



SIN HENG CHAN (MALAYA) BERHAD

(Reg. No. 196201000185 (4690-V))
(Incorporated in Malaysia)

INTERIM REPORT FOR THE THIRD QUARTER ENDED 30 September, 2020

CONTENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	1
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	3
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS	4
NOTES TO THE QUARTERLY FINANCIAL REPORT	5 - 12

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 SEP 2020 RM'000	PRECEDING YEAR QUARTER 30 SEP 2019 RM'000	CURRENT YEAR TO DATE 30 SEP 2020 RM'000	PRECEDING YEAR TO DATE 30 SEP 2019 RM'000
Revenue	9,415	7,493	26,477	21,162
Cost of Sales	(6,824)	(7,370)	(19,513)	(21,100)
Gross profit	2,591	123	6,964	62
Other income	951	920	3,029	6,276
Distribution cost	(358)	(379)	(1,100)	(1,029)
General and administrative expenses	(1,040)	(851)	(2,989)	(3,472)
Other operating expenses	(367)	(302)	(1,060)	(1,251)
	1,777	(489)	4,844	586
Finance cost	(1,110)	(1,345)	(3,462)	(4,323)
Share of profit / (loss) of associates	-	-	-	(98)
Profit / (Loss) before tax	667	(1,834)	1,382	(3,835)
Tax credit/(expense)	76	76	483	86
Profit / (Loss) from operations	743	(1,758)	1,865	(3,749)
Equity holders of the parent	743	(1,758)	1,865	(3,749)
	743	(1,758)	1,865	(3,749)
Earnings per ordinary share				
<i>Basic (sen)</i>	0.56	(1.33)	1.41	(2.84)
<i>Diluted (sen)</i>	0.56	(1.33)	1.41	(2.84)

(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 2019 and the accompanying explanatory notes attached to this report)

SIN HENG CHAN (MALAYA) BERHAD (Registration No. 196201000185 (4690-V))

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020**

(The figures have not been audited)

	AS AT 30 SEPTEMBER 2020 RM'000	AS AT 31 DECEMBER 2019 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	77,249	78,566
Investment Properties	367	374
Concession Financial Assets	52,197	52,197
Prepaid Lease Rental	16,992	17,343
Intangible Assets	23,593	24,043
Current Assets		
Inventories	1,282	1,776
Concession Financial Assets	453	1,813
Trade Receivables	5,424	7,996
Other Receivables, Deposits and Prepayments	1,939	1,733
Biological Assets	769	769
Tax Recoverable	2	1
Fixed Deposits, Cash and Cash Balances	11,290	4,420
	<u>21,159</u>	<u>18,508</u>
TOTAL ASSETS	<u><u>191,557</u></u>	<u><u>191,031</u></u>
EQUITY & LIABILITIES		
Share Capital	123,992	123,992
Reserves	(40,680)	(42,545)
Equity Attributable To Equity Holders Of The Parent	<u>83,312</u>	<u>81,447</u>
Non-Current Liabilities		
Bank Borrowings	57,806	57,806
Hire-Purchase Payables	1,200	618
Other Payables	245	245
Deferred Tax Liability	6,908	7,136
	<u>66,159</u>	<u>65,805</u>
Current Liabilities		
Bank Overdrafts	18,237	13,095
Trade Payables	3,576	5,921
Other Payables and Accruals	12,417	13,840
Amount Owing To Related Parties	2,169	2,169
Bank Borrowings	5,597	8,391
Hire-Purchase Payables	90	363
	<u>42,086</u>	<u>43,779</u>
	<u><u>191,557</u></u>	<u><u>191,031</u></u>
Net tangible assets per share (RM)	0.45	0.44

(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 2019 and the accompanying explanatory notes attached to this report)

SIN HENG CHAN (MALAYA) BERHAD (Registration No. 196201000185 (4690-V))

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

(The figures have not been audited)

	Share Capital RM'000	Distributable Accumulated Loss RM'000	Total RM'000
<u>9 months quarter ended 30 Sep 2020</u>			
At 1 January 2020	123,992	(42,545)	81,447
Net profit for the financial period	-	1,865	1,865
At 30 September 2020	<u>123,992</u>	<u>(40,680)</u>	<u>83,312</u>
<u>9 months quarter ended 30 Sep 2019</u>			
At 1 January 2019	123,992	(45,600)	78,392
Net loss for the financial period	-	(3,749)	(3,749)
At 30 September 2019	<u>123,992</u>	<u>(49,349)</u>	<u>74,643</u>

(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 2019 and the accompanying explanatory notes attached to this report)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

(The figures have not been audited)

	9 MONTHS PERIOD ENDED 30 SEPTEMBER 2020 RM'000	9 MONTHS PERIOD ENDED 30 SEPTEMBER 2019 RM'000
Profit / (Loss) before tax	1,382	(3,835)
Adjustment for :		
Amortisation of Prepaid Lease and Intangible Assets	808	839
Depreciation of Property, Plant & Equipment ("PPE")	3,736	3,213
Share of result in associates company	-	98
Finance costs	3,462	4,323
Loss/(gain) on disposal of PPE	(64)	(55)
Loss/(gain) on disposal of investment properties	-	(2,708)
Loss/(gain) on disposal of associates company	-	(132)
Finance income from concession financial asset	(2,539)	(2,619)
Interest income	(135)	(14)
Operating Profit/(loss) before working capital changes	6,650	(890)
Decrease in concession financial assets	3,899	2,647
Decrease/(Increase) in inventories	494	(242)
Decrease/(Increase) in trade and other receivables	2,366	(1,343)
Increase/(decrease) in trade and other payables	(3,767)	835
Decrease/(Increase) in amount owing by related parties	-	(2,304)
Decrease/(Increase) in amount owing by associates company	-	313
Cash from/(used in) operations	9,642	(984)
Interest paid	(34)	(46)
Tax received	255	-
Tax paid	(1)	(149)
Net cash (used in)/from operating activities	9,862	(1,179)
Cash flows from/(used in) investing activities		
Proceeds from disposal of investment in associates company	-	10,500
Purchase of property, plant and equipment	(2,438)	(660)
Proceeds from disposal of investment properties	-	3,252
Proceeds from disposal of PPE	83	55
Interest received	135	13
Net cash (used in)/from investing activities	(2,220)	13,160
Cash flows from/(used in) financing activities		
Repayment of term loan - net	(2,794)	(9,157)
Proceed/(Repayment) of hire-purchase - net	308	(3)
Interest paid	(3,428)	(4,277)
Net cash (used in)/from financing activities	(5,914)	(13,437)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,728	(1,456)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(8,676)	(22,560)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR	(6,948)	(24,016)
Cash and Cash Equivalents at end of period consist of:-	-	0
Deposits with licensed banks	9,627	420
Cash and bank balances	1,662	360
Bank Overdrafts	(18,237)	(24,796)
	(6,948)	(24,016)

(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 2019 and the accompanying explanatory notes attached to this report)

INTERIM REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

PART A : EXPLANATORY NOTES PURSUANT TO MFRS 134

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 2019. 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 2019.

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 2019.

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 2019 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 2020. The standards and amendments that have been issued and effectively beginning on or after 1 January 2020 are as follows:

- The Conceptual Framework for the Financial Reporting (Revised 2018)
- Amendments to MFRS 3, ‘Definition of a Business’
- Amendments to MFRS 10, ‘Consolidated Financial Statements’ and MFRS 128, ‘Investments in Associates and Joint Ventures’ - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

the adoption of standards and amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

A2 Audit report

The auditors’ report on the financial statement for the year ended 31 December 2019 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)

The Segmental Information for the period ended 30 September 2020 :

	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	16,902	9,575	-	-	-	26,477
<u>Segment results</u>						
Profit / (loss) from operations	1,629	4,387	90	(34)	(1,228)	4,844
Finance cost	(2,103)	(1,626)	(8)	-	275	(3,462)
Profit / (Loss) before tax	(474)	2,761	82	(34)	(953)	1,382
Tax credit / (expenses)	-	-	255	-	228	483
Profit / (Loss) for the period	(474)	2,761	337	(34)	(725)	1,865

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 2019.

A10 Material events subsequent to the end of the interim period

There were no material events subsequent to 30 September 2020 and up to the date of the issuance of this quarterly report that have not been reflected in this quarterly report.

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 30 September 2020.

A13 Capital Commitments

There are no capital commitments approved or contracted as at 30 September 2020.

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

B1 Review of Performance

	Individual Quarter			Cumulative Quarter		
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year Quarter	Preceding Year Corresponding Quarter	
	30 Sep 2020 RM '000	30 Sep 2019 RM '000	Change %	30 Sep 2020 RM '000	30 Sep 2019 RM '000	Change %
Revenue						
Oil Palm Plantations	6,014	3,977	51.2%	16,902	10,595	59.5%
Energy and Facility Management	3,401	3,516	-3.3%	9,575	10,567	-9.4%
Total Revenue	9,415	7,493	25.7%	26,477	21,162	25.1%
Segment results						
Oil Palm Plantations	247	(2,455)	110.1%	(474)	(7,645)	93.8%
Energy and Facility Management	887	824	7.6%	2,761	2,299	20.1%
Investment Holding	(133)	121	-209.9%	82	4,924	-98.3%
Others	(17)	(7)	-142.9%	(34)	(21)	-61.9%
Eliminations	(317)	(317)	0.0%	(953)	(3,392)	71.9%
Profit / (Loss) Before Tax	667	(1,834)	136.4%	1,382	(3,835)	136.0%
Operational Statistics						
Production (MT)	11,460	10,716	6.9%	34,481	28,882	19.4%
Ave. CPO Price*	2,754	2,015	36.7%	2,574	2,003	28.5%
Ave. FFB Price	523	369	41.7%	489	367	33.2%

*Extracted from MPOB Peninsular Malaysia Average

(A) Performance of the current quarter against the preceding year corresponding quarter

Revenue

The Group's revenue for the current quarter ended 30 September 2020 was RM9.42 million, an increase of 25.7% when compared to the revenue of RM7.49 million in the corresponding quarter in 2019. The increase in revenue was mainly due to the increase in revenue from the plantations segment.

Plantations

For the current quarter under review, the Group's plantations segment recorded revenue of RM6.01 million, a 51.2% increase when compared to the corresponding quarter in 2019. This was partly due to an increase in the Group's Fresh Fruit Bunch (FFB) production by 744mt or 6.9% compared to the same quarter in 2019. More significantly, this segment benefitted from increases in average CPO and FFB prices, which increased by 36.7% and 41.7% respectively compared to the corresponding period in 2019.

Energy and Facilities Management

For the current quarter under review, this segment contributed RM3.40 million to the Group's revenue, a decrease of 3.3% as compared to RM3.52 million in the corresponding quarter in 2019. This decrease in revenue was due to reduced consumption of chilled water from the Group's cooling system in Melaka.

B1 Review of Performance (continued)

(A) Performance of the current quarter against the preceding year corresponding quarter (continued)

Profit / (Loss) before tax

The Group recorded a profit before tax of RM0.67 million as compared to a loss before tax of RM1.83 million in the corresponding quarter ended 30 September 2019. The increase in the Group's profitability compared to the preceding year was mainly due to better performances from both of the Group's operating segments. The plantations segment's gross profit margins showed significant improvement due to increases in average CPO and FFB prices over the period. For the quarter ended 30 September 2020, the plantations segment recorded a profit of RM0.25 million, compared to a loss of RM2.46 million in the third quarter of 2019.

(B) Performance of the current financial period to-date against preceding year corresponding financial period

Revenue

The Group's revenue for the cumulative quarter ended 30 September 2020 increased by 25.1% to RM26.48 million as compared to RM21.16 million in the preceding year corresponding period ended 30 September 2019. The increase in revenue was mainly due to the increase in revenue from the plantations segment.

Plantations

For the financial year ended 30 September 2020, revenue increased by 59.5% to RM16.90 million from RM10.60 million in the preceding year. This was due to an increase in FFB production from the Group's estates by 5,599mt or 19.4% compared to the same period in 2019. In addition, this segment recorded an increase in revenue due to increases in average CPO and FFB prices, which increased by 28.5% and 33.2% respectively compared to the corresponding period in 2019.

Energy and Facilities Management

This segment contributed RM9.58 million to the Group's revenue in the financial year ended 30 September 2020 compared to RM10.57 million in the preceding year corresponding period. The decrease in revenue was due to reduced consumption of chilled water from the Group's cooling system in Melaka.

Profit / (Loss) before tax

For the financial year ended 30 September 2020, the Group recorded a profit before tax of RM1.38 million as compared to a loss before tax of RM3.84 million in the preceding year. The Group's improved financial performance can be attributed to improvements from both of the Group's operating segments, as well as an overall reduction in general administrative and other operating expenses. For the year ended 30 September 2020, the plantations segment recorded a reduced loss of RM0.47 million, compared to a loss of RM7.65 million over the same period in the previous year. This was due to a combination of higher production from the Group's estates, higher CPO and FFB prices, and better cost management. To-date, the Group's energy and facility segment recorded a profit of RM2.76 million, a 20.1% increase compared to 2019. This was due to reduced operating costs for the segment.

B2 Material Changes in Current Quarter Results Compared with Preceding Quarter

	Current Quarter	Immediate Preceding Quarter	Variance	
	30 Sep 2020 RM'000	30 June 2020 RM'000	Amount RM'000	%
Production (MT)	11,460	11,180	280	2.5%
Ave. CPO Price*	2,754	2,263	491	21.7%
Ave. FFB Price	523	420	103	24.5%
Revenue				
Oil Palm Plantations	6,014	4,683	1,331	28.4%
Energy and Facility Management	3,401	2,894	507	17.5%
Total Revenue	9,415	7,577	1,838	24.3%
Segment results				
Oil Palm Plantations	247	(1,022)	1,269	124.2%
Energy and Facility Management	887	955	(68)	-7.1%
Investment Holding	(133)	100	(233)	-233.0%
Others	(17)	(11)	(6)	-54.5%
Eliminations	(317)	(319)	2	0.6%
Profit / (Loss) before tax	667	(297)	964	324.6%

For the three months period ended 30 September 2020, the Group recorded a revenue of RM9.42 million as compared to RM7.58 million recorded in the preceding quarter ended 30 June 2020. The increase in revenue are due to an increase in revenue from both of the Group's operating segments. The plantations segment benefitted from increases in average CPO and FFB prices, which increased by 21.7% and 24.5% respectively compared to the preceding quarter.

The Group recorded a profit before taxation of RM0.67 million for the current quarter as compared to a loss before tax of RM0.30 million in the preceding quarter ended 30 June 2020. This increase in profitability was mainly due to an increase in CPO prices compared to the previous quarter.

B3 Prospects

For 2020, 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.

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. After a mid-year decline, CPO prices have strengthened significantly on the back of improved export demand and lower domestic production. Moving forward, the sustainability of CPO prices are expected to be dependent on several factors including the demand of key importing countries, the continued commitment of the Indonesia and Malaysia governments to their biodiesel mandate policies, and the pace of economic recovery from the Covid pandemic.

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

B5 Dividends

No interim dividend has been paid, declared or proposed for the period ending 30 September 2020.

B6 Taxation

	Current Quarter <u>30.09.2020</u> RM'000	Cumulative Quarter <u>30.09.2020</u> RM'000
On current year's results		
- Transfer from / (to) deferred taxation	76	228
- RPGT Refund	-	255
	<u>76</u>	<u>483</u>

B7 Status of Corporate Proposals

On 13 February 2020, the Company announced that it proposes to undertake a Private Placement of up to 10% of the total number of issued shares of SHC to third party investors to be identified at a later date. On 27 February 2020, the Company received approval from Bursa Malaysia Securities Berhad to implement the Proposed Private Placement. As such, the Company has until 26 August 2020 to implement the Private Placement.

On 24 August 2020, Bursa Malaysia Securities Berhad has resolved to grant the Company an extension of time up to 26 February 2021 to complete the implementation of the Private Placement. As at the date of this announcement, there are no further updates on the Proposed Private Placement.

On 7 August 2020, the Company entered into a Heads of Agreement with Tunas Selatan Construction Sdn Bhd ("TSC"), to explore and pursue a potential acquisition of the entire equity interest in Tunas Selatan Pagoh Sdn Bhd ("TSP"), a wholly-owned subsidiary of TSC, for a purchase consideration to be determined at a later date which will be satisfied via a combination of cash and issuance of ordinary shares of the Company at RM0.330.

On 4 September 2020, the Company and TSC had mutually agreed to extend the exclusivity period in the HOA for a further 1 month ending 6 October 2020 ("Extension"). The Extension was made in order to grant the parties an additional time to negotiate on the terms and conditions of the definitive agreement(s) for the Proposed Acquisition to be entered into.

On 30 September 2020, the Company entered into a conditional share sale agreement with TSC for the proposed acquisition by the Company of 4,000,002 ordinary shares in TSP, representing the entire equity interest in TSP, from TSC for a purchase consideration of RM145,900,000

On 6 November 2020, the listing application in relation to the Proposals has been submitted to Bursa Malaysia Securities Berhad.

B8 Group Borrowings

Details of the Group's borrowings as at 30 September 2020 were as follows:-

Term Loan Borrowings	Short Term RM'000	Long Term RM'000	Total RM'000
Secured	5,597	57,806	63,403

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

Borrowings are denominated in Ringgit Malaysia.

B9 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.

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 / (Loss) per Share (EPS)

Basic EPS and diluted EPS are calculated by dividing the net profit attributable to the ordinary equity holders of the Company of RM1.87 million for the financial year by the number of ordinary shares of 131,866,787 in issue during the financial year.

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.