

ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

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

	3 months ended		Year-to-date	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Revenue	69,864	65,132	133,142	130,945
Cost of sales	(49,610)	(47,949)	(91,028)	(93,673)
Gross profit	20,254	17,183	42,114	37,272
Other operating income	4,509	2,388	6,606	4,085
Operating expenses	(24,212)	(21,398)	(50,011)	(43,897)
Profit/(Loss) from operations	551	(1,827)	(1,291)	(2,540)
Finance costs	(2,122)	(1,480)	(3,640)	(2,833)
Share of results of associates and joint venture	70	481	228	393
Profit/(Loss) before tax	(1,501)	(2,826)	(4,703)	(4,980)
Income tax expense	(965)	(805)	(2,369)	(2,260)
Net profit/(loss) for the financial period	<u>(2,466)</u>	<u>(3,631)</u>	<u>(7,072)</u>	<u>(7,240)</u>
Attributable to:				
Owners of the parent	(3,811)	(4,142)	(8,514)	(8,136)
Non-controlling interests	1,345	511	1,442	896
	<u>(2,466)</u>	<u>(3,631)</u>	<u>(7,072)</u>	<u>(7,240)</u>
Loss per share attributable to owners of the parent:				
Basic (sen)	<u>(0.41)</u>	<u>(0.45)</u>	<u>(0.92)</u>	<u>(0.91)</u>
Diluted (sen)	<u>(0.41)</u>	<u>(0.45)</u>	<u>(0.92)</u>	<u>(0.91)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial period	(2,466)	(3,631)	(7,072)	(7,240)
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	(483)	(1,608)	(161)	(1,608)
Foreign currency translation differences for foreign operations	3,833	(916)	7,941	(4,343)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	<u>3,350</u>	<u>(2,524)</u>	<u>7,780</u>	<u>(5,951)</u>
Other comprehensive income/(loss) for the financial period	<u>3,350</u>	<u>(2,524)</u>	<u>7,780</u>	<u>(5,951)</u>
Total comprehensive income/(loss) for the financial period	<u><u>884</u></u>	<u><u>(6,155)</u></u>	<u><u>708</u></u>	<u><u>(13,191)</u></u>
Attributable to:				
Owners of the parent	(679)	(6,554)	(522)	(13,285)
Non-controlling interests	1,563	399	1,230	94
Total comprehensive income/(loss) for the financial period	<u><u>884</u></u>	<u><u>(6,155)</u></u>	<u><u>708</u></u>	<u><u>(13,191)</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited as at <u>30.06.2019</u> RM'000	Audited as at <u>31.12.2018</u> RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	213,400	158,965
Investment properties	50,955	49,789
Investment in associates and joint venture	38,708	43,781
Investment securities	52,071	47,023
Goodwill	90,703	90,703
Intangible assets	3,188	3,480
Deferred tax assets	4,682	4,341
	453,707	398,082
<u>Current assets</u>		
Inventories	47,460	45,223
Receivables, prepayments and contract assets	130,644	135,003
Tax recoverable	4,259	5,072
Investment securities	1,415	410
Financial assets held for trading	313	317
Short term deposits	62,957	73,872
Cash and bank balances	38,457	67,368
	285,505	327,265
TOTAL ASSETS	<u><u>739,212</u></u>	<u><u>725,347</u></u>
EQUITY AND LIABILITIES		
<u>Equity attributable to owners of the parent</u>		
Share capital	381,377	381,377
Reserves	40,287	40,809
	421,664	422,186
Non-controlling interests	65,788	64,705
Total equity	487,452	486,891
<u>Non-current liabilities</u>		
Borrowings	65,593	67,786
Deferred tax liabilities	4,521	4,521
Provision for retirement benefit obligations	1,764	1,666
	71,878	73,973
<u>Current liabilities</u>		
Payables and contract liabilities	77,440	88,035
Borrowings	102,118	76,125
Tax payable	324	323
	179,882	164,483
Total Liabilities	251,760	238,456
TOTAL EQUITY AND LIABILITIES	<u><u>739,212</u></u>	<u><u>725,347</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 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	-	-	-	-	-	(8,514)	(8,514)	1,442	(7,072)
Fair value of financial assets through other comprehensive income	-	-	-	-	(161)	-	(161)	-	(161)
Foreign currency translation differences for foreign operations	-	-	-	8,153	-	-	8,153	(212)	7,941
Total comprehensive income/(loss) for the financial period	-	-	-	8,153	(161)	(8,514)	(522)	1,230	708
Transactions with owners in their capacity as owners:									
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	(147)	(147)
	-	-	-	-	-	-	-	(147)	(147)
Balance as at									
30 June 2019	381,377	-	18,467	15,024	(1,415)	8,211	421,664	65,788	487,452

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 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	-	-	-	-	-	(8,136)	(8,136)	896	(7,240)
Fair value of financial assets through other comprehensive income	-	-	-	-	(1,608)	-	(1,608)	-	(1,608)
Foreign currency translation differences for foreign operations	-	-	-	(3,541)	-	-	(3,541)	(802)	(4,343)
Total comprehensive income/(loss) for the financial year	-	-	-	(3,541)	(1,608)	(8,136)	(13,285)	94	(13,191)
Transactions with owners in their capacity as owners:									
Issue of new ordinary shares pursuant to the conversion of ICULS	60,725	(60,724)	-	-	-	-	1	-	1
	60,725	(60,724)	-	-	-	-	1	-	1
Balance as at									
30 June 2018	381,375	-	23,510	3,648	273	10,766	419,572	63,307	482,879

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2019**

	6 months ended <u>30.06.2019</u> RM'000	6 months ended <u>30.06.2018</u> RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	(4,703)	(4,980)
Adjustments for :-		
Non-cash items	3,857	3,397
Other investing and financing items	2,008	2,136
Operating profit before working capital changes	<u>1,162</u>	<u>553</u>
Changes in working capital		
Inventories	(2,238)	(696)
Receivables	4,360	9,349
Financial assets held for trading	4	54
Payables	(10,597)	(10,052)
Net cash used in operations	<u>(7,309)</u>	<u>(792)</u>
Retirement benefit paid	(61)	(64)
Tax paid	(1,892)	(2,878)
Net cash used in operating activities	<u>(9,262)</u>	<u>(3,734)</u>
Cash flows from investing activities		
Acquisition of intangible assets	(430)	(759)
Acquisition of a subsidiary, net of cash acquired	(56,180)	-
Acquisition of additional shares in associates	-	(1,363)
Acquisition of held for trading investments	(1,005)	-
Acquisition of investment securities	(201)	(1,631)
Interest received	1,632	697
Proceeds from disposal of investment securities	1,039	-
Proceeds from disposal of property, plant and equipment	1	3
Purchase of property, plant and equipment	(1,970)	(3,353)
Purchase of investment properties	(1,166)	-
Net cash used in investing activities	<u>(58,280)</u>	<u>(6,406)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2019 (Continued)**

	6 months ended <u>30.06.2019</u> RM'000	6 months ended <u>30.06.2018</u> RM'000
Cash flows from financing activities		
Dividends paid to non-controlling interests of subsidiaries	(147)	-
Drawdown of borrowings	26,956	7,300
Interest paid	(3,640)	(4,335)
Payment to hire purchase	(34)	(18)
Pledged of short term deposits	(147)	(1,785)
Repayment of borrowings	(3,485)	(967)
Net cash generated from financing activities	<u>19,503</u>	<u>195</u>
Effect of exchange rate changes	8,274	(2,215)
Net decrease in cash and cash equivalents	<u>(39,765)</u>	<u>(12,160)</u>
Cash and cash equivalents as at beginning of financial period		
As previously reported	94,438	114,289
Effect of exchange rate changes	(570)	(1,587)
As restated	93,868	112,702
Cash and cash equivalents as at end of financial period #	<u>54,103</u>	<u>100,542</u>
# Cash and cash equivalents at the end of the financial period comprising the following:		
Short term deposits	62,957	71,063
Cash and bank balances	38,457	74,784
Bank overdrafts	(2,766)	(1,488)
	<u>98,648</u>	<u>144,359</u>
Less : Deposits placed with lease creditors as security deposit for lease payments	(25,219)	(24,968)
Cash held under Housing Development Accounts	(633)	(612)
Deposits pledged to licensed banks	(18,693)	(18,237)
	<u>(44,545)</u>	<u>(43,817)</u>
	<u>54,103</u>	<u>100,542</u>

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:

	Effective for financial periods beginning on or after
<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>		Effective for financial periods beginning on or after
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 30 June 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 30 June 2019.

8. Dividends paid

There was no dividend paid during the financial period ended 30 June 2019.

9. Segmental Information

For the financial period ended 30 June 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
Revenue								
External	720	26,925	35,841	680	64,111	4,865	-	133,142
Inter-segment	700	-	-	-	101	-	(801)	-
Total revenue	1,420	26,925	35,841	680	64,212	4,865	(801)	133,142
Results								
Segment results	(6,361)	(2,409)	6,818	(405)	1,958	(4,532)	-	(4,931)
Share of results of associates and joint venture	243	(2)	-	-	(13)	-	-	228
Profit/(Loss) before tax	(6,118)	(2,411)	6,818	(405)	1,945	(4,532)	-	(4,703)
Income tax expense								(2,369)
Net profit/(loss) for the financial period								(7,072)
Non-controlling interests								(1,442)
Net profit/(loss) for the financial period attributable to owners of the parent								(8,514)

9. Segmental Information (Continued)

For the financial period ended 30 June 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
<u>Other information</u>								
Segment assets	69,205	255,056	210,703	95,630	21,760	39,209	-	691,563
Investment in associates and joint venture	35,912	110	2,337	-	349	-	-	38,708
Unallocated corporate assets								8,941
Total assets								739,212
Segment liabilities	31,988	124,743	27,118	38,389	6,942	17,735	-	246,915
Unallocated corporate liabilities								4,845
Total liabilities								251,760
Capital expenditure:								
- Property, plant & equipment	-	1,189	720	-	27	34	-	1,970
- Software development expenditure	-	-	430	-	-	-	-	430
- Licenses	-	-	-	-	-	-	-	-

9. Segmental Information (Continued)

For the financial period ended 30 June 2018

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

9. Segmental Information (Continued)

For the financial period ended 30 June 2018

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

- (a) On 19 July 2019, the Company announced that Synergy Realty Incorporated (“SRI”), an indirect wholly-owned subsidiary of the Company held via Advance Synergy Properties Sdn Bhd, had entered into a Share Purchase Agreement (“SPA”) dated 18 July 2019 with 34A-36 Kilburn High Road Limited (“KHRL” or “Purchaser”), a subsidiary of Grand City Property S.A. (“GCP”), 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”) for a net cash consideration of GBP4.75 million (equivalent to approximately RM25.2 million) based on the estimated net asset value, after providing for amongst others, the property value of GBP21.825 million and the repayment of the existing bank loan in Helenium, in the provisional completion accounts as at the Completion Date (as defined below) subject to the actual net asset value to be agreed by the parties pursuant to the provision in the SPA.

The aforesaid disposal was completed on 18 July 2019 (“Completion Date”) and accordingly, Helenium ceased to be an indirect associate company on the same date.

- (b) On 3 July 2019, the Company disposed 100% equity interest in Harta Sinergi Sdn Bhd (formerly known as Advance Synergy Timber Sdn Bhd)(“HSSB”), comprising two (2) ordinary shares at RM1.00 each for a cash consideration of RM2.00 to its subsidiary, Advance Synergy Realty Sdn Bhd (“ASR”), free from any encumbrances as part of ASR’s new strategy to expand its business into property investment, and HSSB, as a wholly-owned subsidiary of ASR, has on 18 August 2019 entered into an agreement to acquire a freehold property in Petaling Jaya.

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:

	RM’000
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>Changes</u> %
	<u>6 months ended</u>		
	<u>30.06.2019</u>	<u>30.06.2018</u>	
	<u>RM'000</u>	<u>RM'000</u>	
Revenue	133,142	130,945	1.7
Profit/(Loss) from operations	(1,291)	(2,540)	49.2
Profit/(Loss) before tax	(4,703)	(4,980)	5.6
Net profit/(loss) for the financial period	(7,072)	(7,240)	2.3
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(8,514)	(8,136)	(4.6)

Overall performance

For the current 6-month period ended 30 June 2019 (“6M 2019”), the Group recorded a higher revenue of RM133.1 million compared to a revenue of RM130.9 million recorded for the corresponding period last year (“6M 2018”). The revenue of Travel & Tours, Hotels & Resorts and Property Development divisions increased by RM5.5 million, RM1.1 million and RM0.6 million respectively for 6M 2019 compared to 6M 2018 partly offset by decline in revenue of Information & Communications Technology (“ICT”) and Others divisions by RM4.7 million and RM0.8 million respectively. With the higher revenue and higher other operating income for 6M 2019 compared to 6M 2018, coupled with higher gross profit margin of 31.6% in 6M 2019 compared to 28.5% in 6M 2018, partly offset by higher operating expenses and finance costs for 6M 2019 compared to 6M 2018, the Group recorded a lower loss before tax of RM4.7 million in 6M 2019 compared to a loss before tax of RM5.0 million in 6M 2018. The higher other operating income of the Group in 6M 2019 was mainly due to the the fair value gain assessed on the venture investment portfolio of RM0.8 million and the higher operating expenses for the period under review was mainly due to higher staff cost and legal and professional fees incurred for the acquisition of an overseas subsidiary.

Investment Holding

The division recorded a higher loss before tax of RM6.1 million for 6M 2019 compared to a loss before tax of RM4.9 million for 6M 2018 mainly attributable to the fair value loss assessed on the venture investment portfolio, higher finance costs and lower contribution from associated companied for 6M 2019 compared to 6M 2018.

Hotels & Resorts

The Hotels & Resorts division registered a higher revenue for 6M 2019 of RM26.9 million compared to RM25.8 million for 6M 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 had ceased operations in mid 2018. Despite the higher revenue in 6M 2019 compared to 6M 2018, the division recorded a higher loss before tax of RM2.4 million for 6M 2019 compared to a loss of RM0.9 million for 6M 2018 mainly attributable to higher operating expenses for 6M 2019 compared to 6M 2018. The higher operating expenses was mainly due to costs incurred in relation to the acquisition of an overseas subsidiary in the current period under review.

Information & Communications Technology

The division recorded a lower revenue of RM35.8 million for 6M 2019 compared to the revenue of RM40.5 million in 6M 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 lower revenue share contract revenues from Unifiedcomms BU. This was mitigated by the higher revenue from Unifiedcomms BU system sale contracts.

Despite the lower revenue for 6M 2019, the division recorded higher profit before tax of RM6.8 million for 6M 2019 compared to RM3.9 million for 6M 2018 mainly due to higher gross profit margin of 53.1% in 6M 2019 compared to 36.5% in 6M 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 6M 2019 was partly offset by higher operating expenses attributable mainly to higher technical support expenses recorded in 6M 2019 compared to 6M 2018 as a result of an increase in technical support headcount.

14. Review of performance (Continued)

Property Development

The Property Development division recorded a revenue of RM0.7 million in 6M 2019 contributed by the Taman Sri Matang project comprising 15 units of single storey detached houses which were launched in November 2018 compared to a minimal revenue of RM38,000 in 6M 2018. Although the division recorded a higher revenue in 6M 2019 compared to 6M 2018, the division made a higher loss for the current period under review of RM0.4 million compared to RM0.2 million due mainly to higher operating expenses.

Travel & Tours

Our Travel & Tours division recorded higher sales in 6M 2019 of RM64.2 million compared to the corresponding period last year of RM58.6 million, an increase of RM5.6 million or 9.5%. Hence the profit for the division for 6M 2019 is higher compared to the results for 6M 2018 by RM0.5 million from RM1.5 million in 6M 2018 to RM2.0 million in 6M 2019. The profits recorded in the ticketing and outbound tours market segments were offset by the losses recorded in the inbound tours market for both 6M 2019 and 6M 2018.

Others

The Others division registered a lower revenue of RM4.9 million for 6M 2019 compared to the revenue of RM5.7 million for 6M 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. With the lower revenue, this division recorded a higher loss before tax of RM4.5 million for 6M 2019 as compared to a loss before tax of RM4.3 million for 6M 2018.

All three business units continued to show losses in 6M 2019 although the losses in bus-body fabrication and card & payment services units were lower by RM0.1 million in 6M 2019 compared to 6M 2018 while the education unit recorded a higher loss by about RM0.3 million in the current period under review compared to 6M 2018.

15. Comparison of results with preceding quarter

	<u>3 months ended</u>		<u>Changes</u> %
	<u>30.06.2019</u> RM'000	<u>31.03.2019</u> RM'000	
Revenue	69,864	63,278	10.4
Profit/(Loss) from operations	551	(1,842)	129.9
Profit/(Loss) before tax	(1,501)	(3,202)	53.1
Net profit/(loss) for the financial period	(2,466)	(4,606)	46.5
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(3,811)	(4,703)	19.0

Overall performance

The Group achieved a revenue of RM69.9 million for current quarter ended 30 June 2019 ("Q2 2019") which was higher compared to the revenue in the previous quarter ended 31 March 2019 ("Q1 2019") of RM63.3 million, an increase of RM6.6 million or 10.4%. With the flowdown effect of higher revenue coupled with higher other operating income, the Group recorded a lower loss before tax of RM1.5 million in the current quarter under review compared to a loss before tax of RM3.2 million in the preceding quarter. The higher other operating income for the current quarter was mainly attributable to a higher fair value gain assessed on the venture investment portfolio recorded by the ICT division in the current quarter under review.

Investment Holding

The Investment Holding division recorded a loss before tax of RM3.3 million for Q2 2019 as compared to a loss before tax of RM2.8 million for Q1 2019. The unfavourable result in Q2 2019 was mainly due to higher finance costs and lower contribution from the associated companies.

Hotels & Resorts

The Hotels & Resorts division's revenue for Q2 2019 was RM12.2 million compared to a revenue of RM14.7 million in the preceding quarter. The lower revenue in Q2 2019 was mainly due to lower revenue recorded by Holiday Villa Beach Resort & Spa Langkawi compared to the preceding quarter partly offset by higher revenue from Holiday Villa Hotel & Suites London and Holiday Villa Hotel & Residence Shanghai Jiading in Q2 2019 compared to Q1 2019. With the lower revenue in Q2 2019, the division recorded a loss before tax of RM1.5 million compared to a loss before tax of RM0.9 million in Q1 2019.

15. Comparison of results with preceding quarter (Continued)

Information & Communications Technology

The ICT division registered a higher revenue for Q2 2019 of RM20.2 million compared to a revenue of RM15.6 million for the preceding quarter mainly due to higher system sale contract revenue recorded by Unifiedcomms BU. Although revenue was higher in the current quarter under review, the gross profit margin was lower as a result of the higher third party component costs in Q2 2019 compared to the preceding quarter. With the higher revenue and higher other operating income in Q2 2019, partly offset by lower gross profit margin, the division reported a higher profit before tax of RM4.4 million for Q2 2019 compared to RM2.5 million for Q1 2019. Other operating income was higher in Q2 2019 compared to Q1 2019 mainly attributable to the higher fair value gain assessed on the division's venture investment portfolio of RM1.3 million in Q2 2019.

Property Development

The sales recorded in Q2 2019 was from the Taman Sri Matang project compared to no sales recorded for Q1 2019. Despite the higher revenue for Q2 2019 compared to Q1 2019, the division recorded a higher loss before tax of RM0.4 million in Q2 2019 compared to a loss before tax of RM0.2 million in Q1 2019 mainly due to higher operating expenses.

Travel & Tours

The Travel & Tours division recorded a higher revenue of RM33.8 million in the quarter under review compared to the revenue of RM30.5 million in the previous quarter, an increase of RM3.3 million as outbound travel and ticketing recorded higher revenue in the current quarter under review partly offset by lower revenue recorded by inbound travel. With the increase in revenue, the division recorded a profit before tax of RM1.5 million in Q2 2019 compared to a profit before tax of RM0.5 million in the preceding quarter.

Others

The Others division recorded a higher revenue for Q2 2019 of RM2.8 million compared to RM2.1 million in Q1 2019. Despite a higher revenue, the loss for this division in Q2 2019 was higher at RM2.4 million compared to the loss of RM2.2 million in Q1 2019 mainly due to higher operating expenses.

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 growth prospects. 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 the delay in the launching of Phase 2, of the Federal Park project but remains optimistic about its prospects once Phase 2, Federal Park is launched followed by the project at Jalan Sejijak, Kuching.

16. Prospects (Continued)

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 the division.

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

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

18. Profit variance and shortfall in profit guarantee

Not Applicable.

19. Income tax expense

	3 months ended 30.06.2019 RM'000	Year- to-date ended 30.06.2019 RM'000
On current quarter results		
- Malaysian income tax	1,302	2,771
Over provision in prior years	-	(65)
Transfer from deferred taxation	(337)	(337)
	<u>965</u>	<u>2,369</u>

The effective tax rate of the Group for the financial quarter and period ended 30 June 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 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 ("Proposed Disposal").

The parties have received the letter of no objection to the Proposed Disposal dated 28 June 2019 from the Ministry of Economic Affairs ("MEA"). The parties have also received the letter dated 25 July 2019 on the approval for the application for consent in writing of the state authority of the State of Selangor on the Proposal Disposal. The Proposed Disposal is now subject to the approval of the Company's shareholders at an extraordinary general meeting to be convened. Barring unforeseen circumstances, the Proposed Disposal is expected to be completed in the fourth quarter of 2019.

- (b) The Company has announced on 8 August 2019 that Cherating Holiday Villa Berhad ("CHV"), an indirect wholly-owned subsidiary of the Company, had on 8 August 2019 entered into a Sale and Purchase Agreement with Amanah Raya Berhad for CHV to buyback a resort hotel consisting of an administration building, hotel / apartment blocks, standard and individually designed chalets and villas and other ancillary buildings and structures known as Holiday Villa Cherating, measuring in aggregate area of approximately 42,634.7875 square metres for a buyback price of RM22,965,600.00 only free from all encumbrances and on an "as is where is" basis ("Proposed CHV Buyback"). Barring any unforeseen circumstances, the Proposed CHV Buyback is expected to be completed in the second half of year 2019.

21. Group borrowings

Details of the borrowings by the Group are as follows:

	As At <u>30.06.2019</u> RM'000	As At <u>31.12.2018</u> RM'000
Short term - secured		
- Term loans	3,842	3,513
- Bank overdraft	2,766	2,404
- Banker acceptance and debtor financing	4,964	6,128
- Hire purchase payables	29	63
- Finance lease payable	23,017	23,017
- Revolving credit	67,500	41,000
	<u>102,118</u>	<u>76,125</u>
Long term - secured		
- Term loans	65,522	67,715
- Hire purchase payables	71	71
	<u>65,593</u>	<u>67,786</u>
Total borrowings	<u>167,711</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") and the counter claim by Defendant I against the Plaintiff.

In Summary, the Denpasar District Court's Judgment on 3 May 2016 principally stated 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 to 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 Judgment").

Both Parties have submitted an appeal to the High Court of Denpasar and the judgment was given on 3 October 2017 which strengthen Denpasar District Court judgment dated 3 May 2016.

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

Pending outcome of the aforesaid cassation process, PT Diwangkara filed a lawsuit dated 22 May 2019 to Denpasar District Court against the heirs of the Hotel's owner and shareholders of CV Telabah Nasional Trading Company and PT Diwangkara Jaya Makmur (as "Defendant III" to the new suit) for breach of contract.

The claim of PT Diwangkara, as "Plaintiff" to the new suit, is principally to (i) validate the lease agreement between the heirs of the Hotel's owner and shareholders of CV Telabah Nasional Trading Company (as "Defendant I" and "Defendant II" to the new suit) and PT Diwangkara; (ii) to state that PT Diwangkara is the rightful owner of the Hotel and office building and the Hotel management until 1 May 2025; (iii) for the Defendants to the new suit to return the Hotel and office building and the right to operate and manage the Hotel for the remaining lease term which is for 10 years 35 days; and to pay material and immaterial losses amounting to Rp23,078,715,143 (equivalent of approximately RM7.1 million) and USD110,000 (equivalent of approximately RM0.5 million); or, for the Defendants to pay the material and immaterial losses amounting to Rp23,078,715,143 (equivalent of approximately RM7.1 million) and USD313,860 (equivalent of approximately RM1.3 million), if the Hotel and office building and the right to operate and manage the Hotel is not returned to PT Diwangkara.

24. Notes To The Statement of Comprehensive Income

Included in the operating profit/(loss) are:

	6 months ended <u>30.06.2019</u> RM'000	6 months ended <u>30.06.2018</u> RM'000
Amortisation of intangible assets	(718)	(835)
Depreciation of property, plant and equipment	(3,156)	(2,859)
Bad debts written off	-	(11)
Net gain/(loss) on disposal of:		
- property, plant and equipment	1	3
Fair value change in financial assets held for trading	-	1
Fair value change in held for trading investments	-	(30)
Interest expenses	(3,640)	(2,833)
Interest income	1,632	697
Net unrealised gain/(loss) on foreign exchange	(798)	212
Property, plant and equipment written off	(6)	(8)
Provision for retirement benefits plan	(159)	(173)
Fair value change in investment in associates	(5,252)	(1,279)
Fair value change in fair value through profit or loss investment securities	6,003	1,189

25. Dividend

A single tier dividend in respect of the financial year ended 31 December 2018 was paid on 15 August 2019 as approved by the shareholders of the Company at the Annual General Meeting 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 RM3,811,000 and RM8,514,000 respectively, divided by the weighted average number of ordinary shares of 929,194,943 and 929,194,943 for the current quarter and current year-to-date respectively as follows:

	3 months ended		Year- to-date ended	
	<u>30.06.2019</u>	<u>30.06.2018</u>	<u>30.06.2019</u>	<u>30.06.2018</u>
	No. of shares		No. of shares	
Issued ordinary shares at beginning of the period	929,194,943	929,194,943	929,194,943	677,775,932
Weighted average number of new ordinary shares arising from ICULS converted to date	-	-	-	216,722,970
Weighted average number of ordinary shares	<u>929,194,943</u>	<u>929,194,943</u>	<u>929,194,943</u>	<u>894,498,902</u>

	3 months ended		Year- to-date ended	
	<u>30.06.2019</u>	<u>30.06.2018</u>	<u>30.06.2019</u>	<u>30.06.2018</u>
Basic loss per share (sen)	<u>(0.41)</u>	<u>(0.45)</u>	<u>(0.92)</u>	<u>(0.91)</u>

Diluted loss per share

	3 months ended		Year- to-date ended	
	<u>30.06.2019</u>	<u>30.06.2018</u>	<u>30.06.2019</u>	<u>30.06.2018</u>
Diluted loss per share (sen)	<u>(0.41)</u>	<u>(0.45)</u>	<u>(0.92)</u>	<u>(0.91)</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 shares.

27. Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
28 August 2019