COMPANY ANNOUNCEMENT

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED 31 MARCH 2023

The Board of Directors of Advance Synergy Berhad wishes to announce the unaudited financial results of the Group for the quarter and period ended 31 March 2023.

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 financial year ended 31 December 2022.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	3 months ended		Year-to-date 3 months ended	
	31.03.2023 RM'000	31.03.2022 RM'000	31.03.2023 RM'000	31.03.2022 RM'000
Revenue	82,663	38,959	82,663	38,959
Cost of sales	(64,304)	(27,200)	(64,304)	(27,200)
Gross profit	18,359	11,759	18,359	11,759
Other operating income	1,638	1,758	1,638	1,758
Operating expenses	(21,748)	(17,969)	(21,748)	(17,969)
Profit/(Loss) from operations	(1,751)	(4,452)	(1,751)	(4,452)
Finance costs	(2,033)	(1,765)	(2,033)	(1,765)
Share of results of associates and joint venture	(1)	1	(1)	1
Profit/(Loss) before tax	(3,785)	(6,216)	(3,785)	(6,216)
Income tax expense	(162)	(367)	(162)	(367)
Net profit/(loss) for the financial period	(3,947)	(6,583)	(3,947)	(6,583)
Attributable to:				
Owners of the parent	(3,491)	(6,940)	(3,491)	(6,940)
Non-controlling interests	(456)	357	(456)	357
	(3,947)	(6,583)	(3,947)	(6,583)
Loss per share attributable to owners of the parent:				
Basic (sen)	(0.14)	(0.75)	(0.14)	(0.75)
Diluted (sen)	(0.14)	(0.75)	(0.14)	(0.75)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 3 months ended	
	31.03.2023	**31.03.2022**	**31.03.2023**	**31.03.2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net profit/(loss) for the financial period	(3,947)	(6,583)	(3,947)	(6,583)
Other comprehensive income/(expenses):				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	204	(584)	204	(584)
Total items that may be reclassified subsequently to profit or loss	204	(584)	204	(584)
Items that will not be reclassified subsequently to profit or loss:				
Fair value gain/(loss) on equity instruments designated at fair value through other comprehensive income	161	1,688	161	1,688
Total items that will not be reclassified subsequently to profit or loss	161	1,688	161	1,688
Other comprehensive income/(loss) for the financial period	365	1,104	365	1,104
Total comprehensive income/(loss) for the financial period	(3,582)	(5,479)	(3,582)	(5,479)
Attributable to:				
Owners of the parent	(3,420)	(5,640)	(3,420)	(5,640)
Non-controlling interests	(162)	161	(162)	161
Total comprehensive income/(loss) for the financial period	(3,582)	(5,479)	(3,582)	(5,479)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31.03.2023 RM'000	Audited as at 31.12.2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	250,410	250,182
Right-of-use assets	64,534	66,511
Investment properties	16,100	16,100
Investment in associates and joint venture	3,970	3,971
Investment securities	92,673	92,200
Goodwill	78,657	78,657
Intangible assets	2,626	2,526
Deferred tax assets	4,634	4,627
Inventories	4,637	4,635
	518,241	519,409
Current assets		
Inventories	39,791	35,989
Receivables, prepayments and contract assets	100,557	106,429
Current tax assets	2,358	2,287
Investment securities	2,578	2,532
Financial assets held for trading	16	22
Short term deposits	111,056	120,000
Cash and bank balances	56,909	55,103
	313,265	322,362
TOTAL ASSETS	831,506	841,771
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	461,377	461,377
Reserves	29,108	32,528
	490,485	493,905
Non-controlling interests	77,306	77,468
Total equity	567,791	571,373
Non-current liabilities		
Borrowings	87,670	90,116
Lease liabilities	36,261	38,539
Payables	8,333	8,526
Deferred tax liabilities	3,925	3,925
Provision for retirement benefit obligations	1,215	1,294
	137,404	142,400
Current liabilities		
Payables and contract liabilities	69,546	72,201
Borrowings	49,897	48,799
Lease liabilities	6,273	5,812
Current tax liabilities	595	1,186
	126,311	127,998
Total Liabilities	263,715	270,398
TOTAL EQUITY AND LIABILITIES	831,506	841,771

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2023

	Share Capital RM'000	Revaluation Reserve RM'000	Foreign Currency 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 2023	461,377	16,594	9,487	(793)	7,240	493,905	77,468	571,373
Net profit/(loss) for the financial period	-	-	-	-	(3,491)	(3,491)	(456)	(3,947)
Fair value of equity instruments through other comprehensive income	-	-	-	161	-	161	-	161
Exchange differences on translation of foreign operations	-	-	(90)	-	-	(90)	294	204
Total comprehensive income/(loss) the financial period	-	-	(90)	161	(3,491)	(3,420)	(162)	(3,582)
Balance as at 31 March 2023	461,377	16,594	9,397	(632)	3,749	490,485	77,306	567,791

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2023 (Continued)

	Share Capital RM'000	Revaluation Reserve RM'000	Foreign Currency 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 2022	381,377	17,164	11,894	(712)	43,626	453,349	83,837	537,186
Net profit/(loss) for the financial period	-	-	-	-	(6,940)	(6,940)	357	(6,583)
Fair value of equity instruments through other comprehensive income	-	-	-	1,688	-	1,688	-	1,688
Exchange differences on translation of foreign operations	-	-	(388)	-	-	(388)	(196)	(584)
Total comprehensive income/(loss) the financial period	-	-	(388)	1,688	(6,940)	(5,640)	161	(5,479)
Balance as at 31 March 2022	381,377	17,164	11,506	976	36,686	447,709	83,998	531,707

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2023

	3 months ended 31.03.2023 RM'000	3 months ended 31.03.2022 RM'000
Cash flows from operating activities		
Loss before tax	(3,785)	(6,216)
Adjustments for:-		
Non-cash items	5,287	3,849
Other investing and financing items	1,718	1,432
Operating profit/(loss) before working capital changes	3,220	(935)
Changes in working capital		
Inventories	(3,805)	(188)
Receivables	5,201	(5,211)
Financial assets held for trading	5	(4)
Payables	(2,857)	(2,702)
Net cash generated from/(used in) operations	1,764	(9,040)
Retirement benefits paid	(112)	(31)
Net tax paid	(833)	(669)
Net cash generated from/(used in) operating activities	819	(9,740)
Cash flows from investing activities		
Acquisition of quoted investment securities	-	(150)
Addition of intangible assets	(311)	(280)
Interest received	313	326
Dividend received	3	6
Proceeds from disposal of quoted investment securities	-	603
Proceeds from disposal of unquoted investment securities	-	4,722
Proceeds from disposal of property, plant and equipment	9	-
Proceeds from disposal of hotel management services	200	200
Purchase of property, plant and equipment	(1,369)	(7,035)
Withdrawal of pledged deposits	(617)	(41)
Net cash used in investing activities	(1,772)	(1,649)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2023 (Continued)

	3 months ended 31.03.2023 RM'000	3 months ended 31.03.2022 RM'000
Cash flows from financing activities		
Drawdown of borrowings	-	5,674
Interest paid	(2,033)	(1,765)
Repayment of borrowings	(1,348)	(1,360)
Repayment of lease liabilities	(1,987)	(1,796)
Net cash (used in)/generated from financing activities	(5,368)	753
Effect of exchange rate changes	(1,338)	(231)
Net decrease in cash and cash equivalents	(7,659)	(10,867)
Cash and cash equivalents as at beginning of the financial period		
As previously reported	146,623	96,472
Effect of exchange rate changes	(97)	199
As restated	146,526	96,671
Cash and cash equivalents as at end of the financial period #	138,867	85,804
# Cash and cash equivalents at the end of the financial period comprising the following:		
Short term deposits	111,056	51,983
Cash and bank balances	56,909	63,845
	167,965	115,828
Less: Deposits placed with lease payables as security deposit for lease payments	(8,679)	(10,339)
Cash held under Housing Development Accounts	-	(677)
Deposits pledged to licensed banks	(20,419)	(19,008)
	(29,098)	(30,024)
	138,867	85,804

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 2022.

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 2022, except for the adoption of the following New Malaysian Financial Reporting Standard ("MFRS") and Amendments/Improvements to MFRSs:

<u>New MFRS</u>

MFRS 17	Insurance Contracts

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

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 3	Business Combinations
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
MFRS 17	Insurance Contracts
MFRS 101	Presentation of Financial Statements
MFRS 107	Statement of Cash Flows
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 112	Income Taxes
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 128	Investments in Associates and Joint Ventures
MFRS 132	Financial Instruments: Presentation
MFRS 136	Impairment of Assets
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 140	Investment Property

The adoption of the above New MFRS and Amendments/Improvements to MFRSs will have no significant impact on the financial statements of the Group upon their initial application.

2. Significant accounting policies (Continued)

Amendments/Improvements to MFRSs issued but not yet effective

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs (Continued)		
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 16	Leases	1 January 2024
MFRS 101	Presentation of Financial Statements	1 January 2024
MFRS 128	Investments in Associates and Joint Ventures	Deferred

3. Audit Report

The auditors' report on the financial statements for the financial year ended 31 December 2022 was not subject to any qualification.

4. Seasonal or cyclical factors

The operations of the Group for the financial quarter ended 31 March 2023 were not materially affected by any seasonal or cyclical factors.

5. Unusual items

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

6. Changes in estimates

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

7. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and/or repayments of debt and equity securities during the financial period ended 31 March 2023.

As at the quarter ended 31 March 2023, no new ordinary share of the Company was issued to the eligible persons pursuant to the Advance Synergy Share Grant Scheme.

8. Dividends paid

There was no dividend paid during the financial period ended 31 March 2023.

NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

9. **Segmental Information**

For the financial period ended 31 March 2023

	Investment Holding	Information & Communications Technology	Property Development & Investment	Travel & Tours	Financial Services	Others	Elimina-tions	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External	177	16,677	10,567	51,716	1,792	1,734	-	82,663
Inter-segment	1,250	-	695	36	-	-	(1,981)	-
Total revenue	1,427	16,677	11,262	51,752	1,792	1,734	(1,981)	82,663
Results								
Segment results	(2,459)	407	(764)	2,212	(1,520)	(1,422)	(238)	(3,784)
Share of results of associates and joint venture	1	-	(2)	-	-	-	-	(1)
Profit/(Loss) before tax	(2,458)	407	(766)	2,212	(1,520)	(1,422)	(238)	(3,785)
Income tax expense								(162)
Net profit/(loss) for the financial period								(3,947)
Non-controlling interests								456
Net profit/(loss) for the financial period attributable to owners of the parent								(3,491)

NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

9. Segmental Information (Continued)

For the financial period ended 31 March 2023 (Continued)

	Investment Holding	Information & Communications Technology	Property Development & Investment	Travel & Tours	Financial Services	Others	Elimina-tions	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information								
Segment assets	115,549	219,713	419,484	18,257	23,107	24,434	-	820,544
Investment in associates and joint venture	3,866	-	104	-	-	-	-	3,970
Unallocated corporate assets								6,992
Total assets								831,506
Segment liabilities	5,219	14,142	215,391	7,489	11,209	5,745	-	259,195
Unallocated corporate liabilities								4,520
Total liabilities								263,715
Capital expenditure:								
- Property, plant & equipment	-	131	1,074	-	96	68	-	1,369
- Software development expenditure	-	311	-	-	-	-	-	311

9. Segmental Information (Continued)

For the financial period ended 31 March 2022

	Investment Holding	Information & Communications Technology	Property Development & Investment	Travel & Tours	Financial Services	Others	Elimina-tions	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External	64	16,602	5,039	13,898	731	2,625	-	38,959
Inter-segment	705	-	416	-	-	-	(1,121)	-
Total revenue	769	16,602	5,455	13,898	731	2,625	(1,121)	38,959
Results								
Segment results	(2,775)	1,993	(3,465)	271	(1,278)	(963)	-	(6,217)
Share of results of associates and joint venture	2	-	(1)	-	-	-	-	1
Profit/(Loss) before tax	(2,773)	1,993	(3,466)	271	(1,278)	(963)	-	(6,216)
Income tax expense								(367)
Net profit/(loss) for the financial period								(6,583)
Non-controlling interests								(357)
Net profit/(loss) for the financial period attributable to owners of the parent								(6,940)

NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

9. Segmental Information (Continued)

For the financial period ended 31 March 2022 (Continued)

	Investment Holding	Information & Communications Technology	Property Development & Investment	Travel & Tours	Financial Services	Others	Elimina-tions	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information								
Segment assets	64,009	233,018	399,758	13,110	17,855	27,403	-	755,153
Investment in associates and joint venture	3,752	-	107	-	-	-	-	3,859
Unallocated corporate assets								7,782
Total assets								766,794
Segment liabilities	4,631	17,905	189,180	4,280	6,315	7,091	-	229,402
Unallocated corporate liabilities								5,685
Total liabilities								235,087
Capital expenditure:								
- Property, plant & equipment	-	112	6,902	-	-	21	-	7,035
- Software development expenditure	-	280	-	-	-	-	-	280

10. Property, plant and equipment

The valuation of land and buildings had been brought forward without amendment from the financial statements for the financial year ended 31 December 2022.

11. Significant events after the reporting period

There are no significant events after the reporting period.

12. Changes in the composition of the Group

There were no changes in the composition of the Group during the financial period ended 31 March 2023.

13. Changes in contingent liabilities

There are no changes in contingent liabilities since the last annual statements of financial position as at 31 December 2022.

14. Review of performance

	Year-to-date 3 months ended		Changes	
	31.03.2023	31.03.2022		
	RM'000	RM'000	RM'000	%
Revenue	82,663	38,959	43,704	112.2
Profit/(Loss) from operations	(1,751)	(4,452)	2,701	60.7
Profit/(Loss) before tax	(3,785)	(6,216)	2,431	39.1
Net profit/(loss) for the financial period	(3,947)	(6,583)	2,636	40.0
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(3,491)	(6,940)	3,449	49.7

Overall performance

For the current quarter ended 31 March 2023 (“Q1 2023”), with the transition to endemic phase from April 2022, the Group recorded higher revenue of RM82.7 million compared to RM39.0 million in the corresponding quarter last year ended 31 March 2022 (“Q1 2022”), an increase in revenue of RM43.7 million or 112.2%. All divisions reported higher revenue in Q1 2023 compared to Q1 2022 except for Others division.

The Group recorded overall lower gross profit margin for Q1 2023 compared to Q1 2022 as higher proportionate contribution to the Group’s revenue was from Travel & Tours division in Q1 2023 compared to Q1 2022. Travel & Tours division generally yields lower gross profit margin compared to other divisions.

14. Review of performance (Continued)

Overall performance (Continued)

The Group recorded a lower loss before tax in Q1 2023 compared to Q1 2022 due to the flow down effect of higher revenue and with most divisions recording improved performance except for the Information & Communications Technology, Financial Services and Others divisions.

Investment Holding

In Q1 2023, the division recorded higher revenue of RM1.4 million compared to the revenue of RM0.8 million in Q1 2022. The higher revenue was mainly attributable to higher interest income and intercompany management fee charged which had no impact to the Group's revenue. The division recorded a lower loss before tax of RM2.5 million in Q1 2023 compared to a loss before tax of RM2.8 million in Q1 2022 mainly due to higher revenue in Q1 2023.

Information & Communications Technology

The division recorded lower revenue in its functional currency, Singapore Dollar ("SGD"), in Q1 2023 compared to Q1 2022 of approximately 5.3%. The decline in revenue for Q1 2023 was mainly attributable to lower revenue from managed service contract revenues recorded by Unifiedcomms business unit mitigated by higher revenue from system sale contracts recorded by GlobeOSS business unit. However, with the higher exchange rate of SGD to RM in Q1 2023 compared to Q1 2022, the lower SGD denominated revenue for Q1 2023 after conversion at the higher exchange rate resulted in slightly higher RM denominated revenue in Q1 2023 of RM16.7 million compared to RM16.6 million in Q1 2022.

The division recorded lower profit before tax of RM0.4 million in Q1 2023 compared to profit before tax of RM2.0 million in Q1 2022 mainly due to lower gross profit margin and higher operating expenses in Q1 2023 coupled with absence of fair value gain assessed on the venture investment portfolio recognised in Q1 2022.

The lower gross profit margin in Q1 2023 was mainly attributable to the lower gross profit margin recorded on the division's system sale contract revenues which decreased to 51.0% in Q1 2023 from 67.2% in Q1 2022. This decrease in gross profit margin was mainly due to higher proportionate contribution of system sale contract revenues by GlobeOSS business unit, which generally yields lower gross profit margin as a result of its typically higher third party costs.

The higher operating expenses of the division in Q1 2023 compared to Q1 2022 was mainly attributable to higher foreign exchange loss and higher technical support expenses recorded in Q1 2023 due to an increase in the technical support headcount of GlobeOSS business unit.

14. Review of performance (Continued)

Property Development & Investment

The division recorded revenue of RM11.3 million in Q1 2023, higher compared to the revenue of RM5.5 million recorded in Q1 2022 mainly contributed by higher revenue from the property investment unit. With the higher revenue, the division recorded lower loss before tax of RM0.8 million in Q1 2023 compared to loss before tax of RM3.5 million in Q1 2022.

Development
The property development unit, Advance Synergy Realty Sdn Bhd ("ASR"), recorded no revenue for both Q1 2023 and Q1 2022 as all units of Taman Sri Matang project were sold in 2021 and Phase 2 Federal Park project sales has yet to commence as at Q1 2023. This resulted in comparable loss before tax of RM0.3 million in both Q1 2023 and Q1 2022.

Investment
Overall, the property investment unit recorded improved revenue in Q1 2023 compared to Q1 2022 with higher revenue contribution from the hospitality unit and the food and beverage ("F&B") business operated by Osteria Gamberoni Sdn Bhd ("OGSB") pursuant to the relaxation of movement control restrictions by the Malaysian government as the country transitioned to the endemic phase in April 2022. Our hospitality unit recorded a significant improvement in revenue from RM4.1 million in Q1 2022 to RM9.2 million in Q1 2023, an increase of approximately RM5.1 million or 124.4%, coupled with the increase in revenue from the F&B business of RM0.3 million.

With the higher revenue and fair value gain on quoted investment in Q1 2023 as opposed to fair value loss coupled with loss on disposal of quoted investment in Q1 2022, the hospitality unit recorded a profit before tax of RM0.3 million in Q1 2023 compared to a loss before tax of RM2.8 million in Q1 2022. Our investment property, Yap Ah Shak House, recorded a loss before tax of RM0.5 million in Q1 2023 compared to the loss before tax of RM0.2 million in Q1 2022 as higher expenses were incurred. The financial results of another investment property, Synergy 9, have no significant impact on the Group results as the property is being occupied by the Group.

Travel & Tours

With the re-opening and relaxation in travelling restrictions of some international destinations for tourists, the performance of the Travel & Tours division recorded significant improvement with substantially higher revenue in Q1 2023 of RM51.8 million compared to RM13.9 million in Q1 2022, an increase in revenue of RM37.9 million or approximately 272.7%. With the substantially higher revenue in the current quarter under review compared to the same period last year, the division recorded profit before tax of RM2.2 million in Q1 2023 compared to profit before tax of RM0.3 million in Q1 2022.

14. Review of performance (Continued)

Financial Services

Financial Services division recorded higher revenue of RM1.8 million in Q1 2023 compared to RM0.7 million in Q1 2022. Despite the higher revenue, the division recorded higher loss before tax of RM1.5 million in Q1 2023 compared to loss before tax of RM1.3 million in Q1 2022 mainly due to lower gross profit margin coupled with higher operating expenses in Q1 2023 compared to Q1 2022.

Others

The Others division registered lower revenue of RM1.7 million in Q1 2023 compared to the revenue of RM2.6 million for Q1 2022 mainly attributable to the lower revenue from the bus-body fabrication unit with no bus delivered in Q1 2023. The revenue in Q1 2023 was from the progress billing of buses under manufacturing. The education unit continued to report flat nominal sales in Q1 2023 and Q1 2022. This division recorded higher loss before tax of RM1.4 million in Q1 2023 compared to a loss of RM1.0 million in Q1 2022. With lower revenue in Q1 2023, the bus-body fabrication unit recorded higher loss before tax of RM1.2 million in Q1 2023 compared to loss before tax of RM0.8 million in Q1 2022. For the education unit, there was an increase in loss before tax of RM0.24 million in Q1 2023 compared to loss before tax of RM0.16 million in Q1 2022 mainly attributable to higher operating expenses incurred in Q1 2023.

15. Comparison of results with immediate preceding quarter

	Quarter 3 months ended		Changes	
	31.03.2023	31.12.2022		
	RM'000	RM'000	RM'000	%
Revenue	82,663	89,522	(6,859)	(7.7)
Profit/(Loss) from operations	(1,751)	(22,301)	20,550	92.1
Profit/(Loss) before tax	(3,785)	(22,364)	18,579	83.1
Net profit/(loss) for the financial period	(3,947)	(23,428)	19,481	83.2
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(3,491)	(16,055)	12,564	78.3

Overall performance

The Group recorded lower revenue of RM82.7 million for Q1 2023 compared to the revenue of RM89.5 million in the immediate preceding quarter ended 31 December 2022 (“Q4 2022”).

Lower loss before tax of RM3.8 million in Q1 2023 was recorded by the Group compared to loss of RM22.4 million in Q4 2022 despite the lower revenue in Q1 2023 mainly due to absence of the fair value loss assessed on the venture investment portfolio of RM11.3 million and impairment loss on goodwill of RM9.0 million recorded in Q4 2022.

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

Investment Holding

The division reported lower revenue of RM1.4 million in Q1 2023 compared to the revenue of RM19.1 million in Q4 2022 mainly attributable to dividends from subsidiaries in Q4 2022 compared to absence of dividends from the subsidiaries in Q1 2023 which had no impact to the Group's revenue. With the lower revenue, the division recorded loss before tax of RM2.5 million in Q1 2023 compared to profit before tax of RM10.3 million in Q4 2022. The impact of lower revenue in Q1 2023 compared to Q4 2022 was partly offset by absence of fair value loss assessed on the venture investment portfolio of RM5.0 million in Q4 2022 (Q1 2023: NIL).

Information & Communications Technology

The division registered lower revenue of RM16.7 million in Q1 2023 compared to RM24.3 million in Q4 2022 due mainly to lower revenue from system sale contracts of GlobeOSS business unit and lower revenue from revenue share contracts of Unifiedcomms business unit. Q4 2022 results included an impairment loss on goodwill of RM9.0 million (Q1 2023: NIL) and fair value loss assessed on the venture investment portfolio of RM6.3 million (Q1 2023: NIL) resulting in the division recording loss before tax of RM14.0 million in Q4 2022 compared to profit before tax of RM0.4 million in Q1 2023. Excluding the impairment loss and fair value loss mentioned above, lower profit before tax was recorded in the quarter under review compared to Q4 2022 mainly attributable to the flowdown effect of lower revenue in Q1 2023 compared to Q4 2022 coupled with lower gross profit margin of 46.0% in Q1 2023 compared to 51.1% in Q4 2022 mitigated by lower operating expenses in Q1 2023 compared to Q4 2022. The lower gross profit margin in Q1 2023 compared to Q4 2022 was mainly attributable to higher contribution from GlobeOSS business unit system sale contract revenues in Q1 2023 compared to Q4 2022 where such revenues recorded lower gross profit margin due to higher third party component costs.

Property Development & Investment

The division recorded slightly higher revenue of RM11.3 million in Q1 2023 compared to revenue of RM11.1 million in the previous quarter. The bulk of the revenue was contributed by the hospitality business which recorded revenue of RM9.2 million in Q1 2023 compared to RM8.5 million in Q4 2022.

In the quarter under review, the division recorded higher loss before tax of RM0.8 million compared to loss of RM0.2 million in the previous quarter. The higher loss recorded in Q1 2023 compared to Q4 2022 was mainly attributable to higher operating expenses.

<u>Development</u>
The property development unit did not record any sales for Q1 2023 and Q4 2022 but registered a slightly lower loss before tax in Q1 2023 of RM0.3 million compared to loss before tax in Q4 2022 of RM0.4 million.

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

Property Development & Investment (Continued)

Investment

Despite the slightly higher revenue of RM11.3 million in Q1 2023 compared to RM11.1 million in Q4 2022, the property investment unit recorded loss before tax of RM0.5 million in Q1 2023 compared to a profit of RM0.2 million in Q4 2022 mainly attributable to higher operating expenses in Q1 2023 as certain expenses were capitalised by the property investment unit in Q4 2022.

With further relaxation in travel restrictions, the hospitality unit showed improved revenue in Q1 2023 compared to the previous quarter whereby revenue increased by RM0.7 million, from RM8.5 million in Q4 2022 to RM9.2 million in Q1 2023 and the unit recorded profit before tax of RM0.3 million in Q1 2023 compared to loss before tax of RM0.3 million in Q4 2022. Our F&B unit operated by OGSB continued to record profit before tax albeit lower in Q1 2023 compared to Q4 2022. Yap Ah Shak property which commenced operations in Q1 2022 recorded flat loss in both Q1 2023 and Q4 2022 as the property is undergoing a review and revamp in its operations under the new business roadmap.

Travel & Tours

The division recorded higher revenue of RM51.8 million in Q1 2023 compared to the revenue of RM47.2 million in Q4 2022 as a result of higher revenue from group ticketing and tours during the quarter under review. With the higher revenue recorded in the current quarter under review, the division recorded a higher profit before tax of RM2.2 million in Q1 2023 compared to profit before tax of RM1.3 million in the preceding quarter.

Financial Services

The Financial Services division comprising the card & payment services and money services units generated higher revenue of RM1.8 million in Q1 2023 compared to RM1.3 million Q4 2022 with more merchant transactions recorded in the current quarter under review. Lower loss before tax of RM1.5 million was recorded in Q1 2023 compared to loss before tax of RM2.4 million in the preceding quarter mainly attributable to higher revenue and lower operating expenses in the current quarter with lower payroll costs recorded in Q1 2023 compared to Q4 2022.

Others

The Others division recorded lower revenue of RM1.7 million in Q1 2023 compared to RM6.0 million in Q4 2022. The revenue for bus-body fabrication unit in Q1 2023 was mainly derived from the progress billings for buses under manufacturing whilst revenue of the education unit remained nominal in both Q1 2023 and Q4 2022. With the lower revenue, the division reported loss before tax of RM1.4 million in Q1 2023 compared to profit before tax of RM67,000 in Q4 2022.

16. Prospects

As we enter the second quarter of fiscal 2023, the Group remains mindful of the rising inflation and interest rates, possible disruptions in supply chain and geopolitics concerns which may adversely impact the global economic recovery and thus the successful execution of our business plans with focus on costs and continued investment into our businesses to deliver better Group financial performances, is critical for the remainder of the financial year.

Information & Communications Technology

The risk and uncertainty of the economy going into recession due to geo-political tensions, supply chain disruption, and rising inflation and interest rates, especially in the division's regions of focus, have weighed on the minds of management and the directors of the division when considering the outlook for the remainder of the financial year.

The operations of Unifiedcomms and GlobeOSS in the financial year under review had been minimally impacted by geo-political tensions and supply chain disruption. On the business front, both Unifiedcomms and GlobeOSS contracts in-hand continue to be progressed and management of the division is hopeful that new projects and initiatives requiring our products and services will continue to be pursued by customers. The possibility remains however, that larger system sale contracts that have yet to be committed in the financial year under review, may be further deferred, or even abandoned entirely if macroeconomic and industry conditions worsen or do not improve significantly enough.

At Captii Ventures, the division's venture investment business, the climate for business development and funding continues to be challenging for start-ups in certain industries.

Against this negative but improving macroeconomic backdrop for the future, the division remains optimistic and will continue to work closely with customers and investees, to minimise the negative impact of economic uncertainty on division's financial performance.

Property Development & Investment

Development
Advance Synergy Realty Sdn Bhd ("ASR") commenced the development works for Phase 2 of the Federal Park project comprising 88 units of double storey terrace houses and 28 units of single storey terrace houses in August 2022 and expects to generate total revenue of RM59.7 million with targeted sales of 60% by end of 2023.

This will be followed by the launching of Sejijak project towards the end of fiscal 2023 with an estimated gross development value of RM75.0 million comprising 88 units of double storey terrace houses, 80 units of townhouses and 40 units of single terrace houses. With these two new projects generating a total gross development value in excess of RM134.7 million, the property development unit is cautiously optimistic to turn the corner towards profitability.

16. Prospects (Continued)

Property Development & Investment (Continued)

Development (Continued)

Although the unit expects the property market in Kuching to remain soft due to the negative impact of the pandemic crisis and stringent financing requirements in fiscal 2023, with the affordable pricing for its development properties, the unit is confident of the marketability of Phase 2 of Federal Park project and Sejijak project as both projects comprised mainly affordable residential properties. ASR will also continue to improve its product quality and customer service to maintain its position as one of the most reputable developers in Kuching.

Investment

With the transition to endemic phase in Malaysia, the hospitality unit is hopeful that more travel restrictions will be relaxed which will allow the hospitality business an opportunity for a gradual recovery with the expected pent-up demand for travel. The good news is effective from 8 January 2023, China has lifted pandemic restrictions on foreign travel, ending quarantine requirements for inbound travellers and with it, nearly three years of self-imposed isolation. However, for fiscal 2023, we remain cautious on the hospitality industry's recovery due to external pressures which may prolong the recovery to pre-pandemic level as lingering effects of COVID-19 besides continuing pressures from rising costs, staff shortage, recessionary risks and geopolitics concerns may continue to drag down the industry.

The hospitality unit took the opportunity during the border closures to introduce new facilities (such as a new thematic pool specially designed for corporate team-building activities and a children fun pool for family) for Holiday Villa Beach Resort & Spa Cherating and upgrading works for guestrooms and toilets since 2020 in both Holiday Villa Beach Resort & Spa Langkawi and Holiday Villa Beach Resort & Spa Cherating and most of these works have been completed. This will position the two hotels to be in a competitive position to attract the domestic and international travellers for fiscal 2023.

With expectation of more international tourists into Malaysia, we look forward to a stronger trading recovery in fiscal 2023 for Holiday Villa Beach Resort & Spa Langkawi. Holiday Villa Beach Resort & Spa Cherating performed well when travel restrictions were relaxed with an upsurge in demand from the local tourists and this trend is expected to continue barring unforeseen circumstances. Both hotels in Langkawi and Cherating showed improved performance in early 2023 compared to the same period last year.

16. Prospects (Continued)

Property Development & Investment (Continued)

Investment (Continued)

Our aparthotel in Earls Court, London is entering the fit-out stage and is expected to be operational in the third quarter of 2023. Fiscal 2022 saw the rebound in demand for UK hotels which may however face some uncertainties in fiscal 2023 due to external headwinds impacting consumer confidence coupled with rising operational costs, staffing shortages and supply chain disruption. However, we are cautiously optimistic that the London hospitality market will be resilient as we can see the swift post-pandemic rebound and influx of international visitors to London.

Holiday Villa Hotel & Residence Shanghai Jiading P.R.C.'s business was on its upward trend since beginning of 2022 but faced a setback from March 2022 due to a surge of the COVID-19 pandemic cases in China which resulted in many cities, including Shanghai, experiencing a wide lockdown. With the relaxation of pandemic restrictions in China, we are hopeful that Holiday Villa Hotel & Residence Shanghai Jiading P.R.C.'s performance will improve in fiscal 2023 compared to last year.

Yap Ah Shak House in Kuala Lumpur, a high quality mixed-use property comprising serviced offices, meeting facilities, an event space as well as two floors of food and beverage operations, did not meet the revenue expectation after its opening in January 2022 due to the lingering impact of COVID-19 pandemic on the market for commercial office space, is undergoing a review and revamp in the operations. We are targeting for Yap Ah Shak House to be operational under the new business roadmap in second half of fiscal 2023.

Travel & Tours

Our Travel and Tours division has been most affected by the COVID-19 pandemic as many countries introduced curfews and travel restrictions to contain the spread of the virus. With the relaxation of MCO restrictions, the division recorded a significantly improved performance in fiscal 2022. The division's performance in fiscal 2023 depends very much on the continued easing of travel restrictions although rising inflation resulting in higher travel costs and geopolitics concerns may dampen the growth of travel industry. However, the division's business plan to focus on building its corporate client base for the ticketing, group series tours and company incentive groups business and in exploring to work closely with travel partners to develop more competitive inbound and outbound travel products remains.

16. Prospects (Continued)

Financial Services

The emergence of COVID-19 in fiscal 2020 brought significant economic uncertainty in Malaysia and the markets in which Paydee Sdn Bhd ("Paydee"), our card and payment services business, and Qurex Sdn Bhd ("Qurex"), our money services business, operate.

The division conducted a strategic review of their businesses in fiscal 2021. Pursuant to this strategic review, Paydee, had in fiscal 2022, focused on the development and establishment of its New Payment Application Services ("NPAS"). This involved the recruitment of additional staff to design, develop, operate and manage the NPAS as well as efforts to identify and evaluate opportunities for business collaboration.

Under its newly conceived product roadmap for both payment acquiring and card issuing, Paydee has initiated the process of evolving its operations, technologies and application services. It will continuously invest in technology/infrastructure renewal and the development of new capabilities to deliver innovative NPAS to address SME business segments, as well as to be the non-bank partner of choice for payment facilitators.

The focus for Qurex would be to grow its B2B international payment and remittance services and to explore opportunities to generate new sources of income and sustainable avenues for growth. Qurex intends to synergise with Paydee for its growth plan and pending the full implementation of the new roadmap, Qurex does not anticipate its existing businesses to grow substantially in fiscal 2023.

Others

Our bus-body fabrication unit, Aviva Master Coach Technology Sdn Bhd ("Aviva"), remains focused to ensure its production to be cost efficient and for timely delivery of buses.

Aviva buses are designed and fabricated in compliance with the internationally recognised safety standards. The unit has approval from Kementerian Perdagangan Dalam Negeri, Koperasi Dan Kepenggunaan to affix the "Barangan Buatan Malaysia" ("Product Made In Malaysia") logo on our locally designed bus models Autobus LF 12250, Autobus LF 10200 and Autobus SD 12300. Autobus is designed and built to internationally recognised safety standards.

For fiscal 2023, the unit will continue to focus on the Australia market and with orders in hand, there is a cautious optimism in the sale of our buses.

The market situation remains challenging with rising costs and continuing disruption to the supply chain. However, Aviva is confident in managing the risks and shall focus in ensuring that its production is cost-and-delivery-efficient and targets to increase its production to 20 buses per month within the next two years in line with the expected increase in orders from the Australian market.

With the various measures put in place, our bus-body fabrication unit is cautiously optimistic that it is in a good position to manage the challenges in fiscal 2023.

16. Prospects (Continued)

Others (Continued)

To achieve its business goals of increasing total class enrolments and growing digital content course, our education unit, The Language House ("TLH") will focus on expanding its course offerings, strengthening its digital ecosystem and integrating technology into programmes, promoting twinning programs with other international language centres and partner universities. It is also important to TLH to enhance the student experience and foster community building. TLH expects to see growth in demand for B2B corporate education solutions including languages curriculum design, corporate training for English for Specific Purpose (ESP), HRDF corporate training, and English proficiency tests which will be the core drivers of revenue from corporate training.

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

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

18. Profit variance and shortfall in profit guarantee

Not applicable.

19. Income tax expense

	3 months ended 31.03.2023 RM'000	Year-to-date ended 31.03.2023 RM'000
On current quarter results		
- Corporate income tax	(162)	(162)

The effective income tax rate of the Group for the current quarter and year-to-date ended 31 March 2023 is higher than the statutory tax rate mainly due to certain expenses which are not deductible for taxation purpose and the non-availability of group relief for losses incurred by certain subsidiaries in the Group.

20. Status of corporate proposals

The status of corporate proposals announced but not completed as 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 8 August 2019, the Company announced 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 buy back 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 Beach Resort & Spa Cherating, measuring in aggregate area of approximately 42,635 square metres for a buy back price of RM22,965,600 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.

(b) On 6 November 2020, the Company announced that Mayor Hotels Sdn Bhd (“MHSB”), an indirect wholly-owned subsidiary of the Company, had on 6 November 2020 entered into a sale and purchase agreement (“SPA”) for M1 Plaza Sdn Bhd to purchase from MHSB the hotel property known as City Villa Kuala Lumpur located at No. 69, Jalan Haji Hussein, Off Jalan Tuanku Abdul Rahman, 50300 Kuala Lumpur on “as is where is” basis for a total cash consideration of RM24,000,000 subject to the terms and conditions as stipulated in the SPA (“Proposed City Villa Disposal”). Barring any unforeseen circumstances, the Proposed City Villa Disposal is expected to be completed in the fourth quarter of 2024.

21. Utilisation of proceeds from disposal of Wisma Synergy

The status of utilisation of proceeds raised from the disposal of a property, Wisma Synergy, by AESBI Power Systems Sdn Bhd, an indirect wholly-owned subsidiary of the Company, as at 31 March 2023 is as follows:

	Proposed Utilisation RM'000	Utilisation to-date RM'000	Balance unutilised RM'000	Intended timeframe for Utilisation from 08.11.2019	Extended timeframe for Utilisation
Repayment of borrowings	61,340	61,336 *	-	Within 3 months	-
Working capital of the Group	51,900	43,127 *	8,777	Within 12 months	Additional 36 months
Expenses for the disposal	10,760	10,760	-	Within 3 months	-
	124,000	115,223	8,777		

* The remaining amount of RM4,000 which was not utilised for repayment of borrowing was utilised for working capital of the Group.

22. Utilisation of proceeds from disposal of hotel management agreements, licensing agreements and trademarks of Alangka-Suka Hotels & Resorts Sdn Bhd Group

The status of utilisation of proceeds raised from the disposal of hotel management agreements, licensing agreements and trademarks of Alangka-Suka Hotels & Resorts Sdn Bhd Group, as at 31 March 2023 is as follows:

	Proposed Utilisation RM'000	Utilisation to-date RM'000		Balance unutilised RM'000	Intended timeframe for Utilisation from 03.12.2021
Working capital of the Group	4,844	4,857	*	-	Proceeds of RM4.844 million - Within 24 months
	2,000	1,000		1,000	Proceeds of RM200,000 per quarter totaling RM2.0 million for Remaining Balance - Within 3 months from the receipt of the quarterly payment
Expenses for the disposal	156	143	*	-	Within 12 months
	7,000	6,000		1,000	

* The remaining amount of RM13,000 which was not utilised for expenses in relation to the disposal was utilised for working capital of the Group.

23. Utilisation of proceeds from the Rights Issue

The status of utilisation of proceeds raised from the Rights Issue as at 31March 2023 is as follows:

	Proposed Utilisation RM'000	Utilisation to-date RM'000		Balance unutilised RM'000	Intended timeframe for Utilisation from 04.11.2022
Investment in existing businesses and/or future business expansion/ new strategic investment	53,200	6,930		46,270	Within 36 months
Working capital	25,600	7,624	*	17,994	Within 36 months
Expenses for the Rights Issue	1,200	1,182	*	-	Immediately
	80,000	15,736		64,264	

* The remaining amount of RM18,000 which was not utilised for expenses in relation to the Rights Issue was utilised for working capital of the Group.

24. Group borrowings

Details of the borrowings by the Group are as follows:

	As at 31.03.2023 RM'000	As at 31.12.2022 RM'000
Short term - secured		
- Term loans	9,897	8,799
- Revolving credit	40,000	40,000
	49,897	48,799
Long term - secured		
- Term loans	87,670	90,116
	87,670	90,116
Total borrowings	137,567	138,915

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

26. Material litigation

There was no material litigation as at the latest practicable date which is a date not earlier than 7 days from the date of issue of the quarterly report.

27. Notes To The Statement of Comprehensive Income

Included in the profit/(loss) before tax are:

	3 months ended 31.03.2023 RM'000	3 months ended 31.03.2022 RM'000
Amortisation of intangible assets	(202)	(218)
Depreciation	(3,699)	(3,827)
Dividend received	3	6
Fair value change in unquoted investment securities	-	408
Fair value change in quoted investment securities	99	(419)
Interest expenses	(2,033)	(1,765)
Interest income	313	326
Net gain on disposal of:		
- quoted investment securities	-	1
Net unrealised (loss)/gain on foreign exchange	(1,451)	229
Provision for retirement benefits plan	(33)	(24)

28. Dividend

The Board has on 27 April 2023 announced that the Company has proposed a single-tier dividend of 0.10 sen per ordinary share for the financial year ended 31 December 2022 subject to shareholders' approval at the forthcoming Annual General Meeting to be held on 27 June 2023.

29. 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 RM3,491,000, divided by the weighted average number of ordinary shares of 2,529,194,943 for the current quarter and current year-to-date respectively as follows:

	3 months ended		Year-to-date ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	No. of shares		No. of shares	
Issued / weighted average number of ordinary shares	2,529,194,943	929,194,943	2,529,194,943	929,194,943

	3 months ended		Year-to-date ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Basic loss per share (sen)	(0.14)	(0.75)	(0.14)	(0.75)

Diluted loss per share

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.

	3 months ended		Year-to-date ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Diluted loss per share (sen)	(0.14)	(0.75)	(0.14)	(0.75)

30. Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
30 May 2023