



SIN HENG CHAN (MALAYA) BERHAD (4690-V)
(Incorporated In Malaysia)

**INTERIM REPORT FOR THE
FIRST QUARTER ENDED
31 March, 2019**

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SIN HENG CHAN (MALAYA) BERHAD (4690-V)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2019
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR TO DATE
	31 MAR 2019 RM'000	31 MAR 2018 RM'000	31 MAR 2019 RM'000	31 MAR 2018 RM'000
Revenue	6,803	5,799	6,803	5,799
Cost of Sales	(7,277)	(5,297)	(7,277)	(5,297)
Gross profit	(474)	502	(474)	502
Other income	1,517	1,330	1,517	1,330
General and administrative expenses	(1,614)	(1,618)	(1,614)	(1,618)
Other operating expenses	(305)	(415)	(305)	(415)
	(876)	(201)	(876)	(201)
Finance cost	(1,479)	(1,467)	(1,479)	(1,467)
Share of profit / (loss) of associates	(5)	169	(5)	169
Profit / (Loss) before tax	(2,360)	(1,499)	(2,360)	(1,499)
Tax credit/(expense)	76	76	76	76
Profit / (Loss) from operations	(2,284)	(1,423)	(2,284)	(1,423)
Equity holders of the parent	(2,284)	(1,423)	(2,284)	(1,423)
	(2,284)	(1,423)	(2,284)	(1,423)
Earnings per ordinary share				
Basic (sen)	(1.73)	(1.19)	(1.73)	(1.19)
Diluted (sen)	(1.73)	(1.19)	(1.73)	(1.19)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this report)

SIN HENG CHAN (MALAYA) BERHAD (4690-V)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

(The figures have not been audited)

	AS AT 31 MARCH 2019 RM'000	AS AT 31 DECEMBER 2018 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment ("PPE")	79,321	80,389
Investment Properties	9,350	9,375
Concession Financial Assets	56,541	55,716
Prepaid Lease Rental	17,695	17,812
Goodwill on consolidation	19,193	19,193
Intangible Assets	5,300	5,450
Investment in associates	10,461	10,466
Current Assets		
Inventories	1,224	1,160
Trade Receivables	6,325	6,792
Other Receivables	2,100	2,460
Biological assets	486	486
Assets held for sale	544	544
Amount owing by related parties	-	259
Amount owing by associates companies	77	313
Fixed deposits, cash and cash balances	2,329	2,232
	13,085	14,246
TOTAL ASSETS	210,946	212,647
EQUITY & LIABILITIES		
Share Capital	123,992	123,992
Reserves	(47,884)	(45,600)
Equity attributable to equity holders of the parent	76,108	78,392
Non-Current Liabilities		
Bank Borrowings	62,965	66,964
Hire-purchase payables	781	781
Deferred Tax Liability	7,364	7,440
	71,110	75,185
Current Liabilities		
Bank Overdrafts	25,103	24,792
Trade Payables	6,001	6,323
Other Creditors	20,872	18,011
Amount owing to related parties	2,169	1,669
Amount owing to director	1,200	-
Bank Borrowings	8,177	7,991
Hire-purchase payables	199	277
Tax liabilities	7	7
	63,728	59,070
	210,946	212,647
Net tangible assets per share (RM)	0.43	0.45

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this report)

SIN HENG CHAN (MALAYA) BERHAD (4690-V)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2019**

(The figures have not been audited)

	Share Capital RM'000	Distributable Accumulated Loss RM'000	Total RM'000
<u>3 months quarter ended 31 March 2019</u>			
At 1 January 2019	123,992	(45,600)	78,392
Net loss for the financial period	-	(2,284)	(2,284)
At 31 March 2019	123,992	(47,884)	76,108
<u>3 months quarter ended 31 March 2018</u>			
At 1 January 2018	118,092	(39,336)	78,756
Net loss for the financial period	-	(1,423)	(1,423)
At 31 March 2018	118,092	(40,759)	77,333

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this report)

SIN HENG CHAN (MALAYA) BERHAD (4690-V)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2019**
(The figures have not been audited)

	3 MONTHS PERIOD ENDED 31 MARCH 2019 RM'000	AS AT PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2018 RM'000
Profit / (Loss) before tax	(2,360)	(6,594)
Adjustment for :		
Amortisation of Prepaid Lease and Intangible Assets	293	1,121
Depreciation of Property, Plant & Equipment ("PPE")	1,070	4,257
Fair value changes in biological asset	-	(38)
Share of result in associated companies	5	(1,158)
Finance costs	1,479	5,881
Other non-cash items	(874)	(3,619)
Operating Profit/(loss) before working capital changes	<u>(387)</u>	<u>(150)</u>
Decrease in concession financial assets	47	5,198
Increase in inventories	(63)	(477)
Decrease/(Increase) in receivables and other assets	826	(4,107)
Increase in payables and other liabilities	2,538	3,435
Increase in amount owing to director	1,200	-
Decrease/(Increase) in amount owing by related parties	759	(826)
Decrease/(Increase) in amount owing by associates companies	236	(313)
Cash from/(used in) operations	<u>5,156</u>	<u>2,760</u>
Interest paid	(14)	(57)
Net cash used in operating activities	<u>5,142</u>	<u>2,703</u>
Cash flows from/(used in) investing activities		
Acquisition of intangible assets	-	(6,000)
Issue of ordinary shares	-	5,900
Purchase of property, plant and equipment	(2)	(2,995)
Interest received	1	58
Net cash (used in)/from investing activities	<u>(1)</u>	<u>(3,037)</u>
Cash flows from/(used in) financing activities		
Proceeds from drawdown of borrowings - net	-	4,500
Repayment of term loan - net	(3,814)	(5,615)
Repayment of hire-purchase - net	(76)	(237)
Interest Paid	(1,465)	(5,825)
Net cash (used in)/from financing activities	<u>(5,355)</u>	<u>(7,177)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(214)</u>	<u>(7,511)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>(22,560)</u>	<u>(15,049)</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR	<u><u>(22,774)</u></u>	<u><u>(22,560)</u></u>
Cash and Cash Equivalents at end of period consist of:-		
Deposits with licensed banks	-	200
Cash and bank balances	2,329	2,032
Bank Overdrafts	(25,103)	(24,792)
	<u>(22,774)</u>	<u>(22,560)</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this report)

INTERIM REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

NOTES TO THE INTERIM FINANCIAL REPORT

A1 Basis of preparation

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

The financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018. 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 the Group since the financial year ended 31 December 2018.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the last audited financial statements for the financial year ended 31 December 2018.

In conjunction with the planned convergence of Financial Reporting Standards ("FRS") with International Financial Reporting Standard as issued by the International Accounting Standards Board, the MASB issued a new approved accounting standard framework, the MFRSs, for application in the annual periods beginning on or after 1st January 2012.

The MFRS Framework is a mandatory for adoption by all Entities Other Than Private Entities, with the exception of entities subject to the application of MFRS 141 Agriculture and/or IC Int 15 Agreement for the Construction of Real Estate ("Transitioning Entities"). The Group falls within the definition of Transitioning Entities and the financial statements for the annual period beginning on 1 January 2017 will be prepared in accordance with the MFRS and International Financial Reporting Standards.

The significant accounting policies and methods of computation adopted are consistent with those of the most recent audited financial statements for the year ended 31 December 2017 except for the adoption of new and amended FRSs, IC Interpretations and new MFRSs which are relevant to its operations and effective for the financial periods beginning on or after 1 January 2018. Comparative information in these interim financial statements have been restated to give effect to these changes and the financial impact on the transition to MFRS framework follows:

Biological assets

Under the MFRS framework, biological assets that meet the definition of bearer plants will be within the scope of MFRS 116: Property, Plant and Equipment. After initial recognition, the bearer biological assets will be measured under MFRS 166 at accumulated cost. The Group is currently measuring the bearer biological assets at valuation less accumulated impairment losses after the date of valuation. Upon adoption of the MFRS framework, the Group decided to apply the cost model for accounting the bearer plants. This change in accounting framework will result in the reclassification of the bearer assets from plantation development expenditure to bearer plants and the revaluation amount on the transition date to be recorded as original cost. The related revaluation surplus will be adjusted accordingly. Subsequently be stated at cost less any accumulated depreciation and accumulated impairment losses. The amendments also require the produce that grows on bearer plants to be within scope of MFRS141 measured at fair value less costs to sell. The plantation development expenditure of the Group comprises of the fresh fruit bunch ("FFB") prior to harvest. The changes in fair value less costs to sell of the biological assets was recognised in profit or loss.

A2 Audit report

The auditors' report on the financial statement for the year ended 31 December 2018 was not qualified.

A3 Seasonal or cyclical factors of the Group's operations

The prices for the Group's plantation products are not within the control of the Group but are determined by the price of Crude Palm Oil (CPO), which in turn depends on several factors including the global supply and demand of competing vegetable oils, crude oil prices, and general global economic growth conditions.

Crop production is seasonal. Based on statistics, the Group's production of Fresh Fruit Bunches (FFB) gradually increases in the second quarter and reaches its peak during the third and fourth quarters. This pattern can be affected by rainfall in the Group's estates and severe global weather conditions such as El-Nino.

The profits for this segment of the Group are primarily determined by the price of FFB and the volume of production from the Group's estates.

The Group's other businesses in energy and facilities management are not affected by seasonal or cyclical factors.

A4 Unusual items

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence in the current quarter.

A5 Changes in estimates

There were no changes in estimates of amounts reported in prior interim periods or changes in estimates of amounts reported in prior financial years, which have a material effect in the current quarter.

A6 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter.

A7 Dividend

There was no dividend paid, declared or proposed in the current quarter.

A8 Segmental analysis

The Group is organised into the following operating divisions:

- (i) Oil Palm Plantations
- (ii) Energy and Facilities Management
- (iii) Investment Holding
- (iv) Others (consist of subsidiary companies which are dormant)

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Segmental Information for the current quarter

<u>For the 3 months financial period ended 31 Mar 2019</u>	Oil Palm Plantations	Energy & Facilities Management	Investment Holding	Others	Elimination	Group Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	3,301	3,502	-	-	-	6,803
<u>Segment results</u>						
Profit/(loss) from operations	(2,051)	1,868	(269)	(6)	(418)	(876)
Finance cost	(929)	(646)	(6)	-	102	(1,479)
Share profit of associates						(5)
Gain / (Loss) before tax	(2,980)	1,222	(275)	(6)	(316)	(2,360)
Tax					76	76
Loss for the period						(2,284)

A9 Valuations of property, plant and equipment

The valuations of land and building have been brought forward without amendment from the financial statements for the year ended 31 December 2018.

A10 Material events subsequent to the end of the interim period

- (i) The Company has announced on 31 December 2018 and 2 April 2019 that it has entered into a Sale and Purchase Agreement ("SPA") and Supplementary Agreement with Sinn Kian Hin Sendirian Berhad (49205W) ("Purchaser") for the disposal of three (3) pieces of freehold vacant for a total cash consideration of RM3,252,346.50 ("Revised Purchase Price").

The Disposal was completed on 23 May 2019 following the receipt of the full payment of the Purchase Consideration by the Purchaser to the Company pursuant to the terms of the SPA.

- (ii) On 29 June 2017 ("KJTS Completion Date"), the Company completed the acquisition of 25% equity interest in KJ Technical Services ("KJTS") from the vendors of KJTS ("Vendors") for a total consideration of RM10.0 million. Pursuant to the Sale and Purchase Agreement ("SPA") dated 26th January 2017, the Vendors were granted an irrevocable call option ("Call Option") to repurchase 25% equity interest in KJTS ("Option Shares") at the Exercise Price during the period commencing 18 months after the KJTS Completion Date and expiring 24 months thereafter.

On 19 April 2019, the Company received notice from the Vendors of their intention to exercise the Call Option in respect of the Option Shares in KJTS. In accordance with the SPA, the Vendors shall pay to the Company a total cash consideration of RM10.5 million ("Exercise Price" or "Consideration") for the exercise of the Call Option. On the same date, the Vendors paid to the Company RM2.5 million as part payment towards the exercise of the Call Option.

The Vendors shall pay the Consideration to the Company in the following manner:

- a) A sum of RM5.0 million ("First Payment") shall be paid upon delivery of the transfer documents to the Vendors' solicitors
- b) The remaining balance of the Exercise Price amounting to RM5.5 million ("Second Payment") shall be paid no later than 90 days thereafter

A10 Material events subsequent to the end of the interim period (Cont'd)

Upon receipt of the First Payment by the Company, the Vendors shall be entitled to perfect the transfer documents and register the Option Shares in their favour ("Completion Date"). SHC shall be free from all liabilities and encumbrances whatsoever in KJTS after the Completion Date.

On the 14 May 2019, the Company received a total of RM5.0 million in cleared funds from the Vendors, being the First Payment. Hence the Completion Date for the exercise of the KJTS Call Option shall be 14 May 2019.

- (iii) On 9 and 10 May 2019, the Company announced that it has entered into a Sale and Purchase Agreement with Sumber Setiamas Sdn Bhd (1321249D) on 8 May 2019 for the disposal of a piece of leasehold land in Melaka measuring approximately 2.43 hectares equivalent to 261,563 sq ft for a total cash consideration of RM14,385,965.00 only.

A11 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 subsidiary companies and long-term investments, restructurings and discontinued operations for the current quarter.

A12 Contingent liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 31 March 2019.

A13 Capital Commitments

There are no capital commitments approved or contracted for the first quarter ended 31 March 2019.

ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1 Review of Performance

Summary

	Individual Quarter			Cumulative Quarter		
	31 Mar 2019	31 Mar 2018	Variance	31 Mar 2019	31 Mar 2018	Variance
	RM	RM	%	RM	RM	%
Oil Palm Plantations Revenue ('000)	3,001	2,660	12.8%	3,001	2,660	12.8%
Energy and Facility Management Revenue ('000)	3,502	3,139	11.6%	3,502	3,139	11.6%
Total Revenue ('000)	6,503	5,799	12.1%	6,503	5,799	12.1%
LBT ('000)	(2,360)	(1,499)	57.4%	(2,360)	(1,499)	57.4%
Operational Statistics						
Production (MT)	8,924	5,762	54.9%	8,924	5,762	54.9%
Ave. CPO Price*	2,015	2,460	-18.1%	2,015	2,460	-18.1%
Ave. FFB Price	372	462	-19.5%	372	462	-19.5%

Revenue

The Group's revenue for the current quarter ended 31 March 2019 increased by 12.8% to RM6.5mil as compared to RM5.8mil in the corresponding period in 2018. Revenue from both the plantations segment and energy and facility management segment increased by 12.8% and 11.6% respectively compared to the corresponding period in year 2018.

Plantation

For the current quarter under review, the Group's Plantations segment recorded revenue of RM3.0mil, a 12.8% increase when compared to the corresponding quarter in 2018. This was primarily due to lower FFB price which decreased by 19.5% compared to the same period in 2018. The decrease in FFB and CPO prices offset the increase in the Group's production volume which rose by 54.9% compared to the corresponding quarter in 2018.

Energy and Facilities Management

For the current quarter under review, this segment contributed RM3.5mil to the Group's revenue, an increase of 11.6% compared to RM3.1mil in the corresponding quarter in 2018.

Profit / (Loss) before tax

The Group recorded a loss before tax of RM2.4mil as compared to loss before tax of RM1.5mil in the corresponding quarter ended 31 Mar 2018. This loss was mainly due to losses arising from the plantations segment which outweighed the profits derived from the Group's energy and facilities management segment.

B2 Material Changes in Profit/ (Loss) Before Taxation for the Quarter Reported on 31 March 2019 as Compared with the Immediate Preceding Quarter

	Current Quarter	Immediate Preceding Quarter	Variance	
	31 Mar 2019 RM	31 Dec 2018 RM	Amount RM	%
Production (MT)	8,924	10,292	(1,368)	-13.29%
Ave. CPO Price*	2,015	1,908	107	5.61%
Ave. FFB Price	372	354	18	5.08%
Revenue ('000)	6,803	7,537	(734)	-9.74%
Operating P/(L) before finance cost ('000)	(881)	37	(918)	-2481.08%
Finance Cost	(1,479)	(1,341)	(138)	10.29%
LBT ('000)	(2,360)	(844)	(1,516)	179.62%
LAT ('000)	(2,284)	(742)	(1,542)	207.82%

The plantations segment registered a lower revenue of RM3.0mil compared to RM3.7mil in the preceding quarter ended 31 December 2018. The lower revenue is due to lower production of FFB from the Group's estate amounting to 1,368MT, which is a 13.3% decline compared to the preceding quarter.

The energy and facilities management segments profit before tax was recorded at RM1.2mil for current quarter as compared to RM0.8mil in preceding quarter ended 31 December 2018 due to the adjustment on amortisation of intangible assets in the preceding quarter ended 31 December 2019.

B3 Prospects

For 2019, our Group's performance in the plantation division will be largely dependent on CPO and Palm Kernel ("PK") prices, and our FFB production. CPO and PK prices are influenced by a variety of factors affecting the supply and demand of palm oil, including the weather conditions, prices and production of substitute vegetable oils, crude oil prices, and global economic conditions. The ongoing and potential settlement of the trade war between China and the USA, and its subsequent effect on soybean oil, may also have a large bearing on prices in 2019.

Notwithstanding this, the Group will continue to focus on increasing the production of FFB from its estates. The Group remains fundamentally optimistic about the long-term prospects of the palm oil industry.

The Group is optimistic on the ability of its energy and facility management division to continue to provide steady and recurrent income to the Group.

B4 Profit Forecast or Profit Guarantee

The Group has not issued any profit forecasts for the quarter under review.

SIN HENG CHAN (MALAYA) BERHAD (4690-V)
(Incorporated in Malaysia)

B5 Taxation

	Current Quarter 31.03.2019 RM'000	Cumulative Quarter 31.03.2019 RM'000
On current year's results		
- Transfer from/(to) deferred taxation	76	76
	<u>76</u>	<u>76</u>

B6 Status of Corporate Proposals

There is no corporate proposal announced but not completed as at the date of issuance of this report.

B7 Group Borrowings

Details of the Group's borrowings as at 31 March 2019 were as follows:-

Term Loan Borrowings	Short Term RM'000	Long Term RM'000	Total RM'000
Secured	<u>8,177</u>	<u>62,965</u>	<u>71,142</u>

The credit facilities of the group are obtained by a charge over all its assets with corporate guarantee.

Borrowings are denominated in Ringgit Malaysia.

B8 Material litigation

The Group is not engaged in any material litigation and is not aware of any proceedings which might materially affect the Group for the current financial year.

B9 Dividends

No interim dividend has been paid, declared or proposed for the period ending 31 March 2019.

B10 Off balance sheet financial instruments

There were no financial instruments with off balance sheet risk at the date of the issue of this quarterly report.

B11 Earnings per Share (EPS)

Basic EPS and diluted EPS are calculated by dividing the profit attributable to the ordinary equity holders of the company of RM2.3million for the current cumulative quarter by the number of ordinary shares of 131,866,787 in issue during the period .

B12 Gains/(losses) arising from fair value changes of financial liabilities

There were no gains/(losses) during this quarter arising from fair value changes of financial liabilities.