subsidiary incorporated in United Kingdom of Arosa, a 65%-owned indirect subsidiary company of the Company, entered into a Share Sale Agreement to acquire 100% equity interest (represented by 1,100 ordinary shares of GBP1.00 each) in Beaver Hotels Limited ("Beaver") for a cash consideration of GBP10.25 million (equivalent to approximately RM55.63 million). Upon completion of the proposed acquisition on 21 February 2019, Beaver became an indirect 65%-owned subsidiary of the Company held via PGL.

21. Group borrowings

Details of the borrowings by the Group are as follows:

	As At 31.12.2018 Unaudited RM'000	As At 31.12.2017 Audited RM'000
Short term - secured		
- Term loans	3,866	2,252
- Bank overdraft	2,404	1,728
- Banker acceptance and debtor financing	6,128	-
- Hire purchase payables	63	59
- Revolving credit	41,000	35,000
	53,461	39,039
Long term - secured		
- Term loans	67,363	37,612
- Hire purchase payables	71	134
- Finance lease payable	23,017	23,017
	90,451	60,763
Total borrowings	143,912	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.

23. Material litigation (Continued)

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:

	12 months ended 31.12.2018 Unaudited RM'000	**12 months ended 31.12.2017 Audited RM'000**
Amortisation of intangible assets	(1,497)	(1,825)
Depreciation of property, plant and equipment	(5,559)	(6,411)
Bad debts written off	(110)	(151)
Net gain/(loss) on disposal of:		
- an associated company	5,239	-
- investment securities	231	-
- property, plant and equipment	3	(16)
Gross dividend income	804	5
Impairment loss on:		
- available-for-sale investment securities	(1,164)	-
- development expenditure	(37)	-
- goodwill	(1,497)	(540)
- loan and receivables	(1,209)	(637)
Fair value change in financial assets held for trading	(2)	(8)
Fair value change in held for trading investments	(49)	(2)
Write down of inventories	(14)	(12)
Interest expenses	(6,167)	(5,245)
Interest income	2,389	3,015
Write back of payables	-	198
Net unrealised gain/(loss) on foreign exchange	(426)	(1,828)
Property, plant and equipment written off	(930)	(96)
Fair value change in investment property	(1,060)	-
Provision for retirement benefits plan	(332)	(206)
Insurance claim compensation	-	12,161
Write back of impairment loss on:		
- loan and receivables	-	60
Fair value change in investment in associates	(927)	(744)
Fair value change in fair value through profit or loss investment securities	5,852	(658)

25. Dividend

The Board will decide on the recommendation of dividend after finalisation of the audited financial results for the financial year ended 31 December 2018.

26. Earnings/(Loss) per share

<u>Basic earnings/(loss) per share</u>

The basic earnings/(loss) per share for the current quarter and current year-to-date are computed based on the Group's net profit/(loss) attributable to equity holders of the Company of RM7,468,000 and RM(4,895,000) respectively, divided by the weighted average number of ordinary shares of 929,194,943 and 911,989,509 for the current quarter and current year-to-date respectively as follows:

	3 months ended		**Year-to-date ended**	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
	No. of shares		**No. of shares**	
Issued ordinary shares at beginning of the period	929,194,943	677,016,432	677,775,932	664,052,332
Weighted average number of new ordinary shares arising from ICULS converted todate	-	572,511	234,213,577	8,286,237
Weighted average number of ordinary shares	929,194,943	677,588,943	911,989,509	672,338,569

	3 months ended		**Year-to-date ended**	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
Basic earnings/(loss) per share (sen)	0.80	0.82	(0.54)	(0.10)

<u>Diluted earnings/(loss) per share</u>

	3 months ended		**Year-to-date ended**	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
Diluted earnings/(loss) per share (sen)	0.80	0.60	(0.54)	(0.10)

The basic and diluted earnings/(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 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
27 February 2019