



SHL CONSOLIDATED BHD.

Registration No. : 199401007886 (293565-W)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

FOR

SECOND QUARTER ENDED

30 SEPTEMBER 2020

SHL CONSOLIDATED BHD.

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Interim Financial Report – 30 September 2020

	Page No.
Condensed Consolidated Statement of Comprehensive Income	1
Condensed Consolidated Statement of Financial Position	2
Condensed Consolidated Statement of Changes In Equity	3
Condensed Consolidated Statement of Cash Flow	4
Notes to the Interim Financial Report	5 – 10
Additional Information Required by the Listing Requirements of Bursa Malaysia Securities Berhad	11 – 15

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Financial Period Ended 30 September 2020

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER		Increase / (Decrease)	
	Current	Preceding	Current	Preceding		
	Year	Year	Year	Year		
	Quarter	Corresponding	To Date	Corresponding		
	30/09/2020	30/09/2019	30/09/2020	30/09/2019		
	RM'000	RM'000	RM'000	RM'000	RM'000	%
1. Revenue	24,269	39,011	31,402	77,432	(46,030)	-59.4%
2. Cost of Sales	(14,845)	(21,949)	(19,522)	(45,428)	(25,906)	-57.0%
3. Gross Profit	9,424	17,062	11,880	32,004	(20,124)	-62.9%
4. Other Operating Income	2,101	3,259	4,678	5,781	(1,103)	-19.1%
5. Distribution Costs	(736)	(1,561)	(1,052)	(1,414)	(362)	-25.6%
6. Administration Expenses	(3,380)	(3,156)	(5,396)	(5,460)	(64)	-1.2%
7. Finance Costs	-	(2)	-	(4)	(4)	-100.0%
8. Profit / (Loss) from Associate	(46)	(20)	(101)	(2)	(99)	4950.0%
9. Profit before Taxation	7,363	15,582	10,009	30,905	(20,896)	-67.6%
10. Taxation	(1,829)	(4,905)	(2,495)	(7,289)	(4,794)	-65.8%
11. Profit for the Period	5,534	10,677	7,514	23,616	(16,102)	-68.2%
12. Other Comprehensive Income	3	8	3	35	(32)	-91.4%
13. Total Comprehensive Income for the Period	5,537	10,685	7,517	23,651	(16,134)	-68.2%
Profit Attributable to:						
14. Equity Holders of the Company	4,706	10,246	6,231	22,018	(15,787)	-71.7%
15. Non-controlling Interests	828	431	1,283	1,598	(315)	-19.7%
	5,534	10,677	7,514	23,616	(16,102)	-68.2%
Total Comprehensive Income Attributable to:						
16. Equity Holders of the Company	4,709	10,254	6,234	22,053	(15,819)	-71.7%
17. Non-controlling Interests	828	431	1,283	1,598	(315)	-19.7%
	5,537	10,685	7,517	23,651	(16,134)	-68.2%
Earnings Per Share Attributable to Equity Holders of the Company:						
18. Basic & Fully Diluted (Sen)	1.94	4.23	2.57	9.09	(6.52)	-71.7%

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Report for the year ended 31 March 2020 and the accompanying explanatory notes attached to the interim financial report)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	(UNAUDITED) 30/09/2020 RM'000	(AUDITED) 31/03/2020 RM'000
ASSETS		
Non-current assets		
1. Property, plant and equipment	210,795	219,505
2. Investment in associate	8,896	8,997
3. Investment properties	75,180	75,180
4. Investments	24	24
5. Inventories	2,755	2,753
6. Trust account	2,199	2,105
7. Deferred tax assets	7,558	7,879
	307,407	316,443
8. Current assets		
8.1 Inventories	333,690	319,616
8.2 Trade receivables	15,761	13,469
8.3 Other receivables	8,532	8,872
8.4 Current tax assets	1,425	222
8.5 Cash, deposits and short-term investments	344,921	368,707
	704,329	710,886
9. TOTAL ASSETS	1,011,736	1,027,329
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
10. Share capital	247,726	247,726
11. Reserves	571,999	582,714
	819,725	830,440
12. Non-controlling Interests	79,780	79,297
13. Total equity	899,505	909,737
14. Non-current liabilities		
14.1 Deferred tax liabilities	27,259	27,489
14.2 Club establishment fund	10,701	10,700
	37,960	38,189
15. Current liabilities		
15.1 Trade payables	61,034	58,536
15.2 Contract liabilities	388	372
15.3 Other payables	6,614	7,698
15.4 Current tax liabilities	6,235	12,791
15.5 Lease liabilities	-	6
	74,271	79,403
16. TOTAL LIABILITIES	112,231	117,592
17. TOTAL EQUITY AND LIABILITIES	1,011,736	1,027,329
18. Net assets per share (RM)	3.39	3.43

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Report for the year ended 31 March 2020 and the accompanying explanatory notes attached to the interim financial report)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Financial Period Ended 30 September 2020

(The figures have not been audited)

	Attributable to equity holders of the Company					Total	Non-controlling Interests	Total Equity	
	Non-distributable			Distributable					
	Share Capital	Revaluation Surplus	Merger Deficit	Capital Reserves	Retained Profits				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
1. 6 months ended									
30 September 2020									
1.1	At 1 April 2020	247,726	103,770	(130,464)	6,663	602,745	830,440	79,297	909,737
1.2	Total comprehensive income for the period	-	3	-	-	6,231	6,234	1,283	7,517
1.3	Realisation of revaluation surplus	-	(571)	-	-	571	-	-	-
1.4	Dividends paid	-	-	-	-	(16,949)	(16,949)	(800)	(17,749)
1.5	At 30 September 2020	247,726	103,202	(130,464)	6,663	592,598	819,725	79,780	899,505
2. 6 months ended									
30 September 2019									
2.1	At 1 April 2019	247,726	88,081	(130,464)	6,663	592,471	804,477	80,268	884,745
2.2	Total comprehensive income for the period	-	35	-	-	22,018	22,053	1,598	23,651
2.3	Realisation of revaluation surplus	-	(132)	-	-	132	-	-	-
2.4	Dividends paid	-	-	-	-	(19,370)	(19,370)	-	(19,370)
2.5	Additional investment in existing indirect subsidiary	-	-	-	-	-	-	1,650	1,650
2.6	At 30 September 2019	247,726	87,984	(130,464)	6,663	595,251	807,160	83,516	890,676

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Annual Audited Financial Report for the year ended 31 March 2020 and the accompanying explanatory notes attached to the interim financial report)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
Financial Period Ended 30 September 2020

	6 months ended 30/09/2020	6 months ended 30/09/2019
	RM'000	RM'000
1 Cash flows from operating activities		
1.1 Profit before taxation	10,009	30,905
1.2 Adjustments for :-		
1.2.1 Depreciation	1,291	1,435
1.2.2 Gain on disposal of property, plant and equipment	-	(5)
1.2.3 Fair value (gain) / loss on short-term investments	136	(1,326)
1.2.4 Fixed assets written off	-	1
1.2.5 Interest expenses	-	4
1.2.6 Interest income	(4,346)	(4,370)
1.2.7 (Profit) / loss from associate	101	2
1.3 Operating profit before working capital changes	7,191	26,646
1.4 (Increase) / decrease in inventories	(6,524)	16,568
1.5 (Increase) / decrease in receivables	(1,952)	88,517
1.6 Increase / (decrease) in payables	1,430	(36,200)
1.7 Cash generated from / (absorbed by) operations	145	95,531
1.8 Tax paid	(10,160)	(5,111)
1.9 Net cash from / (used in) operating activities	(10,015)	90,420
2 Cash flows from investing activities		
2.1 Claim received from / (payment to) trust account	(94)	86
2.2 Purchase of property, plant and equipment	(131)	(334)
2.3 Reinvestment of short-term investments	(1,979)	(1,398)
2.4 Purchase of short-term investments	(14,200)	-
2.5 Purchase of land held for property development	(2)	(1)
2.6 Proceeds from disposal of property, plant and equipment	-	5
2.7 Proceeds from disposal of short-term investments	14,200	-
2.8 Proceeds from redemption of short-term investments	1,955	2,781
2.9 Dividends received from associate	-	1,530
2.10 Interest received	4,346	4,370
2.11 Net cash from / (used in) investing activities	4,095	7,039
3 Cash flows from financing activities		
3.1 Proceeds from shares issued to indirect non-controlling interests	-	1,650
3.2 Repayment of club members' deposits	1	(10)
3.3 Payment of lease liabilities	(6)	(153)
3.4 Interest paid	-	(4)
3.5 Dividends paid to owners of the Company	(16,949)	(19,370)
3.6 Dividends paid to non-controlling interests	(800)	-
3.7 Net cash from / (used in) financing activities	(17,754)	(17,887)
4 Net increase / (decrease) in cash and cash equivalents	(23,674)	79,572
5 Cash and cash equivalents at 1 April 2020 / 2019	218,330	158,207
6 Cash and cash equivalents at 30 September 2020 / 2019	194,656	237,779
7 Analysis of Cash and Cash Equivalents :-		
8 Cash and deposits	194,656	237,779

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Audited Financial Report for the year ended 31 March 2020 and the accompanying explanatory notes attached to the interim financial report)

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NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with Malaysian Financial Reporting Standard (“MFRS”) 134 *Interim Financial Reporting*, paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the requirements of Companies Act 2016 (“CA 2016”) that became effective on 31 January 2017 in Malaysia. These financial statements also comply with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2020, which have been prepared in accordance with the MFRSs, International Financial Reporting Standards (IFRSs) and the CA 2016.

The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 March 2020, except for the adoption of the following accounting pronouncements.

	Effective for financial periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 7 Financial Instruments: Disclosures	1 January 2020
Amendments to MFRS 9 Financial Instruments	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 16 Leases	1 June 2020

Based on the Group’s best estimates at the current reporting period, the Group believes that the adoption of the above accounting pronouncements will have no material impact on the Group’s financial statements.

No early adoption is made by the Group on the following accounting pronouncements that are expected to have application to the Group’s operations. These accounting pronouncements have been issued by the Malaysian Accounting Standards Board (MASB), but yet to be effective:-

	Effective for financial periods beginning on or after
Amendments to MFRS 3 Business Combinations	1 January 2022
Amendments to MFRS 9 Financial Instruments (<i>Annual Improvements to MFRS Standards 2018 – 2020</i>)	1 January 2022
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment	1 January 2022
Amendments to MFRS 137 Provision, Contingent Liabilities and Contingent Assets	1 January 2022
Amendments to MFRS 10 Consolidated Financial Statements	To be announced
Amendments to MFRS 128 Investments in Associates and Joint Ventures	To be announced

The Group is in the process of assessing the impact of these accounting pronouncements.

SHL CONSOLIDATED BHD.

Registration No. : 199401007886 (293565-W)

(Incorporated in Malaysia)

2. Audit report for the preceding annual financial statements

The audit report for the financial statements for the year ended 31 March 2020 was not qualified.

3. Seasonal or cyclical factors

The business operations of the Group are generally affected by the prevailing market condition of the Malaysian property development and construction sectors that have historically shown long term cyclical trend.

4. Exceptional items

There were no exceptional items during the current period under review.

5. Changes in estimates

There were no changes in the nature and amount of estimates reported in prior interim periods of the current financial year or in estimates reported in prior financial year that have a material effect in the current periods under review.

6. Debt and equity securities

There was no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for the current financial period-to-date.

7. Dividends paid

During the financial year ending 31 March 2021:

- (i) An interim dividend of 7 sen per share, amounting to a net dividend of approximately RM16.95 million in respect of the financial year ended 31 March 2020, was paid on 15 April 2020.
- (ii) A final dividend of 5 sen per share, amounting to a net dividend payable of approximately RM12.10 million in respect of the financial year ended 31 March 2020, was paid on 27 October 2020.

8. Valuations of property, plant and equipment

The valuations of land and buildings have been brought forward, without amendment from the previous annual financial statements.

9. Inventories

	As at	As at
	30/09/2020	30/09/2019
	<u>RM'000</u>	<u>RM'000</u>
<i>Non-current:</i>		
At cost:		
- Land held for property development	2,755	2,750
<i>Current:</i>		
At cost:		
- Completed development units	205,427	3,411
- Building materials	743	647
- Raw materials	364	346
- Goods for resale	146	208
- Work in progress	11	11
- Finished goods	6,962	7,263
	213,653	11,886
Property development costs	120,037	240,715
	333,690	252,601
Total inventories	<u>336,445</u>	<u>255,351</u>

10. Cash, deposits and short-term investments

	As at	As at
	30/09/2020	30/09/2019
	<u>RM'000</u>	<u>RM'000</u>
Cash and bank balances:		
- Housing development accounts	1,806	1,904
- Bank current accounts and petty cash	10,702	29,614
	12,508	31,518
Short-term deposits	182,148	206,261
Cash and cash equivalents	<u>194,656</u>	<u>237,779</u>
Short-term investments	150,265	150,434
Total cash, deposits and short-term investments	<u>344,921</u>	<u>388,213</u>

Housing Development Accounts are held and maintained pursuant to Section 7A of the Housing Development Act, 1966. These accounts are restricted from use in other operations.

Short-term investments are placements made in management funds that invest in Islamic deposits and other Shariah-compliant investment instruments permitted by the Shariah Advisory Council of the Securities Commission Malaysia and/or Shariah Adviser. The management funds aim to provide a higher level of liquidity while providing better return from non-taxable income by predominantly investing its assets in Sukuk and short-term Islamic Money Market Instruments. The income is calculated daily and distributed at month end.

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(Incorporated in Malaysia)

11. Material events subsequent to the end of the reporting period

There were no material events subsequent to the end of current quarter to 19 November 2020, the latest practicable date that is not earlier than 7 days from the date of issue of this quarterly report.

12. Segmental information

The segmental analysis for the current year to date ended 30 September 2020 is tabulated below:

	Investment and services RM'000	Property development RM'000	Construction RM'000	Trading RM'000	Manufacturing RM'000	Quarrying RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE								
External sales	6,281	19,013	5,652	299	157	-	-	31,402
Inter-segment sales	1,094	-	10,060	3,964	359	-	(15,477)	-
Total revenue	7,375	19,013	15,712	4,263	516	-	(15,477)	31,402
RESULTS								
Operating profit	1,813	2,118	2,218	100	(1,092)	(8)	615	5,764
Interest income	278	2,711	574	120	543	120	-	4,346
Loss from associate	-	(101)	-	-	-	-	-	(101)
Profit before taxation	2,091	4,728	2,792	220	(549)	112	615	10,009
Taxation								(2,495)
Non-controlling interests								(1,283)
Profit for the period								6,231
ASSETS								
Segment assets	116,318	822,117	110,392	13,754	75,148	12,519	(156,391)	993,857
Investment in associate	-	8,896	-	-	-	-	-	8,896
Current and deferred tax assets	48	3,049	-	-	231	245	5,410	8,983
Total assets	116,366	834,062	110,392	13,754	75,379	12,764	(150,981)	1,011,736
LIABILITIES								
Segment liabilities	13,578	79,973	23,624	2,365	581	10	(41,394)	78,737
Current and deferred tax liabilities	6,973	21,225	1,251	222	2,762	-	1,061	33,494
Total liabilities	20,551	101,198	24,875	2,587	3,343	10	(40,333)	112,231
OTHERS								
Capital expenditure	120	2	11	-	-	-	-	133
Non-cash expenses :								
Depreciation	608	60	29	-	594	-	-	1,291

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Registration No. : 199401007886 (293565-W)
(Incorporated in Malaysia)

The segmental analysis for the preceding year to date ended 30 September 2019 is tabulated below:

	Investment and services RM'000	Property development RM'000	Construction RM'000	Trading RM'000	Manufacturing RM'000	Quarrying RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE								
External sales	6,089	71,258	-	-	85	-	-	77,432
Inter-segment sales	1,247	41	19,990	6,970	1,711	-	(29,959)	-
Total revenue	7,336	71,299	19,990	6,970	1,796	-	(29,959)	77,432
RESULTS								
Operating profit	251	24,351	1,883	36	(574)	(3)	597	26,541
Interest income	542	2,314	495	110	590	319	-	4,370
Finance costs	(2)	(2)	-	-	-	-	-	(4)
Loss from associate	-	(2)	-	-	-	-	-	(2)
Profit before taxation	791	26,661	2,378	146	16	316	597	30,905
Taxation								(7,289)
Non-controlling interests								(1,598)
Profit for the period								22,018
ASSETS								
Segment assets	139,978	750,631	104,626	14,150	82,486	21,012	(162,492)	950,391
Investment in associate	-	9,004	-	-	-	-	-	9,004
Current and deferred tax assets	96	-	514	-	42	-	5,121	5,773
Total assets	140,074	759,635	105,140	14,150	82,528	21,012	(157,371)	965,168
LIABILITIES								
Segment liabilities	13,959	49,058	36,365	3,035	649	10	(63,603)	39,473
Current and deferred tax liabilities	6,873	27,379	-	197	4,563	30	(4,023)	35,019
Total liabilities	20,832	76,437	36,365	3,232	5,212	40	(67,626)	74,492
OTHERS								
Capital expenditure	297	26	12	-	-	-	-	335
Non-cash expenses :								
Depreciation	614	147	62	-	612	-	-	1,435

Segmental reporting by geographical locations has not been presented as all the activities of the Group's operations are carried out in Malaysia only.

SHL CONSOLIDATED BHD.

Registration No. : 199401007886 (293565-W)
(Incorporated in Malaysia)

13. Changes in the composition of the Group

There were no changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations.

14. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or contingent assets as at 30 September 2020.

15. Capital commitments

No capital commitment was outstanding as at 30 September 2020.

16. Related party transactions

The significant related party transactions for the current financial year-to-date under review are as follows:

- (a) Income from rental of premises of approximately RM0.07 million.
- (b) Procurement of engineering consultancy services of approximately RM1.66 million.
- (c) Rental expense of premises of approximately RM0.54 million.
- (d) Procurement of legal services of approximately RM0.13 million.

**ADDITIONAL INFORMATION REQUIRED BY THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

1. Review of performance

Financial review for current quarter and financial period to date

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes		Current Year To Date	Preceding Year Corresponding Period	Changes	
	30/09/2020	30/09/2019	RM'000	%	30/09/2020	30/09/2019	RM'000	%
Revenue	24,269	39,011	(14,742)	-37.8%	31,402	77,432	(46,030)	-59.4%
Gross Profit	9,424	17,062	(7,638)	-44.8%	11,880	32,004	(20,124)	-62.9%
Profit before Taxation	7,363	15,582	(8,219)	-52.7%	10,009	30,905	(20,896)	-67.6%
Profit for the Period	5,534	10,677	(5,143)	-48.2%	7,514	23,616	(16,102)	-68.2%
Profit Attributable to Equity Holders of the Company	4,706	10,246	(5,540)	-54.1%	6,231	22,018	(15,787)	-71.7%

1.1 Current Year-To-date vs Preceding Year-To-date

The Group revenue decreased significantly by 59.4% from RM77.43 million reported in the preceding year corresponding period to RM31.40 million for the period ended 30 September 2020, mainly due to lower revenue generated by our property development segment as a result of the economic impact caused by Coronavirus Disease 2019 (“Covid-19”) pandemic and the Movement Control Order (“MCO”) effective from 18 March 2020.

The Group recorded a profit before taxation for the period ended 30 September 2020 of RM10.01 million, decreased by RM20.90 million or 67.6% as compared to preceding year’s profit before taxation of RM30.91 million. The decrease in the Group’s profit is mainly due to lower revenue generated by the property development segment.

The property development segment continues to be the key contributor registering a revenue of RM19.01 million for the six months period ended 30 September 2020, representing about 60.5% of the consolidated revenue. The property development segment will remain focused on building landed properties and affordable value homes with readily available mortgage financing facilities from banks. Goodview Heights, an integrated mixed-development township in Sungai Long South, Selangor Darul Ehsan, Villa Sungai Long semi-detached houses and bungalows and Sg Long Residence condominiums in Bandar Sungai Long, Selangor Darul Ehsan have contributed significantly to the financial performance of the Group.

Despite the current challenging and unpredictable Malaysian economic environment, the investment and services segment registered a revenue of RM6.28 million for the six months period ended 30 September 2020, representing about 20.0% of the consolidated revenue as rental income is secured by the tenancy agreements.

The construction segment registered a revenue of RM5.65 million for the six months period ended 30 September 2020, representing about 18.0% of the consolidated revenue.

Performance of the respective operating business segments for the current year-to-date as compared to the preceding year-to-date is analysed as follows:

- (i) Property Development – The decrease in pre-tax profit was mainly due to lower revenue generated by the property development segment. The financial performance is in tandem with the prevailing poor economic condition.
- (ii) There are no significant variations for other business segments.

1.2 Current Quarter vs Preceding Year Corresponding Quarter

On a quarterly basis, the Group recorded a profit before taxation for the period ended 30 September 2020 of RM7.36 million, decreased by RM8.22 million or 52.7% as compared to preceding year's profit before taxation of RM15.58 million. The decrease of the Group's profit is mainly due to lower revenue generated by the property development segment and decrease in other operating income.

Performance of the respective operating business segments for the current year-to-date as compared to the preceding year-to-date is analysed as follows:

- (i) Property development – The decrease in pre-tax profit was mainly due to lower revenue generated by the property development segment.
- (ii) There are no significant variations for other business segments.

2. Variation of results against preceding quarter

Financial review for current quarter compared with immediate preceding quarter

	INDIVIDUAL QUARTER			
	Current Quarter	Immediate Preceding Quarter	Changes	
	30/09/2020	30/06/2020	RM'000	%
	RM'000	RM'000		
Revenue	24,269	7,133	17,136	240.2%
Gross Profit	9,424	2,456	6,968	283.7%
Profit before Taxation	7,363	2,646	4,717	178.3%
Profit for the Period	5,534	1,980	3,554	179.5%
Profit Attributable to Equity Holders of the Company	4,706	1,525	3,181	208.6%

The Group revenue increased by 240.2% from RM7.13 million reported in the immediate preceding quarter to RM24.27 million for the current quarter, mainly due to substantially higher revenue generated by the property development segment as lockdowns were gradually lifted in some sectors following the subsequent transition to Conditional Movement Control Order in May 2020 and Recovery Movement Control Order in June 2020. A rebound in industrial activity and large government support resulted in the economy recording positive growth after contracting in the first quarter.

The Group's profit before taxation of RM7.36 million for the current quarter increased by RM4.71 million compared to RM2.65 million achieved in the immediate preceding quarter. The increase in pre-tax profit was mainly due to substantially higher revenue generated by the property development segment.

SHL CONSOLIDATED BHD.

Registration No. : 199401007886 (293565-W)

(Incorporated in Malaysia)

3. Prospects for the next financial year

Against this highly challenging economic outlook, Malaysia's Gross Domestic Product growth is projected to be between -2.0% to 0.5% in 2020 (2019: 4.3%). The Coronavirus Disease 2019 ("Covid-19") has interrupted the movement of people and goods throughout the world and many levels of government are instituting restrictions on individuals and businesses. Given these circumstances, the Government of Malaysia has issued a Federal Government Gazette imposing a Movement Control Order ("MCO") effective from 18 March 2020.

The domestic economy will be impacted by the necessary global and domestic actions taken to contain the outbreak of the Covid-19. Of significance, tourism-related sectors are expected to be affected by broad-based travel restrictions and travel risk aversion, while production disruptions in the global supply chain will weigh on the manufacturing sector and exports. The implementation and subsequent extension of the MCO, while critical, will dampen economic activity following the suspension of operations by non-essential service providers and lower operating capacity of manufacturing firms. Beyond the MCO period, reduced social and recreational activities until the pandemic is fully controlled globally and domestically will continue to dampen consumption and investment activity. Apart from the pandemic, the domestic economy will also be affected by the sharp decline and volatile shifts in crude oil prices and continued supply disruption in the commodities sector.

Given the significant headwinds to growth arising from the Covid-19, the Government and Bank Negara Malaysia have introduced large countercyclical policy measures to mitigate the economic impact of the pandemic.

As at the date of issue of this quarterly financial report, the Covid-19 pandemic and the MCO have a significant financial impact to the Group, particularly on the property development segment of the Group. Some businesses of the Group have resumed operations with the approvals obtained from the relevant authorities during the MCO. Nevertheless, the Group is focusing on its efforts in the best possible way to mitigate its impact while protecting the business potential and branding from the medium to long term perspective. The Covid-19 pandemic and the MCO is not expected to impact our ability to meet our commitments over the next twelve months due to our high level of liquidity, mainly in the form of cash and deposits.

In view of the lack of visibility on the end date of the Covid-19 pandemic and the MCO, the Group is not able to estimate the full potential financial impact as at the date of issue of this quarterly financial report. As such, the Directors of the Group will continue to monitor the situations closely and respond proactively to mitigate the impact on the Group's financial performance and financial position. The Group will provide further updates on the financial impact and mitigating actions relating to the Covid-19 pandemic in its forthcoming quarterly financial reports.

The housing market in Malaysia has not been able to provide an adequate supply of affordable housing for the masses at affordable prices in relation to the demography of the nation. This undersupply of affordable homes at affordable prices is likely to worsen given the current trends in income and demographic factors. Going forward, a carefully-designed strategy of participation by the private sector for the housing market will ensure that the supply of houses is able to accommodate households of all income groups. Meeting the demand of affordable housing units will require the commitment of both the Government on policies and the private sector for efficiency planning towards the supply side of affordable homes.

SHL CONSOLIDATED BHD.

Registration No. : 199401007886 (293565-W)

(Incorporated in Malaysia)

Despite the current challenging and unpredictable Malaysian economic environment, SHL Consolidated Bhd will remain resilient and focused on building landed properties and affordable value homes at Bandar Sungai Long, Goodview Heights in Sungai Long South, Alam Budiman in Shah Alam and Rasa in Batang Kali, all property development projects located in Selangor Darul Ehsan, the primary social and economic centre of Malaysia.

Barring any unforeseen circumstances, the Board of Directors is cautiously optimistic that the Group's performance for the current financial year will be satisfactory.

4. Profit forecast or profit guarantee

Not applicable as no profit forecast or profit guarantee was published.

5. Notes to Condensed Consolidated Statement of Comprehensive Income

Profit before tax is arrived at after charging / (crediting) the following items:

	Current year quarter	Current year-to- date
	<u>RM'000</u>	<u>RM'000</u>
Interest income	(1,834)	(4,346)
Depreciation	631	1,291

6. Taxation

	Current quarter ended		Year-to-date ended	
	30 September		30 September	
	2020	2019	2020	2019
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current	1,699	4,249	2,402	12,337
Under / (Over) provision in prior year	-	600	-	600
Deferred	130	56	93	(5,648)
	<u>1,829</u>	<u>4,905</u>	<u>2,495</u>	<u>7,289</u>
Effective tax rate	<u>24.8%</u>	<u>31.5%</u>	<u>24.9%</u>	<u>23.6%</u>

The effective tax rate of the Group for the current quarter and year-to-date were higher than the statutory rate due to non-deductibility of certain expenses and non-availability of the Group tax relief in respect of losses incurred by certain subsidiary companies.

7. Status of corporate proposals announced

There were no corporate proposals announced but not completed as at 19 November 2020.

8. Lease liabilities

	As at	As at
<u>Secured</u>	30/09/2020	30/09/2019
	<u>RM'000</u>	<u>RM'000</u>
Short Term	-	67
Long Term	-	-
	<u>-</u>	<u>67</u>

The above lease liabilities are denominated in Ringgit Malaysia.

9. Dividend

No dividend was declared for the current quarter ended 30 September 2020 and preceding year corresponding quarter.

10. Earnings per share (Basic and fully diluted)

The calculation of basic earnings per share of the Group is based on the net profit attributable to ordinary shareholders and the number of ordinary shares outstanding during the financial year of 242,123,725.

Fully diluted earnings per share is the same as basic earnings per share as it is considered that there are no dilutive potential ordinary shares.

For and on behalf of the Board
SHL CONSOLIDATED BHD.

Dato' Sri Ir. Yap Chong Lee
Executive Director
25 November 2020