ADVANCE SYNERGY BERHAD
(Company No: 192001000024 (1225-D))

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED 30 JUNE 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 30 June 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 6 months ended	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Revenue	22,021	69,864	64,825	133,142
Cost of sales	(13,627)	(49,610)	(40,596)	(91,028)
Gross profit	8,394	20,254	24,229	42,114
Other operating income	190	4,509	4,910	6,606
Operating expenses	(22,347)	(24,212)	(44,349)	(50,011)
Profit/(Loss) from operations	(13,763)	551	(15,210)	(1,291)
Finance costs	(1,232)	(2,122)	(2,441)	(3,640)
Share of results of associates and joint venture	44	70	89	228
Profit/(Loss) before tax	(14,951)	(1,501)	(17,562)	(4,703)
Income tax expense	(100)	(965)	(1,120)	(2,369)
Net profit/(loss) for the financial period	(15,051)	(2,466)	(18,682)	(7,072)
Attributable to:				
Owners of the parent	(14,674)	(3,811)	(18,772)	(8,514)
Non-controlling interests	(377)	1,345	90	1,442
	(15,051)	(2,466)	(18,682)	(7,072)
Loss per share attributable to owners of the parent:				
Basic (sen)	(1.58)	(0.41)	(2.02)	(0.92)
Diluted (sen)	(1.58)	(0.41)	(2.02)	(0.92)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 6 months ended	
	30.06.2020 RM'000	**30.06.2019 RM'000**	**30.06.2020 RM'000**	**30.06.2019 RM'000**
Net profit/(loss) for the financial period	(15,051)	(2,466)	(18,682)	(7,072)
Other comprehensive income/(expenses):				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	3,288	3,833	2,172	7,941
Total items that may be reclassified subsequently to profit or loss	3,288	3,833	2,172	7,941
Items that will not be reclassified subsequently to profit or loss:				
Fair value through other comprehensive income financial assets	161	(483)	(2,411)	(161)
Total items that will not be reclassified subsequently to profit or loss	161	(483)	(2,411)	(161)
Other comprehensive income/(loss) for the financial period	3,449	3,350	(239)	7,780
Total comprehensive income/(loss) for the financial period	(11,602)	884	(18,921)	708
Attributable to:				
Owners of the parent	(10,390)	(679)	(18,073)	(522)
Non-controlling interests	(1,212)	1,563	(848)	1,230
Total comprehensive income/(loss) for the financial period	(11,602)	884	(18,921)	708

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30.06.2020 RM'000	Audited as at 31.12.2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	177,944	179,132
Right-of-use assets	44,471	47,329
Investment properties	59,828	54,572
Investments in associates and joint venture	13,059	12,971
Investment securities	47,484	55,789
Goodwill	90,703	90,703
Intangible assets	2,675	3,021
Deferred tax assets	6,013	5,864
	442,177	449,381
Current assets		
Inventories	50,819	51,089
Receivables, prepayments and contract assets	108,587	119,163
Tax recoverable	4,487	3,721
Investment securities	841	1,400
Financial assets held for trading	83	462
Short term deposits	68,353	79,898
Cash and bank balances	62,869	47,922
	296,039	303,655
TOTAL ASSETS	738,216	753,036
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	381,377	381,377
Reserves	82,246	100,319
	463,623	481,696
Non-controlling interests	68,224	69,072
Total equity	531,847	550,768
Non-current liabilities		
Borrowings	37,833	38,614
Lease liabilities	47,945	48,847
Payables	9,302	9,753
Deferred tax liabilities	5,102	5,146
Provision for retirement benefit obligations	2,082	1,923
	102,264	104,283
Current liabilities		
Payables and contract liabilities	75,819	74,187
Borrowings	15,994	10,163
Lease liabilities	6,768	8,090
Tax payable	5,524	5,545
	104,105	97,985
Total Liabilities	206,369	202,268
TOTAL EQUITY AND LIABILITIES	738,216	753,036

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 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	-	-	-	-	(18,772)	(18,772)	90	(18,682)
Fair value of financial assets through other comprehensive income	-	-	-	(2,411)	-	(2,411)	-	(2,411)
Foreign currency translation differences for foreign operations	-	-	3,110	-	-	3,110	(938)	2,172
Total comprehensive income/(loss) the financial period	-	-	3,110	(2,411)	(18,772)	(18,073)	(848)	(18,921)
Balance as at 30 June 2020	381,377	14,547	9,838	(3,745)	61,606	463,623	68,224	531,847

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2020

	6 months ended 30.06.2020 RM'000	6 months ended 30.06.2019 RM'000
Cash flows from operating activities		
Loss before tax	(17,562)	(4,703)
Adjustments for :-		
Non-cash items	16,790	3,857
Other investing and financing items	1,374	2,008
Operating profit before working capital changes	602	1,162
Changes in working capital		
Inventories	270	(2,238)
Receivables	8,597	4,360
Financial assets held for trading	379	4
Payables	1,180	(10,597)
Net cash generated from/(used in) operations	11,028	(7,309)
Retirement benefits paid	-	(61)
Tax paid	(588)	(1,892)
Net cash generated from/(used in) operating activities	10,440	(9,262)
Cash flows from investing activities		
Addition of intangible assets	(535)	(430)
Acquisition of a subsidiary, net of cash acquired	-	(56,180)
Acquisition of held for trading investments	-	(1,005)
Acquisition of investment securities	(328)	(201)
Interest received	1,067	1,632
Proceeds from disposal of investment securities	313	1,039
Proceeds from disposal of property, plant and equipment	-	1
Placement/(Withdrawal) of pledged deposits	266	(147)
Purchase of property, plant and equipment	(1,319)	(1,970)
Addition of investment properties	(5,257)	(1,166)
Net cash used in investing activities	(5,793)	(58,427)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2020 (Continued)

	6 months ended 30.06.2020 RM'000	6 months ended 30.06.2019 RM'000
Cash flows from financing activities		
Dividends paid to non-controlling interests of a subsidiary	-	(147)
Drawdown of borrowings	10,000	26,956
Interest paid	(2,441)	(3,640)
Payments to hire purchase payables	(21)	(34)
Repayment of lease liabilities	(4,926)	-
Repayment of borrowings	(2,241)	(3,485)
Net cash generated from financing activities	371	19,650
Effect of exchange rate changes	365	8,274
Net increase/(decrease) in cash and cash equivalents	5,383	(39,765)
Cash and cash equivalents as at beginning of financial period		
As previously reported	90,619	94,438
Effect of exchange rate changes	995	(570)
As restated	91,614	93,868
Cash and cash equivalents as at end of financial period #	96,997	54,103
# Cash and cash equivalents at the end of the financial period comprising the following:		
Short term deposits	68,353	62,957
Cash and bank balances	62,869	38,457
Bank overdrafts	(105)	(2,766)
	131,117	98,648
Less : Deposits placed with lease payables as security deposit for lease payments	(13,266)	(25,219)
Cash held under Housing Development Accounts	(652)	(633)
Deposits pledged to licensed banks	(20,202)	(18,693)
	(34,120)	(44,545)
	96,997	54,103

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"):

Amendments/Improvements to MFRSs	
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:

New MFRS		**Effective for financial periods beginning on or after**
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2023
MFRS 2	Share-based Payment	1 January 2020
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 2022/ 1 January 2023
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 30 June 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 30 June 2020.

8. **Dividends paid**
   There was no dividend paid during the financial period ended 30 June 2020.

9. Segmental Information

For the financial period ended 30 June 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	499	12,424	32,798	699	15,734	2,271	400	-	64,825
Inter-segment	1,606	-	-	-	69	-	-	(1,675)	-
Total revenue	2,105	12,424	32,798	699	15,803	2,271	400	(1,675)	64,825
Results									
Segment results	(5,892)	(6,746)	906	(347)	(877)	(2,587)	(2,108)	-	(17,651)
Share of results of associates and joint venture	91	(2)	-	-	-	-	-	-	89
Profit/(Loss) before tax	(5,801)	(6,748)	906	(347)	(877)	(2,587)	(2,108)	-	(17,562)
Income tax expense									(1,120)
Net profit/(loss) for the financial year									(18,682)
Non-controlling interests									(90)
Net profit/(loss) for the financial year attributable to owners of the parent									(18,772)

9. Segmental Information (Continued)

For the financial period ended 30 June 2020 (Continued)

	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	53,660	285,595	208,757	104,803	25,303	26,235	10,304	-	714,657
Investments in associates and joint venture	12,590	114	-	-	355	-	-	-	13,059
Unallocated corporate assets									10,500
Total assets									738,216
Segment liabilities	13,373	102,171	21,536	33,893	10,764	12,088	1,918	-	195,743
Unallocated corporate liabilities									10,626
Total liabilities									206,369
Capital expenditure:									
- Property, plant & equipment	12	195	949	-	-	158	5	-	1,319
- Software development expenditure	-	-	535	-	-	-	-	-	535

9. Segmental Information (Continued)

For the financial period ended 30 June 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	720	26,925	35,841	680	63,924	4,463	589	-	133,142
Inter-segment	700	-	-	-	101	-	-	(801)	-
Total revenue	1,420	26,925	35,841	680	64,025	4,463	589	(801)	133,142
Results									
Segment results	(6,361)	(2,409)	6,818	(405)	2,105	(1,782)	(2,897)	-	(4,931)
Share of results of associates and joint venture	243	(2)	-	-	(13)	-	-	-	228
Profit/(Loss) before tax	(6,118)	(2,411)	6,818	(405)	2,092	(1,782)	(2,897)	-	(4,703)
Income tax expense									(2,369)
Net profit/(loss) for the financial year									(7,072)
Non-controlling interests									(1,442)
Net profit/(loss) for the financial year attributable to owners of the parent									(8,514)

9. Segmental Information (Continued)

For the financial period ended 30 June 2019 (Continued)

	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	69,205	255,056	210,703	95,630	20,157	25,223	15,589	-	691,563
Investments in associates and joint venture	35,912	110	2,337	-	349	-	-	-	38,708
Unallocated corporate assets									8,941
Total assets									739,212
Segment liabilities	31,988	124,743	27,118	38,389	6,917	14,333	3,427	-	246,915
Unallocated corporate liabilities									4,845
Total liabilities									251,760
Capital expenditure									
- Property, plant and equipment	-	1,189	720	-	27	-	34	-	1,970
- Software development expenditure	-	-	430	-	-	-	-	-	430

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 except as disclosed in Note 20(b).

12. Changes in the composition of the Group

(a) On 23 January 2020, the Board of Directors of the Company 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% interest 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, Temasya Glenmarie, 40150 Shah Alam, Selangor Darul Ehsan.

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 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 has been completed.

(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 6 months ended 30.06.2020 RM'000	**Year-to-date 6 months ended 30.06.2019 RM'000**	**Changes %**
Revenue	64,825	133,142	(51.3)
Profit/(Loss) from operations	(15,210)	(1,291)	(1,078.2)
Profit/(Loss) before tax	(17,562)	(4,703)	(273.4)
Net profit/(loss) for the financial period	(18,682)	(7,072)	(164.2)
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(18,772)	(8,514)	(120.5)

Overall performance

For the current 6-month period ended 30 June 2020 ("6M 2020"), the Group recorded a lower revenue of RM64.8 million compared to a revenue of RM133.1 million recorded for the corresponding period last year ("6M 2019"), a decline in revenue of 51.3%. All divisions reported lower revenue in 6M 2020 compared to 6M 2019 except for Investment Holding and Property Development & Investment divisions. The higher revenue in Investment Holding was mainly due to inter-company management fee charged which has no impact to the Group whilst the revenue of Property Development and Investment divisions remained relatively stable. With the lower revenue, the Group recorded a lower gross profit of RM24.2 million in 6M 2020 compared to RM42.1 million in 6M 2019. The lower gross profit in 6M 2020 compared to 6M 2019 was partly mitigated by the lower operating expenses and finance cost for 6M 2020 compared to 6M 2019.

The lower operating expenses in 6M 2020 of RM44.3 million compared to RM50.0 million in 6M 2019 was mainly due to lower staff cost. Finance cost in 6M 2020 was also lower at RM2.4 million compared to RM3.6 million in 6M 2019 arising from interest cost saving in 6M 2020 with the repayment of borrowings from part of the property disposal proceeds in 2019.

14. Review of performance (Continued)

Investment Holding

Despite the higher revenue for 6M 2020 compared to 6M 2019, the division still recorded a loss before tax of RM5.8 million for 6M 2020 compared to a loss before tax of RM6.1 million for 6M 2019 mainly attributable to a fair value loss assessed on venture investment portfolio of RM2.2 million mitigated by lower finance cost in 6M 2020.

Hotels & Resorts

The Hotels & Resorts division registered a lower revenue for 6M 2020 of RM12.4 million compared to RM26.9 million for 6M 2019, a drop in revenue of 53.9%. The outbreak of coronavirus ("Covid-19") in various countries and the movement control order imposed in Malaysia ("MCO") on 18 March 2020 affected our Hotels & Resorts division's performance in 6M 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 6M 2020 was partly offset by the other income from settlement of a court case in Bali, Indonesia of RM1.7 million in favour to one of the subsidiaries and lower staff cost and Covid-19 related government subsidy allowances received. The flowdown impact of lower revenue in 6M 2020 compared to the corresponding period last year resulted in the division recording a loss before tax of RM6.7 million for 6M 2020 compared to a loss of RM2.4 million for 6M 2019.

Information & Communications Technology

The division recorded a lower revenue of RM32.8 million for 6M 2020 compared to the revenue of RM35.8 million in 6M 2019 mainly due to lower revenue from system sales contracts for the Unifiedcomms business unit ("BU") mitigated by by higher revenue from both system sale and managed service contracts for GlobeOSS BU.

The lower revenue for 6M 2020 coupled with higher operating expenses resulted in a lower profit before tax of RM0.9 million for 6M 2020 compared to profit before tax of RM6.8 million for 6M 2019. The higher operating expenses in 6M 2020 compared to 6M 2019 were mainly due to a fair value loss assessed on the venture investment portfolio of RM4.6 million for 6M 2020 as certain investees' businesses and capital raising activities were severely impacted by the Covid-19 pandemic as compared to a fair value gain of RM1.4 million for 6M 2019. The higher operating expenses is mitigated mainly by lower payroll related costs, stemming from Covid-19 related government subsidy allowances received and reduction in headcount.

Property Development & Investment

The Property Development & Investment division recorded comparable sales in 6M 2020 and 6M 2019 resulting in loss of RM0.3 million in 6M 2020 and RM0.4 million in 6M 2019.

Travel & Tours

Our Travel & Tours division was affected by the Covid-19 outbreak resulting in a substantially lower revenue in 6M 2020 of RM15.8 million compared to the revenue in the corresponding period last year of RM64.0 million, a decrease of RM48.2 million or 75.3%. Resulting from the lower revenue, the division recorded a loss before tax of RM0.9 million for 6M 2020 compared to a profit before tax for 6M 2019 of RM2.1 million.

Financial Services

The Financial Services division recorded a lower revenue of RM2.3 million for 6M 2020 compared to the revenue of RM4.5 million for 6M 2019 mainly attributable to the impact from Covid-19 especially during the MCO from mid of March 2020 which affected the card & payment services unit due to lower retail sales and the money services unit due to closure of the branches and only Bangsar outlet for money services was re-opened in mid of May 2020. With the lower revenue, the division recorded a higher loss before tax of RM2.6 million for 6M 2020 compared to a loss before tax of RM1.8 million for 6M 2019.

Others

The Others division registered a lower revenue of RM0.4 million for 6M 2020 compared to the revenue of RM0.6 million for 6M 2019.

Both bus-body fabrication and education units continued to show losses in 6M 2020 of RM2.1 million although the losses in both business units were lower by RM0.8 million compared to a loss of RM2.9 million in 6M 2019 mainly due to lower staff cost and Covid-19 related government subsidy allowances received.

15. Comparison of results with immediate preceding quarter

	Quarter 3 months ended		
	30.06.2020 RM'000	31.03.2020 RM'000	Changes %
Revenue	22,021	42,804	(48.6)
Profit/(Loss) from operations	(13,763)	(1,447)	(851.1)
Profit/(Loss) before tax	(14,951)	(2,611)	(472.6)
Net profit/(loss) for the financial period	(15,051)	(3,631)	(314.5)
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(14,674)	(4,098)	(258.1)

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

Overall performance

The Group recorded a lower revenue of RM22.0 million for the current quarter ended 30 June 2020 (“Q2 2020”) compared to the revenue in the previous quarter ended 31 March 2020 (“Q1 2020”) of RM42.8 million, a decrease of approximately RM20.8 million or 48.6%. With the flowdown effect of a substantially reduced revenue coupled with the lower other operating income and higher operating expenses for Q2 2020 compared to Q1 2020, the Group recorded a loss before tax of RM15.0 million in Q2 2020 compared to a loss before tax of RM2.6 million in Q1 2020. The lower other operating income for Q2 2020 compared to Q1 2020 was mainly due to absence of other income from settlement of a court case in Bali, Indonesia from Hotels & Resorts division and lower foreign exchange gain. The higher operating expenses for Q2 2020 compared to Q1 2020 was mainly due to fair value loss assessed on venture investment portfolio of RM6.8 million in the current quarter under review.

Investment Holding

The Investment Holding division recorded a loss before tax of RM4.7 million for Q2 2020 as compared to a loss before tax of RM1.1 million for Q1 2020. The unfavourable result in Q2 2020 compared to the immediate preceding quarter was mainly due to a fair value loss assessed on the venture investment porfolio of RM2.2 million coupled with higher operating expenses.

Hotels & Resorts

The Hotels & Resorts division's revenue for Q2 2020 was RM1.2 million compared to a revenue of RM11.2 million in the immediate preceding quarter due to lower revenue recorded by all hotels except for the hotel in Shanghai. The division's revenue was affected by the Covid-19 outbreak from the later part of Q1 2020 and continued into Q2 2020 with many countries where our hotels operate imposing movement and travel restrictions including closure of borders. With the lower revenue and lower other operating income, including absence of other income from settlement of a court case in Bali, Indonesia of RM1.7 million in favour to one of the subsidiaries, partly offset by lower operating expenses in Q2 2020 compared to Q1 2020, the division recorded a higher loss before tax of RM5.6 million compared to a loss before tax of RM1.2 million in Q1 2020.

Information & Communications Technology

The ICT division registered a higher revenue for Q2 2020 of RM18.7 million compared to a revenue of RM14.1 million for the immediate preceding quarter, mainly due to higher system sale contract revenue recorded by GlobeOSS BU in Q2 2020. Despite higher revenue in the current quarter under review, the division reported a loss before tax of RM1.4 million for Q2 2020 compared to a profit before tax RM2.3 million for Q1 2020 mainly attributable to higher operating expenses resulting from a fair value loss assessed on venture investment portfolio of RM4.6 million.

Property Development & Investment

Despite the division recording a revenue of RM0.7 million in Q2 2020 compared to absence of revenue in Q1 2020, the division recorded a slightly higher loss before tax of RM164,000 in Q2 2020 compared to a loss before tax of RM183,000 in Q1 2020 mainly due to preliminary expenses incurred for the property investment unit.

Travel & Tours

The Travel & Tours division recorded a lower revenue of RM172,000 in the quarter under review compared to the revenue of RM15.6 million in the preceding quarter attributable to the adverse impact on sales due to the Covid-19 outbreak and commencement of MCO in mid March 2020. The division recorded a loss before tax of RM0.9 million in Q2 2020 compared to a profit before tax of RM26,000 in the immediate preceding quarter as a result of the flowdown effect of lower revenue in Q2 2020.

Financial Services

The Financial Services division recorded a lower revenue of RM0.7 million for Q2 2020 compared to the revenue of RM1.6 million for Q1 2020 attributable to lower retail sales being affected by the Covid-19 outbreak.With the lower revenue, the division recorded a higher loss before tax of RM1.5 million for Q2 2020 compared to a loss before tax of RM1.2 million for Q1 2020.

Others

The Others division recorded a higher revenue for Q2 2020 of RM0.4 million compared to RM30,000 in Q1 2020. With the minimal increase in revenue for the current quarter under review, the loss before tax for this division in Q2 2020 was slightly lower at RM0.8 million compared to the loss of RM1.3 million 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 outbreak of Covid-19 will adversely impact the financial result of the hotels and resorts division for the first half of 2020 especially with the lockdown and restriction in travelling due to Covid-19 and termination of direct flights from four cities in China to Langkawi which has a direct impact on the occupancy of our hotel in Langkawi. The business outlook for 2020 is expected to be challenging due to the uncertainty in the recovery of the economy, relaxation of travel restrictions and opening of borders.

The recovery of bookings for the local meetings, incentives, conferences and exhibitions market segment is now highly uncertain as the Covid-19 pandemic may be 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 upgrading of Holiday Villa website has been completed since June 2020. The focus to grow the hotels and resorts businesses regionally is still intact and the division will continue to develop business from Asia region and major market segments, work with tour operators, local corporate businesses and secure more residential meetings with emphasis on local tourism. The upgrading of our hotels in Cherating and Langkawi and the renovation of our aparthotel in Earls Court, London are underway and will continue during this expected slow period in 2020 in order to capitalise on the hotels/aparthotel 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 division’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's 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

The performance of the property development division for 2020 will be derived from the sale of the remaining unsold single storey detached houses in Taman Sri Matang and the shophouses under Phase 1 of the Federal Park project together with the 17 acres project in Jalan Sejijak comprising 208 units of residential houses which is scheduled for commencement in the fourth quarter of 2020. The sale of the single storey detached houses in Taman Sri Matang is progressing well and all the remaining units are expected to be sold by the year end.

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 services 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 services 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 services 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, Aviva Master Coach Tehcnology Sdn. Bhd. ("Aviva") (formerly known as Quality Bus & Coach (M) Sdn Bhd), has reported good success in streamlining and restructuring 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 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 Aviva 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.

As for our education unit, the Covid-19 pandemic and MCO enforced since March 2020 has resulted in a drastic decline in course enrolment from abroad and locally. With international travel restrictions and border controls in place, foreign student intake is only expected to resume in early 2021. Our education unit has, therefore, continued to focus on the Malaysian local student and corporate market. We expect continued challenging times given the likelihood of a protracted economic slowdown with the continued global pandemic.

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

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

18. Profit variance and shortfall in profit guarantee

Not Applicable.

19. Income tax expense

	3 months ended 30.06.2020 RM'000	Year-to-date ended 30.06.2020 RM'000
On current quarter results		
- Malaysian income tax	(100)	(1,120)
	(100)	(1,120)

The effective income tax rate of the Group for the financial quarter ended 30 June 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:

(a) 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.

(b) On 9 July 2020, Posthotel Arosa AG, an indirect 65%-owned subsidiary of the Company, entered into a purchase right agreement ("Agreement") with Postresidenz am See AG for the proposed disposal of all that piece of freehold land located at Oberseepromenade, Postfach 289, CH 7050 Arosa, Switzerland on "as is where is" basis for a cash consideration of CHF5.95 million (equivalent to RM26.768 million) only subject to the terms and conditions as stipulated in the Agreement.

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 30 June 2020 is as follows:

	Proposed Utilisation GBP'000	Utilisation to-date GBP'000	Balance unutilised GBP'000	Intended timeframe for Utilisation from 18.07.2019	Extended timeframe for Utilisation
Refurbishment of hotels and working capital	3,000	259	2,741	Within 12 months	Additional 24 months
Operating expenses of the Group	1,600	1,600	-	Within 12 months	-
Expenses for the disposal	150	145	5	Within 12 months	-
	4,750	2,004	2,746		

22. Utilisation of proceeds from disposal of Wisma Synergy

The status of utilisation of proceeds raised from the disposal a property, Wisma Synergy by AESBI Power Systems Sdn Bhd, an indirect wholly-owned subsidiary of the Company, as at 30 June 2020 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	4	Within 3 months	-
Working capital of the Group	51,900	11,954	39,946	Within 12 months	Additional 24 months
Expenses for the disposal #	10,760	7,466	3,294	Within 3 months	-
	124,000	80,756	43,244		

\# The unutilised balance of the expenses is expected to be utilised upon the payment of the final tax installments of real property gain tax ("RPGT") to tax authority.

23. Group borrowings

Details of the borrowings by the Group are as follows:

	As At 30.06.2020 RM'000	As At 31.12.2019 RM'000
Short term - secured		
- Term loans	5,889	7,348
- Bank overdraft	105	2,815
- Revolving credit	10,000	-
	15,994	10,163
Long term - secured		
- Term loans	37,833	38,614
	37,833	38,614
Total borrowings	53,827	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 was no gain/loss arising from the fair value changes in financial liabilities for the current financial period.

25. 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.

26. Notes To The Statement of Comprehensive Income

Included in the operating profit/(loss) are:

	6 months ended 30.06.2020 RM'000	6 months ended 30.06.2019 RM'000
Amortisation of intangible assets	(655)	(718)
Depreciation	(7,220)	(3,156)
Bad debts written off	(2)	-
Net gain on disposal of:		
- property, plant and equipment	1	1
Impairment loss on property, plant and equipment	(15)	-
Interest expenses	(2,441)	(3,640)
Interest income	1,067	1,632
Net unrealised loss on foreign exchange	(1,056)	(798)
Property, plant and equipment written off	(539)	(6)
Provision for retirement benefits plan	(159)	(159)
Fair value change in investment in associates	-	(5,252)
Fair value change in unquoted investment securities	(7,234)	6,003

27. Dividend

A single tier dividend in respect of the financial year ended 31 December 2019 was paid on 18 August 2020 as approved by the shareholders of the Company at the Annual General Meeting held on 23 July 2020.

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 RM14,674,000 and RM18,772,000 respectively, 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	
	30.06.2020	**30.06.2019**	**30.06.2020**	**30.06.2019**
	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	
	30.06.2020	**30.06.2019**	**30.06.2020**	**30.06.2019**
Basic loss per share (sen)	(1.58)	(0.41)	(2.02)	(0.92)

Diluted loss per share

	3 months ended		Year-to-date ended	
	30.06.2020	**30.06.2019**	**30.06.2020**	**30.06.2019**
Diluted loss per share (sen)	(1.58)	(0.41)	(2.02)	(0.92)

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
26 August 2020