ADVANCE SYNERGY BERHAD
(Company No: 1225-D)

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED 31 MARCH 2020

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 2020.

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 2019.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	3 months ended		Year-to-date 3 months ended	
	31.03.2020 RM’000	31.03.2019 RM’000	31.03.2020 RM’000	31.03.2019 RM’000
Revenue	42,804	63,278	42,804	63,278
Cost of sales	(26,969)	(41,418)	(26,969)	(41,418)
Gross profit	15,835	21,860	15,835	21,860
Other operating income	4,720	2,097	4,720	2,097
Operating expenses	(22,002)	(25,799)	(22,002)	(25,799)
Profit/(Loss) from operations	(1,447)	(1,842)	(1,447)	(1,842)
Finance costs	(1,209)	(1,518)	(1,209)	(1,518)
Share of results of associates and joint venture	45	158	45	158
Profit/(Loss) before tax	(2,611)	(3,202)	(2,611)	(3,202)
Income tax expense	(1,020)	(1,404)	(1,020)	(1,404)
Net profit/(loss) for the financial period	(3,631)	(4,606)	(3,631)	(4,606)
Attributable to:				
Owners of the parent	(4,098)	(4,703)	(4,098)	(4,703)
Non-controlling interests	467	97	467	97
	(3,631)	(4,606)	(3,631)	(4,606)
Loss per share attributable to owners of the parent:				
Basic (sen)	(0.44)	(0.51)	(0.44)	(0.51)
Diluted (sen)	(0.44)	(0.51)	(0.44)	(0.51)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 3 months ended	
	31.03.2020	**31.03.2019**	**31.03.2020**	**31.03.2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net profit/(loss) for the financial period	(3,631)	(4,606)	(3,631)	(4,606)
Other comprehensive income/(expenses):				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	(1,116)	4,108	(1,116)	4,108
Total items that may be reclassified subsequently to profit or loss	(1,116)	4,108	(1,116)	4,108
Items that will not be reclassified subsequently to profit or loss:				
Fair value through other comprehensive income financial assets	(2,572)	322	(2,572)	322
Total items that will not be reclassified subsequently to profit or loss	(2,572)	322	(2,572)	322
Other comprehensive income/(loss) for the financial period	(3,688)	4,430	(3,688)	4,430
Total comprehensive income/(loss) for the financial period	(7,319)	(176)	(7,319)	(176)
Attributable to:				
Owners of the parent	(7,683)	157	(7,683)	157
Non-controlling interests	364	(333)	364	(333)
Total comprehensive income/(loss) for the financial period	(7,319)	(176)	(7,319)	(176)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31.03.2020 RM'000	Audited as at 31.12.2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	179,242	179,132
Right-of-use assets	46,653	47,329
Investment properties	59,147	54,572
Investments in associates and joint venture	13,016	12,971
Investment securities	53,906	55,789
Goodwill	90,703	90,703
Intangible assets	2,794	3,021
Deferred tax assets	5,861	5,864
	451,322	449,381
Current assets		
Inventories	51,040	51,089
Receivables, prepayments and contract assets	108,426	119,163
Tax recoverable	3,166	3,721
Investment securities	1,340	1,400
Financial assets held for trading	376	462
Short term deposits	77,971	79,898
Cash and bank balances	54,958	47,922
	297,277	303,655
TOTAL ASSETS	748,599	753,036
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	381,377	381,377
Reserves	92,636	100,319
	474,013	481,696
Non-controlling interests	69,436	69,072
Total equity	543,449	550,768
Non-current liabilities		
Borrowings	37,947	38,614
Lease liabilities	49,199	48,847
Payables	9,529	9,753
Deferred tax liabilities	5,102	5,146
Provision for retirement benefit obligations	2,002	1,923
	103,779	104,283
Current liabilities		
Payables and contract liabilities	78,982	74,187
Borrowings	9,829	10,163
Lease liabilities	7,471	8,090
Tax payable	5,089	5,545
	101,371	97,985
Total Liabilities	205,150	202,268
TOTAL EQUITY AND LIABILITIES	748,599	753,036

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2020

	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 2020	381,377	14,547	6,728	(1,334)	80,378	481,696	69,072	550,768
Net profit/(loss) for the financial period	-	-	-	-	(4,098)	(4,098)	467	(3,631)
Fair value of financial assets through other comprehensive income	-	-	-	(2,572)	-	(2,572)	-	(2,572)
Foreign currency translation differences for foreign operations	-	-	(1,013)	-	-	(1,013)	(103)	(1,116)
Total comprehensive income/(loss) the financial period	-	-	(1,013)	(2,572)	(4,098)	(7,683)	364	(7,319)
Balance as at 31 March 2020	381,377	14,547	5,715	(3,906)	76,280	474,013	69,436	543,449

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2020 (Continued)

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2020

	3 months ended 31.03.2020 RM'000	3 months ended 31.03.2019 RM'000
Cash flows from operating activities		
Loss before tax	(2,611)	(3,202)
Adjustments for :-		
Non-cash items	5,246	2,758
Other investing and financing items	643	494
Operating profit before working capital changes	3,278	50
Changes in working capital		
Inventories	49	(1,088)
Receivables	10,683	21,545
Financial assets held for trading	94	53
Payables	4,569	(21,456)
Net cash generated from/(used in) operations	18,673	(896)
Retirement benefits paid	-	(18)
Tax paid	(965)	(616)
Net cash generated from/(used in) operating activities	17,708	(1,530)
Cash flows from investing activities		
Addition of intangible assets	(278)	(217)
Acquisition of a subsidiary, net of cash acquired	-	(56,180)
Acquisition of held for trading investments	-	(980)
Acquisition of investment securities	(108)	-
Interest received	566	1,024
Proceeds from disposal of investment securities	-	1,037
Purchase of property, plant and equipment	(1,176)	(1,250)
Addition of investment properties	(4,575)	(575)
Net cash used in investing activities	(5,571)	(57,141)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2020 (Continued)

	3 months ended 31.03.2020 RM'000	3 months ended 31.03.2019 RM'000
Cash flows from financing activities		
Dividends paid to non-controlling interests of a subsidiary	-	(147)
Drawdown of borrowings	-	22,000
Interest paid	(1,209)	(1,518)
Payments to hire purchase payables	-	(17)
Placement of pledged deposits	256	694
Repayment of leases	(2,263)	-
Repayment of borrowings	(1,190)	(2,547)
Net cash (used in)/generated from financing activities	(4,406)	18,465
Effect of exchange rate changes	(3,185)	5,441
Net increase/(decrease) in cash and cash equivalents	4,546	(34,765)
Cash and cash equivalents as at beginning of financial period		
As previously reported	90,619	94,438
Effect of exchange rate changes	631	(953)
As restated	91,250	93,485
Cash and cash equivalents as at end of financial period #	95,796	58,720

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

	3 months ended 31.03.2020 RM'000	3 months ended 31.03.2019 RM'000
Short term deposits	77,971	71,302
Cash and bank balances	54,958	33,728
Bank overdrafts	(3,003)	(2,607)
	129,926	102,423
Less : Deposits placed with lease payables as security deposit for lease payments	(13,054)	(25,074)
Cash held under Housing Development Accounts	(648)	(627)
Deposits pledged to licensed banks	(20,428)	(18,002)
	(34,130)	(43,703)
	95,796	58,720

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 2019.

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 2019, except for the adoption of the following new Malaysian Financial Reporting Standard ("MFRS"), amendments/improvements to MFRSs and IC Interpretation ("IC Int"):

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

MFRS 3	Business Combinations
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 139	Financial Instruments: Recognition and Measurement

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.

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 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2023
MFRS 3	Business Combinations	1 January 2023
MFRS 5	Non-current Assets Held for Sale and Discountinued Operations	1 January 2023
MFRS 7	Financial Instruments: Disclosures	1 January 2023
MFRS 9	Financial Instruments	1 January 2023
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2022
MFRS 107	Statement of Cash Flows	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2023
MFRS 119	Employee Benefits	1 January 2023
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023
MFRS 132	Financial Instruments: Presentation	1 January 2023
MFRS 136	Impairment of Assets	1 January 2023
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023
MFRS 138	Intangible Assets	1 January 2023
MFRS 140	Investment Property	1 January 2023

3. Audit report

The auditors' report on the financial statements for the year ended 31 December 2019 was not subject to any qualification.

4. Seasonal or cyclical factors

The operations of the Group for the quarter ended 31 March 2020 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 2020.

8. Dividends paid

There was no dividend paid during the financial period ended 31 March 2020.

9. Segmental Information

For the financial period ended 31 March 2020

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development & Investment	Travel & Tours	Financial Services	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue									
External	284	11,229	14,107	-	15,581	1,573	30	-	42,804
Inter-segment	302	-	-	-	50	-	-	(352)	-
Total revenue	586	11,229	14,107	-	15,631	1,573	30	(352)	42,804
Results									
Segment results	(1,179)	(1,171)	2,273	(183)	26	(1,160)	(1,262)	-	(2,656)
Share of results of associates and joint venture	44	1	-	-	-	-	-	-	45
Profit/(Loss) before tax	(1,135)	(1,170)	2,273	(183)	26	(1,160)	(1,262)	-	(2,611)
Income tax expense									(1,020)
Net profit/(loss) for the financial year									(3,631)
Non-controlling interests									(467)
Net profit/(loss) for the financial year attributable to owners of the parent									(4,098)

9. Segmental Information (Continued)

For the financial period ended 31 March 2020

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development & Investment	Travel & Tours	Financial Services	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information									
Segment assets	53,791	288,605	214,054	101,106	26,777	22,871	19,352	-	726,556
Investments in associates and joint venture	13,747	117	-	-	(848)	-	-	-	13,016
Unallocated corporate assets									9,027
Total assets									748,599
Segment liabilities	12,388	94,358	24,765	37,108	12,486	8,503	5,351	-	194,959
Unallocated corporate liabilities									10,191
Total liabilities									205,150
Capital expenditure:									
- Property, plant & equipment	7	303	801	-	-	65	-	-	1,176
- Software development expenditure	-	-	278	-	-	-	-	-	278

9. Segmental Information (Continued)

For the financial period ended 31 March 2019

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development & Investment	Travel & Tours	Financial Services	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue									
External	515	14,716	15,602	-	30,276	2,017	152	-	63,278
Inter-segment	352	-	-	-	76	-	-	(428)	-
Total revenue	867	14,716	15,602	-	30,352	2,017	152	(428)	63,278
Results									
Segment results	(2,977)	(936)	2,467	(217)	540	(883)	(1,354)	-	(3,360)
Share of results of associates and joint venture	171	1	-	-	(14)	-	-	-	158
Profit/(Loss) before tax	(2,806)	(935)	2,467	(217)	526	(883)	(1,354)	-	(3,202)
Income tax expense									(1,404)
Net profit/(loss) for the financial year									(4,606)
Non-controlling interests									(97)
Net profit/(loss) for the financial year attributable to owners of the parent									(4,703)

9. Segmental Information (Continued)

For the financial period ended 31 March 2019

	Investment Holding	Hotels & Resorts	Information & Communications Technology	Property Development & Investment	Travel & Tours	Financial Services	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information									
Segment assets	68,592	255,488	202,849	91,900	19,603	21,231	16,375	-	676,038
Investments in associates and joint venture	35,838	113	2,308	-	349	-	-	-	38,608
Unallocated corporate assets									8,622
Total assets									723,268
Segment liabilities	32,656	118,722	23,723	38,196	4,741	10,840	2,977	-	231,855
Unallocated corporate liabilities									4,845
Total liabilities									236,700
Capital expenditure									
- Property, plant and equipment	-	743	481	-	3	-	23	-	1,250
- Software development expenditure	-	-	217	-	-	-	-	-	217

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 2019.

11. Significant events after the reporting period

There are no significant events after the reporting period.

12. Changes in the composition of the Group

(a) On 23 January 2020, the Board of Directors of the Company has resolved to restructure the current group structure by re-organising four existing inactive wholly-owned subsidiaries to be 70%-owned by Advance Synergy Realty Sdn Bhd ("ASR"), a wholly-owned subsidiary of the Company, and 30%-owned by Kibar Konsep Sdn Bhd ("KK") to operate the new serviced office business and food & beverage ("F&B") business at two buildings owned jointly by ASR and KK. ASR has 70% in each of the buildings with the remaining interest of 30% held by KK. The two buildings are located at No. 17, Jalan Yap Ah Shak, 50300 Kuala Lumpur and No. 9, Jalan Kajibumi U1/70, Seksyen U1, Temasya Glenmarie, 40150 Shah Alam, Selangor.

The aforesaid four exisitng inactive subsidiaries are Yap Ah Shak House Sdn Bhd (formerly known as Advansa Sdn Bhd) and Temasya House Sdn Bhd (formerly known as Cosmocourt.com (Malaysia) Sdn Bhd) which will be the operating companies for the serviced offices, while Osteria Gamberoni Sdn Bhd (formerly known as Rewardstreet.com (Malaysia) Sdn Bhd) and Primo Espresso Sdn Bhd (formerly known as Bornion Sawmill Sdn Bhd) will operate the F&B business.

The aforesaid restructuring of inactive subsidiaries which involved the transfers of the total issued share capital in each company for a nominal value of RM10.00 to ASR and KK in the proportion of their shareholding of 70% and 30% respectively have been completed save for Osteria Gamberoni Sdn Bhd.

(b) On 3 March 2020, Holiday Villas International Limited ("HVIL"), an indirect wholly-owned subsidiary of the Company, acquired 5 ordinary shares of USD1.00 each, representing the remaining 5% equity interest in Holiday Villa China International Limited ("HVCIL"), an indirect subsidiary held through HVIL, from Mr Chee Chong Fatt for a total cash consideration of USD5,000.00. On the same date, HVCIL became a wholly-owned indirect subsidiary company of ASB.

13. Changes in contingent liabilities

There are no changes in contingent liabilities since the last annual statements of financial position as at 31 December 2019.

14. Review of performance

	Year-to-date 3 months ended		
	31.03.2020 RM'000	**31.03.2019 RM'000**	**Changes %**
Revenue	42,804	63,278	(32.4)
Profit/(Loss) from operations	(1,447)	(1,842)	(21.4)
Profit/(Loss) before tax	(2,611)	(3,202)	(18.5)
Net profit/(loss) for the financial period	(3,631)	(4,606)	(21.2)
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(4,098)	(4,703)	(12.9)

Overall performance

For the current quarter ended 31 March 2020 ("Q1 2020"), the Group recorded a lower revenue of RM42.8 million compared to a revenue of RM63.3 million recorded for the corresponding period last year ("Q1 2019"). The revenue of Hotels & Resorts, Information & Communications Technology ("ICT"), Travel & Tours, Financial Services and Others divisions decreased by RM3.5 million, RM1.5 million, RM14.7 million, RM0.4 million and RM0.1 million respectively for Q1 2020 compared to Q1 2019. With the lower revenue, the Group recorded a lower gross profit of RM15.8 million in Q1 2020 compared to RM21.9 million in Q1 2019. The lower gross profit in Q1 2020 compared to Q1 2019 was compensated by the higher other operating income for Q1 2020 compared to Q1 2019 and lower operating expenses and finance cost for Q1 2020 compared to Q1 2019.

The higher other operating income in Q1 2020 compared to Q1 2019 was mainly attributble to the settlement of the court case as mentioned in note 25 below of RM1.7 million in favour of a subsidiary coupled with net foreign exchange gain recorded by the Group in Q1 2020. The lower operating expenses in Q1 2020 compared to Q1 2019 was mainly due to lower staff cost in Q1 2020 compared to Q1 2019. Finance cost in Q1 2020 compared to Q1 2019 was lower as a result of interest cost saving in Q1 2020 with the repayment of borrowings from part of the property disposal proceeds.

14. Review of performance (Continued)

Investment Holding

The division recorded a lower loss before tax of RM1.1 million for Q1 2020 compared to a loss before tax of RM2.8 million for Q1 2019 mainly attributable to lower finance cost in Q1 2020 as mentioned above coupled with absence of fair value loss assessed on the venture investment portfolio in Q1 2019 results.

Hotels & Resorts

The Hotels & Resorts division registered a lower revenue for Q1 2020 of RM11.2 million compared to RM14.7 million for Q1 2019. The outbreak of coronavirus (“Covid-19”) in variuos countries and the Movement Control Order (“MCO”) on 18 March 2020 in Malaysia affected our Hotels & Resorts division’s performance in Q1 2020 with lower revenue from all hotels. No revenue was recorded for City Villa with the closure of the hotel at the end of last year. The impact of lower revenue in Q1 2020 was partly offset by the other income from settlement of the court case as mentioned in note 25 below of RM1.7 million in favour to one of the subsidiaries resulting in the division recording a loss before tax of RM1.2 million for Q1 2020 compared to a loss of RM0.9 million for Q1 2019.

Information & Communications Technology

The division recorded a lower revenue of RM14.1 million for Q1 2020 compared to the revenue of RM15.6 million in Q1 2019 mainly due to lower revenue from system sales contracts for both the GlobeOSS and the Unifiedcomms business units (“BU”) as a result of the delay in the award of new system sale contracts.

The flowdown effect of the lower revenue for Q1 2020 was partly offset by lower operating expenses and net foreign exchange gain in Q1 2020 resulting in the profit before tax of RM2.3 million for Q1 2020 compared to profit before tax of RM2.5 million for Q1 2019. The division recorded a net foreign exchange gain in Q1 2020 compared to a foreign exchange loss in Q1 2019. The lower operating expenses in Q1 2020 compared to Q1 2019 were mainly due to net decrease in technical support, distribution and administrative expenses headcount changes.

Property Development & Investment

The Property Development & Investment division recorded no sales in Q1 2020 and Q1 2019. The division made a comparable loss for the current quarter under review and corresponding quarter last year of RM0.2 million.

Travel & Tours

Our Travel & Tours division was affected by the Covid-19 outbreak resulting in a substantially lower revenue in Q1 2020 of RM15.6 million compared to the revenue in the corresponding quarter last year of RM30.4 million, a decrease of RM14.7 million or 48.5%. Resulting from the lower revenue, the division recorded a profit before tax of RM26,000 for Q1 2020 compared to a profit before tax for Q1 2019 of RM0.5 million.

Financial Services

The Financial Services division recorded a lower revenue of RM1.6 million for Q1 2020 compared to the revenue of RM2.0 million for Q1 2019 mainly attributable to the impact from Covid-19 especially during the MCO in the later part of Q1 2020 which affected the card & payment services unit due to lower retail sales and the money service unit due to closure of the branches. With the lower revenue, the division recorded a higher loss before tax of RM1.2 million for Q1 2020 compared to a loss before tax of RM0.9 million for Q1 2019.

Others

The Others division registered a lower revenue of RM30,000 for Q1 2020 compared to the revenue of RM152,000 for Q1 2019.

Both business units continued to show losses in Q1 2020 although the loss in the bus-body fabrication unit was lower by RM0.1 million in Q1 2020 compared to Q1 2019 while the the education unit recorded a higher loss by about RM44,000 in the current quarter under review compared to Q1 2019.

15. Comparison of results with immediate preceding quarter

	Quarter 3 months ended		
	31.03.2020	**31.12.2019**	**Changes**
	RM’000	**RM’000**	**%**
Revenue	42,804	85,642	(50.0)
Profit/(Loss) from operations	(1,447)	106,012	(101.4)
Profit/(Loss) before tax	(2,611)	104,480	(102.5)
Net profit/(loss) for the financial period	(3,631)	92,386	(103.9)
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(4,098)	88,115	(104.7)

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

Overall performance

The Group recorded a lower revenue of RM42.8 million for the current quarter under review compared to the revenue in the previous quarter ended 31 December 2019 (“Q4 2019”) of RM85.6 million, a decrease of approximately RM42.8 million or 50.0%. Coupled with the lower other operating income which was partly offset by lower other operating expenses for Q1 2020 compared to Q4 2019, the Group recorded a loss before tax of RM2.6 million in Q1 2020 compared to a profit before tax of RM104.5 million in Q4 2019. The bulk of the profit before tax in Q4 2019 was mainly attributable to a gain before real property gains tax of RM90.3 million on disposal of a property and other income arising from insurance claim of RM17.6 million recorded for the hotel in Arosa which was destroyed in a fire in 2016.

Investment Holding

The Investment Holding division recorded a loss before tax of RM1.1 million for Q1 2020 as compared to a profit before tax of RM97.8 million for Q4 2019. The favourable result in Q4 2019 compared to the current quarter under review was mainly due to a gain before real property gains tax on disposal of a property of RM90.3 million and dividends from subsidiaries (eliminated at group level).

Hotels & Resorts

The Hotels & Resorts division's revenue for Q1 2020 was RM11.2 million compared to a revenue of RM13.5 million in the immediate preceding quarter due to lower revenue recorded by all hotels except for the hotel in Langkawi. All hotels were affected by the Covid-19 outbreak especially towards the later part of Q1 2020. With the lower revenue and lower other operating income partly offset by lower operating expenses in Q1 2020 compared to Q4 2019, the division recorded a loss before tax of RM1.2 million compared to a profit before tax of RM7.6 million in Q4 2019 as Q4 2019 results included other income arising from an insurance claim of RM17.6 million for the hotel in Arosa which was destroyed in a fire in 2016 whilst in Q1 2020, there was a settlement of the court case as mentioned in note 25 below of RM1.7 million in favour to one of the subsidiaries.

Information & Communications Technology

The ICT division registered a lower revenue for Q1 2020 of RM14.1 million compared to a revenue of RM19.9 million for the immediate preceding quarter, mainly due to higher system sale contract revenue recorded by GlobeOSS BU in Q4 2019. Despite lower revenue in the current quarter under review, the division reported a higher profit before tax of RM2.3 million for Q1 2020 compared to RM1.5 million for Q4 2019 mainly attributable to higher other operating income and lower operating expenses. The higher other operating income in Q1 2020 compared to Q4 2019 was mainly due to net foreign exchange gain and lower operating expenses in Q1 2020 compared to Q4 2019. Q4 2019 operating expenses included net unrealised foreign exchange loss, recognition of impairment loss on equipment and higher staff cost.

Property Development & Investment

Although there was no revenue for the division in both Q1 2020 and Q4 2019, the division recorded a slightly lower loss before tax of RM183,000 in Q1 2020 compared to a loss before tax of RM296,000 in Q4 2019.

Travel & Tours

The Travel & Tours division recorded a lower revenue of RM15.6 million in the quarter under review compared to the revenue of RM49.2 million in the previous quarter, a decrease of RM33.6 million as outbound travel and ticketing recorded lower revenue in the current quarter under review partly offset by higher inbound travel revenue. The lower revenue in Q1 2020 was mainly attributable to the adverse impact of sales due to the Covid-19 outbreak and commencement of MCO in mid March 2020. The division recorded a profit before tax of RM26,000 in Q1 2020 compared to a profit before tax of RM1.2 million in the immediate preceding quarter as a result of the flowdown effect of lower revenue in Q1 2020 and the profit recorded in Q4 2019 included an impairment loss of an investment.

Financial Services

The Financial Services division recorded a lower revenue of RM1.6 million for Q1 2020 compared to the revenue of RM2.1 million for Q4 2019. Despite the lower revenue, the division recorded a lower loss before tax of RM1.2 million for Q1 2020 compared to a loss before tax of RM1.3 million for Q4 2019 mainly attributable to lower operating expenses in Q1 2020 compared to Q4 2019.

Others

The Others division recorded a lower revenue for Q1 2020 of RM30,000 compared to RM0.8 million in Q4 2019. Despite the lower revenue, the loss before tax for this division in Q1 2020 was comparable to the loss in Q4 2019 of RM1.3 million due mainly to lower operating expenses in Q1 2020.

16. Prospects

With the Covid-19 pandemic, our Board expects a slowdown in the global economy with uncertainty of economic recovery in the financial year 2020. Many businesses have been adversely affected including all our divisions and in particular, Hotels & Resorts and Travel and Tours. With uncertainty of economic recovery, the Group is actively pursuing measures to manage our operating costs and re-working on the future business plans to minimise any potential negative impact arising from the Covid-19 outbreak.

Hotels & Resorts

The Hotels & Resorts division expects the first half of 2020 financial results to be adversely impacted by the Covid-19 pandemic. The business outlook for 2020 will be challenging due to the uncertainty in the recovery of the economy, relaxation of travel restrictions and opening of borders.

The division will approach the second half of 2020 with caution as the recovery of bookings in the MICE market segment is highly uncertain, more so if the Covid-19 pandemic is prolonged. The division will place greater emphasis and be more aggressive and creative in marketing its packages to the respective local market of each country as it expects domestic demand to recover faster than international demand.

In line with the division’s business plan, the division will continue with the upgrading of its website which has been delayed but is expected to complete in the second half of 2020, to focus on developing business from Asia region and major market segments, work with tour operators, local corporate business and secure more residential meetings with emphasis on local tourism, and upgrade the facilities of its hotels in Cherating and Langkawi during this slow period in order to take advantage of any opportunities once the industry recovers.

Information & Communications Technology

The impact of Covid-19 on the ICT division has fortunately been minimal in the year to-date. This is because the division’s businesses operate primarily in the field of telecommunications, an essential service in any economy today. In addition, the division’s businesses have been made capable of fully-functioning under a work-from-home mode of operation, well ahead of movement control restrictions or lockdown orders being enforced. The Divsion’s primary customers in the Unifiedcomms and GlobeOSS businesses are telecommunications network operators and service providers that have continued to operate normally throughout the Covid-19 restrictions, albeit remotely and through digital engagement, rather than face-to-face interaction. Contracts in-hand continue to be progressed and the division is hopeful that new projects and initiatives requiring our products and services, will continue to be pursued by customers in the months ahead. The possibility remains however, that larger system sale contracts that have yet to be committed this year, may be deferred by customers to next year, or even abandoned entirely if macroeconic and industry conditions deteriorate significantly. Some managed service contracts of the division which are impacted by government restrictions or directives arising from Covid-19 policy measures, may meanwhile continue to show weaker performance than before.

At Captii Ventures, the division’s venture investment business, the climate for either business development or funding has become more challenging since the Covid-19 pandemic set in. If the adverse microeconomic and funding environment persists to the end of the year, some of the investees in the venture investment portfolio may face difficulty in raising further capital, while those that successfully raise may be faced with dampened valuations. The division has taken active, early measures to perform impact assessment as well as in assisting investees to plan and manage through a more hostile environment for both business and funding. Investment management activities to assist investees and protect our investments will be the priority at Captii Ventures for the remainder of the year.

Against this negative macroeconomic backdrop for the future, the division remains optimistic and will continue to work closely with customers and investees, to minimise any potential negative impact of Covid-19-related developments on the division financial performance. The division has in recent months taken an active and measured approach to managing risks to protect the division’s people and assets, and will sustain these efforts until the pandemic resolves.

The division will further the work it has been doing to strengthen its managed service contract portfolio and will invest even more selectively in the venture investment business. Interest in internet-driven application services for enterprises, in the broad domain of fintech, as well as in internet and handset-app delivered digital media, have been heightened in the current environment. These areas will continue to be the focus for the division's venture investment activities, and is expected to complement the organic growth strategies of the Unifiedcomms and GlobeOSS businesses.

Property Development & Investment

Our Property Development & Investment division expects to face continued challenges in 2020 due to the softening of the property market in Kuching and the delay in the launching of Phase 2, Federal Park project but remains optimistic about its prospects once Phase 2 Federal Park project and the project at Jalan Sejijak, Kuching are launched.

16. Prospects (Continued)

Travel & Tours

Our Travel and Tours division has been most affected by the Covid-19 pandemic. With grounding of airplanes, closing of hotels and travel restrictions in many countries, the division saw a major dive in its business. The division was cautiously optimistic of its prospects in 2020 before Covid-19 pandemic but with the high level of uncertainty in the easing of travel restrictions and pattern of travel due to Covid-19 pandemic, the recovery of its business in 2020 is now uncertain. However, its business plan to focus 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 remains.

Financial Services

During the lockdown due to Covid-19 outbreak, many retail outlets have been heavily impacted which in turn have affected our card and payment services unit with less payment transactions. The lockdown has also resulted in our money service branches being closed to business. The performance of the division may continue to be impacted by the expected economic slowdown in 2020. Despite the challenges, the business plans for the division shall remain to be implemented towards end of 2020 or early next year.

The new roadmap and business plan of our card & payment services will focus on completing the revamp of its payment system to accommodate new services and enhance the existing features and services in its merchant acquiring and card issuing business. With the revamped payment system, the card & payment services unit can provide value-added services by enhancing the reporting features to its customers, enabled quick onboarding of new merchants, and focus on business-to-business market segment for the new services including e-commerce and payment cards.

In the new business model, our money service unit will focus on fintech to drive its currency exchange and remittance services, collaboration with business partners including our card and payment business unit for digital transfer and currency exchange and focus on the corporate customer base. By building its technology capabilities, the money service unit can provide value added services to its customers, get more intelligence on its customers' needs and improve margins to be more competitive. With the widespread availability and usage of smartphones and mobile applications, we can build on the convenience of digital money services in our new business model.

Others

In 2019, our bus-body fabrication unit, Quality Bus & Coach (M) Sdn Bhd ("QBC"), has reported good success in streamlining and restructuring its production to be cost efficient and for timely delivery of buses.

QBC buses are designed and fabricated in compliance with the internationally recognised safety standards known as the Australian Design Regulations ("ADR"). 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 LF10200 and Autobus SD 12300. Autobus is designed and built to ADR specifications.

Once the testing and certification for QBC bus body are completed in Australia, the unit expects sale of buses to Australia to improve as its Australian customer is cautiously optimistic on the sale of buses in the year ahead. Although the Covid-19 pandemic has affected the business operations during the MCO, this has not derailed its business plan for 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 grow its sales and manage the challenges in 2020.

Our education unit has been affected by the Covid-19 pandemic which resulted in the fallout of foreign student recruitment and the resumption of classes for this year. With uncertainties on the easing of travel restrictions globally, the recruitment of foreign students is on hold until further clarity on opening of the borders. The education unit will focus on local students and corporate training markets for this year and managing costs. However, the prospect of a protracted economic slowdown may affect the outlook of the corporate training market segment.

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 <u>31.03.2020</u> RM'000	Year-to-date ended <u>31.03.2020</u> RM'000
On current quarter results		
- Malaysian income tax	1,020	1,020
	1,020	1,020

The effective income tax rate of the Group for the financial quarter ended 31 March 2020 is higher than the statutory tax rates. This is mainly due to certain expenses which are 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 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 the entire investment of 40% equity interest in Helenium Holdings Limited ("Helenium") by Synergy Realty Incorporated, an indirect wholly-owned subsidiary of the Company, as at 31 March 2020 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	242	2,758	Within 12 months from the date of completion of the disposal
Operating expenses of the Group	1,600	1,600	-	
Expenses for the disposal	150	145	5	
	4,750	1,987	2,763	

22. Utilisation of proceeds from disposal of Wisma Synergy

The status of utilisation of proceeds raised from the disposal a property by AESBI Power Systems Sdn Bhd, an indirect wholly-owned subsidiary of the Company, as at 31 March 2020 is as follows:

	Proposed Utilisation RM'000	Utilisation to-date RM'000	Balance unutilised RM'000	Timeframe for utilisation from the completion of the disposal
Repayment of borrowings	61,340	61,336	4	Within 3 months
Working capital of the Group	51,900	9,566	42,334	Within 12 months
Expenses for the disposal #	10,760	6,195	4,565	Within 3 months
	124,000	77,097	46,903	

The unutilised balance of the expenses is expected to be utilised upon receipt of the final tax assessment of real property gain tax ("RPGT") from tax authority. The estimated balance of RPGT payable is approximately RM4.4 million.

23. Group borrowings

Details of the borrowings by the Group are as follows:

	As At 31.03.2020 RM'000	As At 31.12.2019 RM'000
Short term - secured		
- Term loans	6,826	7,348
- Bank overdraft	3,003	2,815
	9,829	10,163
Long term - secured		
- Term loans	37,947	38,614
	37,947	38,614
Total borrowings	47,776	48,777

24. 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.

25. Material litigation

With regard to the legal proceedings 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 "PT Jaya Makmur") against PT Diwangkara and CV Telabah Nasional Traiding Company (as "CV Telabah") and the counterclaim by PT Diwangkara against the PT Jaya Makmur, the Denpasar District Court's ("Court") decision on 3 May 2016 was upheld by the Supreme Court Republic of Indonesia which rejected the petition for cassation ("Cassation Proceedings") from PT Jaya Makmur.

Principally, the Court held that the action by PT Jaya Makmur in taking over the hotel, office building and management of the Hotel prior to the expiry of the lease under Deed No. 38 and No. 39 was unlawful and ordered PT Jaya Makmur to return the operations of the Hotel and to pay material and immaterial losses of Rp.5,384,507,763 (equivalent of approximately RM1.7 million) to PT Diwangkara, plus court costs incurred of Rp.1,706,000 (equivalent of approximately RM530).

Prior to the outcome of the Cassation Proceedings, PT Diwangkara filed a lawsuit dated 22 May 2019 in Denpasar District Court against the heirs of the Hotel's owner, shareholders of CV Telabah and PT Jaya Makmur (collectively as "the Defendants") for breach of contract and other incidental claims.

On 19 March 2020, PT Diwangkara entered into a Settlement Agreement ("Settlement Agreement") with the Defendants with regard all court cases with a cash settlement sum of Rp.6,000,000,000 (equivalent of approximately RM1.7 million) to PT Diwangkara which is enumerated as follows:

(i) Rp.5,450,000,000 (equivalent of approximately RM1.5 million) being the full and final settlement sum for all court cases; and

(ii) Rp.550,000,000 (equivalent of approximately RM0.2 million) being the legal fees, costs and other incidental expenses incurred in regard to the Settlement Agreement.

Following the signing of the Settlement Agreement, all legal disputes and court cases between PT Diwangkara and the Defendants have come to an end and dissolved amicably.

26. Notes To The Statement of Comprehensive Income

Included in the operating profit/(loss) are:

	3 months ended 31.03.2020 RM'000	3 months ended 31.03.2019 RM'000
Amortisation of intangible assets	(319)	(357)
Depreciation	(3,684)	(1,578)
Net loss on disposal of unquoted investment securities	-	12
Fair value change in foreign currency held for trading	8	(4)
Fair value change in held for trading investments	(60)	-
Interest expenses	(1,209)	(1,518)
Interest income	566	1,024
Net unrealised loss on foreign exchange	(1,152)	(316)
Property, plant and equipment written off	-	(5)
Provision for retirement benefits plan	(79)	(79)
Fair value change in investment in associates	-	(5,234)
Fair value change in unquoted investment securities	(5)	4,645

27. Dividend

The Board has on 21 May 2020 announced that the Company has proposed a single-tier dividend of 0.35 sen per ordinary share for the financial year ended 31 December 2019 subject to shareholders' approval at the forthcoming Annual General Meeting to be convened in due course.

28. 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 RM4,098,000, divided by the weighted average number of ordinary shares of 929,194,943 for the current quarter and current year-to-date respectively as follows:

	3 months ended		Year-to-date ended	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	No. of shares		No. of shares	
Issued / weighted average number of ordinary shares	929,194,943	929,194,943	929,194,943	929,194,943

	3 months ended		Year-to-date ended	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Basic loss per share (sen)	(0.44)	(0.51)	(0.44)	(0.51)

Diluted loss per share

	3 months ended		Year-to-date ended	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Diluted loss per share (sen)	(0.44)	(0.51)	(0.44)	(0.51)

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.

29. Status of E-commerce activities

Not applicable.

BY ORDER OF THE BOARD
ADVANCE SYNERGY BERHAD

HO TSAE FENG
Company Secretary
21 May 2020