

**ADVANCE SYNERGY BERHAD**  
**(Company No: 1225-D)**

**COMPANY ANNOUNCEMENT**  
**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED**  
**31 MARCH 2019**

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the quarter and period ended 31 March 2019.

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 2018.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS**

	<b>3 months ended</b>		<b>Year-to-date</b>	
	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.03.2019</b>	<b>31.03.2018</b>
	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>
Revenue	63,278	65,813	63,278	65,813
Cost of sales	(41,418)	(45,724)	(41,418)	(45,724)
Gross profit	21,860	20,089	21,860	20,089
Other operating income	2,097	1,697	2,097	1,697
Operating expenses	(25,799)	(22,499)	(25,799)	(22,499)
Profit/(Loss) from operations	(1,842)	(713)	(1,842)	(713)
Finance costs	(1,518)	(1,353)	(1,518)	(1,353)
Share of results of associates and joint venture	158	(88)	158	(88)
Profit/(Loss) before tax	(3,202)	(2,154)	(3,202)	(2,154)
Income tax expense	(1,404)	(1,455)	(1,404)	(1,455)
Net profit/(loss) for the financial period	<u>(4,606)</u>	<u>(3,609)</u>	<u>(4,606)</u>	<u>(3,609)</u>
Attributable to:				
Owners of the parent	(4,703)	(3,994)	(4,703)	(3,994)
Non-controlling interests	97	385	97	385
	<u>(4,606)</u>	<u>(3,609)</u>	<u>(4,606)</u>	<u>(3,609)</u>
Loss per share attributable to owners of the parent:				
Basic (sen)	<u>(0.51)</u>	<u>(0.47)</u>	<u>(0.51)</u>	<u>(0.47)</u>
Diluted (sen)	<u>(0.51)</u>	<u>(0.47)</u>	<u>(0.51)</u>	<u>(0.47)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>3 months ended</b>		<b>Year-to-date 3 months ended</b>	
	<b><u>31.03.2019</u></b> <b>RM'000</b>	<b><u>31.03.2018</u></b> <b>RM'000</b>	<b><u>31.03.2019</u></b> <b>RM'000</b>	<b><u>31.03.2018</u></b> <b>RM'000</b>
Net profit/(loss) for the financial period	(4,606)	(3,609)	(4,606)	(3,609)
Other comprehensive income/(expenses):				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Fair value through other comprehensive income financial assets	322	-	322	-
Foreign currency translation differences for foreign operations	4,108	(3,427)	4,108	(3,427)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	<u>4,430</u>	<u>(3,427)</u>	<u>4,430</u>	<u>(3,427)</u>
Other comprehensive income/(loss) for the financial period	<u>4,430</u>	<u>(3,427)</u>	<u>4,430</u>	<u>(3,427)</u>
Total comprehensive income/(loss) for the financial period	<u><u>(176)</u></u>	<u><u>(7,036)</u></u>	<u><u>(176)</u></u>	<u><u>(7,036)</u></u>
Attributable to:				
Owners of the parent	157	(6,731)	157	(6,731)
Non-controlling interests	(333)	(305)	(333)	(305)
Total comprehensive income/(loss) for the financial period	<u><u>(176)</u></u>	<u><u>(7,036)</u></u>	<u><u>(176)</u></u>	<u><u>(7,036)</u></u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>Unaudited as at <u>31.03.2019</u> RM'000</b>	<b>Audited as at <u>31.12.2018</u> RM'000</b>
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Property, plant and equipment	214,506	158,965
Investment properties	50,364	49,789
Investment in associates and joint venture	38,608	43,781
Investment securities	50,623	47,023
Goodwill	90,703	90,703
Intangible assets	3,393	3,480
Deferred tax assets	4,338	4,341
	452,535	398,082
<b><u>Current assets</u></b>		
Inventories	46,310	45,223
Receivables, prepayments and contract assets	113,459	135,003
Tax recoverable	4,284	5,072
Investment securities	1,390	410
Financial assets held for trading	260	317
Short term deposits	71,302	73,872
Cash and bank balances	33,728	67,368
	270,733	327,265
<b>TOTAL ASSETS</b>	<b><u>723,268</u></b>	<b><u>725,347</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b><u>Equity attributable to owners of the parent</u></b>		
Share capital	381,377	381,377
Reserves	40,966	40,809
	422,343	422,186
<b>Non-controlling interests</b>	64,225	64,705
<b>Total equity</b>	486,568	486,891
<b><u>Non-current liabilities</u></b>		
Borrowings	66,560	67,786
Deferred tax liabilities	4,522	4,521
Provision for retirement benefit obligations	1,727	1,666
	72,809	73,973
<b><u>Current liabilities</u></b>		
Payables and contract liabilities	66,578	88,035
Borrowings	96,990	76,125
Tax payable	323	323
	163,891	164,483
<b>Total Liabilities</b>	236,700	238,456
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>723,268</u></b>	<b><u>725,347</u></b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE PERIOD ENDED 31 MARCH 2019**

	Share Capital RM'000	ICULS- Equity Component 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 2019	381,377	-	18,467	6,871	(1,254)	16,725	422,186	64,705	486,891
Net profit/(loss) for the financial period	-	-	-	-	-	(4,703)	(4,703)	97	(4,606)
Fair value of financial assets through other comprehensive income	-	-	-	-	322	-	322	-	322
Foreign currency translation differences for foreign operations	-	-	-	4,538	-	-	4,538	(430)	4,108
Total comprehensive income/(loss) for the financial period	-	-	-	4,538	322	(4,703)	157	(333)	(176)
<b>Transactions with owners in their capacity as owners:</b>									
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	(147)	(147)
	-	-	-	-	-	-	-	(147)	(147)
Balance as at									
31 March 2019	381,377	-	18,467	11,409	(932)	12,022	422,343	64,225	486,568

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE PERIOD ENDED 31 MARCH 2019 (Continued)**

	Share Capital RM'000	ICULS- Equity Component 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 period	-	-	-	-	-	(3,994)	(3,994)	385	(3,609)
Foreign currency translation differences for foreign operations	-	-	-	(2,737)	-	-	(2,737)	(690)	(3,427)
Total comprehensive income/(loss) for the financial year	-	-	-	(2,737)	-	(3,994)	(6,731)	(305)	(7,036)
<b>Transactions with owners in their capacity as owners:</b>									
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 31 March 2018	381,375	-	23,510	4,452	1,881	14,908	426,126	62,908	489,034

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2019**

	<b>3 months ended</b> <b><u>31.03.2019</u></b> <b>RM'000</b>	<b>3 months ended</b> <b><u>31.03.2018</u></b> <b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit/(Loss) before tax	(3,202)	(2,154)
Adjustments for :-		
Non-cash items	2,758	2,403
Other investing and financing items	494	893
Operating profit before working capital changes	<u>50</u>	<u>1,142</u>
Changes in working capital		
Inventories	(1,088)	930
Receivables	21,545	8,962
Financial assets held for trading	53	-
Payables	(21,456)	(14,825)
Net cash used in operations	<u>(896)</u>	<u>(3,791)</u>
Retirement benefit paid	(18)	(39)
Tax paid	(616)	(1,252)
<b>Net cash used in operating activities</b>	<u><u>(1,530)</u></u>	<u><u>(5,082)</u></u>
<b>Cash flows from investing activities</b>		
Acquisition of intangible assets	(217)	(455)
Acquisition of a subsidiary, net of cash acquired	(56,180)	-
Acquisition of additional shares in associates	-	(780)
Acquisition of held for trading investments	(980)	-
Acquisition of investment securities	-	(1,630)
Interest received	1,024	460
Proceeds from disposal of investment securities	1,037	-
Purchase of property, plant and equipment	(1,250)	(2,037)
Purchase of investment properties	(575)	-
<b>Net cash used in investing activities</b>	<u><u>(57,141)</u></u>	<u><u>(4,442)</u></u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2019 (Continued)**

	<b>3 months ended <u>31.03.2019</u> RM'000</b>	<b>3 months ended <u>31.03.2018</u> RM'000</b>
<b>Cash flows from financing activities</b>		
Dividends paid to non-controlling interests of subsidiaries	(147)	-
Drawdown of borrowings	22,000	2,800
Interest paid	(1,518)	(2,863)
Payment to hire purchase	(17)	(1)
Withdrawal of pledged/(Pledged of) short term deposits	694	(1,616)
Repayment of borrowings	(2,547)	(469)
<b>Net cash generated from/(used in) financing activities</b>	<b><u>18,465</u></b>	<b><u>(2,149)</u></b>
Effect of exchange rate changes	5,441	(266)
<b>Net decrease in cash and cash equivalents</b>	<b><u>(34,765)</u></b>	<b><u>(11,939)</u></b>
<b>Cash and cash equivalents as at beginning of financial period</b>		
As previously reported	94,438	114,289
Effect of exchange rate changes	(953)	(1,948)
As restated	93,485	112,341
<b>Cash and cash equivalents as at end of financial period #</b>	<b><u>58,720</u></b>	<b><u>100,402</u></b>
<b># Cash and cash equivalents at the end of the financial period comprising the following:</b>		
Short term deposits	71,302	74,639
Cash and bank balances	33,728	70,898
Bank overdrafts	(2,607)	(1,488)
	<u>102,423</u>	<u>144,049</u>
Less : Deposits placed with lease creditors as security deposit for lease payments	(25,074)	(24,855)
Cash held under Housing Development Accounts	(627)	(607)
Deposits pledged to licensed banks	(18,002)	(18,185)
	<u>(43,703)</u>	<u>(43,647)</u>
	<b><u>58,720</u></b>	<b><u>100,402</u></b>

## 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 2018.

### 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 2018, 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 16 Leases

#### Amendments/Improvements to MFRSs

MFRS 3 Business Combinations  
MFRS 9 Financial Instruments  
MFRS 11 Joint Arrangements  
MFRS 112 Income Taxes  
MFRS 119 Employee Benefits  
MFRS 123 Borrowing Costs  
MFRS 128 Investments in Associates and Joint Ventures

#### New IC Int

IC Int 23 Uncertainty over Income Tax Treatments

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:

	<b>Effective for financial periods beginning on or after</b>
<u>New MFRSs</u>	
MFRS 17 Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>	
MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021
MFRS 2 Share-based Payment	1 January 2020
MFRS 3 Business Combinations	1 January 2020
MFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2021
MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
MFRS 7 Financial Instruments: Disclosures	1 January 2021
MFRS 10 Consolidated Financial Statements	Deferred
MFRS 14 Regulatory Deferral Accounts	1 January 2020
MFRS 15 Revenue from Contracts with Customers	1 January 2021
MFRS 101 Presentation of Financial Statements	1 January 2020
MFRS 107 Statements of Cash Flows	1 January 2021
MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
MFRS 116 Property, Plant and Equipment	1 January 2021
MFRS 128 Investments in Associates and Joint Ventures	Deferred
MFRS 132 Financial Instruments: Presentation	1 January 2021
MFRS 134 Interim Financial Reporting	1 January 2020
MFRS 136 Impairment of Assets	1 January 2021
MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
MFRS 138 Intangible Assets	1 January 2020
MFRS 140 Investment Property	1 January 2021



## 2. Significant accounting policies (Continued)

<u>Amendments to IC Int</u>		<b>Effective for financial periods beginning on or after</b>
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 2018 was not subject to any qualification.

## 4. Seasonal or cyclical factors

The operations of the Group for the quarter ended 31 March 2019 were not materially affected by any seasonal or cyclical factors.

## 5. Unusual items

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

## 6. Changes in estimates

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

## 7. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and/or repayments of debt and equity securities during the financial period ended 31 March 2019.

## 8. Dividends paid

There was no dividend paid during the financial period ended 31 March 2019.

## 9. Segmental Information

For the financial period ended 31 March 2019

	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
<b>Revenue</b>								
External	515	14,716	15,602	-	30,379	2,066	-	63,278
Inter-segment	352	-	-	-	76	-	(428)	-
<b>Total revenue</b>	<b>867</b>	<b>14,716</b>	<b>15,602</b>	<b>-</b>	<b>30,455</b>	<b>2,066</b>	<b>(428)</b>	<b>63,278</b>
<b>Results</b>								
Segment results	(2,977)	(936)	2,467	(217)	476	(2,173)	-	(3,360)
Share of results of associates and joint venture	171	1	-	-	(14)	-	-	158
Profit/(Loss) before tax	(2,806)	(935)	2,467	(217)	462	(2,173)	-	(3,202)
Income tax expense								(1,404)
Net profit/(loss) for the financial period								(4,606)
Non-controlling interests								(97)
Net profit/(loss) for the financial period attributable to owners of the parent								(4,703)

**9. Segmental Information (Continued)**

**For the financial period ended 31 March 2019**

	<b>Investment Holding</b>	<b>Hotels &amp; Resorts</b>	<b>Information &amp; Communications Technology</b>	<b>Property Development</b>	<b>Travel &amp; Tours</b>	<b>Others</b>	<b>Eliminations</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Other information</u></b>								
Segment assets	68,592	255,488	202,849	91,900	20,974	36,235	-	676,038
Investment in associates and joint venture	35,838	113	2,308	-	349	-	-	38,608
Unallocated corporate assets								8,622
Total assets								723,268
Segment liabilities	32,656	118,722	23,723	38,196	4,753	13,805	-	231,855
Unallocated corporate liabilities								4,845
Total liabilities								236,700
Capital expenditure:								
- Property, plant & equipment	-	743	481	-	3	23	-	1,250
- Software development expenditure	-	-	217	-	-	-	-	217
- Licenses	-	-	-	-	-	-	-	-

9. Segmental Information (Continued)

For the financial period ended 31 March 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
<b>Revenue</b>								
External	182	14,392	17,889	38	30,365	2,947	-	65,813
Inter-segment	441	-	-	-	82	-	(523)	-
<b>Total revenue</b>	<b>623</b>	<b>14,392</b>	<b>17,889</b>	<b>38</b>	<b>30,447</b>	<b>2,947</b>	<b>(523)</b>	<b>65,813</b>
<b>Results</b>								
Segment results	(2,877)	696	2,157	(72)	538	(2,508)	-	(2,066)
Share of results of associates and joint venture	(65)	-	-	-	(23)	-	-	(88)
Profit/(Loss) before tax	(2,942)	696	2,157	(72)	515	(2,508)	-	(2,154)
Income tax expense								(1,455)
Net profit/(loss) for the financial period								(3,609)
Non-controlling interests								(385)
Net profit/(loss) for the financial period attributable to owners of the parent								(3,994)

**9. Segmental Information (Continued)**

**For the financial period ended 31 March 2018**

	<b>Investment Holding</b>	<b>Hotels &amp; Resorts</b>	<b>Information &amp; Communications Technology</b>	<b>Property Development</b>	<b>Travel &amp; Tours</b>	<b>Others</b>	<b>Eliminations</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Other information</u></b>								
Segment assets	69,304	242,149	196,650	53,660	27,628	37,250	-	626,641
Investment in associates and joint venture	34,203	6,499	6,044	-	415	-	-	47,161
Unallocated corporate assets								4,914
Total assets								678,716
Segment liabilities	35,499	98,024	28,192	3,166	9,020	10,401	-	184,302
Unallocated corporate liabilities								5,380
Total liabilities								189,682
Capital expenditure								
- Property, plant and equipment	-	1,584	422	3	16	12	-	2,037
- Software development expenditure	-	-	371	-	-	-	-	371
- Licenses	-	-	-	-	-	84	-	84

## 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 2018.

## 11. Significant events after the reporting period

There are no significant events after the reporting period except as disclosed in Note 20 (b) below.

## 12. Changes in the composition of the Group

- (a) 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.
- (b) On 21 February 2019, 57-59 Philbeach Gardens Limited (“PGL”), a wholly-owned subsidiary of Posthotel Arosa AG (“Arosa”) which in turn is a 65%-owned indirect subsidiary of the Company, incorporated in United Kingdom, completed the acquisition of 100% equity interest (represented by 1,100 ordinary shares of GBP1.00 each) in Beaver Hotels Limited (“Beaver”). On the same day, Beaver became an indirect 65%-owned subsidiary of the Company held via PGL.

The summary effect on the acquisition of Beaver are as follows:

	<b>RM'000</b>
Property, plant and equipment	56,180
Cash and bank balances	-
Net assets	<u>56,180</u>
Net assets acquired	56,180
Goodwill on consolidation	-
Consideration paid	<u>56,180</u>
Cash and cash equivalent of the subsidiary acquired	-
Net cash outflows	<u>56,180</u>

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 2018.

## 14. Review of performance

	<u>Year-to-date</u> <u>3 months ended</u>		
	<u>31.03.2019</u>	<u>31.03.2018</u>	<b>Changes</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
Revenue	63,278	65,813	(3.9)
Profit/(Loss) from operations	(1,842)	(713)	(158.3)
Profit/(Loss) before tax	(3,202)	(2,154)	(48.7)
Net profit/(loss) for the financial period	(4,606)	(3,609)	(27.6)
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(4,703)	(3,994)	(17.8)

### ***Overall performance***

For the current 3-month period ended 31 March 2019 (“Q1 2019”), the Group recorded a lower revenue of RM63.3 million compared to a revenue of RM65.8 million recorded for the corresponding period last year (“Q1 2018”). The revenue of Information & Communications Technology (“ICT”) and Others divisions dropped by RM2.3 million and RM0.9 million respectively partly offset by an increase in revenue from Hotels & Resorts division of RM0.3 million for Q1 2019 compared to Q1 2018. With the lower revenue and higher operating expenses for Q1 2019 compared to Q1 2018, mitigated by higher gross profit margin of 34.5% in Q1 2019 compared to 30.5% in Q1 2018, the Group recorded a higher loss before tax of RM3.2 million in Q1 2019 compared to a loss before tax of RM2.2 million in Q1 2018. The higher operating expenses in Q1 2019 was mainly due to the the fair value loss assessed on the venture investment portfolio of RM0.6 million coupled with legal and professional fees incurred for the acquisition of an overseas subsidiary.

#### **14. Review of performance (Continued)**

##### ***Investment Holding***

The division recorded a slightly lower loss before tax of RM2.8 million for Q1 2019 compared to a loss before tax of RM2.9 million for Q1 2018 mainly attributable to better results from the associated companies and lower operating expenses partly offset by the fair value loss assessed on the venture investment portfolio in Q1 2019.

##### ***Hotels & Resorts***

The Hotels & Resorts division registered a slightly higher revenue for Q1 2019 of RM14.7 million compared to RM14.4 million for Q1 2018. The higher revenue from the division's hotels in Cherating and London coupled the revenue contribution from the newly opened Holiday Villa Hotel & Residence Shanghai Jiading ("HV Shanghai") in mid 2018 was partly offset by lower revenue from the division's hotel in Langkawi coupled with absence of revenue from the division's hotel in Alor Setar which has ceased operation in mid 2018. Despite the higher revenue in Q1 2019 compared to Q1 2018, the division recorded a loss before tax of RM0.9 million for Q1 2019 compared to a profit before tax of RM0.7 million for Q1 2018 mainly due to higher operating expenses for Q1 2019 compared to Q1 2018. The higher operating expenses was mainly due to costs incurred in relation to the acquisition of an overseas subsidiary in the current quarter under review.

##### ***Information & Communications Technology***

The division recorded a lower revenue of RM15.6 million for Q1 2019 compared to the revenue of RM17.9 million in Q1 2018 mainly due to lower revenue from GlobeOSS business unit ("BU") system sale contracts as a result of delay in awarding of new contracts and slower than expected delivery of system sale contract in-hand. This was mitigated by the higher revenue from Unifiedcomms BU system sale contracts.

Despite the lower revenue for Q1 2019, the division recorded higher profit before tax of RM2.5 million for Q1 2019 compared to RM2.2 million for Q1 2018 mainly due to higher gross profit margin of 58.0% in Q1 2019 compared to 44.3% in Q1 2018. The higher gross profit margin was mainly due to lower proportionate contribution of system sale contract revenue from GlobeOSS BU which generally delivers lower gross profit margin and higher proportionate contribution of system sale contract revenue from Unifiedcomms BU which generally delivers higher gross profit margin. However, the flow-down effects of higher gross profit margin in Q1 2019 was partly offset by higher operating expenses attributable mainly to higher technical support expenses recorded in Q1 2019, due to an increase in technical support headcount.

##### ***Property Development***

The Property Development division did not register a revenue for Q1 2019. Approval for the amendment in the approved plan for the development of Phase 2 Federal Park, comprising mainly townhouses, is still pending. The on-going Taman Sri Matang project comprising 15 units of single storey detached houses has been launched in November 2018 and the division expects to record sales from the Taman Sri Matang project in Q2 2019.

##### ***Travel & Tours***

Our Travel & Tours division recorded comparable sales in Q1 2019 to the corresponding period last year of RM30.4 million hence the profit for the division for Q1 2019 is comparable to the results in Q1 2018. The profits recorded in the ticketing and outbound tours market segment were offset by the losses recorded in the inbound tours market for both Q1 2019 and Q1 2018.

##### ***Others***

The Others division registered a lower revenue of RM2.1 million for Q1 2019 compared to the revenue of RM2.9 million for Q1 2018. The lower revenue was mainly due to lower revenue from bus-body fabrication and education units partly offset by higher revenue from card & payment services unit. Despite the lower revenue, this division recorded a lower loss before tax of RM2.2 million for Q1 2019 as compared to a loss before tax of RM2.5 million for Q1 2018 mainly due to lower operating expenses.

## 15. Comparison of results with preceding quarter

	<u>3 months ended</u>		<b>Changes</b> %
	<u>31.03.2019</u>	<u>31.12.2018</u>	
	RM'000	RM'000	
Revenue	63,278	87,243	(27.5)
Profit/(Loss) from operations	(1,842)	7,386	(124.9)
Profit/(Loss) before tax	(3,202)	6,600	(148.5)
Net profit/(loss) for the financial period	(4,606)	8,720	(152.8)
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(4,703)	7,468	(163.0)

### ***Overall performance***

The Group achieved a revenue of RM63.3 million for the Q1 2019 which was lower compared to the revenue in the previous quarter ended 31 December 2018 ("Q4 2018") of RM87.2 million, a decline of RM23.9 million or 27.5%. With the flowdown effect of lower revenue coupled with lower other operating income, the Group recorded loss before tax of RM3.2 million in the current quarter under review compared to a profit before tax of RM6.6 million in the preceding quarter. The other operating income for the preceding quarter included the gain on disposal of an associate and fair value gain assessed on the venture investment portfolio recorded by the Investment Holding and ICT divisions as opposed to fair value loss assessed in the current quarter under review.

### ***Investment Holding***

The Investment Holding division recorded a loss before tax of RM2.8 million for Q1 2019 as compared to a profit before tax of RM14.3 million for Q4 2018. The better result in Q4 2018 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.

### ***Hotels & Resorts***

The Hotels & Resorts division's revenue for Q1 2019 was RM14.7 million compared to a revenue of RM13.8 million in the preceding quarter. The higher revenue in Q1 2019 was mainly due to higher revenue recorded by Holiday Villa Beach Resort & Spa Langkawi compared to the preceding quarter partly offset by lower revenue from Holiday Villa Beach Resort & Spa Cherating, Holiday Villa Hotel & Suites London and Holiday Villa Hotel & Residence Shanghai Jiading in Q1 2019 compared to Q4 2018. Despite the higher revenue in Q1 2019, the division recorded a loss before tax of RM0.9 million compared to a profit before tax of RM4.3 million in Q4 2018 mainly due to a gain on disposal of an associated company of RM5.2 million recorded in Q4 2018.

### ***Information & Communications Technology***

The ICT division registered a lower revenue for Q1 2019 of RM15.6 million compared to a revenue of RM26.6 million for the preceding quarter mainly due to lower system sale contract revenue recorded by GlobeOSS BU. Despite the lower revenue and lower other operating income in Q1 2019, the division reported a higher profit before tax of RM2.5 million for Q1 2019 compared to RM2.0 million for Q4 2018 mainly attributable to higher gross profit margin and lower operating expenses in Q1 2019 compared to Q4 2018. The higher gross profit margin in Q1 2019 was mainly due to a lower proportionate contribution of system sale contract revenue from GlobeOSS BU which generally delivers lower gross profit margin. Other operating income was lower in Q1 2019 compared to Q4 2018 mainly attributable to the fair value gain assessed on the division's venture investment portfolio of RM2.3 million in Q4 2018. Operating expenses was also lower in Q1 2019 compared to Q4 2018 mainly due to the impairment loss on goodwill of a subsidiary of RM1.5 million and the impairment loss on an investment property of RM1.1 million recorded in Q4 2018.

### ***Property Development***

There were no sales recorded in Q1 2019 and Q4 2018 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 lower loss before tax of RM0.2 million in Q1 2019 compared to a loss before tax of RM1.5 million in Q4 2018 mainly due to lower operating expenses.



## 15. Comparison of results with preceding quarter (Continued)

### *Travel & Tours*

The Travel & Tours division recorded a lower revenue of RM30.5 million in the quarter under review compared to the revenue of RM43.7 million in the previous quarter, a decline of RM13.2 million as outbound travel and ticketing recorded lower revenue in the current quarter under review coupled with lower revenue recorded by inbound travel. Despite the significant decline in revenue, the division recorded a profit before tax of RM463,000 in Q1 2019 compared to RM444,000 in the preceding quarter mainly due to an impairment loss on the investment securities of RM1.2 million provided in the preceding quarter.

### *Others*

The Others division recorded a lower revenue for Q1 2019 of RM2.1 million compared to RM2.3 million in Q4 2018. Despite a lower revenue, the loss in Q1 2019 of RM2.2 million is comparable to the loss in Q4 2018.

## 16. Prospects

Our Board expects the financial year 2019 to be a year of opportunities for the Group amidst continuing challenges and uncertainty. With the implementation of business plans and strategies for our major divisions, the Board is cautiously optimistic to grow our established core businesses and explore attractive opportunities to expand the operations. For the non-core loss-making businesses, the Board 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. 2019 will see the expected introduction of LaVilla Boutique Hotel concept although the financial impact will only be reflected in the operational results in late 2019. The division will also embark on private brand hotel / serviced apartment with the opening of our first private brand hotel / serviced apartment in London in early 2020 and this marks our first foray into the private brand management market.

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 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 faced continued challenges in 2019 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 95% 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**

	<b>3 months ended <u>31.03.2019</u> RM'000</b>	<b>Year- to-date ended <u>31.03.2019</u> RM'000</b>
On current quarter results		
- Malaysian income tax	1,469	1,469
Over provision in prior years	<u>(65)</u>	<u>(65)</u>
	<u>1,404</u>	<u>1,404</u>

The effective tax rate of the Group for the financial quarter and period ended 31 March 2019 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:

- (a) 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.
- (b) On 10 May 2019, AESBI Power Systems Sdn Bhd ("AESBI"), a wholly-owned subsidiary of Advance Synergy Capital Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company, had on 10 May 2019 entered into a conditional Sale and Purchase Agreement ("SPA") with Symphony Warehouse Sdn Bhd ("Purchaser") for the proposed disposal of all that piece of freehold land held under GRN 177486, Lot 38271, Pekan Baru Hicom, Daerah Petaling, Negeri Selangor (the "Land") together with that the buildings and structures erected on the Land and fixtures and fittings (excluding those which are listed by AESBI and given to the Purchaser prior to completion of the SPA) erected and affixed thereon for a cash consideration of Ringgit Malaysia One Hundred and Twenty Four Million (RM124,000,000) only, subject to the terms and conditions as stipulated in the SPA.

**21. Group borrowings**

Details of the borrowings by the Group are as follows:

	<b>As At <u>31.03.2019</u> RM'000</b>	<b>As At <u>31.12.2018</u> RM'000</b>
<b>Short term - secured</b>		
- Term loans	3,812	3,513
- Bank overdraft	2,607	2,404
- Banker acceptance and debtor financing	4,508	6,128
- Hire purchase payables	46	63
- Finance lease payable	23,017	23,017
- Revolving credit	<u>63,000</u>	<u>41,000</u>
	<u>96,990</u>	<u>76,125</u>
<b>Long term - secured</b>		
- Term loans	66,489	67,715
- Hire purchase payables	71	71
	<u>66,560</u>	<u>67,786</u>
<b>Total borrowings</b>	<u>163,550</u>	<u>143,911</u>

## 22. Financial Instruments

### (a) Derivatives

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

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

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

## 23. Material litigation

Further to the disclosure under Note 23 (Material litigation) of the Company's quarterly results announcement released on 27 February 2019, there are no further development on the status of the legal proceeding instituted against PT Diwangkara Holiday Villa Bali ("PT Diwangkara") (an indirect subsidiary of the Company which was given the right to operate and management the Diwangkara Holiday Villa Beach Resort & Spa Bali ("Hotel")) arising from a claim dated 14 April 2015 made by PT Diwangkara Jaya Makmur (as "Plaintiff") against PT Diwangkara (as "Defendant I") and CV Telabah Nasional Trading Company (as "Defendant II").

In summary, the Denpasar District Court's judgement on 3 May 2016 principally states that the Plaintiff's lawsuit is declined by Denpasar District Court and the Plaintiff has conducted an unlawful act by taking over the Hotel and office building and management of the Hotel from the Defendant I and therefore, the Plaintiff shall return the operation of the Hotel to the Defendant I, and pay material and immaterial losses of Defendant I 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 Judgement").

Both parties have submitted an appeal to the High Court of Denpasar and judgement was given on 3 October 2017 which strengthen Denpasar District Court's Judgement dated 3 May 2016.

In regards to the High Court of Denpasar's judgement, 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:

	<b>3 months ended <u>31.03.2019</u> RM'000</b>	<b>3 months ended <u>31.03.2018</u> RM'000</b>
Amortisation of intangible assets	(357)	(417)
Depreciation of property, plant and equipment	(1,578)	(1,485)
Bad debts written off	-	(11)
Net gain/(loss) on disposal of:		
- investment securities	12	-
Fair value change in financial assets held for trading	(4)	2
Interest expenses	(1,518)	(1,353)
Interest income	1,024	460
Net unrealised gain/(loss) on foreign exchange	(316)	(310)
Property, plant and equipment written off	(5)	(4)
Provision for retirement benefits plan	(79)	(90)
Fair value change in investment in associates	(5,234)	-
Fair value change in fair value through profit or loss investment securities	4,645	-

**25. Dividend**

The Board has on 29 April 2019 announced that the Company has proposed a single-tier dividend of 0.25 sen per ordinary share for the financial year ended 31 December 2018 subject to shareholders' approval at the forthcoming Annual General Meeting to be held on 28 June 2019.

**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 RM4,703,000, divided by the weighted average number of ordinary shares of 929,194,943 for the current quarter and current year-to-date respectively as follows:

	<b>3 months ended</b>		<b>Year-to-date ended</b>	
	<b><u>31.03.2019</u></b>	<b><u>31.03.2018</u></b>	<b><u>31.03.2019</u></b>	<b><u>31.03.2018</u></b>
	<b>No. of shares</b>		<b>No. of shares</b>	
Issued ordinary shares at beginning of the period	929,194,943	677,775,932	929,194,943	677,775,932
Weighted average number of new ordinary shares arising from ICULS converted to date	-	167,692,766	-	167,692,766
Weighted average number of ordinary shares	<u>929,194,943</u>	<u>845,468,698</u>	<u>929,194,943</u>	<u>845,468,698</u>
	<b>3 months ended</b>		<b>Year-to-date ended</b>	
	<b><u>31.03.2019</u></b>	<b><u>31.03.2018</u></b>	<b><u>31.03.2019</u></b>	<b><u>31.03.2018</u></b>
Basic loss per share (sen)	<u>(0.51)</u>	<u>(0.47)</u>	<u>(0.51)</u>	<u>(0.47)</u>

**Diluted loss per share**

	<b>3 months ended</b>		<b>Year-to-date ended</b>	
	<b><u>31.03.2019</u></b>	<b><u>31.03.2018</u></b>	<b><u>31.03.2019</u></b>	<b><u>31.03.2018</u></b>
Diluted loss per share (sen)	<u>(0.51)</u>	<u>(0.47)</u>	<u>(0.51)</u>	<u>(0.47)</u>

The basic and diluted loss per share are reported to be the same for the current quarter, current year-to-date, corresponding quarter last year and corresponding year-to-date last year as the Company has no dilutive potential share.

**27. Status of E-commerce activities**

Not applicable.

BY ORDER OF THE BOARD  
**ADVANCE SYNERGY BERHAD**

HO TSAE FENG  
Company Secretary  
29 May 2019