ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 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 September 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 STATEMENT

	3 months ended		Year-to-date 9 months ended	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Revenue	56,733	65,395	189,875	196,340
Cost of sales	(36,061)	(43,866)	(127,089)	(137,539)
Gross profit	20,672	21,529	62,786	58,801
Other operating income	2,118	2,112	8,724	6,197
Operating expenses	(22,803)	(24,134)	(72,814)	(68,031)
Profit/(Loss) from operations	(13)	(493)	(1,304)	(3,033)
Finance costs	(4,212)	(1,492)	(7,852)	(4,325)
Share of results of associates and joint venture	62	710	290	1,103
Profit/(Loss) before tax	(4,163)	(1,275)	(8,866)	(6,255)
Income tax expense	178	(1,345)	(2,191)	(3,605)
Net profit/(loss) for the financial period	(3,985)	(2,620)	(11,057)	(9,860)
Attributable to:				
Owners of the parent	(4,657)	(4,227)	(13,171)	(12,363)
Non-controlling interests	672	1,607	2,114	2,503
	(3,985)	(2,620)	(11,057)	(9,860)
Loss per share attributable to owners of the parent:				
Basic (sen)	(0.50)	(0.45)	(1.42)	(1.36)
Diluted (sen)	(0.50)	(0.45)	(1.42)	(1.36)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 9 months ended	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Net profit/(loss) for the financial period	(3,985)	(2,620)	(11,057)	(9,860)
Other comprehensive income/(expenses):				
Item that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	1,153	1,951	9,094	(2,392)
Total item that may be reclassified subsequently to profit or loss	1,153	1,951	9,094	(2,392)
Item that will not be reclassified subsequently to profit or loss:				
Fair value through other comprehensive income financial assets	(321)	(401)	(482)	(2,009)
Total item that will not be reclassified subsequently to profit or loss	(321)	(401)	(482)	(2,009)
Other comprehensive income/(loss) for the financial period	832	1,550	8,612	(4,401)
Total comprehensive income/(loss) for the financial period	(3,153)	(1,070)	(2,445)	(14,261)
Attributable to:				
Owners of the parent	(3,988)	(2,283)	(4,510)	(15,568)
Non-controlling interests	835	1,213	2,065	1,307
Total comprehensive income/(loss) for the financial period	(3,153)	(1,070)	(2,445)	(14,261)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30.09.2019 RM'000	Audited as at 31.12.2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	214,888	158,965
Right-of-use assets	45,108	-
Investment properties	51,708	49,789
Investments in associates and joint venture	15,458	43,781
Investment securities	52,978	47,023
Goodwill	90,703	90,703
Intangible assets	3,092	3,480
Deferred tax assets	5,041	4,341
	478,976	398,082
Current assets		
Inventories	49,051	45,223
Receivables, prepayments and contract assets	130,774	135,003
Tax recoverable	3,578	5,072
Investment securities	1,386	410
Financial assets held for trading	297	317
Short term deposits	54,974	73,872
Cash and bank balances	52,431	67,368
	292,491	327,265
TOTAL ASSETS	771,467	725,347
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	381,377	381,377
Reserves	25,387	40,809
	406,764	422,186
Non-controlling interests	65,637	64,705
Total equity	472,401	486,891
Non-current liabilities		
Borrowings	64,656	67,786
Lease liabilities	50,532	-
Deferred tax liabilities	4,520	4,521
Provision for retirement benefit obligations	1,843	1,666
	121,551	73,973
Current liabilities		
Payables and contract liabilities	93,825	88,035
Borrowings	79,046	76,125
Lease liabilities	4,236	-
Tax payable	408	323
	177,515	164,483
Total Liabilities	299,066	238,456
TOTAL EQUITY AND LIABILITIES	771,467	725,347

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

	Share Capital 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, as previously reported	381,377	18,467	6,871	(1,254)	16,725	422,186	64,705	486,891
Effects of adopting MFRS 16	-	-	-	-	(8,589)	(8,589)	-	(8,589)
Balance as at 1 January 2019, as restated	381,377	18,467	6,871	(1,254)	8,136	413,597	64,705	478,302
Net profit/(loss) for the financial period	-	-	-	-	(13,171)	(13,171)	2,114	(11,057)
Fair value of financial assets through other comprehensive income	-	-	-	(482)	-	(482)	-	(482)
Foreign currency translation differences for foreign operations	-	-	9,143	-	-	9,143	(49)	9,094
Total comprehensive income/(loss) for the financial period	-	-	9,143	(482)	(13,171)	(4,510)	2,065	(2,445)
Transactions with owners								
Dividends paid	-	-	-	-	(2,323)	(2,323)	-	(2,323)
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	(1,133)	(1,133)
	-	-	-	-	(2,323)	(2,323)	(1,133)	(3,456)
Balance as at 30 September 2019	381,377	18,467	16,014	(1,736)	(7,358)	406,764	65,637	472,401

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

	9 months ended 30.09.2019 RM'000	9 months ended 30.09.2018 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	(8,866)	(6,255)
Adjustments for :-		
Non-cash items	8,508	4,096
Other investing and financing items	5,632	2,573
Operating profit before working capital changes	5,274	414
Changes in working capital		
Inventories	(3,829)	(3,388)
Receivables	4,230	(1,277)
Financial assets held for trading	20	55
Payables	(5,226)	2,780
Net cash generated from/(used in) operations	469	(1,416)
Retirement benefit paid	(61)	(391)
Tax paid	(1,312)	(4,203)
Net cash used in operating activities	(904)	(6,010)
Cash flows from investing activities		
Addition of intangible assets	(661)	(1,031)
Acquisition of a subsidiary, net of cash acquired	(56,180)	-
Acquisition of additional shares in an associate	-	(1,369)
Acquisition of held for trading investments	(976)	-
Acquisition of investment securities	(1,881)	(2,313)
Interest received	2,220	1,752
Proceeds from disposal of investment securities	1,638	-
Net proceeds from disposal of an associate	24,176	-
Proceeds from disposal of property, plant and equipment	1	33
Purchase of property, plant and equipment	(5,133)	(5,938)
Addition of investment properties	(1,919)	-
Net cash used in investing activities	(38,715)	(8,866)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019 (Continued)

	9 months ended 30.09.2019 RM'000	9 months ended 30.09.2018 RM'000
Cash flows from financing activities		
Dividends paid	(2,323)	(2,323)
Dividends paid to non-controlling interests of a subsidiary	(1,133)	(782)
Drawdown of borrowings	27,336	10,000
Interest paid	(7,852)	(5,613)
Payments to hire purchase payables	(43)	(35)
Withdrawal/(Placement) of pledged deposits	30	(1,383)
Repayment of leases	(2,982)	-
Repayment of borrowings	(5,216)	(1,257)
Net cash generated from/(used in) financing activities	7,817	(1,393)
Effect of exchange rate changes	9,155	(1,261)
Net decrease in cash and cash equivalents	(22,647)	(17,530)
Cash and cash equivalents as at beginning of financial period		
As previously reported	94,438	114,289
Effect of exchange rate changes	113	594
As restated	94,551	114,883
Cash and cash equivalents as at end of financial period #	71,904	97,353
# Cash and cash equivalents at the end of the financial period comprising the following:		
Short term deposits	54,974	70,171
Cash and bank balances	52,431	71,423
Bank overdrafts	(3,135)	(827)
	104,270	140,767
Less : Deposits placed with lease payables as security deposit for lease payments	(12,931)	(24,638)
Cash held under Housing Development Accounts	(638)	(617)
Deposits pledged to licensed banks	(18,797)	(18,159)
	(32,366)	(43,414)
	71,904	97,353

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 Standard ("MFRS"), amendments/improvements to MFRSs and IC Interpretation ("IC Int"):

<u>New MFRS</u>

MFRS 16	Leases

<u>Amendments/Improvements to MFRSs</u>

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

<u>New IC Int</u>

IC Int 23	Uncertainty over Income Tax Treatments

The adoption of the above new MFRS, amendments/improvements to MFRSs and new IC Int will have no significant impact on the financial statements of the Group upon their initial application except as mentioned below:

<u>MFRS 16 Leases</u>

On the date of initial application, the Group applied the modified restropective approach and did not restate comparative amounts for the period prior to first adoption. On adoption of this standard, the Group capitalised its leased/rented premises on the statement of financial position by recognising them as "right-of-use" assets and the corresponding lease liabilities for the present value of future lease payments.

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

The following new MFRS 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 MFRS</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 Discountinued Operations	1 January 2021
MFRS 6	Exploration for and Evaluation of Mineral Resourses	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	Statement 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

2. Significant accounting policies (Continued)

Amendments/Improvements to MFRSs (Continued)		**Effective for financial periods beginning on or after**
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
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 20	Stripping Costs in the Production Phase of a Surface Mine	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 September 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 September 2019.

8. Dividends paid

A single tier dividend of 0.25 sen per ordinary share in respect of the financial year ended 31 December 2018 was paid on 15 August 2019 after obtaining the approval from the shareholders of the Company at the Annual General Meeting held on 28 June 2019.

9. Segmental Information

For the financial period ended 30 September 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	904	42,339	52,421	699	86,380	7,132	-	189,875
Inter-segment	1,051	-	-	-	168	-	(1,219)	-
Total revenue	1,955	42,339	52,421	699	86,548	7,132	(1,219)	189,875
Results								
Segment results	(10,110)	(1,861)	9,291	(617)	2,060	(7,919)	-	(9,156)
Share of results of associates and joint venture	305	(2)	-	-	(13)	-	-	290
Profit/(Loss) before tax	(9,805)	(1,863)	9,291	(617)	2,047	(7,919)	-	(8,866)
Income tax expense								(2,191)
Net profit/(loss) for the financial period								(11,057)
Non-controlling interests								(2,114)
Net profit/(loss) for the financial period attributable to owners of the parent								(13,171)

9. Segmental Information (Continued)

For the financial period ended 30 September 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
Other information								
Segment assets	78,668	288,584	209,299	97,046	28,168	45,625	-	747,390
Investments in associates and joint venture	12,893	110	2,371	-	84	-	-	15,458
Unallocated corporate assets								8,619
Total assets								771,467
Segment liabilities	30,566	165,891	24,261	38,267	13,332	21,821	-	294,138
Unallocated corporate liabilities								4,928
Total liabilities								299,066
Capital expenditure:								
- Property, plant & equipment	4	1,459	1,437	1	72	2,160	-	5,133
- Software development expenditure	-	-	661	-	-	-	-	661

9. Segmental Information (Continued)

For the financial period ended 30 September 2018

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External	550	40,535	67,652	38	79,172	8,393	-	196,340
Inter-segment	1,323	-	-	-	209	-	(1,532)	-
Total revenue	1,873	40,535	67,652	38	79,381	8,393	(1,532)	196,340
Results								
Segment results	(8,716)	(902)	8,762	(753)	1,631	(7,364)	(16)	(7,358)
Share of results of associates and joint venture	1,176	(4)	-	-	(69)	-	-	1,103
Profit/(Loss) before tax	(7,540)	(906)	8,762	(753)	1,562	(7,364)	(16)	(6,255)
Income tax expense								(3,605)
Net profit/(loss) for the financial period								(9,860)
Non-controlling interests								(2,503)
Net profit/(loss) for the financial period attributable to owners of the parent								(12,363)

9. Segmental Information (Continued)

For the financial period ended 30 September 2018

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development	Travel & Tours	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information								
Segment assets	68,271	240,871	207,431	52,647	28,792	39,902	-	637,914
Investments in associates and joint venture	35,445	6,495	5,811	-	368	-	-	48,119
Unallocated corporate assets								5,692
Total assets								691,725
Segment liabilities	33,462	109,410	33,694	3,039	10,968	17,082	-	207,655
Unallocated corporate liabilities								5,366
Total liabilities								213,021
Capital expenditure								
- Property, plant and equipment	-	4,312	1,465	3	116	42	-	5,938
- Software development expenditure	-	-	943	-	-	-	-	943
- Licenses	-	-	-	-	-	88	-	88

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:

(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 ("Property") 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 Proposed Disposal was completed on 8 November 2019.

(b) Further to the announcements made on 31 October 2018 and 30 November 2018 in relation to the group-wide internal reorganisation exercise of Captii Limited ("Captii") Group, Captii Group had on 21 November 2019 completed its group-wide internal reorganisation exercise as follows:-

(i) Captii had subscribed for a total of 4,765,284 ordinary shares of RM1.00 each in Postpay Asia Sdn Bhd ("PASB"), at a consideration of RM4,765,284.

(ii) Transfer of Unified Communications Pte Ltd's 100% shareholding in Postpay Technology Sdn Bhd to PASB.

(iii) Transfer of Captii's 100% shareholding in Postpay Sdn Bhd to PASB.

(iv) Restructuring of inter-company balances within Captii Group.

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	56,180
Net assets acquired	56,180
Goodwill on consolidation	-
Consideration paid	56,180
Cash and cash equivalent of the subsidiary acquired	-
Net cash outflows	56,180

(c) On 3 July 2019, the Company disposed its 100% equity interest in Harta Sinergi Sdn Bhd ("HSSB") (formerly known as Advance Synergy Timber Sdn Bhd), comprising two (2) ordinary shares at RM1.00 each for a cash consideration of RM2.00 to its wholly-owned subsidiary, Advance Synegy 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 (Continued)

(d) On 19 July 2019, the Company announced that Synergy Realty Incorporated, 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, a subsidiary of Grand City Property S.A., 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.

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

	Year-to-date 9 months ended 30.09.2019 RM'000	Year-to-date 9 months ended 30.09.2018 RM'000	Changes %
Revenue	189,875	196,340	(3.3)
Profit/(Loss) from operations	(1,304)	(3,033)	57.0
Profit/(Loss) before tax	(8,866)	(6,255)	(41.7)
Net profit/(loss) for the financial period	(11,057)	(9,860)	(12.1)
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(13,171)	(12,363)	(6.5)

Overall performance

For the current 9-month period ended 30 September 2019 ("9M 2019"), the Group recorded a lower revenue of RM189.9 million compared to a revenue of RM196.3 million recorded for the corresponding period last year ("9M 2018"). The revenue of Information & Communications Technology ("ICT") and Others divisions decreased by RM15.2 million and RM1.3 million respectively for 9M 2019 compared to 9M 2018 partly offset by the increase in revenue of Travel & Tours, Hotels & Resorts and Property Development divisions of RM7.2 million, RM1.8 million and RM0.7 million respectively. Despite the lower revenue, higher gross profit was recorded in 9M 2019 of RM62.8 million compared to RM58.8 million in 9M 2018 arising from the higher gross profit margin of 33.1% in 9M 2019 compared to 29.9% in 9M 2018. However, due to the higher operating expenses and finance cost for 9M 2019 compared to 9M 2018 and lower contribution from associated companies for 9M 2019 compared to 9M 2018, partly offset by higher operating income for 9M 2019 compared to 9M 2018, the Group recorded a higher loss before tax of RM8.9 million in 9M 2019 compared to a loss before tax of RM6.3 million in 9M 2018. The higher other operating income of the Group in 9M 2019 was mainly due to the fair value gain assessed on the venture investment portfolio of RM0.8 million, a gain on disposal of an associated company of RM0.8 million and the higher interest income by RM0.5 million compared to 9M 2018. The higher operating expenses for the period under review compared to the same period last year 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 RM9.8 million for 9M 2019 compared to a loss before tax of RM7.5 million for 9M 2018 mainly attributable to the fair value loss assessed on the venture investment portfolio, higher finance costs and lower contribution from associated companies for 9M 2019 compared to 9M 2018. This was partly offset by a gain on disposal of an associated company of RM0.8 million.

14. Review of performance (Continued)

Hotels & Resorts

The Hotels & Resorts division registered a higher revenue for 9M 2019 of RM42.3 million compared to RM40.5 million for 9M 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 9M 2019 compared to 9M 2018, the division recorded a higher loss before tax of RM1.9 million for 9M 2019 compared to a loss of RM0.9 million for 9M 2018 mainly due to higher operating expenses and finance costs for 9M 2019 compared to 9M 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 RM52.4 million for 9M 2019 compared to the revenue of RM67.7 million in 9M 2018 mainly due to lower revenue from the GlobeOSS business unit (“BU”) system sale contracts as a result of the delay in award of new system sale contracts and slower than expected delivery of system sale contracts in hand. This was mitigated by the higher revenue from Unifiedcomms BU system sale contracts and higher revenue from GlobeOSS BU maintenance contract revenue.

Despite the lower revenue for 9M 2019, the division recorded higher profit before tax of RM9.3 million for 9M 2019 compared to RM8.8 million for 9M 2018 mainly due to higher gross profit margin of 52.4% in 9M 2019 compared to 37.6% in 9M 2018 and higher fair value gain assessed on the venture investment portfolio. 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 9M 2019 and higher fair value gain assessed on the venture investment portfolio were partly offset by higher operating expenses attributable mainly to higher technical support expenses recorded in 9M 2019 compared to the corresponding period last year as a result of an increase in technical support headcount of GlobeOSS BU offset partly by a reduction in administrative headcount of the division.

Property Development

The Property Development division recorded a revenue of RM0.7 million in 9M 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 9M 2018. With the higher revenue in 9M 2019 compared to 9M 2018, the division made a lower loss for the current period under review of RM0.6 million compared to RM0.8 million in the corresponding period last year.

Travel & Tours

Our Travel & Tours division recorded higher revenue in 9M 2019 of RM86.6 million compared to the corresponding period last year of RM79.4 million, an increase of RM7.2 million or 9.1%. Hence the profit for the division for 9M 2019 is higher compared to the results for 9M 2018 by RM0.4 million from RM1.6 million in 9M 2018 to RM2.0 million in 9M 2019. The profits recorded in the ticketing and outbound tours market segments were offset by the losses recorded in the inbound tours market and the money services business for both 9M 2019 and 9M 2018.

Others

The Others division registered a lower revenue of RM7.1 million for 9M 2019 compared to the revenue of RM8.4 million for 9M 2018. The lower revenue was mainly due to lower revenue from bus-body fabrication and education units partly offset by higher revenue from the card & payment services unit. With the lower revenue, this division recorded a higher loss before tax of RM7.9 million for 9M 2019 as compared to a loss before tax of RM7.4 million for 9M 2018.

All three business units continued to show losses in 9M 2019 although the loss in the bus-body fabrication unit was lower by RM1.1 million in 9M 2019 compared to 9M 2018 while the card & payment services unit and the education unit recorded a higher loss by about RM1.6 million in the current period under review compared to 9M 2018.

15. Comparison of results with immediate preceding quarter

	Quarter 3 months ended 30.09.2019 RM'000	Quarter 3 months ended 30.06.2019 RM'000	Changes %
Revenue	56,733	69,864	(18.8)
Profit/(Loss) from operations	(13)	551	(102.4)
Profit/(Loss) before tax	(4,163)	(1,501)	(177.3)
Net profit/(loss) for the financial period	(3,985)	(2,466)	(61.6)
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(4,657)	(3,811)	(22.2)

Overall performance

The Group achieved a revenue of RM56.7 million for the current quarter ended 30 September 2019 ("Q3 2019") which was lower compared to the revenue in the previous quarter ended 30 June 2019 ("Q2 2019") of RM69.9 million, a decline of approximately RM13.2 million or 18.8%. Despite the decline in revenue by 18.8%, the gross profit recorded for Q3 2019 was lower by 4.0% from Q2 2019 attributable mainly to a higher gross profit margin of 36.4% in Q3 2019 compared to 29.0% in Q2 2019. However, the lower other operating income and higher finance costs partly mitigated by the lower operating expenses for Q3 2019 compared to Q2 2019 resulted in the Group recording a higher loss before tax of RM4.2 million in the current quarter under review compared to a loss before tax of RM1.5 million in the immediate preceding quarter. The lower other operating income for the current quarter compared to Q2 2019 was mainly attributable to the fair value gain assessed on the venture investment portfolio of the ICT division in the preceding quarter.

Investment Holding

The Investment Holding division recorded a loss before tax of RM3.7 million for Q3 2019 as compared to a loss before tax of RM3.3 million for Q2 2019. The unfavourable result in Q3 2019 was mainly due to higher staff cost and lower contribution from the associated companies partly offset by a gain on disposal of an associated company of RM0.8 million.

Hotels & Resorts

The Hotels & Resorts division's revenue for Q3 2019 was RM15.4 million compared to a revenue of RM12.2 million in the immediate preceding quarter due to higher revenue recorded by all hotels in Q3 2019 compared to Q2 2019. With the higher revenue in Q3 2019, the division recorded a profit before tax of RM0.5 million compared to a loss before tax of RM1.5 million in Q2 2019.

Information & Communications Technology

The ICT division registered a lower revenue for Q3 2019 of RM16.6 million compared to a revenue of RM20.2 million for the immediate preceding quarter, mainly due to lower system sale contract revenue recorded by GlobeOSS BU and Unifiedcomms BU. With the lower revenue and lower other operating income in the current quarter under review, the division reported a lower profit before tax of RM2.5 million for Q3 2019 compared to RM4.4 million for Q2 2019. Other operating income was lower in Q3 2019 compared to Q2 2019 as there was a fair value gain assessed on the division's venture investment portfolio of RM1.3 million in Q2 2019.

Property Development

The division recorded a slightly higher loss before tax of RM212,000 in Q3 2019 compared to a loss before tax of RM188,000 in Q2 2019, as there was minimal revenue for the division in Q3 2019 compared to a revenue of RM0.7 million in the previous quarter from the Taman Sri Matang project.

Travel & Tours

The Travel & Tours division recorded a lower revenue of RM22.3 million in the quarter under review compared to the revenue of RM33.8 million in the previous quarter, a decrease of RM11.5 million as outbound travel and ticketing recorded lower revenue in the current quarter under review partly offset by higher revenue recorded by money services business and the inbound travel. With the lower revenue, the division recorded a profit before tax of RM0.1 million in Q3 2019 compared to a profit before tax of RM1.5 million in the immediate preceding quarter as the profit from the ticketing and outbound travel was offset by the losses from the money services business and inbound travel.

Others

The Others division recorded a lower revenue for Q3 2019 of RM2.3 million compared to RM2.8 million in Q2 2019. With a lower revenue and higher operating expenses, the loss before tax for this division in Q3 2019 was higher at RM3.4 million compared to the loss before tax of RM2.4 million in Q2 2019.

16. Prospects

Although our Board expects the remaining financial year 2019 to be challenging for the Group, the Board is cautiously optimistic about the growth prospects of our established core businesses. For the non-core loss-making businesses, the Board will focus on the turnaround restructuring plans which are already in place 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 by 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 expected introduction of the LaVilla Boutique Hotel concept in 2019 has been delayed and any financial impact will only be reflected in the operational results in 2020. 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 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 the 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 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 and sustainable 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.

Our Travel and Tours division is cautiously optimistic about their performance for the 2019. The division will continue to remain focused on building its corporate client base and the wholesale market segment of 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 30.09.2019 RM'000	Year-to-date ended 30.09.2019 RM'000
On current quarter results		
- Malaysian income tax	174	2,944
Under provision in prior years	12	(53)
Transfer from deferred taxation	(364)	(700)
	(178)	2,191

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

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 2029.

21. Utilisation of proceeds from disposal of Helenium

The status of utilisation of proceeds raised from the disposal of Helenium as at 30 September 2019 is as follows:

	Proposed Utilisation GBP'000	Utilisation to-date GBP'000	Balance unutilised GBP'000	Timeframe for Utilisation
Refurbishment of hotels and working capital	3,000	-	3,000	Within 12
Operating expenses of the Group	1,600	1,600	-	months from
Expenses for the disposal	150	145	5	the date of
				completion of
	4,750	1,745	3,005	the disposal

22. Group borrowings

Details of the borrowings by the Group are as follows:

	As At 30.09.2019 RM'000	As At 31.12.2018 RM'000
Short term - secured		
- Term loans	3,875	3,513
- Bank overdraft	3,135	2,404
- Banker acceptance and debtor financing	4,473	6,128
- Hire purchase payables	63	63
- Finance lease payable	-	23,017
- Revolving credit	67,500	41,000
	79,046	76,125
Long term - secured		
- Term loans	64,628	67,715
- Hire purchase payables	28	71
	64,656	67,786
Total borrowings	143,702	143,911

23. 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.

24. 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 Traiding 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 the 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 Traiding Company (as "Defendant I" and "Defendant II" in the new suit) and PT Diwangkara Jaya Makmur (as "Defendant III" in the new suit) for breach of contract.

The claim of PT Diwangkara, as "Plaintiff" in the new suit, is principally (i) to validate the lease agreement between the heirs of the Hotel's owner and shareholders of CV Telabah Nasional Traiding Company and Plaintiff; (ii) to state that Plaintiff is the rightful owner of the Hotel and office building and the Hotel management until 1 May 2025; (iii) for the Defendants in 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 Rp29,308,915,143 (equivalent of approximately RM9.0 million) and USD110,000 (equivalent of approximately RM0.5 million); or, for the Defendants to pay the material and immaterial losses amounting to Rp29,308,915,143 (equivalent of approximately RM9.0 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 the Plaintiff.

25. Notes To The Statement of Comprehensive Income

Included in the operating profit/(loss) are:

	9 months ended 30.09.2019 RM'000	**9 months ended 30.09.2018 RM'000**
Amortisation of intangible assets	(1,087)	(1,201)
Depreciation	(8,781)	(4,281)
Bad debts written off	-	(11)
Net gain/(loss) on disposal of:		
- an associated company	830	-
- investment securities	-	230
- property, plant and equipment	1	3
Fair value change in financial assets held for trading	-	2
Fair value change in held for trading investments	-	(34)
Interest expenses	(7,852)	(4,325)
Interest income	2,220	1,752
Net unrealised gain/(loss) on foreign exchange	(265)	55
Property, plant and equipment written off	(7)	(69)
Provision for retirement benefits plan	(239)	(253)
Fair value change in investment in associates	(5,247)	(1,285)
Fair value change in fair value through profit or loss investment securities	5,997	1,645

26. 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.

27. 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 RM4,657,000 and RM13,171,000 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	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	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 todate	-	-	-	228,415,409
Weighted average number of ordinary shares	929,194,943	929,194,943	929,194,943	906,191,341

	3 months ended		Year-to-date ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Basic loss per share (sen)	(0.50)	(0.45)	(1.42)	(1.36)

Diluted loss per share

	3 months ended		Year-to-date ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Diluted loss per share (sen)	(0.50)	(0.45)	(1.42)	(1.36)

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.

28. Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
27 November 2019