

OLYMPIA INDUSTRIES BERHAD

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

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

(The figures have not been audited)

	CURRENT		YEAR TO DATE	
	3 Months Ended		9 Months	9 Months
	30.9.2020	30.9.2019	Ended	Ended
	RM'000	RM'000	30.9.2020	30.9.2019
			RM'000	RM'000
Revenue	26,576	30,007	58,729	91,214
Operating expenses	(24,683)	(25,706)	(55,046)	(77,184)
Other income	939	806	2,321	2,714
Other expenses	(2,489)	(2,952)	(27,364)	(8,648)
Operating profit/(loss)	343	2,155	(21,360)	8,096
Finance costs	(2,336)	(2,605)	(6,785)	(7,549)
(Loss)/profit before tax	(1,993)	(450)	(28,145)	547
Income tax (expense)/credit	(72)	591	1,849	(1,100)
(Loss)/profit for the period, representing total comprehensive loss for the period	(2,065)	141	(26,296)	(553)

Attributable to:				
- Owners of the Company :	(2,063)	31	(26,292)	(663)
- Non-controlling interests :	(2)	110	(4)	110
	<u>(2,065)</u>	<u>141</u>	<u>(26,296)</u>	<u>(553)</u>

Loss per share attributable to Owners of the Company :

Basic (Sen) :	<u>(0.2)</u>	<u>-</u>	<u>(2.6)</u>	<u>(0.1)</u>
Diluted (Sen) :	<u>(0.2)</u>	<u>-</u>	<u>(2.6)</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 SEPTEMBER 2020
(The figures have not been audited)

	As at 30.9.2020 RM'000 (Unaudited)	As at 31.12.2019 RM'000 (Audited)
ASSETS		
Non-current assets		
Plant and equipment	3,373	3,908
Right-of-use assets	3,880	4,577
Land held for property development	218,813	218,813
Investment properties	296,300	316,300
	522,366	543,598
Current assets		
Inventories	13,898	16,693
Trade and other receivables	5,237	4,158
Amounts due from affiliated companies	412	1,247
Tax refundable	2,396	1,767
Investment securities	28,977	35,299
Cash and bank balances	29,861	33,846
	80,781	93,010
TOTAL ASSETS	603,147	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	316,361	342,653
	377,861	404,153
Non-controlling interests	767	771
Total equity	378,628	404,924
Non-current liabilities		
Borrowings	30,000	150,048
Other payable	1,501	-
Lease liabilities	2,652	3,022
Deferred tax liabilities	2,101	4,114
Derivative financial liability	2,162	987
	38,416	158,171
Current liabilities		
Trade and other payables	29,848	37,038
Amount due to affiliated companies	35,484	34,315
Loans and borrowings	120,000	-
Lease liabilities	771	1,433
Tax payable	-	727
	186,103	73,513
Total liabilities	224,519	231,684
TOTAL EQUITY AND LIABILITIES	603,147	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 SEPTEMBER 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	-	-	(26,292)	(26,292)	(4)	(26,296)
Balance at 30 September 2020	<u>295,384</u>	<u>(233,884)</u>	<u>316,361</u>	<u>377,861</u>	<u>767</u>	<u>378,628</u>
Balance at 1 January 2019	295,384	(233,884)	365,415	426,915	667	427,582
Total comprehensive loss	-	-	(663)	(663)	110	(553)
Balance at 30 September 2019	<u>295,384</u>	<u>(233,884)</u>	<u>364,752</u>	<u>426,252</u>	<u>777</u>	<u>427,029</u>

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 SEPTEMBER 2020
(The figures have not been audited)

	9 Months Ended 30.9.2020 RM'000	9 Months Ended 30.9.2019 RM'000
Cash flows from operating activities		
(Loss)/profit before tax :-	(28,145)	547
Adjustments for non-cash items:		
Depreciation of plant and equipment	903	1,622
Depreciation of right-of-use assets	753	-
Amortisation of transaction cost on borrowings	113	165
Bad debts written off	-	190
Plant and equipment written off	-	15
Gain on disposal of plant and equipment	(219)	(3)
Fair value loss on :-		-
- investment securities	387	237
- derivative financial liability	1,175	1,026
- investment properties	20,000	-
Allowance for impairment of :-		
- other receivables	8	3
Reversal of allowances for impairment of other receivables	(31)	(66)
Unrealised loss on foreign exchange	94	63
Dividend income	(660)	(606)
Interest income on fixed deposits	(403)	(426)
Finance costs	6,785	7,323
	<u>28,905</u>	<u>9,543</u>
Operating profit before working capital changes	760	10,090
Changes in receivables	(1,055)	14,559
Changes in inventories	2,795	(5,521)
Changes in affiliated companies	2,004	(1,411)
Changes in land held for property development	-	(56)
Changes in associates	-	(3)
Changes in payables	(6,807)	11,299
	<u>(3,063)</u>	<u>18,867</u>
Cash flows (used in)/generated from operations	(2,303)	28,957
Tax paid	(1,521)	1,315
Net cash (used in)/generated from operating activities	(3,824)	30,272

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

	9 Months Ended 30.9.2020 RM'000	9 Months Ended 30.9.2019 RM'000
Cash flows from investing activities		
Dividend received	660	606
Proceeds from disposal of :-		
- investment securities	14,386	9,733
- plant and equipment	6	3
Purchase of investment securities	(8,528)	(48,124)
Purchase of plant and equipment	(296)	(99)
Interest received	403	426
Net cash generated from/(used in) investing activities	6,631	(37,455)
Cash flows from financing activities		
Proceeds from drawdown of borrowings	-	3,000
Repayments of borrowings	-	(1,000)
Repayments of hire purchases	-	(704)
Placement of monies in trust fund	-	(664)
Net movement in securities placed with licensed bank	508	2,489
Withdrawal of fixed deposits with licensed banks	(192)	850
Interest paid	(6,785)	(7,559)
Net cash used in financing activities	(6,469)	(3,588)
Net decrease in cash and cash equivalents	(3,662)	(10,771)
Effect of exchange rate changes	(7)	14
Cash and cash equivalents at beginning of the period	14,901	25,289
Cash and cash equivalents at end of the period	11,232	14,532

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

	9 Months Ended 30.9.2020 RM'000	9 Months Ended 30.9.2019 RM'000
Deposits with financial institutions	19,331	20,114
Cash and bank balances	10,530	13,173
	29,861	33,287
Less: Deposits with licensed banks with maturity periods of more than 3 months	(14,741)	(14,359)
Less: Interest reserve deposits	(3,888)	(4,396)
	11,232	14,532

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.

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 September 2020, the Group has net assets of RM378,628,000. However, the Group has net current liabilities of RM105,322,000 as at 30 September 2020, incurred a loss after tax of RM26,296,000 and negative net operating cash flows of RM3,824,000 for the nine-month period ended 30 September 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. Thus, the ability of the Group to continue as a going concern is dependent on, amongst others, the ability of the subsidiaries within the Group to achieve profitable operations.

The Group has a secured term loan of RM120 million which is included in 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:

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
MFRS 17	Insurance Contracts
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current

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 9 months	
30.9.2020	30.9.2019	30.9.2020	30.9.2019	30.9.2020	30.9.2019	30.9.2020	30.9.2019	30.9.2020	30.9.2019
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	-	-	43,453	78,057	-	-	-	-	43,453	78,057
Rental income from investment properties:										
- office building	-	-	-	-	11,994	13,157	-	-	11,994	13,157
- residential units	94	-	88	-	-	-	-	-	182	-
Sale of completed properties	3,100	-	-	-	-	-	-	-	3,100	-
	3,194	-	43,541	78,057	11,994	13,157	-	-	58,729	91,214

Geographical markets:

Sabah	-	-	43,453	78,057	-	-	-	-	43,453	78,057
Kuala Lumpur	3,194	-	88	-	11,994	13,157	-	-	15,276	13,157
	3,194	-	43,541	78,057	11,994	13,157	-	-	58,729	91,214

Timing of revenue recognition:

Goods transferred at a point in time	3,100	-	43,453	78,057	-	-	-	-	46,553	78,057
Services transferred over time	94	-	88	-	11,994	13,157	-	-	12,176	13,157
	3,194	-	43,541	78,057	11,994	13,157	-	-	58,729	91,214

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 9 months	
30.9.2020	30.9.2019	30.9.2020	30.9.2019	30.9.2020	30.9.2019	30.9.2020	30.9.2019	30.9.2020	30.9.2019
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

Revenue:

External customer	3,194	-	43,541	78,057	11,994	13,157	-	-	58,729	91,214
Inter-segment	-	-	1,738	3,122	4,307	4,306	2,625	1,875	8,670	9,303
	3,194	-	45,279	81,179	16,301	17,463	2,625	1,875	67,399	100,517
Adjustments and eliminations	-	-	(1,738)	(3,122)	(4,307)	(4,306)	(2,625)	(1,875)	(8,670)	(9,303)
Total revenue from from contracts with customers	3,194	-	43,541	78,057	11,994	13,157	-	-	58,729	91,214

A : EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134

A10. Segmental information

Results for 9 months ended 30 September 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	-	43,453	-	-	-	43,453
External customers - over time	3,194	88	11,994	-	-	15,276
Inter-segment	-	1,738	4,307	2,625	(8,670)	-
Total revenue	3,194	45,279	16,301	2,625	(8,670)	58,729
Results						
Segment results	(1,387)	(661)	(17,009)	154	(2,457)	(21,360)
Finance costs	-	(105)	(5,112)	(2,103)	535	(6,785)
Loss before tax	(1,387)	(766)	(22,121)	(1,949)	(1,922)	(28,145)
Income tax expense	1	(151)	2,000	(1)	-	1,849
Loss for the period	(1,386)	(917)	(20,121)	(1,950)	(1,922)	(26,296)

Comparative results for 9 months ended 30 September 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	-	78,057	-	-	-	78,057
External customers - over time	-	-	13,157	-	-	13,157
Inter-segment	-	3,122	4,306	1,875	(9,303)	-
Total revenue	-	81,179	17,463	1,875	(9,303)	91,214
Results						
Segment results	(2,301)	9,327	3,416	(1,771)	(575)	8,096
Finance costs	(253)	(5)	(5,443)	(2,101)	253	(7,549)
(Loss)/Profit before tax	(2,554)	9,322	(2,027)	(3,872)	(322)	547
Income tax expense	(64)	(1,019)	(17)	-	-	(1,100)
(Loss)/Profit for the period	(2,618)	8,303	(2,044)	(3,872)	(322)	(553)

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 immediate preceding 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 has assessed and concluded that there is no change in the fair value of these properties as at 30 September 2020, considering relevant information and market conditions prevailing as at 30 September 2020.

A12. Subsequent events

There were no material events subsequent to the end of the period to-date ended 30 September 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 September 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 September 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

	Individual Period (3rd Quarter)				Cumulative Period (9 months year-to-date)			
	Current year 30.9.2020	Preceding year 30.9.2019	+ / -		Current year 30.9.2020	Preceding year 30.9.2019	+ / -	
Revenue	26,576	30,007	(3,431)	-11%	58,729	91,214	(32,485)	-36%
(Loss)/profit before tax	(1,993)	(450)	(1,543)	-343%	(28,145)	547	(28,692)	-5245%
(Loss)/profit after tax	(2,065)	141	(2,206)	-1565%	(26,296)	(553)	(25,743)	-4655%

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 RM26.6 million for the current quarter under review as compared to RM30.0 million in the previous corresponding quarter of last year, a decline of 11.4% or RM3.4 million in the Group's revenue. The gaming division was the main contributor to the Group, contributing 72.9% or RM19.4 million of the total revenue of the Group for the current quarter.

The Group reported a loss before tax of RM2.0 million for the current quarter compared to a RM0.5 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 the temporary closure of gaming outlets throughout the Movement Control Order (MCO), Conditional MCO (CMCO) and Recovery MCO (RMCO) periods from 18 March 2020 until 25 June 2020 imposed by the government of Malaysia. The current quarter also had a higher payout ratio of 66.7%, up from 60.1% in the corresponding quarter last year, and lower average sales value per draw.

Towards the end of the current quarter, the division's gaming operations which are entirely in the state of Sabah were also impacted by the third wave of Covid-19 in the country. This began with the CMCO being imposed on 3 districts including Lahad Datu on 29 September 2020, followed by Kota Kinabalu and the entire state of Sabah thereafter.

- Leasing segment–slightly higher profit during the current quarter due to higher average rental rate, despite lower occupancy rate and impact from the initial MCO period.

YTD (9 months) Q3 FY 2020 vs YTD (9 months) Q3 FY 2019

The Group reported a loss before tax of RM28.1 million during the 9 months period ended 30 September 2020 compared to a RM0.5 million profit before tax in the corresponding 9 months period last year.

The variance is mainly due to:

- Gaming division–incurred losses during the current 9 months period due to temporary closure of gaming outlets throughout the initial MCO, CMCO and RMCO periods. The division also recorded higher payout ratio of 63.5%, up from 58.5% in the corresponding 9 months period last year, as well as lower average sales value per draw during the same period.
- Leasing segment–incurred losses mainly due to fair value losses on valuation of Menara Olympia in the current period to-date, and none in last year corresponding period. Occupancy and average rental rates also trended lower during the current 9 months period under review compared to the corresponding 9 months period last year as the division is currently still reeling from the impact of the MCO.

B2. Comparison with immediate preceding quarter's results

	Current quarter 30.9.2020	Immediate preceding quarter 30.6.2020	+ / -	
Revenue	26,576	4,464	22,112	495%
Loss before tax	(1,993)	(24,033)	22,040	92%
Loss after tax	(2,065)	(21,740)	19,675	91%

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

**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 RM2.0 million for the current quarter compared to RM24.0 million loss before tax in the immediate preceding quarter. This is mainly due to:

- i) Gaming division—returned to profit due to the resumption of operations after the MCO and CMCO periods. The current quarter also saw a lower payout ratio at 66.7%, down from 88.0% in the immediate preceding quarter.
- ii) Leasing segment—higher profit during the current quarter compared to the immediate preceding quarter mainly due to fair value losses on valuation of Menara Olympia in the immediate preceding quarter, and none in the current quarter.

B3. Commentary of prospects

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 conditional MCO ("CMCO") phase, 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.

Yet another round of CMCO commenced on 7 October 2020 specifically for Kota Kinabalu, Penampang & Putatan districts. This was followed by a Sabah state-wide CMCO which started from 13 October 2020 and was extended until 9 November 2020. CMCO for Selangor, Kuala Lumpur and Putrajaya commenced on 14 October 2020, followed by CMCO for all states in Peninsular Malaysia except Perlis, Pahang & Kelantan for 4 weeks from 9 November 2020 to 6 December 2020. The revenues and results of the Group subsequent to the end of the quarter are thus expected to be impacted by this new round of temporary cessation of its gaming operations.

The recently tabled Malaysian Budget 2021 had forecasted that our economy will shrink by 4.5% in 2020, but will grow between 6.5% to 7.5% in 2021. These forecasts imply that the government hopes Covid-19 will be contained by end-2020, and is optimistic of full recovery in 2021.

Given the current negative sentiments for at least the immediate term, 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.

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 have 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 had recommenced its operations on 26 June 2020. However, the districts of Lahad Datu and Kota Kinabalu, wherein the gaming division has branches, suffered yet another round of CMCO which commenced on 29 September 2020 and 7 October 2020 respectively. The situation worsened with a Sabah state-wide CMCO which commenced on 13 October 2020 and was subsequently extended until 9 November 2020, and all of its branches were not allowed to conduct business during this time while all non-essential services had been ordered to close.

The results and financial position of the Group for the following quarter and for the financial year ending 31 December 2020 are expected to be impacted by the temporary closures of the gaming operations during both the first round of the MCO and CMCO in April and May 2020, in which a total of 44 lottery draws was cancelled, as well as the most recent CMCO which commenced in end-September / early October 2020, of which 12 draws and 1 replacement special draw were cancelled. Gaming operations resumed on 3 November 2020 with state government permission.

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

B3. Commentary of prospects (cont'd.)

(1) Impact on the Group's business operations (cont'd.)

Gaming division: (cont'd.)

- 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.

(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 9 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 on its property valuations 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 RMCO starting from 10 June 2020, our gaming division which operates the Sabah 88 lotteries had 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 1st and 2nd MCO / CMCO periods and as at the date of this report, in which a total of 57 lottery draws including 1 replacement special draw have been cancelled. Having only resumed operations on 3 November 2020, the full impact of the new round of CMCO during this third wave of Covid-19 infections on gaming division's operations in Sabah is not yet known at this juncture.

(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 immediate preceding 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.

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

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.

B5. Taxation

	Current Quarter 3 Months 30.9.2020 RM'000	Cumulative Year to-date 9 Months 30.9.2020 RM'000
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Current tax : Malaysian (73) (152)

Deferred tax : Malaysian 1 2,001

TOTAL : (72) 1,849

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

There were no outstanding corporate proposals announced but not completed as at 23 November 2020, being 7 days from the date of issuance of these interim financial statements.

B7. Borrowings and debt securities

	----- As at 30.9.2020 -----		
	Secured RM'000	Unsecured RM'000	Total RM'000
Group borrowings			
Short term:			
Term loans	120,000	-	120,000
Lease liabilities	771	-	771
	120,771	-	120,771
Long term:			
Term loans	30,000	-	30,000
Lease liabilities	2,652	-	2,652
	32,652	-	32,652
	153,423	-	153,423

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.

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

B8. Derivative financial instrument

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

Type of Derivative	Remaining tenure	As at 30.9.2020		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	(2,162)	-	-	(2,162)	-

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 short term loan included under Note B7.

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	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
Interest income	176	192	403	426
Interest expense	(2,336)	(2,606)	(6,785)	(7,323)
Dividend income	148	211	660	606
Depreciation on property, plant and equipment	(293)	(414)	(903)	(1,622)
Property, plant and equipment written off	-	-	-	(15)
Gain on disposal of property, plant and equipment	213	-	219	3
Unrealised loss on foreign exchange	(35)	(27)	(94)	(63)
Loss on fair value changes on investment properties	-	-	(20,000)	-
Amortisation of transaction costs on borrowings	(76)	-	(113)	(165)
Loss on fair value changes of investment securities	(59)	(83)	(387)	(237)
Fair value loss on derivative	289	(185)	(1,175)	(1,026)
Reversal of impairment loss on receivables	(4)	-	31	66

OLYMPIA INDUSTRIES BERHAD

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**B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD****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	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Loss after tax attributable to owners of the Company (RM'000)	(2,063)	31	(26,292)	(663)
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)	(0.2)	0.0	(2.6)	(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 September 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

30 November 2020