

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2020

(The figures have not been audited)

	CURRENT		YEAR TO DATE	
	3 Months Ended		6 Months	6 Months
	30.6.2020	30.6.2019	Ended	Ended
	RM'000	RM'000	30.6.2020	30.6.2019
			RM'000	RM'000
Revenue	4,464	28,577	32,153	61,207
Operating expenses	(5,714)	(24,792)	(30,363)	(51,478)
Other income	928	1,648	1,382	1,908
Other expenses	<u>(21,434)</u>	<u>(2,903)</u>	<u>(24,875)</u>	<u>(5,696)</u>
Operating (loss)/profit	(21,756)	2,530	(21,703)	5,941
Finance costs	(2,277)	(2,663)	(4,449)	(4,944)
(Loss)/Profit before tax	<u>(24,033)</u>	<u>(133)</u>	<u>(26,152)</u>	<u>997</u>
Income tax credit/(expense)	2,293	(784)	1,921	(1,691)
Loss for the period, representing total comprehensive loss for the period	<u>(21,740)</u>	<u>(917)</u>	<u>(24,231)</u>	<u>(694)</u>

Attributable to:				
- Owners of the Company :	(21,739)	(917)	(24,229)	(694)
- Non-controlling interests :	(1)	-	(2)	-
	<u>(21,740)</u>	<u>(917)</u>	<u>(24,231)</u>	<u>(694)</u>

Loss per share attributable to Owners of the Company :

Basic (Sen) :	<u>(2.1)</u>	<u>(0.1)</u>	<u>(2.4)</u>	<u>(0.1)</u>
Diluted (Sen) :	<u>(2.1)</u>	<u>(0.1)</u>	<u>(2.4)</u>	<u>(0.1)</u>

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

OLYMPIA INDUSTRIES BERHAD
(Reg. No. 198001009242 (63026-U))

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

(The figures have not been audited)

	As at 30.6.2020 RM'000 (Unaudited)	As at 31.12.2019 RM'000 (Audited)
ASSETS		
Non-current assets		
Plant and equipment	3,583	3,908
Right-of-use assets	3,915	4,577
Land held for property development	218,813	218,813
Investment properties	296,300	316,300
	522,611	543,598
Current assets		
Inventories	16,713	16,693
Trade and other receivables	4,334	4,158
Amounts due from affiliated companies	239	1,247
Tax refundable	2,997	1,767
Investment securities	29,055	35,299
Cash and bank balances	26,763	33,846
	80,101	93,010
TOTAL ASSETS	602,712	636,608
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	295,384	295,384
Merger deficit	(233,884)	(233,884)
Retained earnings	318,424	342,653
	379,924	404,153
Non-controlling interests	769	771
Total equity	380,693	404,924
Non-current liabilities		
Borrowings	150,000	150,048
Other payable	1,501	-
Lease liabilities	2,612	3,022
Deferred tax liabilities	2,102	4,114
Derivative financial liability	2,452	987
	158,667	158,171
Current liabilities		
Trade and other payables	26,418	37,038
Amount due to affiliated companies	35,226	34,315
Lease liabilities	1,143	1,433
Tax payable	565	727
	63,352	73,513
Total liabilities	222,019	231,684
TOTAL EQUITY AND LIABILITIES	602,712	636,608
Net assets per share attributable to owners of the Company (RM)	0.37	0.39

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes to the interim financial statements.

OLYMPIA INDUSTRIES BERHAD

(Reg. No. 198001009242 (63026-U))

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**FOR THE QUARTER ENDED 30 JUNE 2020**

(The figures have not been audited)

	---Attributable to Owners of the Company ---			Total RM'000	Non- controlling interests RM'000	Equity RM'000
	Share capital RM'000	Non- distributable Merger deficit RM'000	Retained earnings RM'000			
	Balance at 1 January 2020	295,384	(233,884)			
Total comprehensive loss	-	-	(24,229)	(24,229)	(2)	(24,231)
Balance at 30 June 2020	295,384	(233,884)	318,424	379,924	769	380,693
Balance at 1 January 2019	295,384	(233,884)	365,415	426,915	667	427,582
Total comprehensive loss	-	-	(694)	(694)	-	(694)
Balance at 30 June 2019	295,384	(233,884)	364,721	426,221	667	426,888

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the notes to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2020
(The figures have not been audited)

	6 Months Ended 30.6.2020 RM'000	6 Months Ended 30.6.2019 RM'000
Cash flows from operating activities		
(Loss)/Profit before tax :-	(26,152)	997
Adjustments for non-cash items:		
Depreciation of plant and equipment	610	1,208
Depreciation of right-of-use assets	486	-
Amortisation of transaction cost on borrowings	37	165
Bad debts written off	-	279
Plant and equipment written off	-	15
Gain on disposal of plant and equipment	(6)	(3)
Fair value loss on :-		
- investment securities	328	154
- derivative financial liability	1,464	841
- investment properties	20,000	-
Reversal of allowances for impairment of other receivables	(35)	(66)
Unrealised loss on foreign exchange	59	36
Dividend income	(512)	(395)
Interest income on fixed deposits	(227)	(234)
Finance costs	4,449	4,708
	<u>26,653</u>	<u>6,708</u>
Operating (loss)/profit before working capital changes	501	7,705
Changes in receivables	(141)	10,862
Changes in inventories	(20)	(5,490)
Changes in affiliated companies	1,920	(1,580)
Changes in land held for property development	-	(56)
Changes in associates	-	(3)
Changes in payables	(9,860)	3,340
	<u>(8,101)</u>	<u>7,073</u>
Cash flows (used in)/generated from operations	(7,600)	14,778
Tax paid	(1,484)	(1,275)
Net cash (used in)/generated from operating activities	(9,084)	13,503

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2020
(The figures have not been audited)

	6 Months Ended 30.6.2020 RM'000	6 Months Ended 30.6.2019 RM'000
Cash flows from investing activities		
Dividend received	512	395
Proceeds from disposal of :-		
- investment securities	11,550	12,422
- plant and equipment	6	3
Purchase of investment securities	(5,626)	(37,844)
Purchase of plant and equipment	(212)	(82)
Interest received	227	234
Net cash generated from/(used in) investing activities	6,457	(24,872)
Cash flows from financing activities		
Proceeds from drawdown of borrowings	-	3,000
Repayments of borrowings	-	(1,000)
Repayments of hire purchases	-	(533)
Placement of monies in trust fund	-	(670)
Net movement in securities placed with licensed bank	508	2,989
Withdrawal of fixed deposits with licensed banks	1,517	1,430
Interest paid	(4,449)	(4,944)
Net cash (used in)/generated from financing activities	(2,424)	272
Net decrease in cash and cash equivalents	(5,051)	(11,097)
Effect of exchange rate changes	(7)	-
Cash and cash equivalents at beginning of the period	14,901	25,289
Cash and cash equivalents at end of the period	9,843	14,192

Cash and cash equivalents at the end of the period comprise the following :-

	6 Months Ended 30.6.2020 RM'000	6 Months Ended 30.6.2019 RM'000
Deposits with financial institutions	17,630	19,033
Cash and bank balances	9,133	13,333
	26,763	32,366
Less: Deposits with licensed banks with maturity periods of more than 3 months	(13,032)	(13,778)
Less: Interest reserve deposits	(3,888)	(4,396)
	9,843	14,192

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the notes to the interim financial statements.

A : EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134

A1. Basis of preparation

The interim financial statements have been prepared under historical cost convention.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019.

As at 30 June 2020, the Group has net assets of RM380,693,000 and net current assets of RM16,749,000. However, the Group incurred a loss after tax of RM24,231,000 and negative net operating cash flows of RM9,084,000 for the six-month period ended 30 June 2020. Included in the loss after tax of the Group is a fair value loss on investment properties of RM20,000,000. The operations, results and financial position of the Group are also expected to be adversely impacted by the effects of the Covid-19 pandemic, as disclosed in Note B3.

The Group has a secured term loan of RM120 million which is included in non-current liabilities and is due for full repayment in August 2021. The management is currently in discussions with the financial institution involved on the further extension of the repayment period for the term loan.

The Group has certain unencumbered assets, including certain land held for property development and inventories of the Group, which will be disposed of as part of the management's plans to gradually reduce the level of the borrowings of the Group. However, due to the uncertain outlook for the property market, the Group may not be able to liquidate these assets to realise their full values within a short period should the need arise.

These conditions indicate the existence of material uncertainties which may cast significant doubt about the ability of the Group to continue as a going concern.

Nevertheless, the financial statements of the Group have been prepared on a going concern basis. The ability of the Group to continue as a going concern is dependent on, amongst others, the favorable outcome of the ongoing discussions with the financial institution involved on the extension of the repayment period for the term loan and the successful implementation of the management's plans as described in the preceding paragraphs.

After considering all pertinent information, including the forecasted cash flow requirements of the Group for the foreseeable future, the probability of the extension of the repayment periods for the term loan being obtained from the financial institution, and the availability and value of the assets of the Group which may be liquidated or used as additional collateral if required, the Directors have concluded that the going concern assumption remains appropriate for the Group.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of Olympia Industries Berhad ("OIB" or "Company") and its subsidiaries (hereinafter referred to as the "Group") since the financial year ended 31 December 2019.

A2. Changes in accounting policies

The accounting policies and methods of computation for the interim financial statements are consistent with those adopted for the annual audited financial statements ended 31 December 2019 except as follows :-

(i) Standards, Amendments and Annual Improvements to Standards effective for financial periods beginning on or after 1 January 2020

On 1 January 2020 the Group and Company adopted the following new and amended MFRS and IC interpretations mandatory for annual financial periods beginning on or after 1 January 2020 :

Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material
Amendments to MFRS 2	Share-Based Payments
Amendments to MFRS 3	Business Combinations - Definition of a Business
Amendments to MFRS 134	Interim Financial Reporting
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138	Intangible Assets
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above standards and interpretations did not have any significant impact on the interim financial statements of the Group.

A2. Changes in accounting policies (cont'd.)

(ii) Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective:

Effective for annual periods beginning on or after 1 June 2020:

Amendment to MFRS 16	Covid-19-Related Rent Concessions
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Effective for annual periods beginning on or after 1 January 2021:

MFRS 17	Insurance Contracts
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Effective for annual periods beginning on or after 1 January 2022:

Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
Amendment to MFRS 1, MFRS 9 and MFRS 16	Annual Improvements to MFRS Standards 2018-2020
Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract

Effective date deferred indefinitely:

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The adoption of the above standards, amended standards and interpretation will not have material impact on the financial statements of the Group and of the Company in the period of initial application.

A3. Auditors' report on preceding annual financial statements

The Company's external auditors, Messrs. Ernst & Young PLT had expressed an unqualified opinion with a paragraph on material uncertainty related to going concern in respect of the financial statements of the Group and the Company for the financial year ended 31 December 2019.

The status of the steps taken or proposed to be taken to address the material uncertainty related to going concern are disclosed in Note B3.

A4. Comments about seasonal or cyclical factors

The Group's business operations are not significantly affected by any seasonal or cyclical factors.

A5. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review, except for the effects of the ongoing Covid-19 pandemic as further disclosed in Note B3.

A6. Changes in estimates

There were no material changes to the estimates of amounts reported in prior quarter of the current financial period or changes to the estimates of amounts reported in prior financial years that have a material effect in the current quarter.

A7. Debts and equity securities

There were no issuance, cancellation, repurchase, resale or repayment of debts and equity securities for the current quarter.

A8. Dividend paid

No dividend has been paid and/or recommended for the current financial period to-date.

OLYMPIA INDUSTRIES BERHAD

(Reg. No. 198001009242 (63026-U))

A : EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134

A9. Revenue

Set out below is the disaggregation of the Group's revenue from contract customers:

Property Development		Gaming		Leasing		Investment Holding & Others		Total 6 months	
30.6.2020	30.6.2019	30.6.2020	30.6.2019	30.6.2020	30.6.2019	30.6.2020	30.6.2019	30.6.2020	30.6.2019
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

Type of goods or service:

Sale of lottery tickets	-	-	24,118	52,196	-	-	-	-	24,118	52,196
Rental income from investment properties:										
- office building	-	-	-	-	7,913	9,011	-	-	7,913	9,011
- residential units	66	-	56	-	-	-	-	-	122	-
	66	-	24,174	52,196	7,913	9,011	-	-	32,153	61,207

Geographical markets:

Sabah	-	-	24,118	52,196	-	-	-	-	24,118	52,196
Kuala Lumpur	66	-	56	-	7,913	9,011	-	-	8,035	9,011
	66	-	24,174	52,196	7,913	9,011	-	-	32,153	61,207

Timing of revenue recognition:

Goods transferred at a point in time	-	-	24,118	52,196	-	-	-	-	24,118	52,196
Services transferred over time	66	-	56	-	7,913	9,011	-	-	8,035	9,011
	66	-	24,174	52,196	7,913	9,011	-	-	32,153	61,207

Set out below is the reconciliation of the Group's revenue from contract customers with the amounts disclosed in the segment information:

Property Development		Gaming		Leasing		Investment Holding & Others		Total 6 months	
30.6.2020	30.6.2019	30.6.2020	30.6.2019	30.6.2020	30.6.2019	30.6.2020	30.6.2019	30.6.2020	30.6.2019
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

Revenue:

External customer	66	-	24,174	52,196	7,913	9,011	-	-	32,153	61,207
Inter-segment	-	-	965	2,088	2,871	2,870	1,750	1,250	5,586	6,208
	66	-	25,139	54,284	10,784	11,881	1,750	1,250	37,739	67,415
Adjustments and eliminations	-	-	(965)	(2,088)	(2,871)	(2,870)	(1,750)	(1,250)	(5,586)	(6,208)
Total revenue from from contracts with customers	66	-	24,174	52,196	7,913	9,011	-	-	32,153	61,207

A : EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134

A10. Segmental information

Results for 6 months ended 30 June 2020 :

	Property Development RM'000	Gaming RM'000	Leasing RM'000	Investment Holding & Others RM'000	Adjustment / Elimination RM'000	Consolidated RM'000
Revenue						
External customers - at a point in time	-	24,118	-	-	-	24,118
External customers - over time	66	56	7,913	-	-	8,035
Inter-segment	-	965	2,871	1,750	(5,586)	-
Total revenue	66	25,139	10,784	1,750	(5,586)	32,153
Results						
Segment results	(1,050)	(629)	(18,687)	944	(2,281)	(21,703)
Finance costs	-	-	(3,659)	(1,167)	377	(4,449)
Loss before tax	(1,050)	(629)	(22,346)	(223)	(1,904)	(26,152)
Income tax expense	-	-	2,000	(79)	-	1,921
Loss for the period	(1,050)	(629)	(20,346)	(302)	(1,904)	(24,231)

Comparative results for 6 months ended 30 June 2019 :

	Property Development RM'000	Gaming RM'000	Leasing RM'000	Investment Holding & Others RM'000	Adjustment / Elimination RM'000	Consolidated RM'000
Revenue						
External customers - at a point in time	-	52,196	-	-	-	52,196
External customers - over time	-	-	9,011	-	-	9,011
Inter-segment	-	2,088	2,870	1,250	(6,208)	-
Total revenue	-	54,284	11,881	1,250	(6,208)	61,207
Results						
Segment results	(1,285)	6,688	2,385	(3,832)	1,985	5,941
Finance costs	(142)	(4)	(3,649)	(1,291)	142	(4,944)
(Loss)/Profit before tax	(1,427)	6,684	(1,264)	(5,123)	2,127	997
Income tax expense	-	(1,569)	(122)	-	-	(1,691)
(Loss)/Profit for the period	(1,427)	5,115	(1,386)	(5,123)	2,127	(694)

A11. Valuation of investment properties

During the previous financial year, Menara Olympia and its adjoining leased car park ("Menara Olympia") of Dairy Maid Resort & Recreation Sdn Bhd ("DMRR"), a wholly-owned subsidiary of the Company was reflected at fair value in accordance with Malaysian Financial Reporting Standards ("MFRS") 140: Investment Properties.

The valuation in the previous financial year and the current quarter was carried out by an independent firm of professional valuer, Knight Frank Malaysia Sdn Bhd using the investment method.

The resulting fair value deficit of RM18.0 million net of deferred tax from the valuation has been charged out to the income statement during the current financial period to-date under review. Net assets per share of the group has thus decreased by RM0.02 per share as a result. The valuation was carried out by an independent firm of professional valuer, Knight Frank Malaysia Sdn Bhd using Investment and Comparison methods.

During the previous financial year, the Group's portfolio of 4 residential units of luxurious 4-storey bungalows in Kenny Heights ("Villas") owned by certain subsidiaries of the Company was reflected at fair value in accordance with MFRS 140: Investment Properties.

The valuation in the previous financial year was carried out by an independent firm of professional valuer, Raine & Horne International Zaki + Partners Sdn Bhd using the comparison method.

The Board of Directors have assessed and concluded that there is no change in the fair value of these properties as at 30 June 2020, considering relevant information and market conditions prevailing as at 30 June 2020.

A12. Subsequent events

There were no material events subsequent to the end of the period to-date ended 30 June 2020 other than disclosed below:

United Malaysian Properties Sdn Bhd ("UMP" or "Vendor"), a wholly-owned subsidiary of the Company had on 30 July 2020 entered into a Sale and Purchase Agreement ("Agreement") with KH Estates Sdn Bhd ("KHE" or "Purchaser") for the sale of a condominium unit bearing postal address at Unit No. 1-3, 9 Madge, No. 9, Jalan Madge, 55000 Kuala Lumpur measuring approximately 3,240 square feet together with car park Lot nos. 7, 8 and 9 at Lower Level 2 ("Property") for a total cash consideration of RM3,100,000.00 ("Sale Consideration") and subject to the terms and conditions as stipulated in the Agreement ("Proposed Transaction").

The Proposed Transaction is not subject to the approval of the shareholders of the Company. The Proposed Transaction will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings of the Company.

The Proposed Transaction will increase the net assets per share of the Company by RM0.01 per share from RM0.39 per share to RM0.40 per share. Apart from that, the Proposed Transaction will not have any material effect on the earnings per share and gearing of Olympia based on the audited consolidated financial statements of the Company for the financial year ended 31 December 2019.

There will be an estimated gain of RM325,000 arising from the Proposed Transaction. Barring any unforeseen circumstances, the Proposed Transaction is expected to be completed by the third quarter of 2020.

A13. Changes in composition of the Group

There were no changes in the composition of the Group during the quarter and period to-date ended 30 June 2020.

A14. Changes in contingent liabilities and contingent assets

There were no changes in other contingent liabilities and contingent assets since the last audited statement of financial position as at 31 December 2019.

A15. Capital commitments

There were no capital commitments contracted but not provided for in the interim financial statements as at 30 June 2020.

A16. Fair values of financial instruments

Financial instruments that are not carried at fair value

The following are classes of financial instruments at amortised cost whose carrying amounts are reasonable approximation of fair value:

Amounts due from/(to) affiliated companies
Trade and other receivables
Cash and bank balances
Loans and borrowings
Lease liabilities
Trade and other payables

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair values of borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending and borrowings at the reporting date.

Financial instruments carried at fair value

Investment securities

The investment securities are classified as Level 1 within the fair value hierarchy. Fair value is determined directly by reference to their published market bid price at the reporting date.

Derivative

The derivative is classified as Level 2 within the fair value hierarchy. Fair value is determined by valuation techniques incorporating various inputs including the differential between the fixed and variable interest rates on the borrowing and the period to maturity of the derivative contract as at the reporting date.

There have been no transfers of financial instruments between the levels of fair value hierarchy during the period.

**B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD**

B1. Performance review

RM'000	Individual Period (2nd Quarter)				Cumulative Period (6 months year-to-date)			
	Current year 30.6.2020	Preceding year 30.6.2019	+ / -		Current year 30.6.2020	Preceding year 30.6.2019	+ / -	
Revenue	4,464	28,577	(24,113)	-84%	32,153	61,207	(29,054)	-47%
(Loss)/profit before tax	(24,033)	(133)	(23,900)	-17970%	(26,152)	997	(27,149)	-2723%
Loss after tax	(21,740)	(917)	(20,823)	-2271%	(24,231)	(694)	(23,537)	-3391%

Table 1: Financial review for current quarter & financial year-to-date

Current Quarter vs Previous Corresponding Quarter Last Year

The Group reported a consolidated revenue of RM4.5 million for the current quarter under review as compared to RM28.6 million in the previous corresponding quarter of last year, a decline of 84.4% or RM24.1 million in the Group's revenue. Leasing division was the main contributor to the Group, contributing 84.8% or RM3.8 million of the total revenue of the Group for the current quarter.

The Group reported a loss before tax of RM24.0 million for the current quarter compared to a RM0.1 million loss before tax in the previous corresponding quarter last year.

The variance in comparing both financial quarters is mainly due to :

- Gaming division—incurred losses due to temporary closure of gaming outlets throughout the Movement Control Order (MCO), Conditional MCO (CMCO) and Recovery MCO (RMCO) periods until 25th June 2020 imposed by the government of Malaysia, higher payout ratio of 88.0%, up from 59.8% in the corresponding quarter last year, and lower average sales value per draw.
- Leasing segment—lower profits during the current quarter is mainly due to the lower occupancy and average rental rates, and impact from the MCO. Also due to fair value losses on valuation of Menara Olympia in the current quarter, and none during the corresponding quarter last year.

YTD (6 months) Q2 FY 2020 vs YTD (6 months) Q2 FY 2019

The Group reported a loss before tax of RM26.2 million during the 6 months period ended 30 June 2020 compared to a RM1.0 million profit before tax in the corresponding 6 months period last year.

The variance is mainly due to:

- Gaming division—lower profits during the current 6 months period mainly due to MCO, CMCO and RMCO periods temporary business closure and higher payout ratio at 60.9%, up from 57.7% in the corresponding 6 months period last year.
- Leasing segment—lower profits mainly due to the lower occupancy and average rental rates, and impact from the MCO during the current 6 months period under review compared to the corresponding 6 months period last year. Also due to fair value losses on valuation of Menara Olympia in the current period to-date, and none in last year corresponding period.

B2. Comparison with immediate preceding quarter's results

RM'000	Current quarter 30.6.2020	Immediate preceding quarter 31.3.2020	+ / -	
Revenue	4,464	27,689	(23,225)	-84%
Loss before tax	(24,033)	(2,119)	(21,914)	-1034%
Loss after tax	(21,740)	(2,491)	(19,249)	-773%

Table 2: Financial review for current quarter compared with immediate preceding quarter

The Group reported a loss before tax of RM24.0 million for the current quarter compared to RM2.1 million loss before tax in the immediate preceding quarter. This is mainly due to:

- Gaming division—lower profits resulted from the suspension of operations during the MCO, CMCO and RMCO period from 18 March 2020 till 25 June 2020. However, lower payout ratio at 88.0%, down from 60.2% in the immediate preceding quarter has mitigated the effects of the lower profit reported.

**B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD**

B2. Comparison with immediate preceding quarter's results (cont'd.)

The Group reported a loss before tax of RM24.0 million for the current quarter compared to RM2.1 million loss before tax in the immediate preceding quarter. This is mainly due to (cont'd.):

- ii) Leasing segment—lower profits during the current quarter compared to the immediate preceding quarter mainly due to the lower occupancy and average rental rates, and impact from the MCO. Also due to fair value losses on valuation of Menara Olympia in the current quarter, and none in the immediate preceding quarter.

B3. Commentary of prospects

Given the current negative sentiments, the Group's property division's joint venture is unlikely to unveil new products until the economy and the external environment becomes more conducive. The leasing division is expected to remain steady and maintain its present level of performance for the rest of the financial year.

The revenues and results of the Group subsequent to the end of the quarter are also expected to be impacted by the temporary cessation of its gaming operations (which had only recommenced operations on 26 June 2020), as further elaborated below.

On 11 March 2020, the World Health Organisation (WHO) declared Covid-19 a worldwide pandemic. With widespread concerns about the ongoing Covid-19 pandemic, the government of Malaysia had declared a MCO from 18 March 2020. The MCO encompasses restriction of movement and assembly nationwide, and closure of all government and private premises except those involved in essential services. Subsequently, the Group resumed its operations in May 2020, with the exception of the gaming segment, in line with the announcement by the government that most businesses were allowed to resume operations, following the implementation of the recent phase of the conditional MCO ("CMCO"), which remained in place up to 9 June 2020. Subsequently from 10 June 2020 onwards, the country entered into the recovery phase of the MCO ("RMCO") in which more sectors of the economy were allowed to recommence business operations.

Pursuant to Bursa Malaysia's Disclosure Guidance on Covid-19 Related Impacts and Investments (ICN 1/2020) issued on 10 June 2020, the Board and management has deemed the following additional disclosures to be specific and relevant to the sector and industry in which the Group operates:-

(1) Impact on the Group's business operations

Leasing division:

- a) Rental rebates and deferrals have been given to certain office and retail units tenants on a case-by-case basis to assist and retain tenants during this difficult time. Some tenants have voluntarily continue to remain closed and have initiated work-from-home arrangements. Overall, despite the office premises closure during MCO and CMCO, the office leasing operations at Menara Olympia had remained largely unaffected, with only the Covid-19 standard operating procedures ("SOPs") becoming the "new normal" for both tenants and visitors alike.
- b) There were no changes to the division's workforce structure. The division had applied to the Social Security Organisation ("PERKESO") for the wages compensation scheme for applicable staff. There is no effect on supply chain, distribution networks or logistics.
- c) There were no variations to any material contracts.

Gaming division:

- a) With the implementation of the Recovery Movement Control Order ("RMCO") starting from 10 June 2020, our gaming division which operates the Sabah 88 lotteries has recommenced its operations on 26 June 2020.

The results and financial position of the Group for the current quarter and for the financial year ending 31 December 2020 are expected to be impacted by the temporary closure of the gaming operations during the entire period of the MCO and CMCO and as at the date of this report, in which a total of 44 lottery draws have been cancelled.

- b) There were no changes to its workforce structure. The division had applied to PERKESO for the wages compensation scheme for applicable staff. Its network of agents have remained inactive during the periods in which the gaming outlets remain closed.
- c) There were no variations to any material contracts.

**B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD**

B3. Commentary of prospects (cont'd.)

(2) Impact on the Group's cash flows, liquidity, financial position and financial performance

Leasing division:

- a) The leasing division has sufficient working capital and will continue to be able to fulfil its financial obligations, meet its operating expenditure and sustain its business operations in the foreseeable future. The Group has also sought and obtained interest moratorium from its principal lender during the affected period.
- b) Key drivers to commercial property values typically reflect a medium to long term outlook. The impact of the pandemic to the real estate market itself is likely to be transitory. However, the division suffered a RM18.0 million impairment loss (net of deferred tax adjustments) during the current 6 months period. Apart from that, the leasing division is not expected to have any material impairment to its other assets, inventories or receivables as the Group believes that most of the effects of the pandemic will be temporary.
- c) The majority of the existing tenants portfolio remained steady throughout the affected period. The tenants of Menara Olympia are from varied sectors and industries which had been progressively granted re-opening permissions with SOPs by the government throughout the various MCO phases. There were no material changes to planned capital expenditure. The Company does not expect any material impact on the leasing division's financial performance.

Gaming division:

- a) The gaming division has sufficient working capital to fulfil its financial obligations, to meet its operating expenditure, and to sustain its business operations. It will also be able to draw upon its cash reserves should the need arise. The division does not have any large external debt obligations.
- b) The Company does not expect any material impairment to its assets, inventories or receivables for gaming division based on the information as at the date of this report.
- c) With the implementation of the Recovery Movement Control Order ("RMCO") starting from 10 June 2020, our gaming division which operates the Sabah 88 lotteries has recommenced its operations on 26 June 2020.

The results and financial position of the Group for the current quarter and for the financial year ending 31 December 2020 are expected to be impacted by the temporary closure of the gaming operations during the entire period of the MCO and CMCO and as at the date of this report, in which a total of 44 lottery draws have been cancelled.

(3) Impact on business and earnings prospects

The business and earnings prospects of the Group are expected to be impacted by the Covid-19 pandemic as elaborated in the preceding paragraphs.

(4) Strategy and steps taken to address the impact of Covid-19

To recap the Company's announcement made on 27 May 2020, the Company has taken, amongst others, the following mitigation steps which are currently still ongoing:

- Tenant retention support via rental rebates and deferment for certain affected tenants;
- Freezing of planned capital expenditures;
- Cost-cutting measures on non-essential items;
- Sought interest moratorium and tenure extensions from its principal lenders, while being continuously watchful of its loan covenants compliance;
- Applied for wage subsidy programme from PERKESO; to mitigate payroll costs; and
- Continuously evaluating various plans and options in order to pare down its borrowings.
- During the current quarter, the Group has obtained a further 2-year extension for the repayment of a secured term loan of RM30 million, which was initially due in April 2021.

The Group did not and does not intend to venture into any new investments nor business collaborations related to Covid-19.

B4. Profit forecast and profit guarantee

The Group has not issued any profit forecast or profit guarantee during the current quarter and year to-date under review.

**B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD**

B5. Taxation

Current Quarter 3 Months 30.6.2020 RM'000	Cumulative Year to-date 6 Months 30.6.2020 RM'000
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Current tax : Malaysian	293	(79)
Deferred tax : Malaysian	2,000	2,000
TOTAL :	2,293	1,921

The Group's effective tax rate is higher than the statutory tax rate of 24% (2019: 24%) due to additional assessments on disallowed expenses on certain subsidiaries of the Group.

B6. Corporate proposals

Save for the Proposed Transaction described under Note A12 earlier, there were no outstanding corporate proposals announced but not completed as at 21 August 2020, being 7 days from the date of issuance of these interim financial statements.

B7. Borrowings and debt securities

----- As at 30.6.2020 -----			
Group borrowings	Secured RM'000	Unsecured RM'000	Total RM'000
Short term:			
Lease liabilities	1,143	-	1,143
	1,143	-	1,143
Long term:			
Term loans	150,000	-	150,000
Lease liabilities	2,612	-	2,612
	152,612	-	152,612
	153,755	-	153,755

All borrowings are denominated in Ringgit Malaysia.

Included in term loans is a secured term loan of RM120 million. Based on the facility agreement, the aggregate borrowings from this financial institution (including the interest rate swap derivative) which are outstanding shall not exceed a certain percentage of the value of the investment property which is used as security for this facility. In the event of any shortfall, the Group is required to provide additional collateral acceptable to the financial institution within 30 days of such demand by the financial institution. No such demand has been made as at the current date and the management of the Group is currently in discussions with the financial institution on the relaxation of the security margin requirement.

B8. Derivative financial instrument

The nature of all outstanding derivatives as at 30 June 2020 are disclosed as follows :-

Type of Derivative	Remaining tenure	As at 30.6.2020		Classification in Statement of Financial Position			
		Contract / notional value RM'000	Fair value deficit RM'000	Derivative financial assets		Derivative financial liabilities	
				Non-current RM'000	Current RM'000	Non-current RM'000	Current RM'000
Interest rate swap ("IRS")	1 year	120,000	(2,452)	-	-	(2,452)	-

The Group had in prior years entered into an IRS contract to manage its exposure to interest rate risks by converting its floating rate liabilities to fixed rate liabilities in order to limit the Group's exposure to unfavourable interest rate fluctuations on the underlying debt instrument, specifically a long term loan included under Note B7.

**B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD**

B8. Derivative financial instrument (cont'd.)

The IRS for the term loan was entered into for 5 years with a fixed swap rate of 3.75% per annum.

Since its inception, there has been no change to the type of derivative financial contracts entered into, the risks associated with the derivative, the cash requirements of the derivative, the risk management objectives and policies to mitigate these risks, and the related accounting policies.

B9. Changes in material litigation

The list of material litigation is announced to Bursa Malaysia together with these interim financial statements. Other than as disclosed in the attached list of material litigation, there are no material litigations that have material effect to the Group at the date of this report.

B10. Off balance sheet financial instruments

There were no off balance sheet financial instruments as at the date of this report.

B11. Dividend payable

No dividend has been declared for the previous financial year ended 31 December 2019.

B12. Notes to the condensed consolidated statement of comprehensive income

The following amount have been credited/(charged) in arriving at profit/(loss) before tax:

	Quarter ended		Financial period ended	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Interest income	147	205	227	234
Interest expense	(2,733)	(2,663)	(4,449)	(4,708)
Dividend income	259	308	512	395
Depreciation on property, plant and equipment	(302)	(420)	(610)	(1,208)
Property, plant and equipment written off	-	(15)	-	(15)
Gain on disposal of property, plant and equipment	-	3	6	3
Unrealised loss on foreign exchange	(41)	(36)	(59)	(36)
Loss on fair value changes on investment properties	(20,000)	-	(20,000)	-
Amortisation of transaction costs on borrowings	-	(42)	(37)	(165)
Loss on fair value changes of investment securities	(38)	(154)	(328)	(154)
Fair value loss on derivative	(182)	(343)	(1,464)	(841)
Reversal of impairment loss on receivables	35	66	35	66

B13. Loss per share

a) Basic

The basic loss per share for the quarter and cumulative period to date is computed as follows:

	Quarter ended		Financial period ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
Loss after tax attributable to owners of the Company (RM'000)	(21,739)	(917)	(24,229)	(694)
Weighted average number of ordinary shares in issue ('000)	1,023,432	1,023,432	1,023,432	1,023,432
Loss per share (Sen)	(2.1)	(0.1)	(2.4)	(0.1)

b) Diluted

As there are no potential dilutive ordinary shares outstanding at reporting date, the diluted earnings per share is the same as the basic earnings per share.

B14. Limited review by external auditors

The Board had engaged the external auditors, Messrs. Ernst & Young PLT to review this interim quarterly results for the quarter and year-to-date ended 30 June 2020 in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

The review report was unqualified, with a paragraph on material uncertainty related to going concern of the Group.

The status of the steps taken or proposed to be taken to address the material uncertainty related to to going concern are disclosed in Note B3.

On behalf of the Board
OLYMPIA INDUSTRIES BERHAD

Lim Yoke Si
Company Secretary

Kuala Lumpur
28 August 2020