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

COMPANY ANNOUNCEMENT
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 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 September 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 9 months ended	
	30.09.2020 RM'000	**30.09.2019 RM'000**	**30.09.2020 RM'000**	**30.09.2019 RM'000**
Revenue	21,591	56,733	86,416	189,875
Cost of sales	(13,447)	(36,061)	(54,043)	(127,089)
Gross profit	8,144	20,672	32,373	62,786
Other operating income	1,469	2,118	6,379	8,724
Operating expenses	(23,051)	(22,803)	(67,400)	(72,814)
Profit/(Loss) from operations	(13,438)	(13)	(28,648)	(1,304)
Finance costs	(543)	(4,212)	(2,984)	(7,852)
Share of results of associates and joint venture	33	62	122	290
Profit/(Loss) before tax	(13,948)	(4,163)	(31,510)	(8,866)
Income tax expense	(640)	178	(1,760)	(2,191)
Net profit/(loss) for the financial period	(14,588)	(3,985)	(33,270)	(11,057)
Attributable to:				
Owners of the parent	(13,741)	(4,657)	(32,513)	(13,171)
Non-controlling interests	(847)	672	(757)	2,114
	(14,588)	(3,985)	(33,270)	(11,057)
Loss per share attributable to owners of the parent:				
Basic (sen)	(1.48)	(0.50)	(3.50)	(1.42)
Diluted (sen)	(1.48)	(0.50)	(3.50)	(1.42)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended		Year-to-date 9 months ended	
	30.09.2020 RM'000	**30.09.2019 RM'000**	**30.09.2020 RM'000**	**30.09.2019 RM'000**
Net profit/(loss) for the financial period	(14,588)	(3,985)	(33,270)	(11,057)
Other comprehensive income/(expenses):				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	(130)	1,153	2,042	9,094
Total items that may be reclassified subsequently to profit or loss	(130)	1,153	2,042	9,094
Items that will not be reclassified subsequently to profit or loss:				
Fair value through other comprehensive income financial assets	(403)	(321)	(2,814)	(482)
Total items that will not be reclassified subsequently to profit or loss	(403)	(321)	(2,814)	(482)
Other comprehensive income/(loss) for the financial period	(533)	832	(772)	8,612
Total comprehensive income/(loss) for the financial period	(15,121)	(3,153)	(34,042)	(2,445)
Attributable to:				
Owners of the parent	(14,672)	(3,988)	(32,745)	(4,510)
Non-controlling interests	(449)	835	(1,297)	2,065
Total comprehensive income/(loss) for the financial period	(15,121)	(3,153)	(34,042)	(2,445)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30.09.2020 RM'000	Audited as at 31.12.2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	205,365	179,132
Right-of-use assets	45,082	47,329
Investment properties	41,006	54,572
Investments in associates and joint venture	13,093	12,971
Investment securities	45,520	55,789
Goodwill	90,703	90,703
Intangible assets	2,779	3,021
Deferred tax assets	5,706	5,864
	449,254	449,381
Current assets		
Inventories	48,823	51,089
Receivables, prepayments and contract assets	96,597	119,163
Tax recoverable	4,238	3,721
Investment securities	849	1,400
Financial assets held for trading	9	462
Short term deposits	68,752	79,898
Cash and bank balances	63,117	47,922
	282,385	303,655
TOTAL ASSETS	731,639	753,036
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	381,377	381,377
Reserves	64,322	100,319
	445,699	481,696
Non-controlling interests	66,287	69,072
Total equity	511,986	550,768
Non-current liabilities		
Borrowings	39,763	38,614
Lease liabilities	50,565	48,847
Payables	9,072	9,753
Deferred tax liabilities	5,102	5,146
Provision for retirement benefit obligations	2,161	1,923
	106,663	104,283
Current liabilities		
Payables and contract liabilities	67,416	74,187
Borrowings	34,466	10,163
Lease liabilities	5,809	8,090
Tax payable	5,299	5,545
	112,990	97,985
Total Liabilities	219,653	202,268
TOTAL EQUITY AND LIABILITIES	731,639	753,036

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 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	-	-	-	-	(32,513)	(32,513)	(757)	(33,270)
Fair value of financial assets through other comprehensive income	-	-	-	(2,814)	-	(2,814)	-	(2,814)
Foreign currency translation differences for foreign operations	-	-	2,582	-	-	2,582	(540)	2,042
Total comprehensive income/(loss) the financial period	-	-	2,582	(2,814)	(32,513)	(32,745)	(1,297)	(34,042)
Transactions with owners								
Dividend paid	-	-	-	-	(3,252)	(3,252)	-	(3,252)
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	(1,488)	(1,488)
	-	-	-	-	(3,252)	(3,252)	(1,488)	(4,740)
Balance as at 30 September 2020	381,377	14,547	9,310	(4,148)	44,613	445,699	66,287	511,986

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

	9 months ended 30.09.2020 RM'000	9 months ended 30.09.2019 RM'000
Cash flows from operating activities		
Loss before tax	(31,510)	(8,866)
Adjustments for :-		
Non-cash items	22,714	8,508
Other investing and financing items	1,595	5,632
Operating (loss)/profit before working capital changes	(7,201)	5,274
Changes in working capital		
Inventories	109	(3,829)
Receivables	20,735	4,230
Financial assets held for trading	454	20
Payables	(7,849)	(5,226)
Net cash generated from operations	6,248	469
Retirement benefits paid	-	(61)
Net tax paid	(625)	(1,312)
Net cash generated from/(used in) operating activities	5,623	(904)
Cash flows from investing activities		
Acquisition of a subsidiary, net of cash acquired	-	(56,180)
Acquisition of held for trading investments	-	(976)
Acquisition of investment securities	(4,380)	(1,881)
Addition of intangible assets	(956)	(661)
Addition of investment properties	(6,043)	(1,919)
Interest received	1,389	2,220
Net proceeds from disposal of an associate	-	24,176
Proceeds from disposal of investment securities	3,499	1,638
Proceeds from disposal of property, plant and equipment	4	1
Purchase of property, plant and equipment	(11,673)	(5,133)
(Withdrawal)/Placement of pledged deposits	(1,338)	30
Net cash used in investing activities	(19,498)	(38,685)

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

	9 months ended 30.09.2020 RM'000	9 months ended 30.09.2019 RM'000
Cash flows from financing activities		
Dividends paid	(3,252)	(2,323)
Dividends paid to non-controlling interests of a subsidiary	(1,488)	(1,133)
Drawdown of borrowings	30,475	27,336
Interest paid	(2,984)	(7,852)
Payments to hire purchase payables	(15)	(43)
Repayment of lease liabilities	(3,358)	(2,982)
Repayment of borrowings	(2,924)	(5,216)
Net cash generated from financing activities	16,454	7,787
Effect of exchange rate changes	3,975	9,155
Net increase/(decrease) in cash and cash equivalents	6,554	(22,647)
Cash and cash equivalents as at beginning of financial period		
As previously reported	90,619	94,438
Effect of exchange rate changes	369	113
As restated	90,988	94,551
Cash and cash equivalents as at end of financial period #	97,542	71,904

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

	9 months ended 30.09.2020 RM'000	9 months ended 30.09.2019 RM'000
Short term deposits	68,752	54,974
Cash and bank balances	63,117	52,431
Bank overdrafts	(715)	(3,135)
	131,154	104,270
Less : Deposits placed with lease payables as security deposit for lease payments	(13,352)	(12,931)
Cash held under Housing Development Accounts	(657)	(638)
Deposits pledged to licensed banks	(19,603)	(18,797)
	(33,612)	(32,366)
	97,542	71,904

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 2022/ 1 January 2023
MFRS 3	Business Combinations	1 January 2022/ 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 2022/ 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
MFRS 107	Statement of Cash Flows	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022/ 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 2022/ 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 September 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 September 2020.

8. Dividends paid

A single tier dividend of 0.35 sen per ordinary share in respect of the financial year ended 31 December 2019 was paid on 18 August 2020 after obtaining the approval from the shareholders of the Company at the Annual General Meeting held on 23 July 2020.

9. Segmental Information

For the financial period ended 30 September 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	317	16,307	48,062	699	17,263	3,346	422	-	86,416
Inter-segment	2,478	-	-	-	69	-	-	(2,547)	-
Total revenue	2,795	16,307	48,062	699	17,332	3,346	422	(2,547)	86,416
Results									
Segment results	(9,465)	(11,209)	1,168	(1,385)	(1,043)	(3,979)	(5,719)	-	(31,632)
Share of results of associates and joint venture	121	1	-	-	-	-	-	-	122
Profit/(Loss) before tax	(9,344)	(11,208)	1,168	(1,385)	(1,043)	(3,979)	(5,719)	-	(31,510)
Income tax expense									(1,760)
Net profit/(loss) for the financial year									(33,270)
Non-controlling interests									757
Net profit/(loss) for the financial year attributable to owners of the parent									(32,513)

9. Segmental Information (Continued)

For the financial period ended 30 September 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	47,923	287,282	205,828	106,931	22,241	24,843	13,554	-	708,602
Investments in associates and joint venture	12,622	116	-	-	355	-	-	-	13,093
Unallocated corporate assets									9,944
Total assets									731,639
Segment liabilities	10,450	120,842	17,848	38,173	7,986	12,088	1,865	-	209,252
Unallocated corporate liabilities									10,401
Total liabilities									219,653
Capital expenditure:									
- Property, plant & equipment	59	8,440	1,114	1,129	127	771	33	-	11,673
- Software development expenditure	-	-	956	-	-	-	-	-	956

9. Segmental Information (Continued)

For the financial period ended 30 September 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	904	42,339	52,421	699	86,083	6,761	668	-	189,875
Inter-segment	1,051	-	-	-	168	-	-	(1,219)	-
Total revenue	1,955	42,339	52,421	699	86,251	6,761	668	(1,219)	189,875
Results									
Segment results	(10,110)	(1,861)	9,291	(617)	2,412	(3,672)	(4,599)	-	(9,156)
Share of results of associates and joint venture	305	(2)	-	-	(13)	-	-	-	290
Profit/(Loss) before tax	(9,805)	(1,863)	9,291	(617)	2,399	(3,672)	(4,599)	-	(8,866)
Income tax expense									(2,191)
Net profit/(loss) for the financial year									(11,057)
Non-controlling interests									(2,114)
Net profit/(loss) for the financial year attributable to owners of the parent									(13,171)

9. Segmental Information (Continued)

For the financial period ended 30 September 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	78,668	288,584	209,299	97,046	26,646	31,426	15,721	-	747,390
Investments in associates and joint venture	12,893	110	2,371	-	84	-	-	-	15,458
Unallocated corporate assets									8,619
Total assets									771,467
Segment liabilities	30,566	165,891	24,261	38,267	13,214	16,432	5,507	-	294,138
Unallocated corporate liabilities									4,928
Total liabilities									299,066
Capital expenditure									
- Property, plant and equipment	4	1,459	1,437	1	72	2,160	-	-	5,133
- Software development expenditure	-	-	661	-	-	-	-	-	661

10. Property, plant and equipment

The valuation of land and buildings had 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(c).

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 existing 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.

(c) On 14 September 2020, Alangka-Suka Hotels & Resorts Sdn Bhd, a wholly-owned subsidiary of the Company, disposed of its entire 40% equity interest, represented 4 ordinary shares at RM1.00 each in Holiday Villa Hotels & Resorts Sdn Bhd, a dormant company, for a cash consideration of RM4.00.

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 9 months ended		
	30.09.2020 RM'000	**30.09.2019 RM'000**	**Changes %**
Revenue	86,416	189,875	(54.5)
Profit/(Loss) from operations	(28,648)	(1,304)	(2,096.9)
Profit/(Loss) before tax	(31,510)	(8,866)	(255.4)
Net profit/(loss) for the financial period	(33,270)	(11,057)	(200.9)
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(32,513)	(13,171)	(146.9)

Overall performance

For the current 9 months financial period ended 30 September 2020 ("9M 2020"), the Group recorded lower revenue of RM86.4 million as compared to RM189.9 million in the corresponding 9 months financial period ended 30 September 2019 ("9M 2019"), a significant decrease in revenue of RM103.5 million or approximately 54.5%. All divisions reported lower revenue in 9M 2020 as compared to 9M 2019, except for Investment Holding division which was mainly attributable to higher intercompany management fees in 9M 2020 and had no impact to the Group.

The significant decrease in revenue for the Group had resulted the lower gross profit of RM32.4 million in 9M 2020, as compared to RM62.8 million in 9M 2019.

Operating expenses decreased by approximately RM5.4 million from RM72.8 million in 9M 2019 to RM67.4 million in 9M 2020 which was mainly attributable to lower staff cost partly mitigated by the higher fair value loss in venture investments portfolio in 9M 2020 as opposed to fair value gain recorded in 9M 2019.

Total finance cost in 9M 2020 decreased by RM4.9 million as compared to 9M 2019. The decrease in finance cost was mainly due to repayment of bank borrowings from part of disposal proceeds in the year 2019 resulting in interest cost saving in 9M 2020.

Despite the improvement in operating expenses and finance costs, the Group recorded a higher loss before tax of RM31.5 million in 9M 2020, compared to a loss of RM8.9 million in 9M 2019, an increase in loss of RM22.6 million, due mainly to a sharp reduction in the Group revenue.

14. Review of performance (Continued)

Investment Holding

In 9M 2020, the division recorded higher revenue of RM2.8 million from the revenue of RM2.0 million in 9M 2019. The higher revenue was generated mainly from intercompany management fees and had no impact to the Group. The flowdown effect of higher revenue coupled with lower finance costs was offset partly by the fair value loss on the venture investments portfolio of RM2.2 million resulting in the division reporting a lower loss before tax of RM9.3 million in 9M 2020 compared to a loss of RM9.8 million in 9M 2019.

Hotels & Resorts

The Hotels & Resorts division recorded lower revenue of RM16.3 million in 9M 2020 as compared to RM42.3 million in 9M 2019, a significant decline of RM26.0 million or approximately 61.5%. The outbreak of coronavirus ("Covid-19") in various countries and the movement control order imposed in Malaysia ("MCO") on 18 March 2020 affected the performance of our Hotels & Resorts division resulting in lower revenue from all hotels operated and managed by the division. Besides that, closure of hotels such as City Villa and Holiday Villa London, United Kingdom contributed to the overall lower revenue in 9M 2020.

The impact of lower revenue in 9M 2020 was partly offset by the other income from settlement of the court case in Bali, Indonesia of RM1.7 million in favour to one of our hotel subsidiaries and Covid-19 related government subsidy allowances coupled with lower staff cost.

With the substantial drop in revenue, the division reported a higher loss before tax of RM11.2 million in 9M 2020 as compared to a loss of RM1.9 million in 9M 2019.

Information & Communications Technology

The division recorded a lower revenue of RM48.1 million in 9M 2020 compared to RM52.4 million in 9M 2019, a drop in revenue of RM4.3 million or approximately 8.2%. This was mainly due to lower system sales contracts revenue from Unifiedcomms business unit ("BU") which reported a decrease in revenue of 14.4% in the current period under review compared to 9M 2019 coupled with a marginal decrease in revenue of 1.1% by GlobeOSS BU.

Despite the drop in revenue of 8.2% in 9M 2020 compared to the same period last year, the ICT division recorded a higher decline in profit of 87.4% in 9M 2020 compared to 9M 2019 with a profit before tax of RM1.2 million in 9M 2020 as compared to a profit of RM9.3 million in 9M 2019, a decline of RM8.1 million. The significant drop in profit was mainly due the division recording a fair value loss assessed on the venture investment portfolio of RM6.6 million for 9M 2020 as certain investees' businesses and capital raising activities were severely impacted by Covid-19 pandemic compared to a fair value gain of RM5.9 million in 9M 2019. The above fair value loss was partly mitigated by lower expenses recorded as a result of lower payroll related costs stemming from Covid-19 related government subsidy allowances received and a reduction in administrative expenses.

Property Development & Investment

The division recorded comparable sales at RM0.7 million in 9M 2020 and 9M 2019. However, the loss before tax increased by RM0.8 million from RM0.6 million in 9M 2019 to RM1.4 million in 9M 2020. The increased loss resulted mainly from pre-operating expenditure incurred in the property investment unit.

Travel & Tours

The Covid-19 pandemic resulting in the imposition of MCO in Malaysia and international travel restrictions had adverse impact on the performance of the division. The division reported a substantially lower revenue in 9M 2020 of RM17.3 million compared to RM86.3 million in 9M 2019, a drop in revenue of RM68.9 million or approximately 80%. Despite the lower operating expenses due to lower payroll cost and the receipt of government subsidy allowances during the current period under review, the flowdown effect of a substantially lower revenue resulted in the division recording a loss before tax of RM1.0 million in 9M 2020 compared to a profit before tax of RM2.4 million in 9M 2019.

Financial Services

The division recorded a lower revenue of RM3.3 million in 9M 2020 compared to RM6.8 million in 9M 2020. The lower revenue was mainly due to the impact from Covid-19 pandemic since March 2020 which had affected the card & payment services unit due to lower number of merchant transactions and sales coupled with lower revenue from money services unit due to closure of branches with the reopening of only Bangsar outlet in mid of May 2020. As a result of the above, the division recorded a higher loss before tax of RM4.0 million in 9M 2020 compared to a loss before tax of RM3.7 million in 9M 2019.

Others

The Others division registered a lower revenue of RM0.4 million in 9M 2020 compared to the revenue of RM0.7 million for 9M 2019. Bus-body fabrication and education units continued to show losses totalling RM5.7 million in 9M 2020 compared to a loss of RM4.6 million in 9M 2019. The higher loss before tax was mainly attributable to the inventory written down of RM2.2 million from bus-body fabrication unit but partly mitigated by lower staff cost and receipt of Covid-19 related government subsidy allowances.

15. Comparison of results with immediate preceding quarter

	Quarter 3 months ended		
	30.09.2020	**30.06.2020**	**Changes**
	RM'000	**RM'000**	**%**
Revenue	21,591	22,021	(2.0)
Profit/(Loss) from operations	(13,438)	(13,763)	2.4
Profit/(Loss) before tax	(13,948)	(14,951)	6.7
Net profit/(loss) for the financial period	(14,588)	(15,051)	3.1
Net profit/(loss) for the financial period attributable to the Owners of the Parent	(13,741)	(14,674)	6.4

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

Overall performance

The Group recorded a marginally lower revenue of RM21.6 million for the current quarter ended 30 September 2020 ("Q3 2020") compared to revenue of RM22.0 million in the immediate preceding quarter ended 30 June 2020 ("Q2 2020"), a decrease of RM0.4 million or approximately 2.0%. Despite the marginally lower revenue, the Group recorded a lower loss before tax of RM13.9 million in Q3 2020 compared to loss of RM15.0 million in Q2 2020 mainly attributable to a lower fair value loss assessed on the venture investment portfolio in Q3 2020 compared to Q2 2020 offset by the inventory write down in the bus-body fabrication unit in Q3 2020.

Investment Holding

The division reported a lower loss before tax of RM3.6 million in Q3 2020, compared to a loss of RM4.7 million in Q2 2020, a reduction of RM1.1 million or approximately 24.1%. This was mainly attributable to no fair value loss assessed on the venture investment portfolio for the division in the current quarter under review as opposed to fair value loss of RM2.2 million in Q2 2020.

Hotels & Resorts

The higher revenue of RM3.9 million recorded by the division in Q3 2020 compared to a revenue of RM1.2 million in Q2 2020 was mainly attributable to higher revenue from local hotels in Malaysia since the interstate travel restriction was lifted on 10 June 2020 under the Recovery Movement Control Order ("RMCO") phase. Higher revenue was also recorded by the division's hotel in Shanghai partly offset by the closure of the division's hotel in London which ceased its operations at the end of Q2 2020.

With the higher revenue, the division recorded a lower loss before tax of RM4.5 million in Q3 2020 compared to a loss of RM5.6 million in Q2 2020.

Information & Communications Technology

The division registered a lower revenue of RM15.3 million in Q3 2020 compared to RM18.7 million in Q2 2020 mainly due to lower system sale contract revenue recorded by GlobeOSS BU in Q3 2020. Despite the lower revenue in the current quarter under review, the division reported a profit before tax of RM0.3 million in Q3 2020 compared to a loss before tax of RM1.4 million in Q2 2020. The profit in the current quarter under review compared to a loss in the immediate preceding quarter was mainly attributable to lower operating expenses and lower fair value loss assessed on the division's venture investment portfolio in the current quarter under review compared to the immediate preceeding quarter. Fair value loss was lower at RM2.0 million in the quarter under review compared to a fair value loss of RM4.6 million in Q2 2020.

Property Development & Investment

No revenue was recorded in Q3 2020 for the division compared to a revenue of RM0.7 million in Q2 2020. The division reported a higher loss before tax of RM1.0 million in Q3 2020 compared to a loss of RM0.2 million in Q2 2020 mainly due to pre-operating expenditure incurred in property investment unit.

Travel & Tours

The division recorded a higher revenue of RM1.5 million in Q3 2020 as compared to revenue of RM172,000 in Q2 2020 as a result of higher revenue from corporate ticketing during the quarter under review. The flow down effect of higher revenue resulted in the division recording a lower loss before tax of RM0.2 million in Q3 2020 compared to a loss before tax of RM0.9 million in the immediate preceding quarter.

Financial Services

The Financial Services division comprising the card and payment services unit and money services unit recorded a higher revenue of RM1.1 million in Q3 2020 compared to RM0.7 million in Q2 2020. The higher revenue was mainly due to higher revenue from card and payment services unit as a result of resumption of business operations under the RMCO. With the higher revenue, the division reported lower loss before tax of RM1.39 million compared to a loss of RM1.43 million in Q2 2020.

Others

The Others division recorded lower revenue of RM22,000 in Q3 2020 compared to RM0.4 million in Q2 2020. With the lower revenue coupled with higher operating expenses, the division reported a higher loss before tax of RM3.6 million in Q3 2020 as compared to a loss of RM0.85 million in Q2 2020.

The higher loss before tax was mainly attributable to the bus-body fabrication unit recording a loss of RM3.3 million in Q3 2020 compared to a loss of RM0.6 million in Q2 2020 resulting mainly from inventory write down of RM2.2 million and higher operating expenses in the quarter under review.

The education unit reported comparable loss of RM0.3 million in Q3 2020 and Q2 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 has adversely impacted the financial result of the hotels and resorts division for the year to date 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 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 and 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 macroeconomic 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 the 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. Demand 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 focus of the property development division for the year 2020 has been 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. 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. However, the sale of the shophouses in Phase 1, Federal Park project may be challenging until Phase 2 is completed. During the year, the property investment unit commenced its renovation works on the two investment properties. The investment property in Shah Alam, Synergy 9, which is occupied by the Group will yield some rental revenue from the Group in the last quarter of the year although this has minimal impact to the Group results. The property in Kuala Lumpur, Yap Ah Shak House, is expected to be operational in the fourth quarter of the year but will not be expected to yield positive results in the current year as it would require time to build its business as a fully serviced office.

Provisional approvals from the relevant authorities for the Sejijak and Phase 2, Federal Park projects have now been obtained and development works are scheduled for commencement in the first quarter of 2021. Hence, the Sejijak project which consists of 208 units of residential houses and Phase 2 of Federal Park project which consists of 116 units of residential houses are expected to contribute to the performance of the division in the near future.

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 adversely 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 manage the challenges in 2020.

As for our education unit, the Covid-19 pandemic and MCO enforced since March 2020 has continued to adversely impact operations. Enrolments of both foreign and local students dropped drastically. With international travel restrictions and border controls in place, foreign student intake is not expected to resume before early 2021, assuming a falling off in Covid-19 infections. Until then we will continue to focus on recruiting from the local student and corporate markets although these market segments may also be affected if physical classes are not allowed. The next few months will remain challenging.

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

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

18. Profit variance and shortfall in profit guarantee

Not Applicable.

19. Income tax expense

	3 months ended 30.09.2020 RM'000	Year-to-date ended 30.09.2020 RM'000
On current quarter results		
- Malaysian income tax	(640)	(1,760)
	(640)	(1,760)

The effective income tax rate of the Group for the financial quarter ended 30 September 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 can 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 ("Proposed Arosa Land Disposal"). Barring any unforeseen circumstances, the Proposed Arosa Land Disposal is expected to be completed by 31 December 2020.

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

21. Utilisation of proceeds from disposal of 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 September 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	269	2,731	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	2,014	2,736		

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 September 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	19,083	32,817	Within 12 months	Additional 24 months
Expenses for the disposal	10,760	10,760	-	Within 3 months	-
	124,000	91,179	32,821		

23. Group borrowings

Details of the borrowings by the Group are as follows:

	As At 30.09.2020 RM'000	As At 31.12.2019 RM'000
Short term - secured		
- Term loans	5,751	7,348
- Bank overdraft	715	2,815
- Revolving credit	28,000	-
	34,466	10,163
Long term - secured		
- Term loans	39,763	38,614
	39,763	38,614
Total borrowings	74,229	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:

	9 months ended 30.09.2020 RM'000	9 months ended 30.09.2019 RM'000
Amortisation of intangible assets	(1,007)	(1,087)
Depreciation	(9,377)	(8,781)
Bad debts written off	(2)	-
Net gain/(loss) on disposal of:		
- an associated company	-	830
- investment in securities	73	-
- property, plant and equipment	(1)	1
Impairment loss on property, plant and equipment	(3)	-
Impairment loss on amount due from an associate	(626)	-
Impairment loss on investment in securities	(5)	-
Impairment loss on other receivables	(154)	-
Interest expenses	(2,984)	(7,852)
Interest income	1,389	2,220
Net unrealised gain/(loss) on foreign exchange	36	(265)
Inventory written down	(2,157)	-
Property, plant and equipment written off	(570)	(7)
Provision for retirement benefits plan	(239)	(239)
Fair value change in investment in associates	-	(5,247)
Fair value change in fair value through profit or loss investment securities	(8,804)	5,997

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 RM13,741,000 and RM32,513,000 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	
	30.09.2020	**30.09.2019**	**30.09.2020**	**30.09.2019**
	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	
	30.09.2020	**30.09.2019**	**30.09.2020**	**30.09.2019**
Basic loss per share (sen)	(1.48)	(0.50)	(3.50)	(1.42)

Diluted loss per share

	3 months ended		Year-to-date ended	
	30.09.2020	**30.09.2019**	**30.09.2020**	**30.09.2019**
Diluted loss per share (sen)	(1.48)	(0.50)	(3.50)	(1.42)

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
25 November 2020