



MAH SING GROUP BERHAD

Registration No.: 199101019838 (230149-P)

(Incorporated in Malaysia)

Interim Financial Report

30 September 2020

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Interim Financial Report - 30 September 2020

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

(The figures have not been audited)

	AS AT 30/09/2020 RM'000	(AUDITED) AS AT 31/12/2019 RM'000
ASSETS		
Non-Current Assets		
<i>Property, plant and equipment</i>	208,770	225,674
<i>Prepaid lease payments</i>	3,964	4,511
<i>Right-of-use assets</i>	8,480	18,561
<i>Investment properties</i>	195,880	195,880
<i>Land held for property development</i>	1,794,183	1,750,409
<i>Intangible assets</i>	5,160	5,174
<i>Deferred tax assets</i>	169,020	145,606
	<u>2,385,457</u>	<u>2,345,815</u>
Current Assets		
<i>Property development costs</i>	1,602,463	1,531,647
<i>Inventories</i>	694,208	763,276
<i>Trade and other receivables</i>	520,626	559,953
<i>Contract assets</i>	303,965	403,492
<i>Current tax assets</i>	5,593	8,182
<i>Deposits, cash and bank balances and investment in short-term funds</i>	1,134,770	1,063,461
	<u>4,261,625</u>	<u>4,330,011</u>
TOTAL ASSETS	<u>6,647,082</u>	<u>6,675,826</u>
EQUITY AND LIABILITIES		
Equity Attributable to Ordinary Equity Holders of the Company		
<i>Share capital</i>	1,776,057	1,776,055
<i>Other reserves</i>	5,856	27,618
<i>Retained earnings</i>	1,651,891	1,685,326
	<u>3,433,804</u>	<u>3,488,999</u>
Perpetual Securities	789,388	789,388
Perpetual Sukuk	-	540,000
Non-Controlling Interests	9,016	7,980
Total Equity	<u>4,232,208</u>	<u>4,826,367</u>
Non-Current Liabilities		
<i>Medium term notes</i>	598,784	-
<i>Term loans</i>	459,122	444,925
<i>Long term and deferred payables</i>	37,703	49,220
<i>Deferred tax liabilities</i>	62,311	69,074
	<u>1,157,920</u>	<u>563,219</u>
Current Liabilities		
<i>Trade and other payables</i>	1,101,477	1,063,946
<i>Contract liabilities</i>	56,184	85,505
<i>Term loans</i>	56,751	119,369
<i>Short term borrowings</i>	4,540	2,655
<i>Bank overdrafts</i>	815	-
<i>Current tax liabilities</i>	37,187	14,765
	<u>1,256,954</u>	<u>1,286,240</u>
Total Liabilities	<u>2,414,874</u>	<u>1,849,459</u>
TOTAL EQUITY AND LIABILITIES	<u>6,647,082</u>	<u>6,675,826</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>1.41</u>	<u>1.44</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the financial period ended 30 September 2020

(The figures have not been audited)

	3 months ended		Period ended		
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000	
Revenue	388,223	415,474	1,057,973	1,347,053	
Cost of sales	(299,674)	(284,477)	(796,849)	(951,799)	
Gross profit	88,549	130,997	261,124	395,254	
Other income	8,624	6,898	14,774	19,313	
Selling and marketing expenses	(14,218)	(18,934)	(39,528)	(55,711)	
Administrative and other expenses	(37,757)	(50,831)	(120,174)	(146,391)	
Results from operating activities	45,198	68,130	116,196	212,465	
Finance income	2,767	4,992	9,580	11,174	
Finance costs	(7,514)	(3,180)	(19,744)	(11,712)	
Net finance (costs)/income	(4,747)	1,812	(10,164)	(538)	
Profit before tax	40,451	69,942	106,032	211,927	
Income tax expense	(13,818)	(18,558)	(32,468)	(55,605)	
Profit for the period	26,633	51,384	73,564	156,322	
Profit attributable to:					
Equity holders of the Company	27,003	50,015	72,260	155,347	
Non-controlling interests	(370)	1,369	1,304	975	
	26,633	51,384	73,564	156,322	
Earnings per share attributable to ordinary equity holders of the Company:					
- Basic (sen)	Note B12(a)	1.11	1.29	1.10	3.76
- Diluted (sen)	Note B12(b)	1.11	1.29	1.10	3.76

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the financial period ended 30 September 2020

(The figures have not been audited)

	3 months ended		Period ended	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
	RM'000	RM'000	RM'000	RM'000
Profit for the period	26,633	51,384	73,564	156,322
Other comprehensive (loss)/income				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation difference for foreign operations	(909)	166	(765)	486
Other comprehensive (loss)/income for the period	<u>(909)</u>	<u>166</u>	<u>(765)</u>	<u>486</u>
Total comprehensive income for the period	<u>25,724</u>	<u>51,550</u>	<u>72,799</u>	<u>156,808</u>
Total comprehensive income attributable to:				
Equity holders of the Company	26,415	50,133	71,763	155,672
Non-controlling interests	(691)	1,417	1,036	1,136
	<u>25,724</u>	<u>51,550</u>	<u>72,799</u>	<u>156,808</u>

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial period ended 30 September 2020

(The figures have not been audited)

	Attributable to ordinary equity holders of the Company								
	Non-Distributable			Distributable					Total Equity
	Share capital	Warrants reserve	Exchange fluctuation reserve	Retained earnings	Total	Perpetual Securities	Perpetual Sukuk	Non-controlling interests	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
9 months ended 30 September 2020									
Balance at 1/1/2020	1,776,055	21,265	6,353	1,685,326	3,488,999	789,388	540,000	7,980	4,826,367
Amount recognised directly in equity:									
Profit for the financial period	-	-	-	72,260	72,260	-	-	1,304	73,564
Other comprehensive loss	-	-	(497)	-	(497)	-	-	(268)	(765)
Total comprehensive (loss)/income for the period	-	-	(497)	72,260	71,763	-	-	1,036	72,799
Dividends for the financial year ended 31 December 2019	-	-	-	(81,328)	(81,328)	-	-	-	(81,328)
Issuance of ordinary shares pursuant to warrants exercised	2	-	-	-	2	-	-	-	2
Warrants lapsed during the period	-	(21,265)	-	21,265	-	-	-	-	-
Redemption of Perpetual Sukuk	-	-	-	-	-	-	(540,000)	-	(540,000)
Distribution paid to holders of Perpetual Sukuk	-	-	-	(18,410)	(18,410)	-	-	-	(18,410)
Distribution paid to holders of Perpetual Securities	-	-	-	(27,222)	(27,222)	-	-	-	(27,222)
Balance at 30/09/2020	1,776,057	-	5,856	1,651,891	3,433,804	789,388	-	9,016	4,232,208

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial period ended 30 September 2019

(The figures have not been audited)

	Attributable to ordinary equity holders of the Company								
	Non-Distributable			Distributable			Non-controlling interests		
9 months ended 30 September 2019	Share capital RM'000	Warrants reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual Securities RM'000	Perpetual Sukuk RM'000	RM'000	RM'000
Balance at 1/1/2019	1,776,055	21,265	6,055	1,685,597	3,488,972	789,388	540,000	5,318	4,823,678
Effect of MFRS 16 adoption	-	-	-	(558)	(558)	-	-	(2)	(560)
Balance at 1/1/2019 (restated)	1,776,055	21,265	6,055	1,685,039	3,488,414	789,388	540,000	5,316	4,823,118
Amount recognised directly in equity:									
Profit for the financial period	-	-	-	155,347	155,347	-	-	975	156,322
Other comprehensive income	-	-	325	-	325	-	-	161	486
Total comprehensive income for the period	-	-	325	155,347	155,672	-	-	1,136	156,808
Dividends for the financial year ended									
31 December 2018	-	-	-	(109,246)	(109,246)	-	-	-	(109,246)
Distribution paid to holders of Perpetual Sukuk	-	-	-	(36,921)	(36,921)	-	-	-	(36,921)
Distribution paid to holders of Perpetual Securities	-	-	-	(27,073)	(27,073)	-	-	-	(27,073)
Balance at 30/09/2019	1,776,055	21,265	6,380	1,667,146	3,470,846	789,388	540,000	6,452	4,806,686

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial period ended 30 September 2020

(The figures have not been audited)

	9 months ended 30/09/2020 RM'000	9 months ended 30/09/2019 RM'000
Operating Activities		
Profit before tax	106,032	211,927
Adjustments for:		
Non-cash items	48,530	32,144
Non-operating items	9,042	5,943
Operating profit before changes in working capital	<u>163,604</u>	250,014
Net change in property development costs	(55,901)	111,608
Net change in inventories	65,230	159,251
Net change in receivables	39,505	107,266
Net change in contract assets	99,527	(19,330)
Net change in payables	38,361	(205,079)
Net change in contract liabilities	<u>(29,321)</u>	<u>(64,728)</u>
Cash generated from operations	321,005	339,002
Interest received	22,384	25,477
Finance cost paid	(14,115)	(23,654)
Net tax paid	<u>(37,634)</u>	<u>(48,496)</u>
Net cash generated from operating activities	<u>291,640</u>	<u>292,329</u>
Investing Activities		
Additions to property, plant and equipment	(19,449)	(27,486)
Additions to land held for property development	(47,904)	(31,839)
Acquisition of land	-	(183,720)
Payment of balance consideration on acquisition of subsidiary companies	(8,900)	(29,184)
Proceeds from disposal of property, plant and equipment	91	315
Net cash used in investing activities	<u>(76,162)</u>	<u>(271,914)</u>
Financing Activities		
Dividends paid to shareholders of the Company	(81,328)	(109,246)
Distribution paid to holders of Perpetual Sukuk	(18,410)	(36,921)
Distribution paid to holders of Perpetual Securities	(27,222)	(27,073)
Net proceeds from issuance of medium term notes	598,500	-
Net repayment of borrowings	(51,640)	(64,019)
Payment of corporate exercise expenses	(1,124)	-
Payment of medium term notes interest	(13,229)	-
Proceeds from warrants exercised	2	-
Redemption of Perpetual Sukuk	(540,000)	-
Repayment of lease liabilities	(10,402)	(9,777)
Withdrawal/(Placement) of deposits with licensed banks pledged as collateral/Escrow Account/Sinking Fund Account/ Trustees' Reimbursement Account/Security and Principal Account/ Finance Service Reserve Account	<u>292,846</u>	<u>(146,763)</u>
Net cash generated from/(used in) financing activities	<u>147,993</u>	<u>(393,799)</u>
Net changes in cash and cash equivalents	363,471	(373,384)
Effect of exchange rate changes	(130)	(8)
Cash and cash equivalents at beginning of the financial period	<u>733,474</u>	1,187,964
Cash and cash equivalents at end of the financial period	<u><u>1,096,815</u></u>	<u><u>814,572</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**For the financial period ended 30 September 2020 (continued)***(The figures have not been audited)*

Cash and cash equivalents at the end of the financial period comprise the followings:

	9 months ended 30/09/2020 RM'000	9 months ended 30/09/2019 RM'000
Investment in short-term funds	430,302	558,193
Cash and bank balances	682,301	404,046
Deposits with licensed banks	22,167	30,987
Bank overdrafts	(815)	(459)
	1,133,955	992,767
Less: Deposits in Sinking Fund Account	-	(146,881)
Less: Deposits in Escrow Account	(16,890)	(22,692)
Less: Deposits in Security and Principal Account	(11,446)	-
Less: Deposits in Finance Service Reserve Account	(42)	-
Less: Deposits pledged as collateral	(8,700)	(8,562)
Less: Trustees' Reimbursement Account	(62)	(60)
	1,096,815	814,572

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial report.

A Explanatory notes

A1 Basis of preparation

The interim financial report has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 *Interim Financial Reporting* and with International Accounting Standard 14 *Interim Financial Reporting* and applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial report should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2019. The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2019.

The significant accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2019 save for the adoption of the following:

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9
Amendments to MFRS 7, MFRS 9 and MFRS 139	Interest rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material
MFRSs	Amendments to References to the Conceptual Framework in MFRS Standards

The adoption of the above amendments to MFRSs does not have any material impact on the financial statements of the Group.

A2 Seasonal or cyclical factors

The operations of the Group were not significantly affected by any seasonal or cyclical factors during the financial period under review.

A3 Unusual items affecting assets, liabilities, equity, net income or cash flows

Save as disclosed in B1, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the financial period under review.

A4 Changes in estimates

There were no material changes in estimates for the financial period under review.

A5 Debt and equity securities

Share capital

During the financial period ended 30 June 2020, the Company increased its issued and paid up share capital by way of issuance of 787 new ordinary shares pursuant to the exercise of the Warrant C 2015/2020 at an issue price of RM2.10 per ordinary share.

Medium Term Notes

On 13 March 2020, the Company has completed the issuance of a secured and unrated Islamic medium term notes ("Sukuk Murabahah") of RM600 million in nominal value under a Sukuk Murabahah Programme of up to RM1 billion in nominal value. The Sukuk Murabahah has a tenure of 5 years and carries a fixed profit rate of 4.35% per annum payable semi-annually.

Perpetual Sukuk

On 31 March 2020, the Company has completed the redemption of a RM540 million nominal value unrated Perpetual Sukuk under the Shariah principle of Musharakah.

Save for the above, there were no issuance and repayment of debt and equity securities, share buybacks, share cancellations, share held as treasury shares and resale of treasury shares during the financial period under review.

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A6 Dividends paid

On 29 September 2020, the Company paid a first and final single-tier dividend of 3.35 sen per ordinary share which amounted to RM81,327,521 in respect of the financial year ended 31 December 2019.

A7 Segment reporting

Period ended 30 September 2020

	Properties RM'000	Plastics RM'000	Hotel RM'000	Investment Holding & Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External revenue	811,900	204,653	9,898	31,522	-	1,057,973
Inter-segment	-	-	71	163,451	(163,522)	-
	<u>811,900</u>	<u>204,653</u>	<u>9,969</u>	<u>194,973</u>	<u>(163,522)</u>	<u>1,057,973</u>
RESULTS						
Operating profit/(loss)	107,592	8,350	(13,210)	13,464	-	116,196
Interest income	9,417	90	-	73	-	9,580
Finance costs	(7,103)	(1,271)	(912)	(10,458)	-	(19,744)
Profit/(Loss) before tax	109,906	7,169	(14,122)	3,079	-	106,032
Income tax expense						(32,468)
Profit for the period						<u>73,564</u>

Period ended 30 September 2019

	Properties RM'000	Plastics RM'000	Hotel RM'000	Investment Holding & Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External revenue	1,067,170	240,880	7,846	31,157	-	1,347,053
Inter-segment	-	-	99	334,687	(334,786)	-
	<u>1,067,170</u>	<u>240,880</u>	<u>7,945</u>	<u>365,844</u>	<u>(334,786)</u>	<u>1,347,053</u>
RESULTS						
Operating profit/(loss)	189,289	13,463	(10,823)	20,536	-	212,465
Interest income	10,768	166	-	240	-	11,174
Finance costs	(8,583)	(1,954)	(1,167)	(8)	-	(11,712)
Profit/(Loss) before tax	191,474	11,675	(11,990)	20,768	-	211,927
Income tax expense						(55,605)
Profit for the period						<u>156,322</u>

A8 Material subsequent events

Save as disclosed in B6, there were no material events subsequent to the reporting date up to 23 November 2020, being the latest practicable date which is not earlier than 7 days from the date of issuance of this Interim Financial Report.

A9 Related party transactions

01/01/2020
to
30/09/2020
RM'000

Transactions with Directors of the Company and subsidiary companies and companies in which they have interests:

(i) Rental paid to a Company in which a Director of the Company has interest	1,153
(ii) Maintenance services rendered by a company in which the Directors are family members of a Director of the Company	135

Transactions with non-controlling interests:

(i) Interest payable to non-controlling interests of subsidiary company	6
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A10 Changes in the composition of the Group

There were no changes in the composition of the Group during the current financial period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations.

A11 Changes in contingent liabilities or contingent assets

There were no contingent assets. Contingent liabilities of the Group are as follows:

	30/09/2020	31/12/2019
	RM'000	RM'000
Bank guarantees issued in favour of third parties	124,462	154,956

The Group has adopted the provisions of Paragraph 92 of MFRS 137 Provisions, Contingent Liabilities and Contingent Assets pursuant to the non-disclosure of the financial effect in relation to the litigation matters and these matters may include disputed liquidated ascertained damages and service charge rates.

The Group is relying on its solicitors view that the Group has good chance to succeed in the litigation proceedings and thus no provisions have been made by the Group at this juncture.

A12 Capital commitments

30/09/2020
RM'000

Commitment for acquisition of property, plant and equipment:

- Approved and contracted for	2,596
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A13 Operating lease commitments

As Lessor - for the lease of investment properties and commercial properties

The Group lease out its investment properties and commercial properties under non-cancellable operating leases. The tenure of these leases ranges between 1 to 6 years with option to renew upon expiry except for certain commercial properties. Certain of the leases include contingent rental arrangements computed based on sales achieved by tenants.

The future minimum lease receivables under non-cancellable leases as at reporting date are as follow:-

	<u>Lease rental receivables</u>	
	30/09/2020	
	RM'000	
Less than one year	4,720	
One to three years	3,583	
More than three years	173	
	8,476	

B Explanatory notes pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1 Review of Group performance

For the nine-month period ended 30 September 2020, the Group posted profit before tax of RM106 million on the back of revenue of RM1.1 billion as compared to RM211.9 million profit before tax and RM1.3 billion revenue a year ago. On a quarterly basis, the Group recorded profit before tax of RM40.5 million and revenue of RM388.2 million as compared to RM69.9 million profit before tax and RM415.5 million revenue in the same quarter last year.

The Group's balance sheet remains healthy with cash and bank balances and investment in short-term funds of approximately RM1.13 billion as at 30 September 2020.

Property development

For the period ended 30 September 2020, revenue from property development was RM811.9 million as compared to RM1.1 billion a year ago while operating profit was RM107.6 million as compared to RM189.3 million a year ago. The property development segment reported lower revenue and profit mainly due to the lingering impact of Movement Control Order ("MCO") when site progress of all projects came to a halt for nearly two months and Conditional MCO where level of activities on sites were generally lower due to adoption of strict standard operating procedures in compliance with regulatory requirements. The strict lending environment also affected sales conversion which weighed on revenue recognition.

In addition, contribution from matured projects like Lakeville were lower as they were completed and handed over during the current period while new projects such as M Oscar, M Arisa, M Luna and M Adora are at initial stages of completion which results in minimal progressive billings for these projects.

The development projects which contributed mainly to the Group's results include ***M Vertica*** in Cheras, ***M Centura*** in Sentul, ***Southville City*** in KL South, ***Meridin East*** in Johor and ***Lakeville Residence*** in Jalan Kuching. Other projects which also contributed include ***M Oscar*** in Off Kuchai Lama, ***M Aruna*** in Rawang, ***M Luna*** in Kepong, ***Ferringhi Residence*** and ***Southbay City*** in Penang, ***Sierra Perdana***, ***Meridin @ Medini*** and ***Mah Sing i-Parc*** in Johor.

The Group achieved property sales of approximately RM847.1 million for the period ended 30 September 2020 or 77% of 2020 sales target of RM1.1 billion.

Plastics

The plastics segment recorded revenue of RM204.7 million and operating profit of RM8.4 million in the current period compared to revenue of RM240.9 million and operating profit of RM13.5 million in the previous year corresponding period. Lower revenue and operating profit recorded in the current period were mainly due to lower orders for automotive parts pursuant to the suspension of automotive production during partial lockdown in Indonesia.

Hotel

For the period ended 30 September 2020, the hotel segment posted revenue of RM9.9 million as compared with RM7.8 million revenue a year ago. Despite the increase in revenue, the operating loss for the current period was higher at RM13.2 million as compared with RM10.8 million a year ago mainly attributable to additional impairment charges for operating assets of approximately RM10 million.

Investment holding & Others

Revenue for the segment comprise mainly interest income from the deposit of funds and trading of building materials.

B2 Material change in quarterly results compared with the immediate preceding quarter

The Group's current quarter profit before tax of RM40.5 million was higher as compared to the immediate preceding quarter of RM22.4 million mainly due to the resumption of operations with adherence to the necessary standard operating procedures during the Recovery MCO in current quarter.

B3 Prospects for the current financial year

For the remainder of 2020, the Group is planning to launch more projects in the affordable segment such as Carya in M Aruna, Rawang and Acacia link homes in Meridin East, Johor. The Group remained focus and positive that its affordable range of property projects will continue to gain traction from buyers.

The reintroduction of the Home Ownership Campaign and other property-friendly measures under the PENJANA stimulus package as well as the low interest rate environment are positive for the property market. The Group should also benefit from the 5 years stamp duty waiver for properties priced below RM500,000 for first homebuyers as introduced in the Budget 2021.

As a measure to enhance the Groups' medium-term financial performance, the Group has also proposed the diversification of the principal activities to include manufacturing and trading of gloves and related healthcare products.

With disciplined financial management and a healthy balance sheet as at 30 September 2020, the Group will continue with its selective land banking strategy for continuous growth. At 30 September 2020, the Group has remaining landbank of 1,996 acres with remaining gross development value and unbilled sales totalling RM24.34 billion of which the remaining performance obligation (unsatisfied or partially unsatisfied) amounts to RM1.76 billion.

B4 Profit forecast

Not applicable as the Group has not issued profit forecast or profit guarantee in a public document.

B5 Income tax expense

	3 months ended		Period ended	
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Estimated income tax payable:				
Current financial period	17,843	19,921	60,597	45,765
Under/(Over) provision of income tax in prior years	2,048	(16,112)	2,048	(16,092)
	<u>19,891</u>	<u>3,809</u>	<u>62,645</u>	<u>29,673</u>
Deferred tax	(6,073)	14,749	(30,177)	25,932
	<u>13,818</u>	<u>18,558</u>	<u>32,468</u>	<u>55,605</u>

The Group's effective tax rate for the current quarter and current financial period were higher than the statutory tax rate of 24% mainly due to non-tax deductible expenses and non-recognition of deferred tax assets for certain temporary differences.

B6 Status of corporate proposals

The following corporate proposals as announced by the Company have not been completed as at 23 November 2020 (being the latest practicable date which is not earlier than 7 days from the date of issuance of this Interim Financial Report):

- a) On 5 July 2010, the Company's wholly-owned subsidiary, Grand Prestige Development Sdn Bhd ("**Grand Prestige**") entered into a Joint Venture Agreement ("**JVA**") with Medan Damai Sdn Bhd ("**Medan Damai**") for the joint development of a piece of residential land in Mukim Petaling, Daerah Petaling, Negeri Selangor Darul Ehsan with a total gross area of approximately 13.2 acres (net aggregate area of 7.59 acres) ("**Kinrara Land**"). Under the terms of the JVA, Medan Damai shall grant Grand Prestige the exclusive rights to continue with the sales and development of the Kinrara Land in return for an entitlement sum of RM35,403,863.85.

The JVA is pending fulfilment by Medan Damai of certain obligations pertaining to the development components.

- b) On 26 March 2012, the Company's wholly-owned subsidiary, Capitol Avenue Development Sdn Bhd ("**Capitol Avenue**") entered into a Joint Development Agreement ("**JDA**") with Paduan Hebat Sdn Bhd ("**Paduan Hebat**") for the proposed joint development of a parcel of prime leasehold commercial land measuring approximately 4.26 acres in Kota Kinabalu, Negeri Sabah ("**KK Land**"). Under the terms of the JDA, Paduan Hebat agreed with Capitol Avenue to jointly develop the KK Land for an entitlement of RM39 million. RM25 million of the entitlement for the KK Land shall be satisfied by way of cash and the remaining balance shall be settled by way of conveyance of such number of unit(s) which shall be developed on the KK Land with total value equivalent to RM14 million or such other lesser sum as may be adjusted in accordance with the provisions of the JDA.

On 4 December 2012, all Paduan Hebat's obligations have been fully performed pursuant to the JDA. The development of KK Land has commenced in December 2013.

- c) On 24 September 2020, Hong Leong Investment Bank Berhad ("**HLIB**"), on behalf of the Board of Directors, announced that the Company proposes to issue up to RM100.0 million nominal value of 7-year Redeemable Convertible Sukuk Murabahah ("**Convertible Sukuk**") under the Company's existing Sukuk Murabahah Programme, an Islamic medium term note programme of RM1.0 billion in nominal value under the Shariah principle of Murabahah (via Tawarruq arrangement). The Company has fixed the conversion price for the Convertible Sukuk at RM0.7550.

The following approvals have been obtained in relation to the proposed issuance of Convertible Sukuk:-

- (i) Bursa Malaysia Securities Berhad had vide its letter dated 4 November 2020, approved the listing of up to 132,450,331 new ordinary shares in Mah Sing to be issued pursuant to the conversion of the Convertible Sukuk.
- (ii) The Securities Commission vide its letter dated 26 October 2020, has no objection to the revision to terms and conditions of the Sukuk Murabahah Programme.
- d) On 15 October 2020, HLIB, on behalf of the Board of Directors, announced that the Company proposes to undertake the proposed diversification of the principal activities of Mah Sing to include manufacturing and trading of gloves and related healthcare products ("**Proposed Diversification**").

The Company is seeking the approval from the shareholders of Mah Sing for the Proposed Diversification at the forthcoming extraordinary general meeting to be convened, as required under Paragraph 10.13(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as the contribution from the Proposed Diversification is expected to be 25% or more of the net profits of the Group.

B7 Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 30 September 2020 were as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Medium term notes	-	598,784	598,784
Term loans	56,751	459,122	515,873
Short term borrowings	4,540	-	4,540
Bank overdrafts	815	-	815
Hire purchase	1,020	1,643	2,663
	63,126	1,059,549	1,122,675

The currency profile of borrowings and debt securities is as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Ringgit Malaysia	54,899	1,058,437	1,113,336
Indonesian Rupiah	8,227	1,112	9,339
	63,126	1,059,549	1,122,675

B8 Material litigation

On 25 October 2019, the Company's wholly owned subsidiary, Elite Park Development Sdn Bhd ("**EPD**") had through its solicitors filed and served Statement of Claim against Zulhkiple Abu Bakar ("**ZAB**") following a general endorsed writ.

By way of a Consultancy Agreement dated 9 June 2015 ("**Consultancy Agreement**"), EPD appointed ZAB to provide amongst others, value engineering services to the original foundation and structural designs ("**Services**") for the buildings in the project erected on Lot 24673 (PT 2105), Bandar Kundang, Mukim Rawang, Daerah Gombak, Selangor.

EPD has appointed experts and found that ZAB's designs are not in accordance with established engineering practices and standards. EPD claims ZAB is in breach of the Consultancy Agreement and/or negligent in providing the Services to EPD. As such, EPD is claiming for damages against ZAB as follows:

- (i) A total sum of damages of RM40,670,557.81 and/or alternatively for damages to be assessed; and
- (ii) Interest at the rate of 5% or any other rate as the Court deems fit and proper on the judgement sum calculated from the date of judgement until the date of final settlement and costs.

On 27 November 2019, ZAB has filed a statement of defence and counterclaim against EPD alleging amongst others:

- (i) Unlawful termination of the Consultancy Agreement;
- (ii) EPD pay to ZAB a total sum of RM114,088.23 being ZAB's outstanding fee under the Consultancy Agreement; and
- (iii) General damages to be assessed.

On 15 July 2020, EPD had through its solicitors filed and served the Amended Writ and Amended Statement of Claim against ZAB and two other defendants namely, Pembinaan Infrastruktur OKH Sdn Bhd ("**OKH**") and Lonpac Insurance Berhad ("**LONPAC**") in the same legal proceedings.

The claim against OKH is for breach of contract in failing amongst others, to provide materials and workmanship of the quality and standard pursuant to a letter of award dated 28 November 2014 and a Standard Form PAM 2006 Contract entered into between EPD and OKH to build and construct buildings in the project erected on Lot 24673 (PT 2105), Bandar Kundang, Mukim Rawang, Daerah Gombak, Selangor ("**Development**").

The claim against LONPAC is for breach of an insurance policy issued by LONPAC in favour of EPD as beneficiary under a Contractors' All Risk Policy in failing to pay to EPD for damages and/or losses suffered by EPD in the Development.

As such, EPD is claiming for damages against ZAB, OKH and LONPAC as disclosed in (a)(i) and (a)(ii) above.

The solicitors of EPD are of the view that EPD has good grounds to succeed in its claims against ZAB, OKH and LONPAC. It is too preliminary at this stage to ascertain the potential recoverable amount. The matter has been fixed for trial between 11 October 2021 and 15 October 2021.

Save for the above and as disclosed in A11, the Group was not engaged in any material litigation as at 23 November 2020, being the latest practicable date which is not earlier than 7 days from the date of issuance of this Interim Financial Report.

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B9 Derivatives financial instrument

As at 30 September 2020, there were no outstanding foreign currency forward contracts.

B10 Additional disclosures pursuant to para 16, Part A, Appendix 9B of Bursa Malaysia Securities Berhad Listing Requirements

	3 months ended 30/09/2020 RM'000	Period ended 30/09/2020 RM'000
Allowance for impairment loss on financial assets	(874)	(1,911)
Allowance for impairment on inventories	(849)	(849)
Bad debts written off	-	(307)
Depreciation and amortisation	(9,381)	(28,323)
Impairment of intangible assets	(6)	(14)
Impairment of property, plant and equipment	-	(3,908)
Impairment of right-of-use assets	-	(6,092)
Inventories written off	(11)	(1,331)
Insurance income	5,519	6,036
Loss on redemption of financial assets at fair value through profit or loss	(478)	(1,422)
Net foreign exchange loss	(107)	(100)
Property, plant and equipment written off	(1)	(3,212)
Reversal of allowance for impairment loss on financial assets	35	499
Reversal of allowance for impairment on inventories	8	175

Other than the items above which have been included in profit or loss, there were no impairment of assets or exceptional items which may have an effect on the results for the current financial period ended 30 September 2020.

B11 Dividend proposed

No dividend has been proposed for the nine-months ended 30 September 2020.

MAH SING GROUP BERHAD (199101019838 (230149-P))
(Incorporated in Malaysia)

B12 Earnings per share

(a) Basic earnings per share

The basic earnings per share has been calculated by dividing the Group's net profit attributable to ordinary equity holders for the financial period by the weighted average number of ordinary shares in issue.

	3 months ended		Period ended	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
Net profit for the period (RM'000)	27,003	50,015	72,260	155,347
Distribution paid to holders of				
- Perpetual Sukuk (RM'000)	-	(18,611)	(18,410)	(36,921)
- Perpetual Securities (RM'000)	-	-	(27,222)	(27,073)
Net profit for the period attributable to ordinary equity holders (RM'000)	27,003	31,404	26,628	91,353
Weighted average number of ordinary shares in issue ('000)	2,427,688	2,427,687	2,427,688	2,427,687
Basic earnings per share (sen)	1.11	1.29	1.10	3.76

(b) Diluted earnings per share

The diluted earnings per share has been calculated by dividing the Group's net profit attributable to ordinary equity holders for the financial period by the weighted average number of ordinary shares that would have been in issue assuming full exercise of the remaining warrants, adjusted for the number of such ordinary shares that would have been issued at fair value.

	3 months ended		Period ended	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
Net profit for the period attributable to ordinary equity holders (RM'000)	27,003	31,404	26,628	91,353
Weighted average number of ordinary shares in issue ('000)	2,427,688	2,427,687	2,427,688	2,427,687
Weighted average number of ordinary shares deemed issued at no consideration ('000)				
- Warrants C ⁽¹⁾	n/a	n/a	n/a	n/a
Adjusted weighted average number of ordinary shares ('000)	2,427,688	2,427,687	2,427,688	2,427,687
Diluted earnings per share (sen)	1.11	1.29	1.10	3.76

⁽¹⁾ The effects of potential ordinary shares arising from the exercise of Warrants C is anti-dilutive and accordingly is excluded from the diluted earnings per share computation above. The Warrants C have expired on 21 February 2020.

B13 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2019 was not subject to any qualification.

B14 Comparative figures

Comparative figures, where applicable, have been modified to conform to the current year presentation.

BY ORDER OF THE BOARD

YANG BAO LING
KUAN HUI FANG

Kuala Lumpur
30 November 2020