



SCH GROUP BERHAD

201101044580 (972700-P)
(Incorporated in Malaysia)

Interim Financial Report
For the First (1st) Quarter Ended
30 November 2020

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST (1ST) QUARTER ENDED 30 NOVEMBER 2020**

	<-- Individual Quarter -->		<-- Cumulative Quarter -->	
	Unaudited 30.11.2020 RM'000	Audited 30.11.2019 RM'000	Unaudited 30.11.2020 RM'000	Audited 30.11.2019 RM'000
Revenue	37,492	32,756	37,492	32,756
Cost of Sales	(31,200)	(25,060)	(31,200)	(25,060)
Gross Profit	6,292	7,696	6,292	7,696
Other operating income	423	249	423	249
Administrative expenses	(2,635)	(4,926)	(2,635)	(4,926)
Selling and distribution expenses	(2,141)	(1,985)	(2,141)	(1,985)
Profit from operations	1,939	1,034	1,939	1,034
Finance costs	(743)	(884)	(743)	(884)
Profit before taxation	1,196	150	1,196	150
Taxation	(517)	(48)	(517)	(48)
Profit for the financial period	679	102	679	102
Other comprehensive income:				
Foreign currency translation differences	15	14	15	14
Total comprehensive income for the financial period	694	116	694	116
Profit for the period attributed to:				
- Owners of the company	628	112	628	112
- Non-controlling interest	51	(10)	51	(10)
	679	102	679	102
Total comprehensive income attributable to:				
- Owners of the company	643	126	643	126
- Non-controlling interest	51	(10)	51	(10)
	694	116	694	116
Earnings per share:				
- Basic (sen)	0.113	0.020	0.113	0.020
- Diluted (sen)	0.105	0.019	0.105	0.019

The Unaudited 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 August 2020 and the accompanying explanatory notes attached to the interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2020**

	Unaudited as at 30.11.2020 RM'000	Audited as at 31.08.2020 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	58,906	60,015
Right-of-use	2	-
Goodwill on consolidation	19,276	19,214
Trade receivables	-	11
Other receivables	200	275
	<u>78,384</u>	<u>79,515</u>
CURRENT ASSETS		
Inventories	19,522	19,672
Trade receivables	55,315	48,584
Other receivables, prepayments and deposits	11,837	12,149
Tax recoverable	763	927
Fixed deposit with licensed banks	5,160	9,444
Cash and bank balances	9,970	7,471
	102,567	98,247
Non-current assets held for sale	669	669
	<u>103,236</u>	<u>98,916</u>
TOTAL ASSETS	<u>181,620</u>	<u>178,431</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	75,918	75,918
Merger deficit reserve	(23,859)	(23,859)
Foreign currency translation reserves	4	(11)
Retained earnings	26,560	25,932
	78,623	77,980
Non-controlling interest	3,797	3,746
TOTAL EQUITY	<u>82,420</u>	<u>81,726</u>
CURRENT LIABILITIES		
Trade payables	26,866	27,169
Other payables	3,455	3,227
Contract liabilities	72	788
Lease liabilities	2	4
Bank borrowings	16,173	40,945
Tax payable	290	29
	<u>46,858</u>	<u>72,162</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2020 (CONTINUED)**

	Unaudited as at 30.11.2020 RM'000	Audited as at 31.08.2020 RM'000
NON-CURRENT LIABILITIES		
Bank borrowings	45,287	17,488
Deferred tax liabilities	7,055	7,055
	52,342	24,543
TOTAL LIABILITIES	99,200	96,705
TOTAL EQUITY AND LIABILITIES	181,620	178,431
 NET ASSET PER SHARE (sen)	 14.15	 14.04

The Unaudited 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 August 2020 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST (1ST) QUARTER ENDED 30 NOVEMBER 2020**

	<i>←-- Attributable to the Owners of the Company --></i>						
	<i>←-- Non-Distributable --></i>			<i>Distributable</i>			
Unaudited	Share Capital RM'000	Merger Reserve RM'000	Translation Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non Controlling Interest RM'000	Total Equity RM'000
Balance as at 1 September 2020	75,918	(23,859)	(11)	25,932	77,980	3,746	81,726
Profit for the financial period	-	-	-	628	628	51	679
Other comprehensive income for the financial period	-	-	15	-	15	-	15
Total comprehensive income for the financial period	-	-	15	628	643	51	694
Balance as at 30 November 2020	75,918	(23,859)	4	26,560	78,623	3,797	82,420

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST (1ST) QUARTER ENDED 30 NOVEMBER 2020 (CONTINUED)**

Audited	Share Capital RM'000	Merger Reserve RM'000	Translation Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non Controlling Interest RM'000	Total Equity RM'000
Balance as at 1 September 2019	75,918	(23,859)	(8)	33,927	85,978	3,642	89,620
(Loss)/Profit for the financial year	-	-	-	(7,995)	(7,995)	104	(7,891)
Other comprehensive (loss)/income for the financial year	-	-	(3)	-	(3)	-	(3)
Total comprehensive (loss)/income for the financial year	-	-	(3)	(7,995)	(7,998)	104	(7,894)
Balance as at 31 August 2020	75,918	(23,859)	(11)	25,932	77,980	3,746	81,726

The Unaudited 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 August 2020 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST (1ST) QUARTER ENDED 30 NOVEMBER 2020**

	Unaudited 3 months ended 30.11.2020 RM'000	Unaudited 3 months ended 30.11.2019 RM'000
Cash Flows From Operating Activities		
Profit before taxation	1,196	150
Adjustment for:		
Depreciation of property, plant and equipment	1,196	1,317
Property, plant and equipment written off	-	1
Unrealised gain on foreign exchange	(76)	-
Gain on disposal of property, plant and equipment	(80)	(1)
Reversal of impairment on inventory	-	(24)
Reversal of impairment on trade receivables	(22)	(49)
Interest expenses	743	884
Interest income	(58)	(112)
Operating profit before working capital changes	2,899	2,166
Changes in working capital:		
Inventories	150	792
Trade and other receivables	(5,453)	357
Trade and other payables	(1,669)	(619)
	(6,972)	530
Cash (used in) / generated from operations	(4,073)	2,696
Interest received	58	112
Interest paid	(743)	(884)
Tax paid	(97)	(243)
	(782)	(1,015)
Net cash (used in)/ generated from operating activities	(4,855)	1,681

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST (1ST) QUARTER ENDED 30 NOVEMBER 2020 (CONTINUED)**

	Unaudited 3 months ended 30.11.2020 RM'000	Unaudited 3 months ended 30.11.2019 RM'000
Cash Flow From Investing Activities		
Acquisition of subsidiaries, net of cash acquired	(93)	-
Purchase of property, plant and equipment	(115)	(251)
Proceed from disposal of property, plant and equipment	252	46
Net cash from/(used in) investing activities	<u>44</u>	<u>(205)</u>
 Cash Flow From Financing Activities		
Repayment of lease liabilities	(221)	(232)
Repayment of term loan	(2,088)	(2,020)
Changes on bills payable	5,335	8,607
Placement in fixed deposits pledged	-	(48)
Net cash from financing activities	<u>3,026</u>	<u>6,307</u>
 Net (decrease)/increase in cash and cash equivalents	(1,785)	7,783
Cash and cash equivalents at beginning of the financial period	16,895	12,859
Exchange rate adjustment	-	(1)
Cash and cash equivalents at end of the financial period	<u>15,110</u>	<u>20,641</u>
 Cash and cash equivalents at end of the financial period comprises:		
- Fixed deposits placed with licensed banks	5,160	9,492
- Cash and bank balances	<u>9,970</u>	<u>14,704</u>
	15,130	24,196
Less: Fixed deposits pledged with licensed banks	<u>(20)</u>	<u>(3,555)</u>
	<u>15,110</u>	<u>20,641</u>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2020 and the accompanying explanatory notes attached to this interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2020

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") No. 134: Interim Financial Reporting and Paragraph 9.22 and Appendix 9B of the ACE Listing Requirements ("Listing Requirement").

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2020 and the accompanying explanatory notes attached to this interim financial report.

The significant accounting policies adopted in preparation of this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 August 2020, except for the adoption of the new MFRS, amendments to MFRSs and IC Interpretation as below:

Amendments to MFRS 3 : Definition of a Business

Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform

Amendments to MFRS 108 and MFRS 101: Definition of Material

The adoption above mentioned standards did not have any material impact on this interim financial report.

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A2. Auditors' report of preceding annual audited financial statements

The auditors' report on the preceding year audited financial statements was not subject to any qualification.

A3. Seasonal or cyclical factors

The businesses of the Group were not affected by seasonal or cyclical factors.

A4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and financial year-to-date.

A5. Material changes in estimates

There were no changes in the estimates of amounts reported in prior financial years that had a material effect on the current financial quarter and financial year-to-date.

A6. Debt and equity securities

There were no issuances, cancellations, repurchases, resales, repayments of debts and/or securities, shares held as treasury shares or the resale of treasury shares during the financial period ended 30 November 2020.

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A8. Segmental information

The Group's revenue was derived from four (4) main business segments, namely the following: -

3-months ended 30 November 2020

	Investment Holding RM'000	Fertilisers RM'000	Heavy Equipment RM'000	Equipment Rental RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
External sales	-	21,911	4,877	10,704	-	37,492
Inter-segment sales	-	-	-	36	(36)	-
Total	-	21,911	4,877	10,740	(36)	37,492
Results						
Segment results	(199)	745	354	1,020	(39)	1,881
Finance costs	(384)	(177)	(59)	(124)	1	(743)
Finance income	36	19	-	3	-	58
(Loss)/Profit before taxation	(547)	587	295	899	(38)	1,196
Taxation	-	(217)	(7)	(293)	-	(517)
(Loss)/Profit after taxation	(547)	370	288	606	(38)	679

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3-months ended 30 November 2019

	Investment Holding RM'000	Fertilisers RM'000	Heavy Equipment RM'000	Equipment Rental RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	-	20,960	8,876	2,920	-	32,756
Inter-segment sales	-	-	-	479	(479)	-
Total	-	20,960	8,876	3,399	(479)	32,756
Results						
Segment results	(98)	167	930	(66)	(143)	922
Finance costs	(514)	(250)	(113)	(10)	3	(884)
Finance income	25	3	81	3	-	112
(Loss)/Profit before taxation	(587)	(80)	898	59	(140)	150
Taxation	-	-	(30)	(18)	-	(48)
(Loss)/Profit after taxation	(587)	(80)	868	41	(140)	102

A9. Dividend Paid

No dividend was paid during the current quarter under review.

A10. Valuation of property, plant and equipment

The Group has not carried out any valuation on its property, plant and equipment in the current financial quarter.

A11. Capital commitments

There were no material capital commitments as at the date of this report.

A12. Changes in the composition of the Group

On 29 September 2020, the Group has acquired the entire equity interest in PK Fert Sdn. Bhd. (Formerly known as Multifert Sdn. Bhd.).

There were no other changes in the composition of the Group for the current financial quarter ended 30 November 2020.

A13. Contingent liabilities and contingent assets

There were no contingent assets as at the date of this financial report.

A14. Material events subsequent to the end of the quarter

There were no other material events subsequent to the end of current quarter and financial year-to-date that have not been reflected in this interim financial report.

A15. Related party transactions

Transaction with companies in which a Director has interest for the current quarter ended 30 November 2020 was as follows: -

	Current Quarter ended 30.11.2020 RM'000
Sales of industrial products and spare parts	50
Sales of fertilisers goods	969
Sales or rental of rental equipment	784
Rental of factory	169
Hiring of lorry	49
Purchase of fertilisers	1,761
Acquisition of subsidiary	180

The transactions were carried out in the ordinary course of business and on normal commercial terms.

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B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Review of performance

	Individual / ← Cumulative Quarter →			
	Quarter ended 30.11.2020 ("Q1/21") RM'000	Quarter ended 30.11.2019 ("Q1/20") RM'000	Changes RM'000	Changes (%)
Revenue	37,492	32,756	4,736	14.5%
Profit before tax	1,196	150	1,046	697.3%
Profit after tax	679	102	577	565.7%

Comparison between Q1/21 with Q1/20 (Individual/Cumulative)

For the Q1/21, the Group achieved revenue of RM37.5 million, an increase of 14.5% as compared to corresponding quarter Q1/20, principally contributed by the sales of battery under equipment rental division. With the higher revenues attained in the Q1/21, the Group reported a profit before tax of RM1.2million as compared to corresponding quarter's profit before tax of RM0.2million.

B2. Comparison with immediate preceding quarter's results

	Quarter ended 30.11.2020 ("Q1/21") RM'000	Quarter ended 31.08.2020 ("Q4/20") RM'000	Changes RM'000	Changes (%)
Revenue	37,492	37,216	276	0.7%
Profit/(Loss) before tax	1,196	(4,192)	5,388	128.5%
Profit/(Loss) after tax	679	(4,225)	4,904	116.1%

For the current quarter under review, the Group achieve revenue of RM37.5 million, an increase by 0.7% as compared to the preceding quarter Q4/20. Despite marginal improvement in the revenue, the Group reported profit before tax of RM1.2million which is 128.5% higher than the preceding quarter. This is mainly due to the written down of inventories and net impairment loss on trade receivables in preceding quarter Q4/20 amounting to RM2.6million and RM1.9million respectively.

B3. Prospects

Fertilisers

As a result of tight supply-demand dynamics, crude palm oil (CPO) price have been steady climb since early of May 2020, poised above the level of RM3,800 a tonne in December 2020. The deficit in the global supply of vegetable oils as unfavourable weather (La Nina) disrupts production of soy, sunflower, and rapeseed oil encouraging demand switch to cheaper palm oil would support CPO prices in 2021. This will further enhance the buying power of fertilisers for smallholders and individual planters and keeping the prospect of fertilisers division in bright spot.

Smith Zander forecasts the demand of fertiliser in Malaysia to be increase by 5.65% from RM5.24 billion in 2020 to RM5.54 billion in 2021. The demand for fertiliser is mainly driven by the growth of the agriculture industry particularly in the oil palm plantations which contributed most of the SCH Group Bhd's the revenue in fertilisers division. Notwithstanding the temporary disruptions caused by the COVID-19 pandemic and imposition of the nationwide movement restrictions, the recovery of the fertilisers industry will be driven by B20 biodiesel programme for transportation sector. B20 biodiesel will be available in Sabah and Peninsular Malaysia starting from January 2021 and June 2021 respectively. The programme is expected to increase the local consumption of palm oil and reduce greenhouse gas emissions for a cleaner environment. B20 biodiesel is currently available in Langkawi, Labuan and Sarawak. Hence, the increasing availability and the promotion of the usage of B20 biodiesel for the transportation sector is expected to drive oil palm plantation activities in Malaysia.

Heavy Equipment

Despite the recent re-imposition of the Movement Control Order (MCO), widely referred to as MCO 2.0 has causing disruption in our business, however, the financial impact is minimal as compared to the first lockdown in 2020. SCH has seen that, to-date, the construction and quarry related activities have progressively resumed after the relaxation of MCO in May 2020. Therefore, we expects demand for its heavy equipment and spare parts supplies for the construction and quarry industries will continue to improve after the MCO 2.0.

Equipment Rental

The unprecedented COVID-19 had also affected the operations of SCH Group's equipment rental business. With the constraint on the movement of people amid COVID-19, many organisers had postponed or cancelled the respective events. To mitigate the impact of COVID-19, SCH Group's equipment rental division has ventured into the trading of industrial batteries and its accessories in mid-2020. SCH Group plans to expand this business to, amongst others, telecommunication and power supply companies in Malaysia and South East Asia.

In January 2021, the Ministry of Health (MoH) had entered into agreement to procure 25 million doses of Covid-19 vaccine, covering 39% of the Malaysian. Together with the availability of the vaccine globally, we believe the pandemic which had significantly affected the event sector will be ending soon. Barring any unforeseen circumstances, SCH Group's strategy to focus on its core fertiliser business whilst at the same time expand its trading of industrial products (especially the industrial battery and its accessories/parts) should augur well for the prospects of SCH group in long term.

B4. Profit forecast

The Group does not have any profit forecast in the public documents.

B5. Taxation

	← Individual /Cumulative Quarter→	
	Unaudited 30.11.2020 RM'000	Unaudited 30.11.2019 RM'000
Income tax expense		
- Current financial period	517	44
- Under / (over) provision in prior period	-	4
	<hr/> 517	<hr/> 48

The effective tax rate for current quarter is higher than the Malaysian statutory tax rate of 24% is mainly due to non-tax deductibility of certain expenses incurred by the Group.

B6. Status of corporate proposals announced

There were no corporate proposals that were announced but not completed as at the date of this report, other than those disclose below:

- i. proposed consolidation of every 3 ordinary shares in SCH into 1 consolidated SCH Share ("Proposed Share Consolidation");
- ii. proposed rights issue of new SCH Shares ("Rights Shares") to raise gross proceeds of up to RM155 million ("Proposed Rights Issue"); and
- iii. proposed exemption to Hextar Holdings Sdn Bhd ("Hextar") and persons acting in concert with it to undertake a mandatory offer for the remaining SCH Shares not already owned by them arising from the subscription by Hextar of the Rights Shares pursuant to the irrevocable undertakings.

The approval granted by Bursa Securities via its letter dated 12 January 2021 for the Proposed Share Consolidation and Proposed Right Issue, subject to the following conditions:-

- i. SCH and AmInvestment Bank must fully comply with the relevant provisions under the ACE Market Listing Requirements pertaining to the implementation of the Proposed Rights Issue.
- ii. SCH and AmInvestment Bank to inform Bursa Securities upon the completion of the Proposed Rights Issue.
- iii. SCH to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue is completed.

B7. Borrowings

The Group's borrowings were as follows: -

	Unaudited as at 30.11.2020 RM'000	Audited as at 31.08.2020 RM'000
Secured		
Bankers' acceptance	3,281	1,966
Hire purchases	1,786	2,006
Invoice financing	5,674	1,654
Term loans	50,719	52,807
Total bank borrowings	61,460	58,433
Short Term		
Bankers' acceptance	3,281	1,966
Invoice Financing	5,674	1,654
Hire purchases	407	468
Term loans	6,811	36,857
	16,173	40,945
Long Term		
Hire purchases	1,379	1,538
Term loans	43,908	15,950
	45,287	17,488

B8. Changes in material litigation

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group, and the Board is not aware of any proceedings pending or of any fact likely to give rise to any proceedings.

B9. Dividend

No dividend was proposed for the financial quarter.

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B10. Basic earnings per share/Diluted earnings per share

The basic earnings per share is calculated based on the Group's profit attributable to equity holders of the Company divided by the weighted average number of ordinary shares as follows:

	← Individual / Cumulative Quarter Ended →	
	30.11.2020 RM'000	30.11.2019 RM'000
Profit attributable to ordinary equity holders of the Group	628	112
Weighted average number of ordinary shares in Issue (RM'000)	555,512	555,512
Adjustment for dilutive effect on conversion of Warrants (RM'000)	42,258	42,258
Total	597,770	597,770
Basic earnings per share (sen)	0.113	0.020
Diluted earnings Per share (sen)	0.105	0.019

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B11. Disclosure on selected expense/income items as required by the Listing Requirements

	Individual / Cumulative Quarter Ended	
	30.11.2020 RM'000	30.11.2019 RM'000
Profit before taxation is arrived at after charging/(crediting):-		
- Interest expenses	743	884
- Interest income	(58)	(112)
- Depreciation of property plant and equipment	1,196	1,317
- Gain on disposal of property, plant and equipment	(80)	(1)
- Property, plant and equipment written off	-	1
- Reversal of impairment loss on trade receivables	(22)	(49)
- Reversal of inventories written down	-	(24)
- Realised loss/(gain) on foreign exchange	98	(6)
- Unrealised gain on foreign exchange	(76)	-

B12. Comparative figures

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

BY ORDER OF THE BOARD
22 January 2021