schgroup.com.my

SCH Group Berhad (201101044580) (972700-P)

Lot 35, Jalan CJ 1/1,
Kawasan Perusahaan Cheras Jaya,
43200 Cheras, Selangor Darul Ehsan, Malaysia.

Tel : +603-9082 2681
Fax : +603-9082 9697
Email : info@schgroup.com.my

SCH Group Berhad (201101044580) (972700-P)

Annual Report 2019

SCH Group Berhad

(201101044580) (972700-P)

Annual Report 2019

Content

Corporate Information

BOARD OF DIRECTORS

DATO' CHAN CHOUN SIEN
Independent Non-Executive Chairman

WONG KIN SENG
Executive Director

DE SOUZA MICHAEL LAWRENCE
Executive Director & Group Chief Executive Officers

DATO' ONG CHOO MENG
Non-Independent Non-Executive Director

KHOO CHEE SIANG
Non-Independent Non-Executive Director

SIM YEE FUAN
Independent Non-Executive Director

GAN KHONG AIK
Independent Non-Executive Director

AUDIT COMMITTEE

Sim Yee Fuan *(Chairman)*
Dato' Chan Choun Sien
Gan Khong Aik

RISK MANAGEMENT COMMITTEE

Gan Khong Aik *(Chairman)*
Dato' Chan Choun Sien
Wong Kin Seng

REMUNERATION COMMITTEE

Dato' Chan Choun Sien *(Chairman)*
Sim Yee Fuan
Gan Khong Aik

NOMINATION COMMITTEE

Gan Khong Aik *(Chairman)*
Sim Yee Fuan
Dato' Chan Choun Sien

COMPANY SECRETARIES

Tan Tong Lang (MAICSA 7045482)
Thien Lee Mee (LS0009760)

REGISTERED OFFICE

Suite 10.02, Level 10
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Wilayah Persekutuan
Tel No. : +603-2298 0263
Fax No. : +603-2298 0268

HEAD OFFICE/ PRINCIPAL PLACE OF BUSINESS

Lot 35, Jalan CJ 1/1,
Kawasan Perusahaan Cheras Jaya,
43200 Cheras,
Selangor Darul Ehsan.
Tel No. : +603-9082 2681/ 2781/2881/2981
Fax No. : +603-9082 9697

AUDITORS

Messrs Ecovis Malaysia PLT (AF 1825)
No 9-3, Jalan 109F, Plaza Danau 2
Taman Danau Desa
58100 Kuala Lumpur
Tel No. : +603-7981 1799
Fax No. : +603-7980 4796

PRINCIPAL BANKERS

AmBank (M) Berhad
CIMB Bank Berhad
Public Bank Berhad
HSBC Bank Malaysia Berhad

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel No. : +603-2783 9299
Fax No. : +603-2783 9222

STOCK EXCHANGE LISTING

Ace Market of Bursa Malaysia Securities Berhad

Ordinary Shares
Stock Name : SCH
Stock Code : 0161

Warrants
Stock Name : SCH-WA
Stock Code : 0161WA

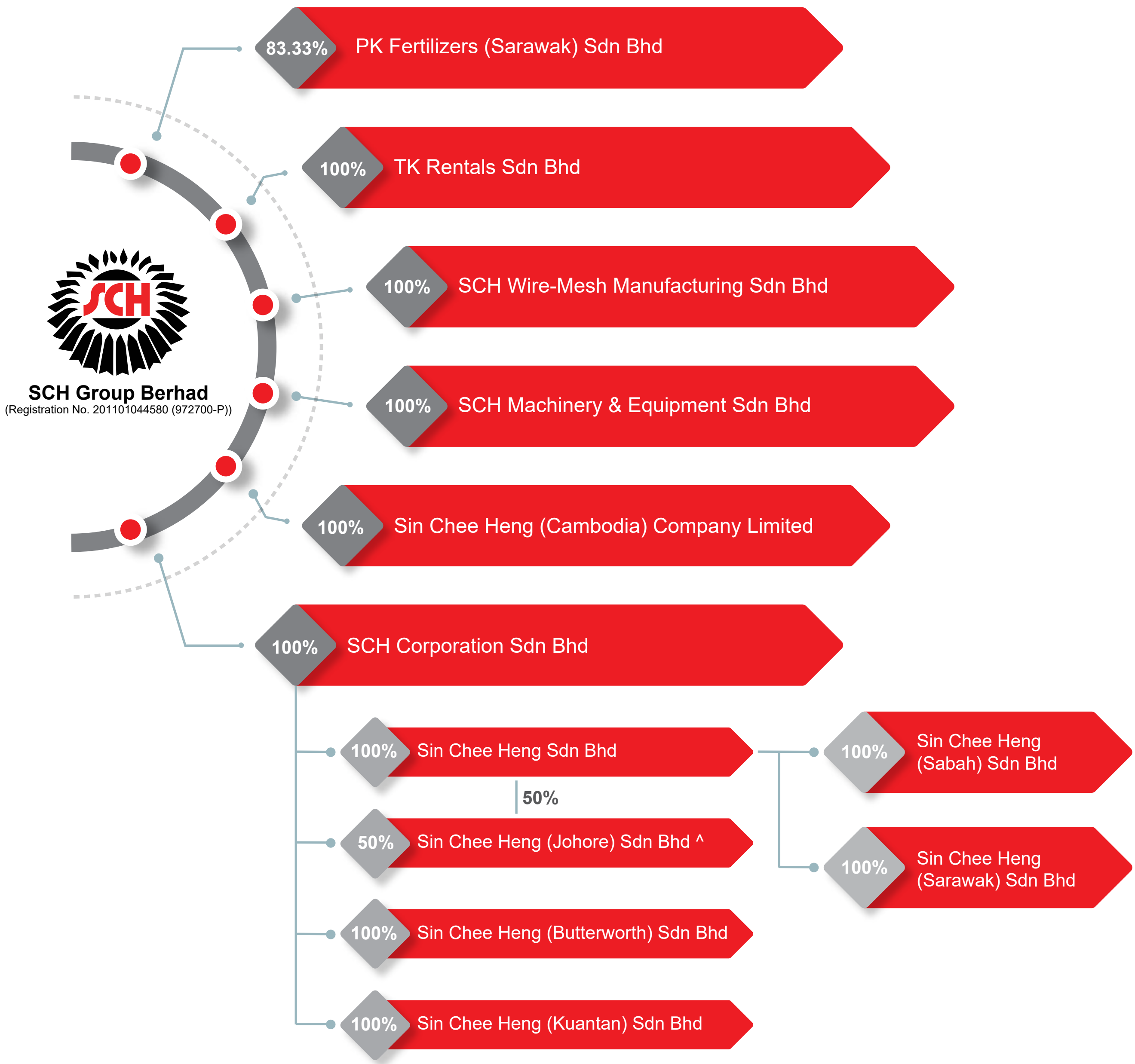
WEBSITE

www.schgroup.com.my

INVESTOR RELATIONS

Email : finance@schgroup.com.my
Tel No. : +603-9082 2681/2781/ 2881/2981
Fax No. : +603-9082 9697

Corporate Structure



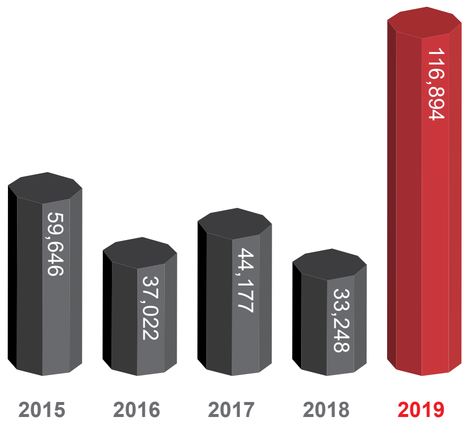
Note:-

^ *The substantial shareholders of Sin Chee Heng (Johore) Sdn Bhd are SCH Corporation Sdn Bhd and Sin Chee Heng Sdn Bhd, holding 150,000 shares or 50% equity interest each in Sin Chee Heng (Johore) Sdn Bhd.*

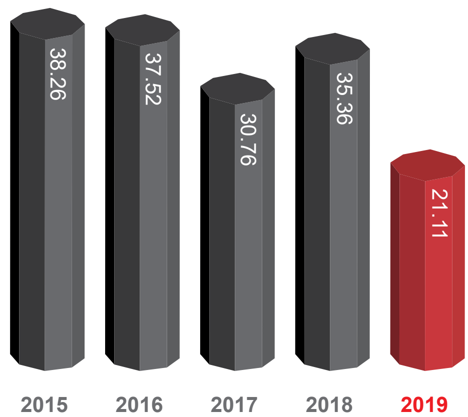
Financial Highlights

Financial Year Ended 31 August		2015	2016	2017	2018	2019
KEY FINANCIALS						
Revenue	RM'000	59,646	37,022	44,177	33,248	116,894
Gross Profit (GP)	RM'000	22,823	13,891	13,589	11,756	24,680
GP Margin	%	38.26	37.52	30.76	35.36	21.11
Earnings/(Loss) before Interest, Tax, Depreciation & Amortisation (EBITDA)	RM'000	11,330	3,631	3,879	(6,565)	16,020
Profit/(Loss) Before Tax (PBT)	RM'000	9,183	2,282	2,734	(8,308)	7,219
PBT Margin	%	15.4	6.16	6.19	(24.99)	6.18
Profit/(Loss) After Tax (PAT)	RM'000	6,460	1,633	1,822	(8,875)	5,521
PAT Margin	%	10.83	4.41	4.12	(26.69)	4.72
Basic Earnings/(Loss) Per Share (Basic EPS)	sen	1.57	0.40	0.44	(2.11)	1.04

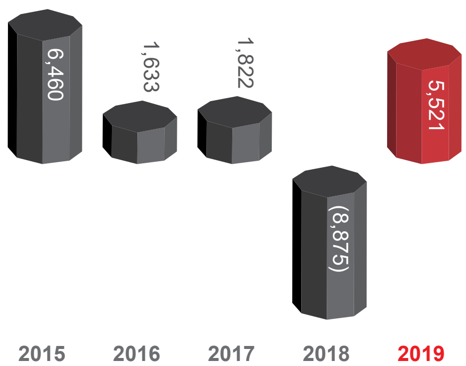
REVENUE
(RM'000)



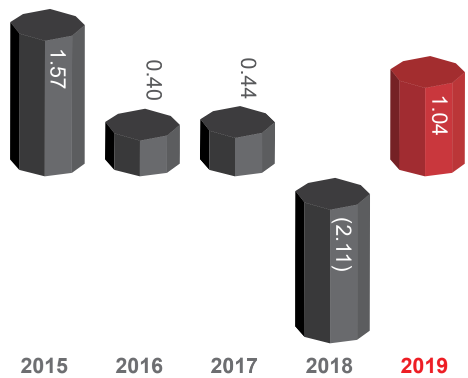
GP MARGIN
(%)



PROFIT/(LOSS) AFTER TAX (PAT) (RM'000)



BASIC EARNINGS/(LOSS) PER SHARE (BASIC EPS) (sen)



Profile of Directors

DATO' CHAN CHOUN SIEN

49 years of age, Malaysian, Male

Independent Non-Executive Chairman

Chairman of Remuneration Committee
Member of Audit Committee, Risk Management Committee and Nomination Committee

Dato' Chan Choun Sien was appointed to the Board as an Independent Non-Executive Director of the Company on 1 August 2018. On 22 October 2018, he was re-designated as Independent Non-Executive Chairman.

He graduated from the University of Melbourne with a Bachelor of Laws (Honours) and Bachelor of Commerce. He is a member of CPA Australia. He was previously a Managing Director of a leading investment bank with over 22 years of experience in corporate finance, investment banking and private banking covering Southeast Asia.

He does not hold directorships in any other public listed companies. He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

DE SOUZA MICHAEL LAWRENCE

41 years of age, Singaporean, Male

Executive Director & Group Chief Executive Officer

De Souza Michael Lawrence was appointed as Group Chief Executive Officer of the Company on 7 January 2019. On 19 December 2019, he was appointed to the Board as the Executive Director of the Company.

He graduated from the University of New South Wales, Australia with First Class Honours in Bachelor of Engineering in Mechanical Engineering.

He started his career with Johnson Controls in where he held various sales and management positions in Singapore and Indonesia. His last position was Regional Sales Manager for South East Asia (SEA) and South Asia regions. He left Johnson Controls and joined Aggreko where he managed sales and operational roles. His last position was General Manager for SEA region. He has accumulated sales and operations management experience of more than 16 years and held senior regional sales and operations position in multinational companies.

He does not hold directorship in any other public listed companies.

He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

WONG KIN SENG

49 years of age, Malaysian, Male

Executive Director

Member of Risk Management Committee

Wong Kin Seng was appointed to the Board as the Executive Director of the Company on 9 May 2017.

Mr. Wong joined the team in 1988. He has accumulated extensive experience through various operations and sales roles within the organisation. Coupled with his market knowledge, he has effectively lead the group's heavy machinery and equipment business to be a market leader in the quarry industry in Malaysia.

He does not hold directorships in any other public listed companies. He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Directors
cont'd

DATO' ONG CHOO MENG

41 years of age, Malaysian, Male

*Non-Independent
Non-Executive Director*

Dato' Ong Choo Meng was appointed to the Board as the Non-Independent Non-Executive Director of the Company on 1 August 2018.

He graduated from Royal Melbourne Institute of Australia in Bachelor Degree in Business, majoring in Business Finance and Investment.

He is highly competent and professional business leader with over seven years of valuable experience in the senior management position. Work experience includes business management of a group of companies, familiar with strategizing and driving business plans with commendable track record in directing business growth for the group. He is responsible for the overall finance, business, corporate development, and expansion strategies for the Hextar Group of Companies.

He has been in the agriculture industry for more than 10 years specializing in finance and investment activities. He was experienced in Denko Industrial Corporation Berhad where he contributed in providing independent review to ensure corporate accountability in the board decision. In addition, he was one of the personnel that ensure strategies proposed by the management were fully deliberated and examined in the long-term interest of the company. Presently, he is conversant in directing Hextar Group growth, business expansion, finance and operational affairs.

Currently, he is also a Non-Independent Executive Director of Hextar Global Berhad (formerly known as Halex Holdings Berhad).

He is the Group Managing Director of Hextar Group of Companies, a major shareholder of SCH.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

GAN KHONG AIK

50 years of age, Malaysian, Male

Independent Non-Executive Director

Chairman of Nomination Committee and Risk Management Committee

Member of Audit Committee and Remuneration Committee

Gan Khong Aik was appointed to the Board as an Independent Non-Executive Director of the Company on 13 March 2012.

After completing his Sijil Pelajaran Malaysia from St. Francis Institution, Malacca in 1987, Mr Gan went on to pursue his Sijil Tinggi Persekolahan Malaysia at Malacca High School in 1989. He graduated from University of Malaya, Malaysia with a Second Class Honours (Upper Division) in Bachelor of Law in 1994 and was admitted and enrolled as an advocate and solicitor of the High Court of Malaya in 1995.

He commenced his legal career with Messrs Lee Hishammuddin Allen Gledhill in 1994 and in 2001, he became a partner of Messrs Lee Hishammuddin Allen Gledhill until 2008 where he set up his own law practice. Presently, he is a partner of Messrs Gan Partnership. He is a Fellow Member of the Chartered Institute of Arbitrators, United Kingdom and is a Mediator of the Malaysian Mediation Centre.

He does not hold directorship in other public listed companies.

He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Directors
cont'd

SIM YEE FUAN

53 years of age, Malaysian, Male

Independent Non-Executive Director

Chairman of Audit Committee

Member of Remuneration Committee and Nomination Committee

Sim Yee Fuan was appointed to the Board as an Independent Non-Executive Director of the Company on 13 March 2012.

He graduated from University of Malaya with Bachelor of Accounting (Honour) and obtained his professional qualification from Malaysian Institute of Certified Public Accountants (MICPA). He holds a Master Degree in Business Administration from Northern University of Malaysia. He is a Chartered Accountant registered with the Malaysia Institute of Accountants (MIA).

He started his career with Bank Negara Malaysia ("BNM") from 1991 to 1995 and had gained the banking experience in Balance of Payment Department (now known as Foreign Exchange Administration Department) and Bank Examination 1 Department (now known as Banking Supervision Department). During 1995 to 2006, he was attached to public listed companies on the Bursa Securities where his job responsibilities were in the areas of accounting, finance and corporate management.

Currently, he is also an Executive Director of Unimech Group Berhad, a Senior Independent Non-Executive Director of Saudee Group Berhad and an Independent Non-Executive Director of Eurospan Holdings Berhad. He is also the Commissioner of PT Arita Prima Indonesia Tbk, a company listed on Indonesia Stock Exchange.

He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

KHOO CHEE SIANG

43 years of age, Malaysian, Male

Non-Independent Non-Executive Director

Khoo Chee Siang was appointed to the Board as Executive Director of the Company on 2 March 2017. He was re-designated as the Non-Independent Non-Executive Director on 1 December 2018. He is a Fellow Member of the Association of Chartered Certified Accountants (FCCA).

He was the Executive Director of UHY Advisory (KL) Sdn Bhd, a boutique financial and corporate advisory firm from 2008 to 2016. He started his career in auditing with an international medium accounting firm, Morison Anuarul Azizan Chew & Co and was subsequently promoted to Senior Consultant in Corporate Finance and Advisory Department. He later joined Finmart Alliance Sdn Bhd as an Associate Director in-charge of corporate finance and business advisory services. He has significant experience in corporate finance, initial public offerings, corporate debt restructuring as well as his external auditing experience covered various sectors. Currently, he is the Managing Director of Eco Asia Capital Advisory Sdn. Bhd.

Currently, he also an Independent Non-Executive Director of Seers Berhad, Chin Hin Group Property Berhad and Green Ocean Corporation Berhad.

He does not hold any positions in any Board Committees of the Company.

He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Chairman's Statement

Dear Customers, Suppliers, Shareholders,

On behalf of the Board of Directors and all of us at SCH Group Berhad ("SCH Group" or the "Company"), I am pleased to present the Company's Annual Report and Audited Financial Statements for the financial year ended 31st August 2019 ("FY2019").

It has been an exciting year for the company. We saw our first full financial year that consolidated the two new acquisitions made by the company. The acquisitions enabled us to diversify into the fertilizer and equipment rental industries. These two businesses have emerged as the new core businesses of the company. The company also saw the appointment of our new Group Chief Executive Officer and Financial Controller early in the year. I am also pleased to share that the integration of team members and new businesses have been efficient and seamless. This facilitated the effective running of the businesses within the SCH Group and allowed us to anchor ourselves in the fertilizer and rental industries while retaining our heavy machinery business.

Although there have been significant changes within the global and Malaysian economy and the Company, our team continue to adapt to the changing environment and respond in line with our values and capability.

ECONOMIC ENVIRONMENT

In FY2019, we experienced the ongoing US-China trade war that affected our exports and hence the general economy. The subdued Crude Palm Oil ("CPO") prices resulted in a slowdown in the application of fertilizers. The socio-political situation in Hong Kong impeded the growth of our rental business in the territory. Moreover, the slowdown in the local construction industries had a direct impact on our heavy machinery and equipment business. However, the Company managed to adapt to the volatile and challenging environment through internal reorganization and seeking out new business opportunities.

The Mitigates Budget 2020 that was announced on 11 October 2019 the foreign and local challenges impacting our three core businesses. Firstly, in the fertilizer industry, RM550 million will be allocated for palm oil replanting loans. Another RM27 million will be set aside to support the marketing of palm oil internationally to counter anti-palm oil campaigns and enhance implementation of biodiesel. Also, the downward adjustment of the export duty rate on CPO from 1.5% to 0.5% from 1 January 2020 will support the country's agriculture and hence the fertilizer industry. Secondly, the RM1.1 billion assigned to the Ministry of Tourism, Arts and Culture to promote arts and cultural activities, international sports competitions and conferences will benefit Malaysia's event industry as well as our rentals contribution.

Finally, the continuation of mega projects such as the East Coast Rail Link in Peninsular Malaysia and the coastal road in East Malaysia are positive signs for the construction industry, which is vital for our heavy machinery and equipment business.

Chairman's Statement
cont'd

FINANCIAL POSITION

Our Company's financial performance and position will be elaborated in the Management Discussion and Analysis section on Page 21 to Page 24 of this Annual Report.

Nevertheless, it gives me great pleasure to highlight the Group's revenue grew approximately 254% to RM117 million for FY2019 compared to RM33 million in the last financial year, despite the decline in contribution from the heavy machinery and equipment business. Our revenue growth came from our new core business diversification, namely our fertilizer division and rental division.

Moreover, the Group posted a profit after taxation of RM5.5 million, which is a significant turnaround compared to the RM8.9 million (restatement) loss reported in the preceding financial year due to contribution from equipment rental and gain derived from disposal of properties.

LOOKING AHEAD TOGETHER

SCH Group's values of integrity, loyalty, hard work, passion, experience, ingenuity and team work will continue to guide our growth ambitions within the three core businesses. The teams in each of our core businesses are committed to deliver value to our customers, suppliers and shareholders despite the volatile and challenging environment.

ACKNOWLEDGEMENT

Once again, I wish to commend the management on the successful integration of our two newly acquired companies that contributed significantly to the Group's performance. It is often through challenging times that leadership qualities shine and I am proud to have seen this reflected in the management. I am believe they will continue to have a relentless commitment to our customers, suppliers and shareholders.

The Board played a pivotal role, in sharing their insights, advice and experience on decisions made throughout the year. I am especially encouraged that while decisions were made to expand through business diversification, the Board took into consideration the risk involved in ensuring the appropriate returns on our investments.

To our shareholders, thank you for your continued trust and confidence. While the road ahead will continue to have challenges, I am confident that the seeds we have planted will bear fruit with the hard work of the Board and management team, as we journey together with you.

Thank you and kind regards,

DATO' CHAN CHOUN SIEN
Independent Non-Executive Chairman

Sustainability Statement 2019

Introduction

SCH Group Berhad and its subsidiaries ("SCH Group" or "the Group") recognises the importance of ensuring that the Group's business operations are carried out in a sustainable and responsible manner, beyond financial parameters. The Board is committed to creating long term, sustainable value for the stakeholders, environment and society through innovation and overall operational excellence as part of our initiative on sustainability.

In line with Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Sustainability Reporting Guide, our Group's sustainability practices are to ensure economic, environmental and social considerations are embedded into our governance framework and business operations.

The Board is pleased to present the Sustainability Statement for the financial year ended 31 August 2019. Through this Sustainability Statement, we provide our stakeholders a better understanding of our strategic approach to create sustainable long-term value for the Group as well as various stakeholders.

Scope of this Statement

This Sustainability Statement covers the activities of SCH Group and all its subsidiaries involved in the business of manufacturing and distribution of fertilizers, distribution of heavy equipment, machinery and supplies for the quarry and mining industry and rental solutions. Subsidiaries refers to all companies in which SCH holds a majority stake or has direct management control.

Basis of this Statement

This Sustainability Statement was prepared based on the available internal information and in a manner as prescribed by Bursa Malaysia, in accordance with the ACE Market Listing Requirements and Sustainability Reporting Guide and Toolkits issued by Bursa Malaysia.

Assessment of Material Matters

We have conducted an assessment to identify a list of Material Matters relevant to our Group. Please refer to our Material Matters Matrix.

Feedback

In our continuous efforts to raise our performance in sustainability standards, we welcome stakeholders' feedback on what we have done, as stipulated in this Statement, and any other issues that we should undertake. Comments and queries related to this Statement can be directed to finance@schgroup.com.my.

Assurance

This statement has been prepared based on available internal information.

Sustainability Statement 2019
cont'd

ABOUT SCH GROUP BERHAD

SCH Group began its operations with the distribution of heavy equipment, machinery and supplies for the quarry and mining industry in 1983. The Group was listed on the ACE Market of Bursa Malaysia in year 2014.

In FY2018, the Group acquired 100% of equity shares in TK Rentals Sdn Bhd (TK Rentals). TK Rentals' wide range of temporary solutions include temperature control solutions, canopies and ATS structures, power generation and distribution, event equipment and lifting solutions. Our solutions span across all industries, locally and throughout the region.

Subsequently, in FY2018, SCH Group diversified its business into the fertilizer industry via the acquisition of 83.33% equity shares in PK Fertilizers (Sarawak) Sdn Bhd (PKFS). PKFS provides plantations with an extensive range of plant nutrients for effective fertilization.

SCH Group Berhad

SUSTAINABILITY MANAGEMENT

SCH Group is aware that the businesses are not solely judged by its financial performance but also, in respect of governance, economic, environment and social aspect in order to withstand in this challenging environment and to create value to stakeholders on long term sustainable manner.

Our Priority

Key sustainability aspects at SCH are managed across the various business units and overseen by different business unit's Head of Department. Underlying all efforts is an overriding commitment towards good governance. Good governance lies in sound business ethics, viable policies and procedures across all areas of the Group. Our Group are guided by the following governance and business ethics:

Sustainability Statement 2019
cont'd

Code of Conduct and Ethics

The Code of Conduct and Ethics to be observed and adhered by all employees of our Group is as follows: -

- Should disclose immediately all contractual interests whether directly or indirectly with the Group;
- Neither divert to own advantage any business opportunity that the Group is pursuing;
- Promote professionalism and improve the competency of management and employees at all times;
- Do not unauthorised removal of Group's documents;
- Avoid disclosure of Group's information; and
- Do not deliberately waste of or cause damage or losses to the Group's property.

Whistle Blowing Policy

The Board of Directors of SCH Group is committed to achieving and maintaining the highest standard of work ethics on the conducts of business in line with the code of conduct and ethics and good corporate governance practices. The Group encourages its employees to report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Group.

The whistle blowing policy is to provide an avenue for all employees of the Group and members of the public to disclose any improper conduct in accordance with the procedures as provided for under this policy and to provide protection for employees and members of the public who report such allegations.

The policy is designed to support to the following:

- Be committed to the Group's business ethics of Honesty, Integrity and Transparency;
- To provide a transparent and confidential process for all parties to give information on non-compliances to the Code of Conduct and Ethics, or any misconduct regardless of his or her position, to an independent party to investigate the allegations and take the appropriate actions; and
- To uphold the moral duty of being a Group by protecting the interest of all its stakeholders.

A copy of the whistle blowing policy can be downloaded from our website at http://sch.irplc.com/investor-relations.html

Anti-bribery and Corruption Practices

The Group recognises the importance of lawful and ethical conducts in its business activities and is committed to observe the values of tranparency, intergrity and accountability in the conduct of its businesses and affairs in its workplace.

In SCH Group, our business transactions and operational practices are governed by our firm controls which we are committed to avoid practice of bribery and corruption of all forms in the Group's daily operations. All employees are required to carry out their obligations and responsibilities diligently and decently. This shall then strengthen the trust relationship with our various stakeholders.

In addition, we adhered strictly to all laws and regulations relating to countering bribery and corruption in Malaysia. During FYE 2019, no employees had been disciplined or dismissed, no contracts with suppliers or customers being terminated, nor have any public cases been brought against SCH Group and its employees that relates to corruption or bribery and laws and regulations against acts of corruption. In this regards, there were no fines, penalties or settlements imposed or made during the year.

Commitment to Material Matters

As we are aware with the impacts that we caused to the environment and society in our daily business operations, we are committed to manage these impacts and execute our business operations in a responsible manner. To achieve this, we have to uphold high standards of governance across our entire business operations to promote responsible business practices, manage environmental impacts and meet the social needs of our community.

Sustainability Statement 2019
cont'd

We strive to uphold the following sustainability principles within SCH Group:-

Economic

To explore business opportunities that create economic values without sacrificing other aspects of sustainability.

Environment

To minimise damaging effects and safeguard the environment as much as possible in our daily business operations.

Social

To create a well-balanced work place environment which emphasises safety, health and well-being of employees.

SUSTAINABILITY GOVERNANCE STRUCTURE

Board of Directors

Ultimate accountability for SCH's sustainability initiatives and strategies

Audit Committee

Monitor system of internal controls and oversees risk management activities

Nomination Committee

Assess and oversees on matters relevant to appointment of suitable new candidates to fill up seats for the Board and Senior Management

Remuneration Committee

Involve in developing and establishing remuneration policy and fixing remuneration packages for individual directors

Risk Management Committee

Involve in developing and establishing risk management policy and review risk management activities

Sustainability Committee

Review sustainability matters with the Management

Sustainability Statement 2019
cont'd

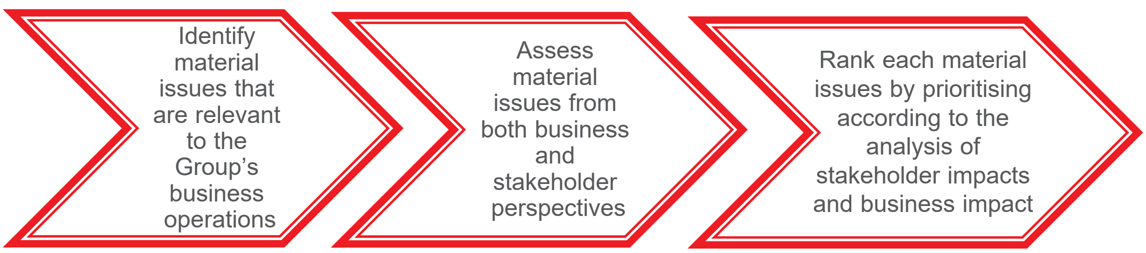
SCH's Board plays a pivotal role in advocating sustainability initiatives and pushing for relevant strategies across the Group with the assistance from Senior Management to oversee the implementation of the Group's sustainability strategies and to ensure relevant key targets are being met.

Our Board recognises that risk management and internal control systems are integral to our corporate governance and vital to our business sustainability. Hence, the Audit Committee and Risk Management Committee are delegated the responsibility to review the adequacy and effectiveness of the Group's risk management framework and internal control system. Meanwhile, the Group's overall performance is also tracked with the assistance from Nomination Committee and Remuneration Committee.

SCH Group Sustainability Committee which consist of all subsidiary operational executive director are to assist the Board to meet its oversight responsibilities in relation to the Group's sustainability initiative and performance. Their duties include to reviewing and making recommendations to the Board on the policy and performance in relation to the marketplace, environment and social and also to provide oversight and input to management to ensure the Group's strategies, goals and principles pertaining to the sustainability are aligned with, promote and encourage the Group's commitment towards sustainability.

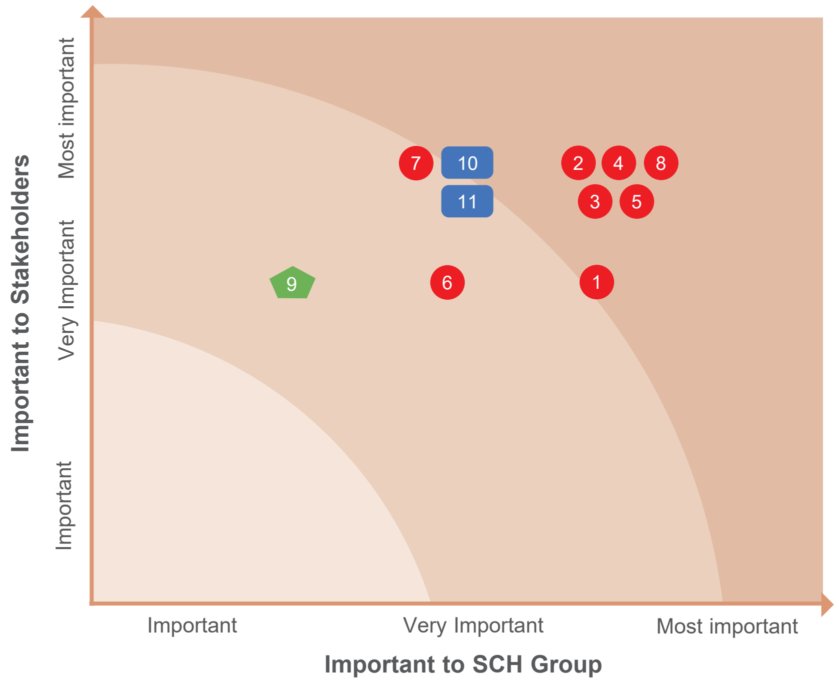
ASSESSMENT OF MATERIAL MATTERS

The materiality assessement approach that we used to identify and prioritise any material sustainability matters which are significant to our Group's business operations and interest of our stakeholders is summarised as follows:



During the process of materiality assessment, we identify and rank the Economic, Environmental and Social materiality matters based on their relevance to our business operations and influence on our various stakeholders. Based on our assessment, we have identified and ranked 11 key areas which matter the most to our Group as well as our stakeholders. The outcome of our **Material Matters Matrix** is as follows:

Sustainability Statement 2019
cont'd



Economic

1. Market Presence
2. Profitability
3. Operations execution
4. Products and Services Quality
5. Customer Satisfaction
6. Supply Chain Management
7. Risk Management and Corporate Governance
8. Foreign currency exchange

Environmental

9. Environmental Compliance

Social

10. Employee Development and Training
11. Occupational Health and Safety

Sustainability Statement 2019
cont'd

STAKEHOLDERS ENGAGEMENT

Stakeholders	Stakeholders Concerns/ Material Matters	Forms of Engagement
Regulators/Law Enforcers	■ Adherence to laws and regulations ■ Permits and licenses ■ Corporate governance and compliances ■ Health and safety	■ Meetings/ visits ■ Verification/ inspection ■ Bursa announcements ■ Ad-hoc report submission as and when needed by regulators/ law enforcers
Shareholders/Investor	■ Business profitability ■ Business management ■ Corporate governance ■ Risks vs returns ■ Share price performance Risks and returns	■ Bursa announcements ■ Quarterly financial results and annual report ■ Annual & extraordinary general meetings, Press release and interviews ■ Corporate website
Board of Directors	■ Continuous business and operational improvements ■ Financial results of the Group ■ Identification and monitoring of corporate strategies and business risks ■ Interest of various stakeholders	■ Board meetings ■ Annual & extraordinary general meetings ■ Company events
Customers	■ Quality assurance and reliable products and services ■ Customers satisfaction ■ Technological and operational innovation ■ Competitive pricing and on-time delivery	■ Face-to-face interaction ■ Customers satisfaction survey ■ Social media and corporate website ■ Company events ■ Advertisement and marketing events
Suppliers	■ Business relationships and continuity ■ Sourcing of quality materials ■ Selection of suppliers and credit terms	■ Face-to-face interaction ■ Supplier assessment ■ Email communications
Employees	■ Career development opportunities ■ Training and development ■ Talent and performance management ■ Work place health and safety ■ Competitive compensation and benefit packages	■ Induction training ■ Learning and development program ■ Regular engagement with senior management ■ Performance appraisals ■ Company social events
Community	■ Job creation for local communities ■ Impact of operations on surrounding environment ■ Economic support	■ Community living ■ Corporate volunteering program ■ Corporate website/ social media
Analyst/Media	■ Financial and operational performance ■ Business strategies and plans ■ Latest development of the Group	■ Annual & extraordinary general meetings ■ Press conference and media interviews ■ Media release

Sustainability Statement 2019
cont'd

ECONOMICS

The principle of sustainability is integrated in our pursuit of economic growth.

We aim to promote the economic development of the communities where the business operations are carried out.

BUSINESS PROFITABILITY

	Audited	*Audited*	*Audited*
	FYE 2017	**FYE 2018**	**FYE 2019**
		(Restated)	
	RM'000	**RM'000**	**RM'000**
Revenue	44,177	33,248	116,894
Gross Profit	13,590	11,756	24,680
Profit/(Loss) After Tax	1,822	(8,875)	5,521

SCH Group currently has three major operating segments which includes fertilizers manufacturing and distribution, heavy machinery and quarry supplies and also rental solutions on event related equipment.

The nature of our operating environment is subjected to various risks and opportunities which shall affect our ability to grow the business and profitability continously. In FYE 2019, our Group recorded a total revenue of RM116.9 million, an increase of RM83.7 million compared to revenue of RM33.2 million generated in FYE 2018. The significant increase in revenue in FYE 2019 was mainly contributed by two newly acquired subsidiary companies in FYE 2018 which involved in manufacturing and distributing fertilizers and renting event related equipments. Our financial performance is discussed in detailed in the Management Discussion and Analysis ("MD&A") section within our Annual Report.

We understand that long-term business growth entails a balance of economic, environmental and social consideration, risks and opportunities. As such, we will continue to focus on our three core business activities, boosting our sales, improve internal resources capabilities and efficiencies while investing in relevant technological advancement, safety and health measures and contributing back to the community.

ENSURING PRODUCTS AND SERVICES QUALITY

In our group, various measure actions are taken to ensure the quality of products and services before the products are delivered to customers. First of all, qualified vendors are selected by procurement manager based on evaluation test. It is important to establish trust to work with a company that are able to supply our requirements now and for the near future in a professional and profitable manner in order to promote the sustainability in long run. For machinery and equipment services, our principal vendor has provided training to service team continuously to ensure they are updated and skilled. Furthermore, TK Rentals Sdn Bhd has provided services based on ISO standard which the quality of services is always being guaranteed.

CUSTOMER SATISFACTION

Meeting our customers' expectations and needs provide a competitive edge to our business. We strive to deliver the best quality and services to our customers. In ensuring their satisfaction towards our services, our team works closely with customers to understand their needs and obtain feedbacks from customers frequently. Any enquiries and complaints from customers shall be dealt with by our team members within a short period of times.

Sustainability Statement 2019
cont'd

ENVIRONMENTAL

Preserving the environment and natural resources are crucial in ensuring our operations are sustainable in long run without sacrificing the quality of life of our various stakeholders.

We believe in green initiatives start from small immediate green actions!

OUR SMALL IMMEDIATE GREEN ACTIONS

SCH Group recognises the importance of the life-supporting ecosystems and its day-to-day business on the environment. As such, SCH Group creates the environmental awareness among the employees in their business fuctions. Furthermore, to take a proactive role to preserve the environment, the Group encourages its employees and suppliers to support the measures implemented which includes:-

Energy consumption

- Reducing energy consumption through proper maintenance on machineries.
- Create awareness of reducing air-conditioning usage during operation hours to reduce in carbon emission.

Paper Waste

- Reducing environmental degradation through reuse and recycle of waste paper and paper products.
- Promoting paperless culture through electronic documents to reduce duplication of hard copy documents.

Dust Control

- Monitor and control the ambient dust generated at during grinding process.

ENVIRONMENTAL COMPLIANCES

SCH Group will continue to ensure our business activities are conducted in compliance with the applicable environmental rules and regulations and explores any feasible opportunities to minimise any adverse impact from our business activities to the environment.

We are pleased to highlight that we have not been penalised for any matter related to environmental compliance by any regulatory authorities during the FYE 2019.

Sustainability Statement 2019
cont'd

SOCIAL

We believe in Great People make great organisation!

The wellbeing of our people remains as an important aspect of our overall sustainable strategy.

ABOUT OUR PEOPLE

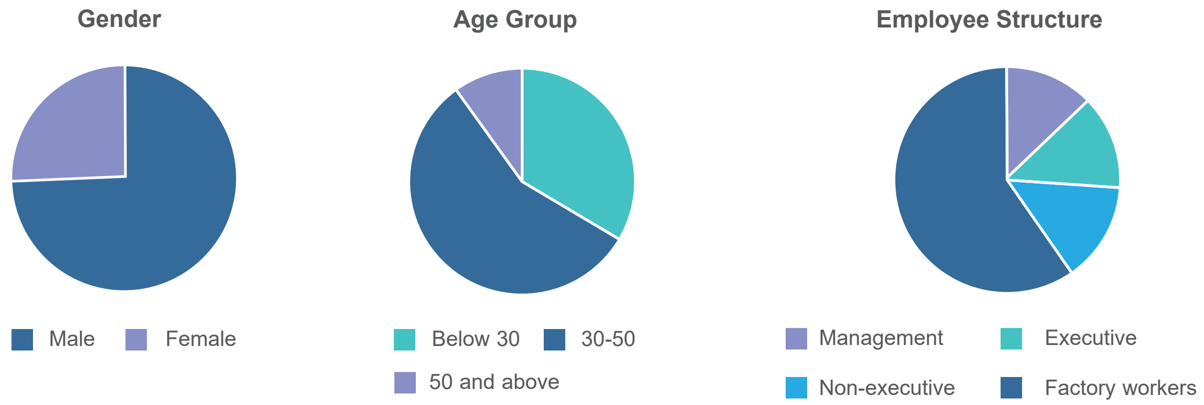
The Group believes that the employees are a valuable resource and a key business success factor for the Group.

We emphasis on human capital development in the areas of recruitment, training and communication. We also aim to treat employees equally, provide them with a safe, healthy and conducive working environment as well as to actively develop, invest in and foster growth amongst our employees to further develop the skills and talents.

Our employees are diversity in skill sets, experiences and background, regardless of race, colour, religion, gender, national origin, disability status or any characteristic protected by human resources and human rights regulations as we believe that innovative products and services ideas are developed through interaction amongst employees from different background, knowledge and experiences.

Sustainability Statement 2019
cont'd

The statistics below indicate the gender profile, age group and employee structure of SCH Group:



OCCUPATIONAL SAFETY AND HEALTH

The Group's focuses on effective safety management at the workplace and promoting safety ownership within employees. We strive to provide a safe and healthy environment for our employees and to ensure safe practices in all aspects of our business operations.

Each subsidiary operational division, leads continuous efforts to strengthen safety compliance and improve safety performance. Safety risk management is conducted to proactively identify potential safety risk in quarry factory. Measures are subsequently taken to mitigate those safety risks to levels that are acceptable to the Group. These steps include providing sufficient, adequate and quality personal protective equipment and monitoring by supervisors at all sites.

EMPLOYEE BENEFITS

The wellbeing and development of our people are key to growth and success of SCH Group. In addition to the basis salary, the Group Personal Accident Insurance is provided to all employees in the Group. These insurance policies cover accidental death, disablement as a result of an accident, costs of admission to hospital and treatment for critical illness.

Besides, the Group thrives to foster a work-life culture. We recognize that the availability of paid paternity leave is great to physical and emotional health. Two days of paid paternity leaves as an added benefit are offered to our male employees.

EMPLOYEE LEARNING AND TRAINING

As part of the human capital development, our employees are given opportunities to attend external and internal trainings and personal development programs to sharpen their skills and knowledges.

The Group's objective is to ensure conductive and open working environment where employees are able to learn, develop and achieve their best potentials in the Group. We believe that highly skilled and dedicated workforces are able to fulfill our business strategies initiatives and willing to go extra miles for the Group.

The details of some training courses attended by our employees as below: -

No.	Training/ Program Title	Department attended
1.	Labour Law with emphasis on Employer and Employee Rights	Human Resource and Admin
2.	SST 2018: Registration, Exemption Application & Submission	Finance
3.	SST 2018 Practical Execution & Compliance	Finance
4.	Safe Handling of Forklift Truck	Workshop
5.	Effective Business Writing for Social Media Marketing	Marketing
6.	JKKP – How to use Fire Extinguisher	All

Management Discussion And Analysis

OVERVIEW OF THE GROUP'S BUSINESS

SCH Group focuses on three core business segments which are manufacturing and distribution of fertilizers, turn-key equipment and products for quarry and mining industry, and rental and lifting solutions.

The Sin Chee Heng (SCH) team supports quarry and mining industries with turn-key solutions. From heavy equipment and machinery to quarry and mining supplies, the team is able to help owners and operators in ramping up and down productions to meet industry demands, ensuring effective and efficient plant operations.

In FY2018, SCH Group diversified its business into the fertilizer industry via the acquisition of 83.33% equity shares in PK Fertilizers (Sarawak) Sdn Bhd ("PKFS"). PKFS provides plantations with an extensive range of plant nutrients for effective fertilization.

Also in FY2018, the Group had acquired 100% of equity shares in TK Rentals Sdn Bhd ("TK Rentals"). TK Rentals' wide range of temporary solutions include temperature control solutions, canopies and ATS structures, power generation and distribution, event equipment and lifting solutions. Our solutions span across all industries, locally and throughout the region.

FINANCIAL PERFORMANCE REVIEW

	2019 RM'000	2018 Restated RM'000	Variance RM'000	 %
Statements of Comprehensive Income				
Revenue	116,894	33,248	83,646	>100.0
Gross profit	24,680	11,756	12,924	>100.0
Other operating income	8,699	3,160	5,539	>100.0
Net impairment loss on financial assets	(311)	(2,051)	1,740	84.8
Administrative expenses	(19,312)	(18,663)	(649)	(3.5)
Selling and distribution expenses	(2,492)	(1,848)	(644)	(34.9)
Finance cost	(4,045)	(662)	(3,383)	>(100.0)
Profit/(Loss) before tax	7,219	(8,308)	15,527	>(100.0)
Statements of Financial Position				
Non-current assets	90,815	94,971	(4,156)	(4.4)
Current assets	87,768	82,354	5,414	6.6
Total liabilities	88,963	94,324	(5,361)	(5.7)
Statements of Cash Flows				
Net cashflow from operating activities	4,995	5,331	(336)	(6.3)
Net cashflow from/(used in) investing activities	8,879	(63,961)	72,840	>100.0
Net cashflow (used in)/from financing activities	(9,969)	58,077	(68,046)	>(100.0)
Cash and cash equivalents as at 31 August	12,859	8,603	4,256	49.5

Management Discussion And Analysis
cont'd

FINANCIAL PERFORMANCE REVIEW *(Cont'd)*

Review on Statements of Comprehensive Income

SCH Group has recorded a total revenue of RM116.9 million in FY 2019 as compared to RM33.2 million in FY 2018, representing an increase of RM83.7 million or 252.1%. This increase in revenue was contributed by the two newly acquired subsidiary companies, PKFS and TK Rentals.

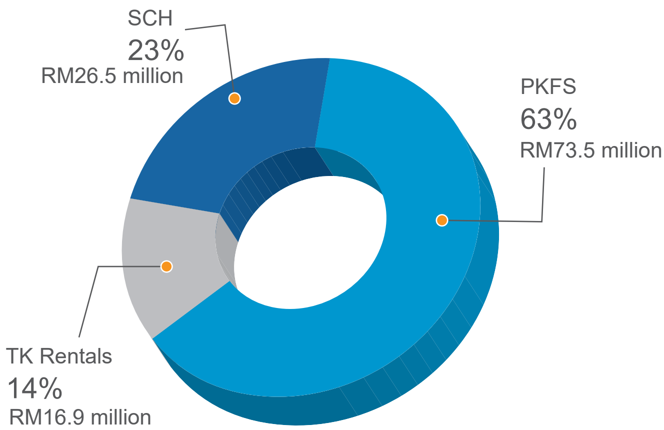
Revenue generated from PKFS became the largest contributor of income for SCH Group, making up RM 73.5 million or 62.9% of the Group's total revenue in FY 2019.

The SCH business contributed RM26.5 million or 22.7% of the Group's total revenue in FY 2019. The decrease of revenue of RM6.8 million compared to RM33.2 million in FY 2018 was due to the slowdown in infrastructure projects as well as the slowdown in the construction industry.

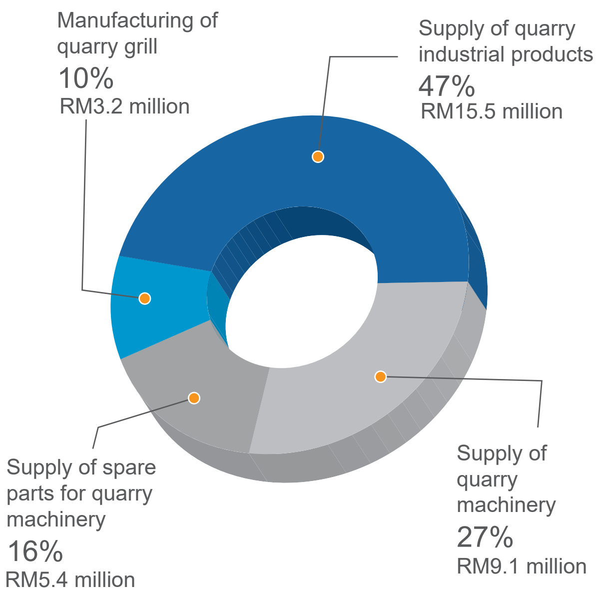
The TK Rentals business contributed RM16.9 million or 14.4% to the total revenue of the Group in FY 2019.

The Group's revenue contribution by business segments are as follows:-

FYE 2019



FYE 2018



- SCH FY 2019 revenue amount represented quarry heavy machinery which is the core business activity from FY 2015 until FY 2018.

In FY 2019, our revenue has increased by 252.1% and correspondingly resulted in a higher GP by RM12.9 million or 109.3% as compared to FY 2018. However, the Group's GP margin decreased to 21.1% from 35.4% in FYE 2018. This was attributed to the lower GP margins from PKFS business at 6.66%

Other operating income increased from RM3.2 million in FYE 2018 to RM8.7 million in FY 2019. This was mainly due to the gain on disposal of properties amounting to RM7.7 million, which consist of three (3) units of factory erected on a piece of freehold land located at Balakong, Selangor.

The Group's operating expenses comprised of net impairment loss on financial assets, administrative expenses and selling and distribution expenses. The net impairment loss on financial assets amounted to RM0.3 million in FY 2019 whereas it was RM2.1 million in FY 2018 which was mainly attributed from the impairment loss on trade receivables. Whereby the increase in administrative expenses and selling and distribution expenses from RM20.5 million in FY 2018 to RM21.8 million in FY 2019 are mainly derived from the depreciation of property, plant and equipment which has increased by RM3.7 million and increase in staff costs incurred by RM6.3 million as compared to prior year. Both are in relation to the new business segments of the Group. Nevertheless, these increases in expenses were offset by the decrease in inventories written down amount by RM8.0 million in FY 2019 which resulted in minimal change in with the Group's operating expenses.

Management Discussion And Analysis
cont'd

FINANCIAL PERFORMANCE REVIEW *(Cont'd)*

Review on Statements of Comprehensive Income *(Cont'd)*

The increase in finance cost from RM0.7 million in FY 2018 to RM4.0 million in FY 2019 was attributed by the interest costs charged on term loans amounting to RM43 million which SCH Group has taken in the prior year to finance the acquisitions of PKFS and TK Rentals. The term loan of PKFS also contributed to the increase in finance cost.

SCH Group recorded a profit before tax of RM7.2 million in FY 2019. As compared to loss before tax generated in FY 2018, the decisions and efforts of diversifying business industries into the fertilizers and rental solutions industries as well as the gain on disposal of properties amounted RM7.7 million have contributed in generating higher revenues and profits before tax for the Group in FY 2019. Furthermore, the decrease in net impairment loss on financial assets as compared to FY 2018 has also contributed to a higher profit before tax in FY 2019.

Review on Statements of Financial Position

The Group's non-current assets have decreased by RM4.2 million, from RM95.0 million as at 31 August 2018 to RM90.8 million as at 31 August 2019. The decrease was mainly due to the depreciation expenses charged during the financial year amounted RM4.8 million and disposal of property, plant and equipment amounted RM1.5 million. The effects of decrease in non-current assets are offset by the additions of property, plant and equipment which amounted to RM2.8 million.

The Group's current assets amounted to RM87.8 million as at 31 August 2019, representing an increase of RM5.4 million or 6.6% from RM82.4 million as at 31 August 2018. This increase was due to higher trade receivables and cash and bank balances by RM11.7 million and RM5.4 million respectively. Higher trade receivables mainly derived from PKFS. Besides that, contract assets which primarily related to the Group's right to consideration for work completed but not yet billed at the reporting date for services provided for rental income of machinery and equipment project amounted to RM1.2 million has been recognised as current asset during the FYE 2019.

The Group's total liabilities of RM94.3 million to 31 August 2018, has reduced by RM5.3 million of 5.6% to RM89.0 million as at 31 August 2019. This decrease in total liabilities was mainly derived by the repayments made for term loans, foreign currency trade loan, bank overdraft and finance lease payables during the FYE 2019.

Review on Statements of Cash Flow

As at 31 August 2019, the Group recorded a net cash from operating activities of RM5.0 million, representing a decrease of RM0.3 million or 5.7% from RM5.3 million as at 31 August 2018. This was mainly due to slow collections from trade receivables and an increase in prepayment amounting to RM1.6 million mainly derived from advance payments made to vendors for purchase of equipment for trade purposes.

Net cash flow used in investing activities as at 31 August 2018 amounted RM64.0 million was mainly for the purpose of acquiring the two subsidiary companies. Without such cash outflow incurred during the financial year, the net cash flow from investing activities has recorded a RM8.9 million as at 31 August 2019. It was also derived from the proceeds from disposal of property, plant and equipment which amounted to RM11.7 million.

The Group has recorded a net cash from financing activities of RM58.1 million as at 31 August 2018 which was mainly derived from the drawdown of term loans amounting to RM43.0 million and issuance of shares amounted RM 23.8 million. However as at 31 August 2019, the net cash flow used in financing activities was RM10.0 million due to net repayments made for term loans, net repayment of foreign currency trade loan and net repayment of finance lease payable which amounted RM5.9 million, RM3.2 million and RM0.4 million respectively.

Capital Commitment

There were no authorised and contracted for capital commitments incurred or known to be incurred by the Group as at 31 August 2019.

Management Discussion And Analysis
cont'd

RISK RELATING TO OUR BUSINESS

Dependency on the agriculture industry

SCH Group is dependent on the agriculture industry since a major contribution of our revenue is generated through the manufacturing and distribution of fertilizers. Our main customers are farmers who are farming on various types of agriculture, largely palm oil plantations. Risks to our business could arise if the demand for agriculture products drops, downward fluctuation of Crude Palm Oil (CPO) prices, and adverse bad weather seasons.

Dependency on the quarry industry

SCH Group is dependent on the quarry and mining industry since part of our revenue is generated from the supply of heavy machinery and equipment and quarry supplies within these industries. Our operations and financial performance will be affected if there is a decline in the production volume of various quarry and mining based materials. Such effect could come from the slowdown in the construction of infrastructure and buildings and/or changes in the regulatory environment governing the quarry and mining industries.

Foreign currency exchange fluctuation

SCH Group is exposed to foreign currency exchange fluctuation as a larger portion of the Group's purchases are dealt in United States Dollar (USD). In order to minimise the exposure of foreign currency fluctuations, the Group manage their treasury activities and exposure based on group foreign currency risk management policy.

Exposure to Credit Risk

The Group's exposure to credit risk arises primarily from trade and other receivables. It is the Group's objective to seek continual revenue growth while minimises any losses arising from impairment of bad debts from our trade and other receivables by dealing with creditworthy customers.

DIVIDEND

No dividend was proposed or declared in the FYE 2019.

Corporate Governance Overview Statement

The Board of Directors ("the Board") of SCH Group Berhad strives to ensure that high standard of corporate governance practices is implemented and maintained throughout the Company and its subsidiaries in discharging its responsibilities with integrity, transparency and professionalism, to protect and enhance shareholders' value and the financial position of the Group.

The Board recognises the importance of good corporate governance and fully supports the principles and best practices promulgated in the Malaysian Code on Corporate Governance ("MCCG") to enhance business prosperity and maximise shareholders' value. The Board will continuously evaluate the Group's corporate governance practices and procedures, and where appropriate will adopt and implement the best practices as enshrined in MCCG to the best interest of the shareholders of the Company.

Below is a statement and description in general on how the Group has applied the principles and complied with the best practice provisions as laid out in MCCG throughout the financial year ended 31 August 2019 pursuant to Rule 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements"). The detailed application for each practice as set out in the MCCG is disclosed in the Corporate Governance Report ("CG Report") which is available at the Company's website at www.schgroup.com.my.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

Part I - Board Responsibilities

1. Board's Leadership on Objectives and Goals

1.1 Strategic Aims, Values and Standards

The respective roles and responsibilities of the Board and management are clearly set out and understood by both parties to ensure accountability.

The Board is responsible for overseeing and managing the Group which includes assessing the Group's corporate objectives, and ensuring that the goals and targets are met by management. The Board has a formal schedule of matters reserved to itself for the decision, which includes the overall Group strategy and direction, major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.

The management, including the Executive Directors of the Company, is responsible for managing the day-to-day running of the business activities in accordance with the direction and delegation of the Board. The management meets regularly to discuss and resolve operational issues. The Executive Director brief the Board on business performance and operations as well as the management initiatives during Board's quarterly meetings. The Independent Non-Executive Directors are committed in upholding business integrity and exercising their independence between the executive and non-executive functions to ensure effectiveness of the decision-making process of the Board.

The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group's affairs. Hence, to develop corporate objectives and job descriptions including the limits of management's responsibilities, which the management is aware and are responsible for meeting.

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are systems in place, that effectively monitor and manage these risks with a view to the long-term viability of the Group.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part I - Board Responsibilities *(cont'd)*

1. Board's Leadership on Objectives and Goals *(cont'd)*

1.1 Strategic Aims, Values and Standards *(cont'd)*

The principal roles and responsibility assumed by the Board are as follows:

- Review and Adopt Strategic Plans of the Group

  The Board plays an active role in the development of the Group's overall corporate strategy, marketing plan and financial plan. The Board is presented with the short and long-term strategy of the Group together with its proposed business plans for the forthcoming year. The Board also monitors budgetary exercise which support the Group's business plan and budget plan.

- Oversight of the Group's Business

  The day-to-day management of the business operations of the Group is led by the Executive Director and assisted by the Senior Management personnel. Their performance under the leadership of the Executive Director is assessed by the Board based on the financial and management reports tabled during its quarterly meetings. The Board is also kept updated on the Group's strategic direction initiatives, significant operational and regulatory challenges faced by the Group during these meetings.

- Review of Internal Control and Integrity of Management Information

  The Board is overall responsible for maintaining a proper internal control system. The Board's responsibilities for the Group's system of internal controls include reviewing financial condition of the business, operational, regulatory compliance as well as risk management matters.

- Formulate and Put in Place an Appropriate Succession Plan

  The Board is responsible to formulate and put in place an appropriate succession plan encompassing the appointment, training, and determination of compensation for the Directors and Senior Management of the Group, as well as assessing the performance of Directors and Committee members.

- Develop and Implement an Investor Relations Program or Shareholder Communications Policy for the Group

  The Board recognises that shareholders and other stakeholders are entitled to be informed on a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial year. Hence, the company's website is the primary medium in providing information to all shareholders and stakeholders.

- Succession Planning

  The Board has entrusted the Nomination Committee and Remuneration Committee with the duty to review candidates with required mix of skills and experience for the Board and to determine remuneration packages for these appointments, and to formulate nomination, selection and remuneration for the Group.

  During the review of the performance and strategies presented, at times, the Board reviews on the adequacy of caliber and competent human resources that are put in place for daily management and control of operations as well as proper execution of approved strategies.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part I - Board Responsibilities *(cont'd)*

1. Board's Leadership on Objectives and Goals *(cont'd)*

1.1 Strategic Aims, Values and Standards *(cont'd)*

1.1.1 Board Committees

In discharging its fiduciary duties, the Board has delegated specific tasks to four (4) Board Committees namely Audit Committee ("AC"), Nomination Committee ("NC"), Risk Management Committee ("RMC") and Remuneration Committee ("RC"). All the Board Committees have its own terms of reference and have the authority to act on behalf of the Board within the authority as laid out in the terms of reference and report to the Board with the necessary recommendation.

1.2 The Chairman of the Board

The Board is chaired by an Independent Non-Executive Director and one-third of the Board consists of Independent Non-Executive Directors. The Chairman being an Independent Non-Executive Director, is not involved in the day-to-day management of the Group's business and has no relationship that could materially interfere with his judgement. The Chairman is responsible to provide leadership for the Board so that the Board can perform its responsibilities effectively.

1.3 Separation of the positions of the Chairman and Group Chief Executive Officer

There is a clear separation of duties and responsibilities of the Chairman and Group Chief Executive Officer to ensure a balance of power and authority so that no one individual has unfettered powers of decision making. The difference in the roles of the Chairman and Group Chief Executive Officer provides a clear segregation of responsibility and accountability. These are enshrined in the Board Charter, which has been reviewed and updated to be in line with the practices of MCCG and the Companies Act, 2016 ("the Act") which is made available in the Company's website www.schgroup.com.my.

The Chairman is not related to the Group Chief Executive Officer, and is responsible for leading the Board to oversee and supervise the Group's management; whilst the Group Chief Executive Officer is responsible for the day-to-day operations of the Group, making strategic business decisions and implement the Board's policies and decisions. There is clear separation of powers between the Chairman, who is an independent director and the Group Chief Executive Officer, and this further enhances the independence of the Board.

The Board therefore believe that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

1.4 Qualified and Competent Company Secretaries

In compliance with MCCG, the Board is supported by two (2) External Company Secretaries. The Company Secretaries of the Company are qualified to act as Company Secretary under Section 235 of the Companies Act, 2016 ("the Act"). The Company Secretary provides the required support to the Board in carrying out its duties and stewardship role, providing the necessary advisory role with regard to the Company's Constitution, Board's policies and procedures as well as compliance with all regulatory requirements, MCCG, guidance and legislation.

The Board has ready and unrestricted access to the advice and services of the Company Secretaries, who are considered capable of carrying out the duties to which the post entails. The Directors may seek advice from the management on issues under their respective purview. The Directors may also interact directly with the management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

The Company Secretaries keep the Board abreast with the latest regulatory updates and also ensure that deliberations at Board and Board Committee meetings are well documented.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part I - Board Responsibilities *(cont'd)*

1. Board's Leadership on Objectives and Goals *(cont'd)*

1.4 Qualified and Competent Company Secretaries *(cont'd)*

The Board is satisfied with the performance and support rendered by the two (2) qualified and experienced Company Secretaries to the Board in discharge of its functions.

The Company Secretaries are accountable to the Board on all matters connected with the proper functioning of the Board and responsibility includes:

- assisting the Chairman and the Chairmen of the Board Committees in developing the agendas for the meetings;
- administering, attending and preparing the minutes of meetings of the Board, Board Committees and shareholders and maintaining proper records of proceedings and resolutions passed;
- acting as liaison to ensure good information flow within the Board, between the Board and its Committees as well as between management and the Directors;
- advising on statutory and regulatory requirements and the resultant implication of any changes that have bearing on the Company and the Directors;
- advising on matters of corporate governance and ensuring Board policies and procedures are adhered to;
- monitoring compliance with the Act, Listing Requirements and the Constitution of the Company;
- facilitating orientation of new director;
- disseminating suitable training courses and arranging for Directors to attend such courses when requested.

1.5 Access to information and advice

Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers will be forwarded to each director no later than seven (7) days before the date of the meeting. This is to ensure that Board papers comprising due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the Board papers and seek for any clarification as and when they may need advices or further explanation from management and Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries.

The Board has access to all information within the Company to enable them to discharge their duties and responsibilities and is supplied on a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

In addition, all Directors have direct access to the advice and services of the Company Secretaries who are responsible for ensuring the Board meetings procedures are adhered to and that applicable rules and regulatory are complied with. External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. The senior management team from different business units will also be invited to participate in the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. The Chairmen of the Board Committees, namely, the AC, NC, RMC and RC briefs the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committee meetings.

When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairman of the Board, and depending on the quantum of the fees involved.

The Board acknowledges that confidential information received remains the property of the Group, whether it relates to the Group or another entity. It will not be disclosed unless either the Chairman of the Board has so authorised in writing or disclosure is required by law.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part I - Board Responsibilities *(cont'd)*

2. Demarcation of Responsibilities

2.1 Board Charter

As part of governance process, the Board has formalised and adopted the Board Charter. The Board Charter sets out the composition and balance, roles and responsibilities, operations and processes of the Board and ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members.

The Board Charter addresses, among others, the following matters:

(i) General outline of the Board's purpose;
(ii) An overview of the Board's roles and responsibilities;
(iii) Board Structure and membership;
(iv) A description of the role of the Chairman, the Executive Directors, the Non-Executive Directors, Independent Directors;
(v) Board meeting and procedures;
(vi) Directors' remuneration;
(vii) Directors' Continuing Education Program;
(viii) Accountability and Audit;
(ix) Appointment of Board Committees;
(x) Relationship with shareholders and stakeholders;
(xi) Code of Conduct and Ethics; and
(xii) Whistle blowing policy.

The Board Charter is reviewed periodically to ensure that the dynamic needs of the Group are consistently met. A copy of the Board Charter is available on the Company's website at www.schgroup.com.my.

3. Good Business Conduct and Corporate Culture

3.1 Code of Conduct and Ethics

The Board is committed in maintaining a corporate culture which engenders ethical conduct through its Code of Conduct and Ethics, which summarises what the Company must endeavour to do proactively to increase corporate value, and which describes the areas in daily activities that require caution to minimise any risks that may occur.

The Code of Conduct and Ethics provides guidance for Directors and every employee of the Group regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment.

The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. A copy of the Code of Conduct and Ethics is available at the Company's website at www.schgroup.com.my.

3.2 Whistle Blowing Policy and Procedures

The Board is committed in achieving and maintaining the highest standard of work ethics in the conduct of business to be in line with the Code of Conduct and Ethics and good corporate governance practices. The Group encourages its employees to report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Group. This policy is to provide an avenue for all employees of the Group and members of the public to disclose any improper conduct in accordance with the procedures as provided for under this policy and to provide protection for employees and members of the public who report such allegations, without fear of reprisal.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part I - Board Responsibilities *(cont'd)*

3. Good Business Conduct and Corporate Culture *(cont'd)*

3.2 Whistle Blowing Policy and Procedures *(cont'd)*

The policy is designed to give support to the following:

(i) Be committed to the Company's business ethics of Honesty, Integrity and Transparency;
(ii) To provide a transparent and confidential process for all parties to give information on non-compliances to the Code of Conduct and Ethics, or any misconduct regardless of his or her position, to an independent party to investigate the allegations and take the appropriate actions; and
(iii) To uphold the moral duty being a Company by protecting the interest of all its stakeholders.

A copy of the Whistle-Blowing Policy is available at the Company's website at www.schgroup.com.my.

Stakeholders, who have suspected fraud, misconduct or any integrity concerns, are encouraged to fill up a Whistle Blowing Report Form and email to:

Attention : Mr Sim Yee Fuan
Designation : Audit Committee Chairman
Email : samsim929@gmail.com

3.3 Strategies Promoting Sustainability

The Board ensures that the Company's strategies promote sustainability with attention given particularly to environmental, social and governance ("ESG") aspects of the business which underpins sustainability. The Board understands that balancing ESG aspects with the interests of various stakeholders is essential to enhance investor perception and public trust.

The Group is committed in its continuous efforts in maintaining a delicate balance between its sustainability agenda and other stakeholders' interest. The details of the sustainability efforts are set out in the "Corporate Sustainability Statement" of this Annual Report.

Part II - Board Composition

4. Board's objectivity

4.1 Composition of the Board

The current Board of Directors consists of seven (7) members, comprising two (2) Executive Directors, three (3) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors in consistent with the the Rule 15.02(1) of the Listing Requirements. The profile of each Director is presented separately in this Annual Report.

The current Board consists of individuals of high calibre, experienced and are professionals in their respective fields. Together, this brings a wide range of industry specific knowledge, broad based business and commercial experience that are vital to the Board's success.

The roles and responsibilities of the Independent Non-Executive Directors and Executive Directors are clearly defined and properly segregated. All the Independent Non-Executive Directors are independent of the Executive Directors, management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a check and balance on the Board's deliberations.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part II - Board Composition *(cont'd)*

4. Board's objectivity *(cont'd)*

4.1 Composition of the Board *(cont'd)*

The Executive Directors are responsible for the overall performance and operations as well as the corporate affairs and administrations of the Group. They were assisted by the senior management personnel of the Group in managing the business activities of the Group in the manner that is consistent with the policies, standards, guidelines, procedures and/or practices of the Group and in accordance with the specific plans, instructions and directions set by the Board.

The Independent Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision making process. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Non-Executive Directors are particularly important in ensuring that the strategies proposed by the Executive Director are deliberated on and have considered the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

4.2 Re-election of Directors

The procedure on the re-election of directors by rotation is set out in the Company's Constitution. All Directors who are appointed by the Board during the year are subject to re-election by shareholders at the first meeting after their appointment. Constitution provide at least one-third (1/3) of the remaining Directors are subject to re-election by rotation at each Annual General Meeting and retiring directors can offer themselves for re-election. All Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election.

Upon the recommendation of the NC and the Board, the Directors who are standing for re-election and re-appointment at the forthcoming Annual General Meeting of the Company to be held in year 2020 are as stated in the Notice of Annual General Meeting.

4.3 Tenure of Independent Directors

As at the date of this statement, none of the independent directors have served the Company for more than nine (9) years.

4.4 Policy of Tenure of Independent Director

The Company's Board Charter provides a limit of a cumulative term of nine (9) years on the tenure of an Independent Non-Executive Director. Upon completion of nine (9) years, an independent director may continue to serve on the Board subject to the directors' re-designation as a Non-Independent Non-Executive Director. For the Board to justify and seek shareholders' approval for retaining a person who has served in that capacity for more than nine (9) years, as an independent director, the NC/Board must conduct a rigorous review to determine whether the Director is independent in character and judgment, taking into account the need for progressive refreshing of the Board.

As at 31 August 2019, the tenure of the Independent Non-Executive Directors of the Company are as follows:

	1-3 Years	4-7 Years	8-9 Years
Sim Yee Fuan		/	
Gan Khong Aik		/	
Dato' Chan Choun Sien	/		

As at the date of this statement, none of the independent directors have served the Company for more than nine (9) years as per the recommendations of MCCG.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part II - Board Composition *(cont'd)*

4. Board's objectivity *(cont'd)*

4.5 Diverse Board and Senior Management Team

Appointment of Board and Senior Management are based on objective criteria, merit and besides gender diversity, due regard are placed for diversity in skills, experience, age and cultural background.

4.6 Gender Diversity

The Company has formalised a Boardroom Diversity Policy and such policy is contained in the Board Charter which is published on the Company's website. The Board believes that the evaluation of suitability of candidates should be based on the candidates' competency, character, time availability, integrity and experience in meeting the Company's needs. The Board constantly advocates fair and equal participation and opportunity for all individuals of the right calibre without any specific discrimination as to the age, ethnicity or gender of the candidates concerned.

The Board has been taking steps to seek out female candidates based on meritocracy with the optimum mix of skills, knowledge and experience to fill board positions.

4.7 New Candidates for Board Appointment

The proposed appointment of a new member to the Board will be deliberated on by the Board based upon the recommendation of the NC. Before any recommendation made to the Board, the NC will ensure that an appropriate review is undertaken to ensure the requirement and qualification of the candidate nominated based on a prescribed set of criteria comprising but not limited to the following:

(a) Skills, knowledge, expertise and experience;
(b) Professionalism;
(c) Integrity;
(d) Existing number of directorships held;
(e) Confirmation of not being an undischarged bankrupt or involved in any court proceedings in connection with the promotion, formation or management of a corporation or involving fraud or dishonesty punishable on conviction with imprisonment or subject to any investigation by any regulatory authority under any legislation; and
(f) In the case of candidates being considered for the position of independent director, such potential candidates have the ability to discharge such responsibilities/functions as expected from independent non-executive directors. Amongst others, the potential candidates must fulfil the criteria used in the definition of "independent directors" prescribed by the Listing Requirements of Bursa Securities and being able to bring independent and objective judgement to the Board. Where required, the members of the Committee would meet up with potential candidates for the position of director to assess the suitability.

The appointment of new Directors is the responsibility of the Board after considering the recommendations of the NC. As a whole, the Company maintains a very lean number of Board members. The Board appoints its members through a formal and transparent selection process which is consistent with the Constitution of the Company. This process has been reviewed, approved and adopted by the Board. The Company Secretaries are tasked to ensure all appointments are properly made and all necessary information is obtained from the Directors, for the Company's records and for the purposes of meeting statutory obligations as well as obligations arising from the Listing Requirements.

Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The NC will help assess and recommend to the Board, the candidature of directors, the appointment of directors to board committees, review of Board's succession plans and training programmes for the Board.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part II - Board Composition *(cont'd)*

4. Board's objectivity *(cont'd)*

4.7 New Candidates for Board Appointment *(cont'd)*

In general, the process for the appointment of a director to the Board is as follows:

(i) The NC reviews the Board's composition through Board assessment/evaluation;
(ii) The NC determines skills matrix;
(iii) The NC evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate;
(iv) The NC recommends to the Board for appointment; and
(v) The Board approves the appointment of the candidates.

4.8 Nomination Committee

The Board has established a NC which comprised exclusively Independent Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by considering his skills and expertise for contribution to the Company on an ongoing basis.

The Terms of Reference of the NC can be viewed at the Company's website at www.schgroup.com.my.

The present members of the NC of the Company are:

Designation	Name	Directorship
Chairman	Gan Khong Aik	Independent Non-Executive Director
Member	Dato' Chan Choun Sien	Independent Non-Executive Chairman
Member	Sim Yee Fuan	Independent Non-Executive Director

The functions of the NC are summarised as follows:

(i) to undertake an annual review of the Board's succession plans, taking into consideration, the present size, structure and composition of the Board and Board Committees as well as the required mix of skills, experience and competency required and make recommendations to the Board with regard to any adjustments that are deemed necessary;

(ii) to facilitate the evaluation on the effectiveness of the Board as a whole, the various Committees and each individual Director's contribution to the effectiveness on the decision making process of the Board;

(iii) to consider succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future;

(iv) responsible for identifying and make the recommendation to the Board on new candidates for election/ appointment to the Board or to fill board vacancies as and when they arise;

(v) to ensure that orientation and education programmes are provided for new members of the Board;

(vi) to recommend to the Board concerning the re-election/re-appointment of Director to the Board pursuant to the provisions in the Company's Constitution;

(vii) to undertake an annual review of the training programmes attended by the Directors for each financial year as well as the training programmes required to aid the Directors in the discharge of their duties as Directors and to keep abreast with industry developments and trends; and

(viii) to provide a report summarising its activities for the year in compliance with the MCCG, Listing Requirements and any relevant regulations. The report can be incorporated into the corporate governance statement in the annual report or included in as a separate report.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part II - Board Composition *(cont'd)*

4. Board's objectivity *(cont'd)*

4.8 Nomination Committee *(cont'd)*

The summary of activities undertaken by the NC during the financial year included the following:

(i) reviewed the size and composition of the Board and made recommendation to the Board as regards any changes that may, in their view, be beneficial to the Company and Group;
(ii) reviewed and assessed the independence of Independent Non-Executive Directors;
(iii) reviewed the effectiveness of the Board as a whole, committees of the Board and the contribution of individual directors;
(iv) reviewed and recommended to the Board directors who are retiring by rotation to be put forward for re-election; and
(v) reviewed and recommended the appointment of Group Chief Executive Officer.

5. Overall Board Effectiveness

5.1 Annual evaluation

The NC will conduct an annual assessment of the performance of the Board as a whole, Board Committees and individual Directors. From the results of the assessment, including the mix of skills, experience, tenure and other core qualities possessed by Directors, the Board will consider and approve the recommendations on the re-election and re-appointment of Directors at the Company's forthcoming Annual General Meeting, with a view to meeting current and future requirements of the Group.

The criteria used by the NC in evaluating the performance of an individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. The Board did not engage any external party to undertake an independent assessment of the Directors.

Based on the assessment conducted for the financial year 2019, the Board and the NC is satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board members and the independence of its Independent Non-Executive Directors.

5.2 Annual Assessment of Independence

Annual assessments will be conducted by NC on annual basis and the criteria for assessment covers areas such as contributions to interaction, roles and responsibilities and quality of input to enhance the Board's effectiveness. The independence of Independent Directors is assessed based on their relationship with the Group and their involvement in any significant transactions with the Group including their ability to exercise independent judgment at all times and based on the criteria set out in the Listing Requirements of Bursa Securities.

Based on the assessment carried out during the financial year ended 31 August 2019, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company during the financial year under review, and that each of them continues to fulfil the definition of independence as set out in the Listing Requirements of Bursa Securities.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part II - Board Composition *(cont'd)*

5. Overall Board Effectiveness *(cont'd)*

5.3 Board Commitment

5.3.1 Time Commitment and Directorship in Other Public Listed Companies

Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would include an indication of the time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointments in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies as prescribed in Rule 15.06 of the Listing Requirements.

Each Board member is expected to achieve at least 50% attendance of total Board Meetings in any applicable financial year with appropriate leave of absence to be notified to the Chairman and/or Company Secretaries, where applicable.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out in the section below.

5.3.2 Record of Attendance at Board Meetings

The Board will normally hold meetings at least four (4) times in each financial year to consider:

(a) relevant operational reports from the management;
(b) reports on the financial performance;
(c) specific proposals for capital expenditure and acquisitions, if any;
(d) major issues and opportunities for the Company, if any; and
(e) quarterly financial statements for the announcement to authorities. In addition, the Board will, at intervals of not more than one (1) year:

  (i) to approve annual financial statements and other reports to shareholders;
  (ii) consider and, if appropriate, declare or recommend the payment of dividends (if any);
  (iii) review the Board composition, structure and succession plan of the Board;
  (iv) review the Company's audit requirements;
  (v) review the performance of and composition of Board committees;
  (vi) undertake Board member evaluations;
  (vii) review Board's remuneration; and
  (viii) review risk assessment policies and controls and compliance with legal and regulatory requirements.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part II - Board Composition *(cont'd)*

5. Overall Board Effectiveness *(cont'd)*

5.3 Board Commitment *(cont'd)*

5.3.2 Record of Attendance at Board Meetings *(cont'd)*

The following is the record of attendance of each of the Directors of the Company at the Board meetings held during the financial year:-

Name of Directors	No. of Meeting Attended
Dato' Chan Choun Sien	7/7
Wong Kin Seng	7/7
De Souza Michael Lawrence (1)	1/1
Dato' Ong Choo Meng	7/7
Khoo Chee Siang	7/7
Sim Yee Fuan	7/7
Gan Khong Aik	6/7

Note:

(1) De Souza Michael Lawrence was appointed as Director of the Company on 19 December 2019.

The Board meets on a quarterly basis, with amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings will be convened by the Company Secretaries, after consultation with the Chairman. Additionally, in between Board meetings, the Directors also approved various matters requiring the sanction of the Board by way of circular resolutions.

The tentative dates for Board and Board Committee meetings for the year will be circulated by the Company Secretaries well in advance towards the end of the previous year to ensure that each of the Directors is able to attend the planned Board and/or Board Committee meetings including that of the Annual General Meeting. At the end of each Board and AC meetings, the date of the next meetings is to be re-confirmed.

5.3.3 Continuing Education Programs

All Directors appointed to the Board have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities. Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, the Directors are encouraged to attend continuous education programmes/seminars/conferences and shall as such receive further training from time to time to keep themselves abreast of the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and enhance their business acumen and professionalism in discharging their duties to the Group.

The Board has undertaken an assessment of the training needs of each Director and ensured that all the Directors undergo the necessary training programme to enable them to effectively discharge their duties.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part II - Board Composition *(cont'd)*

5. Overall Board Effectiveness *(cont'd)*

5.3 Board Commitment *(cont'd)*

5.3.3 Continuing Education Programs *(cont'd)*

Details of seminars/conferences/training programmes attended by the Board members during the financial year as listed below:

Name of Director	Seminars/Conferences/Training Programmes Attended
Dato' Chan Choun Sien	● Sun Tzu's Art of War for Traders and investors Series: Inspiring Success Story of a Warrior ● Wong & Partners Technology Conference ● Malaysia: A New Dawn ● Affin Hwang- Conversation with YB Tony Pua ● Invest Malaysia by Bursa Malaysia & Maybank ● Malaysia Investment Data Briefing Session by MITI ● Transformational Business Network Asia - Fighting Poverty through Enterprise ● Baker McKenzie IPO Listing & Investing in Malaysia/Taiwan Forum ● Asian Family Business Convention ● The Future of Fintech in ASEAN (Smart Showcase Series, Empowering ASEAN 4.0)
Dato' Ong Choo Meng	● Breaking Barriers - YPO Regional Conference 2019 ● SME CEO Forum 2019 ● SME Megazine June 2019
Koo Chee Siang	● Sustainability Reporting Workshop ● The Global Leadership Summit – Marketplace Special Edition 2019 ● SCLE Revision: Advisory Services (Rules and Regulations) (Module 19)
Sim Yee Fuan	● GST to SST 2018 Strategy ● Tax Budget Seminar ● Corporate Seminar – Global Market Outlook
Gan Khong Aik	● International Bar Association Annual Conference, Seoul 2019 ● Emerging Trends in M&A, Malaysian Mergers & Acquisition Association
De Souza Michael Lawrence *(Appointed as Director on 19 December 2019)*	● Tax Audits and Investigation – The Hidden Dangers, the Practical Response ● Emerging Trends in M&A, Malaysian Mergers & Acquisition Association

Saved as disclosed above, others Directors of the Company were not able to select any suitable training programmes to attend during the financial year due to travelling for business overseas and their occupied working schedule. However, they have constantly been updated with relevant reading materials and technical updates, which will enhance their knowledge and equip them with the necessary skills to effectively discharge their duties as Directors of the Company.

In addition, during the financial period under review, the Directors would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal auditors and the Company Secretaries during the Committee and/or Board meetings and suitable training and education programmes were identified for their participation from time to time.

The Board will on continuing basis evaluate and determine the training needs of each Director, particularly on relevant new law and regulations and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part III - Remuneration

6. Level and Composition of Remuneration

6.1 Remuneration Policies and Procedures

The Board believes that SCH should have a fair remuneration policy to attract, retain and motivate directors. It has established a RC to review and ensure that the remuneration of its members fairly reflect the Board's and members' responsibilities, the expertise required by SCH and the complexity of its operations. The said remuneration should also be in line with the business strategy and long term objectives of SCH.

6.2 Remuneration Committee

The Board has set up a RC which comprises exclusively Independent Non-Executive Directors in order to assist the Board for determining the Director's remuneration.

The RC meets when required and is entrusted, among others, with examining the remuneration packages and other benefits of the Executive Director. The contribution, responsibilities and performance of each Executive Director is taken into account when determining their respective remuneration packages.

However, the ultimate responsibility to approve the remuneration of the Directors remains with the Board as a whole. The respective Director is not involved in any discussions and/or deliberations with regards to their own remuneration.

The Terms of Reference of the RC can be viewed at the Company's website at www.schgroup.com.my.

The present members of the RC are as follow:

Designation	Name	Directorship
Chairman	Dato' Chan Choun Sien	Independent Non-Executive Chairman
Member	Sim Yee Fuan	Independent Non-Executive Director
Member	Gan Khong Aik	Independent Non-Executive Director

The functions of the RC are summarised as following:

(i) to review and recommend to the Board the framework of remuneration of the Executive Directors and Principal Officers;

(ii) to review and determine the annual salary increment, performance bonus, and short term/long term incentives (including share grant and bonus) for Executive Directors and Principal Officers depending on various performance measurements of the Group;

(iii) to review and determine the other benefits in kind for the Executive Directors and Principal Officers;

(iv) to review the Group's compensation policy and ensure alignment of compensation to corporate performance, and compensation offered in line with market practice;

(v) to review and recommend the remuneration for Non-Executive Directors taking into consideration the fee levels and trends for similar positions in the market, time commitment required from the director and any additional responsibilities undertaken by the particular Non-Executive Directors concerned; and

(vi) to recommend the engagement of external professional advisors to assist and/or advise the Committee and the Board, on remuneration matters, where necessary.

The summary of activities undertaken by the RC during the financial year included the following:

(a) Reviewed and recommended the payment of Directors' fees and other benefits payable to Directors.

(b) Reviewed and recommend the remuneration package and allowance of Group Chief Executive Officer.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part III - Remuneration *(cont'd)*

7. Remuneration of Directors and Senior Management

The remuneration of the Executive Directors is determined fairly based on the performance and the profitability of the Group as a whole. The Directors' remuneration is at the discretion of the Board, taking into account the comparative market rates that commensurate with the level of contribution, experience and participation of each Director. The overriding principle adopted in setting the remuneration packages for the Executive Directors by the RC is to ensure that the Company attracts and retains the appropriate Directors of the calibre needed to run the Group successfully.

The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.

7.1 Details of Directors' Remuneration and Senior Management

The respective Directors are abstained from discussing and deliberating on their own remuneration and Directors' fees and it has to be approved by shareholders at the Annual General Meeting ("AGM"). The details of the remuneration of the Directors of the Company comprising remuneration received/receivable from the Company and subsidiary company during the financial year ended 31 August 2019 are as follows: -

Directors	Fees (RM)	Salaries and * other emoluments (RM)	Total (RM)
Dato' Chan Choun Sien	40,500	2,500	43,000
Wong Kin Seng	-	463,583	463,583
Dato' Ong Choo Meng	30,000	2,500	32,500
Khoo Chee Siang	22,500	112,411	134,911
Sim Yee Fuan	30,000	2,500	32,500
Gan Khong Aik	30,000	2,000	32,000
Chan Wan Choon	5,250	-	5,250
Lau Mong Ling	-	207,034	207,034
De Souza Michael Lawrence (1)	-	-	-

Note:

* *Other emoluments include the meeting allowance for the Directors' attendance in Board and Board's Committee Meetings.*

(1) De Souza Michael Lawrence was appointed as Director of the Company on 19 December 2019.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part III - Remuneration *(cont'd)*

7. Remuneration of Directors and Senior Management *(cont'd)*

7.2 Remuneration of Top Five Senior Management

The remuneration paid to the top five senior management during the financial year ended 31 August 2019 analyzed into bands of RM50,000 are as follows: -

Range of Remuneration	Number of Senior Management
RM100,001 to RM150,000	2
RM150,001 to RM200,000	-
RM200,001 to RM250,000	2
RM250,001 to RM300,000	-
RM300,001 to RM350,000	-
RM350,001 to RM400,000	1

Details of total remuneration received by the senior management are not disclosed in this report as the Board is of the view that the above remuneration disclosure by band satisfies the accountability and transparency aspects of the MCCG.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I - Audit Committee

8.1 Chairman of Audit Committee

The AC is chaired by an Independent Director who is distinct from the Chairman of the Board. The Chairman of AC is a member of Malaysian Institute of Accountants.

8.2 Former Key Audit Partner

None of the Board member is the former key audit partner of the External Auditors, Messrs ECOVIS MALAYSIA PLT and the Directors do not foresee any new appointment of former key audit partner to the Board. However, the Board will observe the cooling-off period before appointing the former key audit partner, if any.

8.3 Assessment of Suitability and Independence of External Auditors

The Company has established a transparent and appropriate relationship with the Company's External Auditors. The Auditors will highlight to the Audit Committee and the Board on matters that require the Board's attention.

The AC is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The AC has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the AC prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the AC.

Corporate Governance Overview Statement
cont'd

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT *(cont'd)*

Part I - Audit Committee *(cont'd)*

8.3 Assessment of Suitability and Independence of External Auditors

To assess or determine the suitability and independence of the External Auditors, the AC has taken into consideration of the following:

(i) the adequacy of the experience and resources of the External Auditors;

(ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;

(iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and

(iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the Annual General Meeting on the recommendation of the Board. The External Auditors are being invited to attend the Annual General Meeting of the Company to response and reply to the Shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

Where necessary, the AC will meet with the External Auditors without the presence of Executive Director and members of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the AC are duly recorded by the Company Secretaries.

In presenting the Audit Planning Memorandum to the AC, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by them. The External Auditors have also provided the required independence declaration to the AC and the Board for the financial year ended 31 August 2019.

The AC is satisfied with the competence and independence of the External Auditors for the financial year under review. Having regard to the outcome of the annual assessment of the External Auditors, the Board approved the AC's recommendation for the shareholders' approval to be sought at the Annual General Meeting on the re-appointment of Messrs ECOVIS MALAYSIA PLT as the External Auditors of the Company for the financial year ending 31 August 2020.

8.4 Composition of the Audit Committee

The AC comprises three (3) Non-Executive Directors and all of the AC members are Independent Directors. The present members of the AC are:

Designation	Name	Directorship
Chairman	Sim Yee Fuan	Independent Non-Executive Director
Member	Dato' Chan Choun Sien	Independent Non-Executive Chairman
Member	Gan Khong Aik	Independent Non-Executive Director

The terms of reference and summary of activities of the AC are set out in the Audit Committee Report.

Corporate Governance Overview Statement
cont'd

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT *(cont'd)*

Part II - Risk Management and Internal Control Framework

9. Effective Risk Management and Internal Control Framework

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal controls, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to access current and emerging risks and respond appropriately to the risks encountered.

As an effort to enhance the system of internal controls, the Board together with the assistance of external professional Internal Audit firm adopted on-going monitoring and review the existing of risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the AC and the Board to strengthen and improve current management and operating style in pursuit of best practices.

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given to the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

Another initiative done by the Company in monitoring effective risk management and internal control within the Company, the Board has set up a Risk Management Committee (RMC) comprises the following three (3) members of the RMC:

Designation	Name	Directorship
Chairman	Gan Khong Aik	Independent Non-Executive Director
Member	Dato' Chan Choun Sien	Independent Non-Executive Chairman
Member	Wong Kin Seng	Executive Director

The information on the Group's internal control is further elaborated in the Statement on Risk Management and Internal Control set out in this Annual Report.

10. Internal Audit Function

The Board has engaged a professional service provider to assume the Internal Audit Function of the Group. The Internal Auditors conduct regular audit reviews and assess the effectiveness and adequacy of the governance, risk management and internal controls in the Group. These reviews are reported to the AC directly by the Internal Auditors.

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Part I - Communication with Stakeholders

11. Continuous Communication between Company and Stakeholders

11.1 Corporate Disclosure Policies and Procedures

The Board recognises the need for transparency and accountability to the Company's shareholders as well as regular communication with its shareholders, stakeholders and investors on the performance and major developments in the Company. The Company ensures that timely releases of the quarterly financial results, press releases and corporate announcements are made to its shareholders and investors, which are clear, unambiguous, succinct, accurate, and contains sufficient and relevant information.

Corporate Governance Overview Statement
cont'd

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *(cont'd)*

Part I - Communication with Stakeholders *(cont'd)*

11. Continuous Communication between Company and Stakeholders *(cont'd)*

11.1 Corporate Disclosure Policies and Procedures *(cont'd)*

In order to maintain its commitment to effective communication with shareholders, the Group embraces the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.

The practice of disclosure of information is to adopt the best practices recommended in the MCCG with regard to strengthening engagement and communication with shareholders, it is not only established just to comply with the Listing Requirements of Bursa Securities.

The Group also endeavour to provide additional disclosures of information on a voluntary basis, where necessary. The management believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions.

Besides the above, the Company's Annual Report and financial results are dispatched on an annual basis to the shareholders to provide an overview of the Group's business activities and performances. The Share Registrar is available to attend to administrative matters relating to shareholders' interests. The Company strives to provide a high level of transparency reporting in order to provide value for users.

11.2 Leverage on Information Technology for Effective Dissemination of Information

The Company's website at www.schgroup.com.my incorporates an Investor Relations section which provides all relevant information on the Company accessible to the public. This section enhances the investor relations function by including all the corporate information and profile of the Group business activities, financial information, stock information, annual report, quarterly reports, company announcements, corporate governance including the Board Charter, Code of Conduct and Ethics for Directors and terms of reference of Board Committees.

The quarterly financial results are announced to Bursa Securities after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

Shareholders and investors may also forward their queries to the Company via email to finance@schgroup.com.my.

11.3 Dialogue with Shareholders

In addition to the dissemination of information to shareholders and other interested parties via announcements to Bursa Securities, its website, circulars and press releases, the Board views that the annual and any extraordinary general meetings as ideal opportunities to communicate with shareholders.

The Chairman or the Executive Director of the Company will brief shareholders on the Company's projects and elaborate further on proposals for which the approval of shareholders is being sought at the general meeting.

Whilst the Company aims to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

Corporate Governance Overview Statement
cont'd

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *(cont'd)*

Part I - Communication with Stakeholders *(cont'd)*

11. Continuous Communication between Company and Stakeholders *(cont'd)*

11.4 Financial Reporting

The Board strives to provide shareholders with a balanced and meaningful evaluation of the Group's financial performance, financial position and prospects through the annual audited financial statements, interim financial reports, annual report and announcements to Bursa Securities.

The interim financial reports, annual audited financial statements and annual report of the Group for the financial year ended 31 August 2019 are prepared in accordance with the Malaysian Financial Reporting Standards, Listing Requirements and the Companies Act 2016. The Board is assisted by the AC in overseeing the financial reporting processes and ensuring the quality of its financial reporting.

The statement by the Board pursuant to Rule 15.26(a) of the Listing Requirements on its responsibilities in preparing the financial statements is set out as below in this Annual Report.

11.5 Statement of Directors' Responsibility In Relation to the Financial Statements

The Directors are required by the Companies Act, 2016 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards so as to give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 August 2019, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company keeps proper accounting records with reasonable accuracy of the financial position of the Company. The Directors are to ensure that the financial statements comply with mandatory provisions of the Companies Act 2016, the Malaysian Financial Reporting Standards and the Listing Requirements of Bursa Securities. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

Part II - Conduct of General Meetings

12.1 Annual General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. The Annual Report together with the Notice of AGM is sent to registered shareholders at least twenty-one (28) days before the meeting. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. Where special business items appear in the Notice of AGM, an explanatory note will be included as a footnote to enlighten shareholders on the significance and impact when shareholders deliberate on a resolution. At the AGM, shareholders are encouraged to participate, speak, vote and to demand a poll vote. Shareholders are given the opportunity to seek clarification on any matters pertaining to the business activities and financial performance of the Group. Shareholders are also encouraged to make their views known to the Board and to raise directly any matters of concern. Members of the Board as well as management are present to answer questions raised at these meetings. Apart from contacts at general meetings, currently there is no other formal program or schedule of meetings with investors, shareholders, stakeholders and the public generally. However, the management has the option of calling for meetings with investors/analysts if it deems necessary. Thus far, the management is of the opinion that the existing arrangement has been satisfactory.

Corporate Governance Overview Statement
cont'd

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *(cont'd)*

Part II - Conduct of General Meetings *(cont'd)*

12.2 Attendance of Directors at General Meetings

The tentative dates of the AGM will be discussed and fixed by the Board in advance to ensure that each of the Directors is able to make necessary arrangement to attend the planned AGM.

At the Seventh (7th) AGM of the Company held on 22 January 2019, all the Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company.

12.3 Poll Voting

In line with Rule 8.31A of the Listing Requirements, the Company will ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. At the same time, the Company will appoint at least one (1) scrutineer to validate the votes cast at the general meeting.

12.4 Effective Communication and Proactive Engagement

The Group maintains its effective communication with shareholders by adopting timely, comprehensive, and continuing disclosures of information to its shareholders as well as the general investing public and adopts the best practices recommended by the MCCG with regards to strengthening engagement and communication with shareholders.

To this end, the Group relies on the following channels for effective communication with the shareholders and stakeholders:

(i) Interim financial reports to provide updates on the Group's operations and business developments on a quarterly basis;

(ii) Annual audited financial statements and annual report to provide an overview of the Group's state of governance, state of affairs, financial performance and cash flows for the relevant financial year;

(iii) Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by the Listing Requirements; and

(iv) Annual General Meeting.

Shareholders and stakeholders may raise their concerns and queries by contacting the Registered Office of the Group, the details of which as provided under the "Corporate Information" section of this Annual Report. The Share Registrar is also available to attend to administrative matters relating to shareholder interests.

COMPLIANCE STATEMENT

Saved as disclosed above, the Board is of the view that the Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices set out in MCCG and all other applicable laws, where applicable and appropriate.

Audit Committee Report

The primary objective of the Audit Committee ("AC") is to establish a documented, formal and transparent procedure to assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, a system of risk management and internal control, the audit process and the process of monitoring compliance with laws and regulations.

COMPOSITION

The present members of the AC are as follows:

Designation	Name	Directorship
Chairman	Sim Yee Fuan	Independent Non-Executive Director
Member	Dato' Chan Choun Sien	Independent Non-Executive Chairman
Member	Gan Khong Aik	Independent Non-Executive Director

TERMS OF REFERENCE

The terms of reference of the AC which laid down its duties and responsibilities are accessible via the Company's website at www.schgroup.com.my.

FINANCIAL LITERACY OF THE MEMBERS OF AC

The members of the AC have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the Terms of Reference of the AC. The qualification and experience of the individual AC members are disclosed in the Directors' Profiles in the Annual Report.

All members of AC have also undertaken and will continue to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules as and when required.

ATTENDANCE OF MEETINGS

During the financial year ended 31 August 2019, the AC held seven (7) meetings. Details of the attendance of AC members are as follow:

Members	Meeting Attendance
Dato' Chan Choun Sien	6/7
Sim Yee Fuan	7/7
Gan Khong Aik	6/7

SUMMARY ACTIVITIES OF THE AC DURING THE YEAR

In line with the term of reference of the AC, the following activities were carried out by the AC in the discharge of its functions and duties during the financial year:

(i) Reviewed the quarterly unaudited financial results and audited financial statements of the Group and the Company including the announcements pertaining thereto, before recommending to the Board for their approval and release of the Group's unaudited financial results and audited financial statements to Bursa Securities;

(ii) Reviewed with external auditors of their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 August 2019;

Audit Committee Report
cont'd

SUMMARY ACTIVITIES OF THE AC DURING THE YEAR *(cont'd)*

(iii) Reviewed and discussed with the external auditors of their audit findings inclusive of system evaluation, audit fees, issues raised, audit recommendations and management's response to these recommendations;

(iv) Reviewed and assessed the adequacy of the scope and functions of the Internal Audit plan;

(v) Reviewed the effectiveness of the Group's system of internal controls;

(vi) Reviewed the proposed final audit fees for the External Auditors and Internal Auditors in respect of their audit of the Company and the Group;

(vii) Evaluated the performance of the External Auditors for the financial year ended 31 August 2019 covering areas such as calibre, quality processes, audit team, audit cope, audit communication, audit governance and independence as well as the audit fees of the External Auditors and considered and recommended the re-appointment of the External Auditors;

(viii) Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;

(ix) Reviewed the Company's compliance with the Listing Requirements, applicable Approved Accounting Standards and other relevant legal and regulatory requirements;

(x) Report to the Board on its activities and significant findings and results; and

(xi) Reviewed and recommended to the Board for approval, the Audit Committee Report, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control for inclusion in the 2019 Annual Report.

INTERNAL AUDIT FUNCTIONS AND ACTIVITIES

The Group has appointed an established external professional Internal Audit firm namely ECO Asia Advisory Sdn. Bhd., headed by Mr Woon Soon Fai, Fellow Members of the Association of Chartered Certified Accountants (FCCA). He has vast experience and exposure in the Internal Audit field. He was assisted by one other Internal Auditor professional staff in this assignment during the financial year under review. The Internal Audit firm appointed by the Company is independent of activities related to business operations and performs its duties in accordance with standards set by relevant professional bodies.

The Internal Auditors assist the AC in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives. With the internal audit function being put in place, remedial actions can be taken in relation to weaknesses identified and noted in the systems and controls of the respective operating units. The setting up of the internal audit function is geared towards increasing efficiency and better management of resources in all aspects of the Group's operations.

The costs incurred for the internal audit function in respect of the financial year under review is approximately RM20,000.00.

The functions of the outsourced Internal Auditors are to:

(i) Perform audit work in accordance with the pre-approved internal audit plan, which covers reviews of the internal control system, risk management and follow up audits to address observations reported in preceding internal audit visits;

(ii) Carry out reviews on the systems of internal control of the Group;

(iii) Review and comment on the effectiveness and adequacy of the existing internal control policies and procedures; and

(iv) Provide recommendations, if any, for the improvement of the internal control policies and procedures.

Audit Committee Report
cont'd

INTERNAL AUDIT FUNCTIONS AND ACTIVITIES *(cont'd)*

During the financial year under review, the following activities were carried out by the internal auditors in discharge of its responsibilities on the audit planned for the year:

i) to review the sales, accounts receivables, collection and credit control for PK Fertilizers (Sarawak) Sdn Bhd; and

ii) to review the inventory management for PK Fertilizers (Sarawak) Sdn Bhd.

The Audit Committee and the Board are satisfied with the performance of the outsourced Internal Auditors and have in the interest of greater independence and continuity in the internal audit function, taken the decision to continue with the outsourcing of the Internal Audit function.

For further details on the risk management and internal control, please refer to the Statement on the Risk Management and Internal Control set out in this Annual Report.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors of SCH is pleased to provide the following Statement on Risk Management and Internal Control pursuant to Rule 15.26(b) of the Listing Requirements and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

BOARD'S RESPONSIBILITIES

The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity. In addition, the Board has also received assurance from the Group Chief Executive Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

Due to inherent limitations in any risk management and internal control system, such system put into effect by management is designed to manage rather than eliminate risks that may impede the achievement of the Group's business objectives. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatements or errors.

The Board through its Audit Committee has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board and the Audit Committee on a periodic basis.

Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the Group, and in the design and operation of suitable internal controls to mitigate these risks identified.

The Board is of the view that the risk management and internal control system is in place for the year under review and up to the date of issuance of the annual report is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators, employees and the Group's assets.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Key elements that have been established in the Group's risk management and internal control system are described below:

1. Risk Management System

Risk management is firmly embedded in the Group's management system as the Board firmly believes that risk management is critical for the Group's sustainability and the enhancement of shareholder value. Key management staff and Heads of Department are delegated with the responsibility to manage identified risks within standards. Significant risks affecting the Group's strategic and business plans are escalated to the Board at their scheduled meetings.

2. Internal Control System

i) A well-defined organisational structure with clear lines of accountability and responsibilities provide a sound framework within the organisation in facilitating check and balance for proper decision making at the appropriate authority levels of management including matters that require the Board's approval.

ii) A documented delegation of authority that sets out decisions that need to be taken and the appropriate levels of management involved including matters that require the Board's approval.

iii) The Board of Directors and Audit Committee meet at least once on a quarterly basis to review and deliberate on financial reports, annual financial statements and internal audit reports. Discussions with management were held to deliberate on the actions that are required to be taken to address internal control issues identified.

Statement on Risk Management and Internal Control
cont'd

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM *(cont'd)*

2. Internal Control System *(cont'd)*

iv) Internal policies and procedures had been established for key business units within the Group.

v) The Internal Audit function reports directly to the Audit Committee. Findings are communicated to Management and the Audit Committee with recommendations for improvements and follow-up to confirm all agreed recommendations are implemented. The Internal Audit plan is reviewed and approved by the Audit Committee;

vi) Scheduled operational and management meetings are held internally from time to time to discuss and review the business plans, budgets, financial and operational performances of the Group. The quarterly financial statements are presented to the Audit Committee and Board for their review and approval. The Board also plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group; and

vii) Provision of training and development to enhance the competitiveness and capability of our staff members.

3. Internal Audit Function

The Group's internal audit function is outsourced to an independent professional firm, to assist the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

During the financial year ended 31 August 2019, internal audit visits were carried out based on the approved audit plan to review the inventory management process and sales, accounts receivables, collection and credit control for PK Fertilizers (Sarawak) Sdn. Bhd.. The findings of the internal audit, including the recommended corrective actions, were presented directly to the Audit Committee.

In addition, follow up review will be conducted to ensure that corrective actions have been implemented on a timely manner. Based on the internal audit review conducted, certain weaknesses surrounding the assessment of insurance coverage for assets for companies under review was highlighted to the management. In financial year ended 31 August 2019, the Group had reviewed the assets insurance coverage policy and ensure adequacy insurance coverage is made for the recovery of value of the assets concerned.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Group for the financial year ended 31 August 2019 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the Group's risk management and internal control system.

MANAGEMENT'S ASSURANCE

The Group Chief Executive Officer, representing the management, has given reasonable assurance to the Board that the Group's risk management and internal control systems are adequate and effective, in all material aspects, based on the risk management and internal controls adopted by the Group and similar assurance given by the respective heads of operations.

CONCLUSION

For the financial year under review, there were no significant internal control deficiencies or material weaknesses resulting in material losses or contingencies requiring disclosure in the Annual Report. The Board is of the view that the existing Group's system of risk management and internal control is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognisant of the fact that the Group's system of risk management and internal control practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of internal control and risk management framework.

Other Disclosure Requirements

Pursuant to the Listing Requirements of Bursa Securities

1. UTILISATION OF PROCEEDS FROM PRIVATE PLACEMENT

On 18 July 2018 and 25 July 2018, the Company had completed its Private Placement exercise following the listing and quotation of 103,000,000 new ordinary shares on the Ace Market of Bursa Malaysia Securities Berhad. The total proceeds raised and received from the Private Placement was RM17,550,000.

The Company has utilised 100% of the total proceeds raised and the status of the utilization proceed is as follows:-

Purpose	Proposed Utilisation (RM)	Actual Utilisation (RM)	Balance Utilisation (RM)	Time frame for utilisation of proceeds from the date of listing of the Placement Shares
Acquisition of new businesses	14,000,000	14,000,000	-	Within 18 months
Working capital requirements	3,200,000	3,200,000	-	Within 12 months
Estimated expenses relating to the Proposed Private Placement	350,000	350,000	-	Within 1 month
Total	**17,550,000**	**17,550,000**	**-**	

2. AUDIT AND NON-AUDIT FEE PAID TO EXTERNAL AUDITORS

During the financial year, the amount of audit and non-audit fees paid/payable to the external auditors by the Company and the Group respectively for the financial year ended 31 August 2019 were as follows:

	Company (RM)	Group (RM)
Audit Services Rendered	35,000	219,765
Non-Audit Services Rendered (a) Review of Statement of Risk Management & Internal Control	2,000	2,000

3. MATERIAL CONTRACTS

There are no other material contracts (including contracts not reduced into writing), entered into in the ordinary course of business which have been entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests during the financial year under review.

4. MATERIAL CONTRACTS RELATING TO LOANS

During the financial year, there were no material contracts relating to loans entered into by the Company and its subsidiaries involving Directors', chief executive's and/or major shareholders' interests.

5. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE ("RRPT")

The Company is seeking approval from the shareholders for the proposed new and renewal of shareholders' mandate for SCH Group to enter into RRPT(s) of a revenue or trading nature pursuant to Rule 10.09 and Guidance Note 8 of the Listing Requirements at the forthcoming Extraordinary General Meeting to be convened on Friday, 14 February 2020.

Financial Statements

Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 August 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Net profit for the financial year	5,520,717	1,150,762
Attributable to:		
owners of the Company	5,758,964	1,150,762
non-controlling interests	(238,247)	-
	5,520,717	1,150,762

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend for the financial year ended 31 August 2019.

ISSUE OF SHARES AND DEBENTURES

There was no issuance of share or debentures during the financial year.

The total number of unexercised Warrants as at 31 August 2019 amounted to 205,839,310.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

Directors' Report
cont'd

DIRECTORS

The Directors who held in the office during the financial year until the date of this report are:

Dato' Chan Choun Sien
Dato' Ong Choo Meng
Gan Khong Aik
Sim Yee Fuan
Khoo Chee Siang
Wong Kin Seng
De Souza Michael Lawrence (Appointed on 19 December 2019)

DIRECTORS OF SUBSIDIARIES

The following is a list of Directors of the subsidiaries (excluding Directors who are also Directors of the Company) in office during the financial year until the date of this report:

Leong Hin Kieat
Wu XiaoSheng
Teh Li King
Ong Soon Hooi (Appointed on 10 December 2018)
Ong Soon Lim (Appointed on 7 January 2019)
Ooi Youk Lan (Appointed on 10 December 2018)
Gan Eng Hian (Resigned on 15 March 2019)
Dato' Gan Kong Hiok (Resigned on 15 March 2019)

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholding required to be kept under Section 59 of the Companies Act, 2016, the interests and deemed interests of Directors in office at the end of the financial year in the shares of the Company or its subsidiaries during the financial year (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) are as follows:

	← Number of ordinary shares in the Company →			
	At 01.09.2018	**Acquired**	**Disposed**	**At 31.08.2019**
Direct interest				
Sim Yee Fuan	50,000	-	-	50,000
Gan Khong Aik	420,000	-	-	420,000
Khoo Chee Siang	27,217,900	2,230,200	27,000,000	2,448,100
Wong Kin Seng	20,450,083	-	-	20,450,083
Dato' Chan Choun Sien	400,000	-	-	400,000
Deemed interest				
Dato' Ong Choo Meng #	151,733,900	20,000,000	-	171,733,900
Dato' Chan Choun Sien *	200,000	-	-	200,000

Directors' Report
cont'd

DIRECTORS' INTERESTS IN SHARES *(cont'd)*

	Number of warrant 2016/2021 in the Company			
	At 01.09.2018	Acquired	Exercised/ Disposed	At 31.08.2019
Gan Khong Aik	210,000	-	-	210,000
Sim Yee Fuan	25,000	-	-	25,000
Wong Kin Seng	75,000	-	-	75,000

Deemed interest for the shares held by Hextar Holdings Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.
* *Deemed interest for the shares held by parents pursuant to Section 8 of the Companies Act, 2016.*

By virtue of their interests in the shares of the Company, the above Directors are also deemed interested in the shares of all the subsidiary companies during the financial year to the extent that the Company has interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than the aggregate amount of Directors' remuneration due and receivable by Directors as shown in Note 25 to the financial statements) by reason of a contract made by the Company or a related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except that certain Directors received remuneration from the Company's related corporations.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

No indemnity has been given to or insurance effected for the Directors or officers of the Company pursuant to Section 289 of the Companies Act, 2016 ("the Act").

To the extent permitted by the Act, the Company has agreed to indemnity its auditors as part of the terms of their engagement against claims by third parties arising from the audit. No payment has been made to indemnify the auditors during or since the financial year.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

   (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to be realised in the accounting records in the ordinary course of business including the value of current assets as shown in the accounting records of the Company had been written down to an amount which they might be expected so to realise.

Directors' Report
cont'd

OTHER STATUTORY INFORMATION *(cont'd)*

(b) At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(iii) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading; or

(iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature;

(iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SUBSIDIARIES

The details of the Company's shareholding in its subsidiaries are disclosed in Note 6 to the financial statements.

AUDITORS' REMUNERATION

The details of auditors' remuneration are disclosed in Note 24 to the financial statements.

Directors' Report
cont'd

AUDITORS

The auditors, ECOVIS MALAYSIA PLT (formerly known as ECOVIS AHL PLT), have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors on 19 December 2019.

Wong Kin Seng
Director

De Souza Michael Lawrence
Director

Kuala Lumpur

Statement by Directors
Pursuant to Section 251(2) of the Companies Act, 2016

We, **Wong Kin Seng** and **De Souza Michael Lawrence**, being two of the Directors of **SCH Group Berhad**, state that, in the opinion of the Directors, the accompanying financial statements set out on pages 64 to 141 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2019 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors on 19 December 2019.

Wong Kin Seng
Director

De Souza Michael Lawrence
Director

Kuala Lumpur

Statutory Declaration
Pursuant To Section 251(1) of the Companies Act, 2016

I, **Voo Lip Sang @ Philip**, being the officer primarily responsible for the financial management of **SCH Group Berhad**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 64 to 141 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in the)
Federal Territory on 19 December 2019)

VOO LIP SANG @ PHILIP (15143)

Before me,

COMMISSIONER FOR OATHS
YM TENGKU FARIDDUDIN BIN TENGKU SULAIMAN
No. W533

Independent Auditors' Report

To the Members of **SCH Group Berhad**
(Registration No. 201101044580 (972700-P))
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **SCH Group Berhad**. ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position as at 31 August 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 64 to 141.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 August 2019, and of their financial performance and their cash flows for the year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) issued by the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	*How our audit addressed the key audit matters*
Impairment review on goodwill and non-current assets *Refer to Note 7 and 4(g)*	
The Group recorded goodwill of RM28,756,903 as at 31 August 2019, arising from the acquisition of a subsidiary, TK Rentals Sdn. Bhd. (formerly known as TK Tent & Air Conditioning Rental Sdn. Bhd.). Certain non-current assets with carrying amount of RM24,832,949 arising from acquisition of a subsidiary, PK Fertilizers (Sarawak) Sdn. Bhd. ("PKF"). PKF was incurring losses in current year, thereby indicating potential impairment. We considered the above to be areas of focus for our audit as the amount involved are significant, the assessment process is complex and involves significant management's judgements about future market and economic conditions and changes in key assumptions may lead to a significant change in the recoverable amount of the CGU.	Our audit procedures included, among others, the following: ● Agreed the cash flow projection to the financial budgets approved by the Directors; ● Discussed with management the key assumptions used in the cash flows forecast; ● Assessed and discussed with management on the reasonableness of the discount rate and growth rates; ● Analysed the sensitivity of key assumption by assessing the impact of changes to key assumption to recoverable amount of CGU. Based on the procedure performed, no material exceptions were noted.

Independent Auditors' Report

To the Members of **SCH Group Berhad**
(Registration No. 201101044580 (972700-P))
(Incorporated in Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(cont'd)*

Key Audit Matters (cont'd)

Key audit matters	*How our audit addressed the key audit matters*
Inventories *Refers to Note 9.*	

As at 31 August 2019, the Group's inventories amounted to RM26,111,275 and is representing 14.6% of total assets of the Group.
 	
The Group's inventories are measured at the lower of cost or net realisable value. Valuation of inventories is a key audit matter due to the demand and ability of the Group to sell the inventories in the future may be adversely affected by changes in customer demand and construction industry. There is judgement involved in assessing the level of inventory provision required in respect of slow moving inventories.
	Our audit procedures included, among others, the following:
	
	● obtaining an understanding of :
	    ● the Group's inventory management process; and
	    ● how the Group identified and assessed slow-moving or obsolete inventories;
	● reviewing the stock movement report and stock aging report to identify slow moving aged items;
	● attending year end physical inventory count to observe physical existence and condition of raw material and finished goods and assessing the implementation of controls during the count.; and
	● reviewing the net realisable value on selected samples of inventory items to test management's evaluation and ensuring that the inventories have been written down.
	
	Based on the procedure performed, no material exceptions were noted.

Impairment of trade receivables *Refer to Note 8*	
As at 31 August 2019, the Group's trade receivables' carrying amounting to RM40,509,041, net of impairment losses of RM1,406,227, representing 22.7% of total assets of the Group. The impairment of trade receivables involved judgement in the assessment of the trade receivables in determining the probability of default by trade receivables and appropriate forward looking information.	Our audit procedures included, among others, the following: ● reviewing the ageing analysis of trade receivables and testing the accuracy of the ageing; ● reviewing the probability of default using historical data and forward looking information applied by the Group; ● reviewing subsequent collection from overdue trade receivables; and ● evaluating the reasonableness and adequacy of the impairment of trade receivables. Based on the procedure performed, no material exceptions were noted.

Independent Auditors' Report

To the Members of **SCH Group Berhad**
(Registration No. 201101044580 (972700-P))
(Incorporated in Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(cont'd)*

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises Chairman's Statement, Management Discussion & Analysis, Corporate Governance Overview Statement, Audit Committee Report and Statement on Risk Management and Internal Control, which obtained prior to the date of this auditors' report, and other sections in 2019 Annual Report, which is expected to be made available to us after that date. Other information does not included the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group and of the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole that free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on basis of these financial statements.

Independent Auditors' Report

To the Members of **SCH Group Berhad**
(Registration No. 201101044580 (972700-P))
(Incorporated in Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(cont'd)*

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

Independent Auditors' Report

To the Members of **SCH Group Berhad**
(Registration No. 201101044580 (972700-P))
(Incorporated in Malaysia)
cont'd

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ECOVIS MALAYSIA PLT
AF 001825
Chartered Accountants

CHUA KAH CHUN
02696/09/2021 J
Chartered Accountant

Kuala Lumpur
19 December 2019

Statements of Financial Position

As at 31 August 2019

		Group		Company	
		2019	2018 (restated)	2019	2018
	Note	RM	RM	RM	RM
Non-current assets					
Property, plant and equipment	5	61,624,920	65,101,060	-	-
Investment in subsidiary companies	6	-	-	99,513,411	99,513,411
Goodwill on consolidation	7	28,756,903	28,756,903	-	-
Trade receivables	8	433,150	1,113,140		
		90,814,973	94,971,103	99,513,411	99,513,411
Current assets					
Inventories	9	26,111,275	32,580,352	-	-
Trade receivables	8	40,075,891	28,388,614		-
Other receivables	10	3,230,816	2,152,076	22,007	23,700
Contract assets	22(a)	1,218,000	-	-	-
Amount due from subsidiary companies	11	-	-	12,040,000	16,000,000
Tax recoverable		766,266	2,934,229	4,563	13,240
Fixed deposits with financial institutions	12	5,438,802	8,367,109	-	-
Cash and bank balances		10,927,063	5,476,851	1,046,176	1,168,521
		87,768,113	79,899,231	13,112,746	17,205,461
Assets classified as held for sale	13	-	2,454,622	-	-
		87,768,113	82,353,853	13,112,746	17,205,461
Total assets		178,583,086	177,324,956	112,626,157	116,718,872

Statements of Financial Position

As at 31 August 2019

cont'd

		Group		Company	
		2019	2018 (restated)	2019	2018
	Note	RM	RM	RM	RM
Equity					
Share capital	14	75,917,971	75,917,971	75,917,971	75,917,971
Merger deficit	15	(23,858,598)	(23,858,598)	-	-
Foreign currency translation reserve	16	(8,217)	10,108	-	-
Retained earnings/(accumulated losses)		33,926,881	27,051,538	(1,464,081)	(2,614,843)
Total equity attributable to shareholders of the Company		85,978,037	79,121,019	74,453,890	73,303,128
Non-controlling interest		3,642,175	3,880,422	-	-
Total equity		89,620,212	83,001,441	74,453,890	73,303,128
Non-current liabilities					
Finance lease payables	17	732,147	1,143,621	-	-
Bank borrowings	18	49,169,296	55,449,696	32,420,000	37,507,794
Deferred tax liabilities	19	7,088,342	7,427,657	-	-
		56,989,785	64,020,974	32,420,000	37,507,794
Current liabilities					
Trade payables	20	20,032,757	12,953,824	-	-
Other payables	21	1,978,854	3,398,628	51,080	84,074
Contract liabilities	22(a)	655,701	-	-	-
Amount due to a subsidiary company	11	-	-	-	303,876
Finance lease payables	17	423,970	423,567	-	-
Bank borrowings	18	8,722,661	13,494,488	5,701,187	5,520,000
Tax payable		159,146	32,034	-	-
		31,973,089	30,302,541	5,752,267	5,907,950
Total liabilities		88,962,874	94,323,515	38,172,267	43,415,744
Total equity and liabilities		178,583,086	177,324,956	112,626,157	116,718,872

The accompanying notes form an integral part of the financial statements.

Statements of Profit or Loss and Other Comprehensive Income
For the Financial Year Ended 31 August 2019

		Group		Company	
		2019	2018 (restated)	2019	2018
	Note	RM	RM	RM	RM
Revenue	22	116,893,950	33,248,323	4,000,000	-
Cost of sales		(92,213,460)	(21,491,887)	-	-
Gross profit		24,680,490	11,756,436	4,000,000	-
Other income		8,699,287	3,159,488	19,224	272,557
Net impairment loss on financial assets		(310,726)	(2,050,813)	-	-
Administrative expenses		(19,312,190)	(18,663,464)	(501,713)	(1,730,667)
Selling and distribution expenses		(2,492,780)	(1,848,182)	-	-
Profit/(loss) before operations		11,264,081	(7,646,535)	3,517,511	(1,458,110)
Finance costs	23	(4,044,901)	(661,581)	(2,361,174)	(27,794)
Profit/(loss) before tax	24	7,219,180	(8,308,116)	1,156,337	(1,485,904)
Taxation	26	(1,698,463)	(567,039)	(5,575)	(88)
Profit/(loss) for the financial year		5,520,717	(8,875,155)	1,150,762	(1,485,992)
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
- Exchange translation differences for foreign operations		(18,325)	(266,042)	-	-
Total comprehensive income /(loss) for the financial year		5,502,392	(9,141,197)	1,150,762	(1,485,992)
Profit/(loss) for the financial year attributable to:					
Owners of the Company		5,758,964	(8,875,155)	1,150,762	(1,485,992)
Non-controlling interests		(238,247)	-	-	-
Net profit/(loss) for the financial year		5,520,717	(8,875,155)	1,150,762	(1,485,992)
Total comprehensive income/(loss) for the financial year attributable to:					
Owners of the Company		5,740,639	(9,141,197)	1,150,762	(1,485,992)
Non-controlling interests		(238,247)	-	-	-
Total comprehensive income/(loss) for the financial year		5,502,392	(9,141,197)	1,150,762	(1,485,992)
Earnings per share attributable to owners of the parent:					
Basic (Sen)	27	1.04	(2.11)		
Diluted (Sen)	27	0.96	(1.71)		

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

For the Financial Year Ended 31 August 2019

		Attributable to owners of the parent						
		Non-distributable			Distributable			
	Note	Share capital RM	Merger deficit RM	Foreign currency translation reserve RM	Retained earnings RM	Total RM	Non-controlling interest RM	Total equity RM
Group								
At 31 August 2018, as previously reported		75,917,971	(23,858,598)	10,108	27,868,823	79,938,304	4,072,416	84,010,720
Prior year adjustment	33	-	-	-	(817,285)	(817,285)	(191,994)	(1,009,279)
Effect on adoption of MFRS	2(a)(i)	-	-	-	1,116,379	1,116,379	-	1,116,379
		-	-	-	299,094	299,094	(191,994)	107,100
At 1 September 2018, restated		75,917,971	(23,858,598)	10,108	28,167,917	80,237,398	3,880,422	84,117,820
Profit/(loss) for the financial year		-	-	-	5,758,964	5,758,964	(238,247)	5,520,717
Other comprehensive loss for the financial year		-	-	(18,325)	-	(18,325)	-	(18,325)
Total comprehensive income/(loss) for the financial year		-	-	(18,325)	5,758,964	5,740,639	(238,247)	5,502,392
At 31 August 2019		75,917,971	(23,858,598)	(8,217)	33,926,881	85,978,037	3,642,175	89,620,212

Statements of Changes in Equity

For the Financial Year Ended 31 August 2019

cont'd

	Attributable to owners of the parent						
	Non-distributable			Distributable			
	Share capital	Merger deficit	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	RM	RM	RM	RM	RM	RM	RM
Group							
At 1 September 2017	52,129,101	(24,514,828)	276,150	36,582,923	64,473,346	-	64,473,346
Loss for the financial year	-	-	-	(8,875,155)	(8,875,155)	-	(8,875,155)
Other comprehensive loss for the financial year	-	-	(266,042)	-	(266,042)	-	(266,042)
Total comprehensive loss for the financial year	-	-	(266,042)	(8,875,155)	(9,141,197)	-	(9,141,197)
Strike off of a subsidiary acquired under common control business combination in prior years	-	656,230	-	(656,230)	-	-	-
Transaction with owners:							
Effect arising from the acquisition of the subsidiaries	6,800,000	-	-	-	6,800,000	3,880,422	10,680,422
Private placement of shares	17,550,000	-	-	-	17,550,000	-	17,550,000
Conversion of warrants	27,620	-	-	-	27,620	-	27,620
Share issue expenses	(588,750)	-	-	-	(588,750)	-	(588,750)
At 31 August 2018 (restated)	75,917,971	(23,858,598)	10,108	27,051,538	79,121,019	3,880,422	83,001,441

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

For the Financial Year Ended 31 August 2019

cont'd

	Non-Distributable Share capital RM	Distributable Accumulated losses RM	Total equity RM
Company			
At 1 September 2017	52,129,101	(1,128,851)	51,000,250
Loss for the financial year, representing total comprehensive loss for the financial year	-	(1,485,992)	(1,485,992)
Transactions with owners:			
Private placement of shares	17,550,000	-	17,550,000
Effect arising from the acquisition of the subsidiaries	6,800,000	-	6,800,000
Conversion of warrants	27,620	-	27,620
Share issue expenses	(588,750)	-	(588,750)
At 31 August 2018	75,917,971	(2,614,843)	73,303,128
At 1 September 2018	75,917,971	(2,614,843)	73,303,128
Profit for the financial year, representing total comprehensive income for the financial year	-	1,150,762	1,150,762
At 31 August 2019	75,917,971	(1,464,081)	74,453,890

The accompanying notes form an integral part of the financial statements.

Statements of Cash Fows

For the Financial Year Ended 31 August 2019

	Group		Company	
	2019	2018 (restated)	2019	2018
	RM	RM	RM	RM
Cash flow from operating activities				
Profit/(loss) before tax	7,219,180	(8,308,116)	1,156,337	(1,485,904)
Adjustment for:				
Accretion of discount on trade receivable	26,099	411,377	-	-
Bad debts written off	133,702	6,544	-	-
Depreciation of property, plant and equipment	4,756,219	1,081,559	-	-
Dividend income	-	-	(4,000,000)	-
Net impairment loss on trade receivables	310,726	2,050,813	-	-
Interest expenses	4,044,901	661,581	2,361,174	27,794
Inventories written down	60,754	8,034,284	-	-
Inventories written off	120,577	-	-	-
Loss on strike off of a subsidiary	-	239,370	-	-
Property, plant and equipment written off	11,720	32,779	-	-
Realised loss/(gain) on foreign exchange	141,890	(267,541)	-	-
Unrealised (gain)/loss on foreign exchange	(144,585)	131,414	-	-
Bad debts recovered	(142,586)	-	-	-
Gain on disposal of property, plant and equipment	(7,716,040)	(996,939)	-	-
Gain on bargain purchase	-	(1,147,300)	-	-
Finance income	(496,026)	(393,535)	(19,224)	(51,395)
Operating profit/(loss) before working capital changes	8,326,531	1,536,290	(501,713)	(1,509,505)
Change in working capital:				
Inventories	6,287,746	(1,570,282)	-	-
Trade receivables	(10,172,499)	5,293,725	-	-
Other receivables	(1,078,740)	1,858,845	1,693	1,495,000
Contract assets	(1,218,000)	-	-	-
Trade payables	7,055,991	(455,645)	-	-
Other payables	(1,419,774)	84,112	(32,994)	(13,431)
Contract liabilities	655,701	-	-	-
	110,425	5,210,755	(31,301)	1,481,569
Cash generated from/(used in) operations	8,436,956	6,747,045	(533,014)	(27,936)
Interest received	313,918	250,850	19,224	51,395
Interest paid	(4,013,230)	(633,787)	(2,207,781)	-
Tax refund	2,758,180	166,667	11,362	20,000
Tax paid	(2,500,389)	(1,200,200)	(8,260)	(14,717)
	(3,441,521)	(1,416,470)	(2,185,455)	56,678
Net cash from/(used in) operating activities	4,995,435	5,330,575	(2,718,469)	28,742

The accompanying notes form an integral part of the financial statements.

Statements of Cash Fows

For the Financial Year Ended 31 August 2019
cont'd

		Group		Company	
		2019	2018 (restated)	2019	2018
	Note	RM	RM	RM	RM
Cash flow from investing activities					
Acquisition of subsidiaries, net of cash acquired	6	-	(63,966,322)	-	(68,254,811)
Dividend received		-	-	4,000,000	-
Purchase of property, plant and equipment	5(c)	(2,840,676)	(1,680,246)	-	-
Proceeds from disposal of property, plant and equipment		11,720,003	1,685,277	-	-
Net cash from/(used in) investing activities		8,879,327	(63,961,291)	4,000,000	(68,254,811)
Cash flow from financing activities					
Issuance of shares		-	23,788,870	-	23,788,870
Drawdown of term loans		-	43,000,000	-	43,000,000
Net repayment of bankers' acceptance		(79,000)	(5,479,000)	-	-
Increase in fixed deposits pledged		(130,257)	(861,418)	-	-
Net repayment of foreign currency trade loan		(3,175,860)	(1,938,630)	-	-
Net repayment of finance lease payables		(411,071)	(297,271)	-	-
Repayment of term loans		(6,173,350)	(115,812)	(5,060,000)	-
Net repayment of advances from Directors		-	(19,000)	-	-
Net receipts of advances from/(to) subsidiaries		-	-	3,656,124	543,967
Net cash (used in)/from financing activities		(9,969,538)	58,077,739	(1,403,876)	67,332,837
Net increase/(decrease) in cash and cash equivalents		3,905,224	(552,977)	(122,345)	(893,232)
Effects on foreign exchange rate		350,611	(458,150)	-	-
Cash and cash equivalents at beginning of the financial year		8,603,282	9,614,409	1,168,521	2,061,753
Cash and cash equivalents at end of the financial year		12,859,117	8,603,282	1,046,176	1,168,521
Cash and cash equivalents at the end of the financial year comprises:					
Fixed deposits with licensed banks		5,438,802	8,367,109	-	-
Cash and bank balances		10,927,063	5,476,851	1,046,176	1,168,521
Bank overdraft		-	(1,864,187)	-	-
		16,365,865	11,979,773	1,046,176	1,168,521
Less: Fixed deposits pledged with licensed banks		(3,506,748)	(3,376,491)	-	-
		12,859,117	8,603,282	1,046,176	1,168,521

The accompanying notes form an integral part of the financial statements.

Statements of Cash Fows

For the Financial Year Ended 31 August 2019
cont'd

(a) Changes in liabilities arising from financing activities

Group	At 1 September 2018 RM	Financing cash flows: Drawdown/ accrued expenses RM	Financing cash flows: Repayment RM	Net movement RM	Foreign exchange movement RM	At 31 August 2019 RM
2019						
Finance lease payables	1,567,188	-	(411,071)	(411,071)	-	1,156,117
Bankers' acceptance	1,814,000	34,471,000	(34,550,000)	(79,000)	-	1,735,000
Foreign currency trade loan	3,162,893	4,363,811	(7,539,671)	(3,175,860)	12,967	-
Term loans	62,103,104	227,203	(6,173,350)	(5,946,147)	-	56,156,957
	68,647,185	39,062,014	(48,674,092)	(9,612,078)	12,967	59,048,074

Group	At 1 September 2017 RM	Acquisition of subsidiaries RM	Financing cash flows: Drawdown/ accrued expenses RM	Financing cash flows: Repayment RM	Net movement RM	Foreign exchange movement RM	At 31 August 2018 RM
2018							
Finance lease payables	477,813	91,034	1,295,612	(297,271)	998,341	-	1,567,188
Bankers' acceptance	6,780,000	513,000	4,796,000	(10,275,000)	(5,479,000)	-	1,814,000
Foreign currency trade loan	5,059,955	-	11,424,099	(13,362,729)	(1,938,630)	41,568	3,162,893
Term loans	4,302,250	14,916,666	43,000,000	(115,812)	42,884,188	-	62,103,104
	16,620,018	15,520,700	60,515,711	(24,050,812)	36,464,899	41,568	68,647,185

	At 1 September 2018 RM	Financing cash flows: Drawdown/ accrued expenses RM	Financing cash flows: Repayment RM	Net movement RM	Foreign exchange movement RM	At 31 August 2019 RM
Company						
2019						
Term loans	43,027,794	153,393	(5,060,000)	(4,906,607)	-	38,121,187
Company						
2018						
Term loans	-	43,027,794	-	43,027,794	-	43,027,794

Notes to the Financial Statements
31 August 2019

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of the Bursa Malaysia Securities Berhad.

The principal place of business of the Company is located at Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan.

The registered office of the Company is located at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 19 December 2019.

2. BASIS OF PREPARATION

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies as disclosed in Note 3 to the financial statements.

The financial statements are presented in Ringgit Malaysia ("RM") which is the Group's and the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

Notes to the Financial Statements
31 August 2019
cont'd

2. BASIS OF PREPARATION *(cont'd)*

(a) Adoptions of standards and amendments to published standards during the current financial year

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following standards and amendments to published standards:

		Applicable for annual periods beginning on or after
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 128	Annual Improvements to MFRSs (2014 –-2016 Cycle)	1 January 2018
Amendments to MFRS 140	Transfer of Investment Property	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

Adoption of the above standards, amendments to existing standards and interpretations did not have any material effect on the financial performance or position of the Group and of the Company, except for changes arising from the adoption of MFRS 9 and MFRS 15.

(i) MFRS 9: Financial Instruments

MFRS 9 Financial Instruments replacing MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairments of financial assets and hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the cash flow characteristics and business model in which the financial assets are managed. The new standard contains three classifications for financial assets measured at amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVTOCI") and eliminates the existing MFRS 139 categories of loans and receivables, held-to-maturity, and available-for-sale.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances are measured on either 12-month ECLs or lifetime ECLs. The financial impact on initial application of the standard is shown in the table below and Note 2(a)(iii).

The Group and the Company have applied the requirements of MFRS 9 retrospectively with practical expedients and transitional exemptions as allowed by the standard.

Notes to the Financial Statements
31 August 2019
cont'd

2. BASIS OF PREPARATION *(cont'd)*

(a) Adoptions of standards and amendments to published standards during the current financial year *(cont'd)*

(i) MFRS 9: Financial Instruments *(cont'd)*

The following table and the accompanying note below show the initial measurement under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and of the Company's financial assets and financial liabilities as at 1 September 2018:

	Measurement of category	
2018	**Original (MFRS 139)**	**New (MFRS 9)**
Group		
Financial assets		
Trade receivables	Loan and receivables	Amortised cost
Other receivables	Loan and receivables	Amortised cost
Fixed deposits with financial institutions	Loan and receivables	Amortised cost
Cash and bank balances	Loan and receivables	Amortised cost
Company		
Financial assets		
Other receivables	Loan and receivables	Amortised cost
Amount due from subsidiary companies	Loan and receivables	Amortised cost
Cash and bank balances	Loan and receivables	Amortised cost

	Carrying amount		
	As previously reported	**Effects on adoption**	**As restated**
	RM	**RM**	**RM**
2018			
Group			
Financial assets			
Trade receivables	29,501,754	1,116,379	30,618,133
Other receivables	1,340,335	-	1,340,335
Fixed deposits with financial institutions	8,367,109	-	8,367,109
Cash and bank balances	5,476,851	-	5,476,851
	44,686,049	1,116,379	45,802,428
Company			
Financial assets			
Other receivables	1,000	-	1,000
Amount due from subsidiary companies	16,000,000	-	16,000,000
Cash and bank balances	1,168,521	-	1,168,521
	17,169,521	-	17,169,521

Notes to the Financial Statements

31 August 2019
cont'd

2. BASIS OF PREPARATION *(cont'd)*

(a) Adoptions of standards and amendments to published standards during the current financial year *(cont'd)*

(ii) MFRS 15: Revenue from contracts with customers

MFRS 15 replaces the guidance in MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services. The previous accounting standards placed emphasis on the exchange of risk and rewards. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations whilst introducing additional disclosure requirements.

The Group and the Company have applied the requirements of MFRS 15 retrospectively with cumulative effect on initial application of the standard as an adjustment to the opening balance of retained earnings for the financial year ended 31 August 2019. The adoption of MFRS 15 did not have any significant effect on the financial statements.

(iii) Impact on the financial statements

The following tables show the adjustments recognised in the financial statements for each individual financial statements line items as a result of the adoption of MFRS 9.

<u>Reconciliation of financial position and equity</u>

	31 August 2018 (As previously reported) RM	Effects on MFRS 9 RM	1 September 2018 (As restated) RM
Group			
Assets			
Current assets			
Trade receivables	29,501,754	1,116,379	30,618,133
Equity			
Retained earnings	27,868,823	1,116,379	28,985,202

The adoption of MFRS 9 and MFRS 15 have no impact of the financial statement of the Company.

2. BASIS OF PREPARATION *(cont'd)*

(b) New and amended standards and interpretations issued but not yet effective

The following are standards, amendments to published standards and IC interpretations issued by Malaysian Accounting Standard Board (MASB), but not yet effective, up to the date of issuance of the Group's and of the Company's financial statements. The Group and the Company intend to adopt these standards, amendments to published standards and IC interpretations, if applicable, when they become effective in the following annual periods:

		Applicable for annual periods beginning on or after
MFRS 16	Leases	1 January 2019
Amendments to MFRS 3	Annual Improvements to MFRSs 2015-2017 Cycle	1 January 2019
Amendments to MFRS 9	Prepayments Features with Negative Compensation	1 January 2019
Amendments to MFRS 11	Annual Improvements to MFRSs 2015-2017 Cycle	1 January 2019
Amendments to MFRS 112	Annual Improvements to MFRSs 2015-2017 Cycle	1 January 2019
Amendments to MFRS 119	Plan Amendments, Curtailment or Settlement	1 January 2019
Amendments to MFRS 123	Annual Improvements to MFRSs 2015-2017 Cycle	1 January 2019
Amendments to MFRS 128	Long-term Interest in Associates and Joint Ventures	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2	Share-based payment	1 January 2020
Amendments to MFRS 3	Business Combinations	1 January 2020
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendments to MFRS 7, MFRS 9 And MFRS 139	Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101	Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020
Amendments to MFRS 134	Interim Financial Reporting	1 January 2020
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendments to MFRS 138	Intangible Assets	1 January 2020
Amendments to IC Interpretation 12	Service Concession Arrangements	1 January 2020
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132	Intangible Assets – Web Site Costs	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sales or Contribution of Assets between an Investor and its Associates or Joint Ventures	Deferred

Notes to the Financial Statements
31 August 2019
cont'd

2. BASIS OF PREPARATION *(cont'd)*

(b) New and amended standards and interpretations issued but not yet effective *(cont'd)*

<u>MFRS 16, 'Leases'</u>

MFRS 16 Leases (effective for financial period beginning 1 January 2019) supersedes MFRS 117 Leases and related IC interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminate the classification of lease by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognized 'right-of-use' of the underlying assets and a lease liability reflecting the future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principal in MFRS 116 Property, plant and equipment and the lease liability is accreted over time with interest expenses recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account them differently. There are recognition exemptions for short term leases and leases of low-value items.

The Directors are currently assessing the impact of the adoption of the above standards, amendments to existing standards and interpretations on the financial statements in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(l)(i) to the financial statements on impairment of non-financial assets.

Acquisition of subsidiaries are accounted for using the acquisition method other than those acquisition of subsidiaries accounted for using merger accounting principles which is outside the scope MFRS 3. The merger accounting is used by the Group to account for business combination involving entities under common control.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(a) Basis of consolidation *(cont'd)*

(i) Subsidiary companies *(cont'd)*

Merger method

Under the merger method of accounting, the results of subsidiary companies are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any difference between the consideration paid and the share capital of the subsidiaries is reflected within equity as merger reserve.

Acquisition method

Under the acquisition method of accounting, subsidiary companies are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed off in profit or loss as incurred.

If the business combination is achieved in stages, previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 9, Financial Instruments is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, non-controlling interests and other components if equity related to the former subsidiary company are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Notes to the Financial Statements
31 August 2019
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(b) Foreign currency translation

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, are translated to RM at the rate of exchange prevailing at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of property, plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

Capital work-in-progress consists of buildings and plant and machinery under construction or installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction or installation until the property, plant and equipment are ready for their intended use.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

Notes to the Financial Statements
31 August 2019
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(c) Property, plant and equipment *(cont'd)*

(iii) Depreciation *(cont'd)*

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Leasehold land	Remaining lease period
Freehold buildings	50 years
Leasehold buildings	Remaining lease period up to maximum 50 years
Furniture and fittings	5 - 12 years
Motor vehicles	5 years
Office equipment	5 - 9 years
Plant and machinery	8 - 9 years
Renovation	10 years
Tools and equipment	5 - 20 years
Mould and blocks	5 years

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

(d) Goodwill

Goodwill arises on the acquisition of subsidiaries and it represents the excess of the cost of the acquisition over the Group's interest in the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of non-controlling interest in the acquiree at the date of acquisition.

Gain and losses on the disposal of an entity included the carrying amount of goodwill relating to the entity sold.

Goodwill acquired in a business combination is allocated to cash-generating unit for the purpose of impairment testing and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. The carrying value of goodwill is compared to the recoverable amount, which is the higher of fair values less cost of disposal and value-in-use. Any impairment is recognised immediately as an expenses and is not subsequently reversed.

The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i).

(e) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or asset and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(e) Leases *(cont'd)*

As lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(f) Financial assets

The Group and the Company applied the classification and measurement requirements for the financial assets under MFRS 9 Financial Instruments effective from 1 September 2018. The financial statements for the financial year ended 31 August 2018 has not been restated, and the classification and measurement requirements under the previous MFRS 139 Financial Instruments: Recognition and Measurement still applied. The changes in the classification and measurement requirements and its impact are as disclosed in Note 2(a)(i).

Financial assets are recognised on the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition. The measurement for each classification of financial assets under MFRS 9 Financial Instruments for the financial year ended 31 August 2019 and MFRS 139 Financial Instruments: Recognition and Measurement for the financial year ended 31 August 2018 are as follow:

Notes to the Financial Statements
31 August 2019
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(f) Financial assets *(cont'd)*

Categories in the financial year ended 31 August 2019

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

Financial assets measured at amortised cost

Financial assets that are held within a business model whole objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured subsequently at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the assets is derecognised, modified and impaired.

The Group's and the Company's financial assets at amortised cost include trade and other receivables (excluding prepayments and advances paid), deposits, amount due from subsidiary companies and cash and bank balances.

Financial assets measured at fair value

Financial assets that's are debt instruments are measured at FVTOCI if they are held within a business model whose objective are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income, except impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL. The Group and the Company do not have any financial assets measured at FVTOCI or FVTPL.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired principally for sales in the near term or are derivatives that are not meet the hedge accounting criteria (including separated embedded derivatives). The Group and the Company does not have any financial assets that are equity instruments.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's or the Company's right to receive payment is establish.

Notes to the Financial Statements
31 August 2019
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(f) Financial assets *(cont'd)*

Categories in the financial year ended 31 August 2019 *(cont'd)*

Derecognnition

The Group and the Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial assets expired, or when it transfers the financial assets and substantially all the risk and rewards of ownerships of the financial assets to another entity. If the Group or the Company neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred financial assets the Group or the Company recognized its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group or the Company retains all the risk and rewards of ownerships of a transferred financial assets the Group or the Company continues to recognise the financial assets and also recognized a collateralised borrowings for the proceeds received.

On derecognition of a financial assets measured at amortised cost, the difference between the financial asset's carrying amount and the sum of the consideration received and receivables is recognised in profit or loss.

Categories in the financial year ended 31 August 2018

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, and the categories included financial assets at fair value through profit and loss, loan and receivables, held-to-maturity investments and available-for-sale financial assets.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial assets are either held for trading, including derivatives or are designated into this category upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised as other gains or losses in profit or loss.

Financial assets at for value through profit or loss could be presented as current or non-current. Financial assets that are primarily for trading purpose are presents as current whereas financial assets that are not held primarily for trading purpose are presented as current or non-current based on settlement date.

Loan and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loan and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(l)(ii) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

Loans and receivables financial assetss are classified as current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

Notes to the Financial Statements

31 August 2019
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(f) Financial assets *(cont'd)*

Categories in the financial year ended 31 August 2018 *(cont'd)*

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group or the Company has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(l)(ii) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the end of the reporting period which are classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except impairment losses, foreign exchange gains and losses arising from monetary items and interest income calculated using the effective interest method, which are recognised in profit or loss.

The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss or loss as a reclassification adjustment when the financial asset is derecognised. Dividends on an available-for-sale financial assets are recognised in profit or loss when the Group's or the Company's right to receive payment is established.

Investment in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets, except for those that are expected to be realised within 12 months after the end of the reporting period which classified as current assets.

Regular way purchase or sale of financial assets

A regular way purchase or sale are purchase or sales of financial assets that require delivery of assets within the period generally established by regulations or convention in the marketplace concerned. All regular way purchase and sales of financial assets are recognised and derecognised on the trade date i.e., the date that the Company commits to purchase or sell the asset.

Derecognition

A financial assets is derecognised when the contractual rights to receive cash flows from the financial asset has expired or has been transferred and the Group or the Company has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(g) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument.

The Group and the Company classify their financial liabilities at initial recognition, into financial liabilities at fair value through profit or loss and other financial liabilities.

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at financial liabilities at fair value through profit or loss.

Financial liabilities held for trading include derivatives (except for a derivative that is a financial guarantee contract) entered into by the Group and the Company that does not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resulted gain or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

<u>Other financial liabilities</u>

The Group's and the Company's other financial liabilities comprise trade and other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group or the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

<u>Derecognition</u>

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(h) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the Financial Statements
31 August 2019
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(i) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group and the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137, 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

(j) Inventories

Raw materials and finished goods are stated at the lower of cost and net realisable value.

The cost of inventories is based on the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(l) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets, except for inventories are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(l) Impairment of assets *(cont'd)*

(i) Non-financial assets *(cont'd)*

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indication that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for that asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

The Group and the Company applied the impairment requirements for the financial assets under MFRS 9 Financial Instruments effective from 1 September 2018. The financial statements for the financial year ended 31 August 2018 has not been restated, and the impairment requirements under the previous MFRS 139 Financial Instruments: Recognition and Measurement still applied. The changes in the classification and measurement requirements and its impact are as disclosed in Note 2(a)(iii).

Impairment policies applied for the financial year ended 31 August 2019

<u>Financial assets other than trade receivables and contract assets</u>

The Group and the Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVTOCI. The Group and the Company assess at each financial year end whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition.

In determining whether credit risk has increased significantly since initial recognition, the Group and the Company use historical experience on similar assets and other supportive information to access deterioration in credit quality of a financial asset. The Group and the Company assess whether all the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group and the Company consider past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

Notes to the Financial Statements
31 August 2019
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(l) Impairment of assets *(cont'd)*

(ii) Financial assets *(cont'd)*

Impairment policies applied for the financial year ended 31 August 2019 *(cont'd)*

Financial assets other than trade receivables and contract assets *(cont'd)*

The amount of impairment loss is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group or the Company and all the cash flow that the Group or the Company expects to receive. The carrying amount of the financial asset is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance account.

The Group and the Company measure the impairment loss on financial assets other than trade receivables and contract assets based on the two-step approach:

(1) 12-months ECL

For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group and the Company shall measure the allowance for impairment for that financial asset at an amount based on the probability of default occurring within the next 12 months considering the loss given default of that financial asset.

(2) Lifetime ECL

For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime ECL for that financial asset is recognised as allowance for impairment by the Group and the Company. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group and the Company shall revert the loss allowance measurement from lifetime ECL to 12-months ECL.

Trade receivables and contract assets

The Group applies the simplified approach prescribed by MFRS 9 Financial Instruments, which require a lifetime ECL to be recognised from initial recognition of the trade receivables and contract assets.

Impairment policies applied for the financial year ended 31 August 2018

All financial assets, other than those categorised at fair value through profit or loss are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(l) Impairment of assets *(cont'd)*

(ii) Financial assets *(cont'd)*

Impairment policies applied for the financial year ended 31 August 2018 *(cont'd)*

Financial assets carried at amortised cost *(cont'd)*

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

(m) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(n) Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations

Notes to the Financial Statements

31 August 2019
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(o) Revenue and other income

The Group and the Company applied five-step model for revenue recognition under MFRS 15, Revenue from Contracts with Customers effective from 1 September 2018. The adoption of MFRS 15 results in changes in the accounting policy for revenue recognition, and has no financial impact from the MFRS 118, Revenue applied previously.

The Group and the Company recognise revenue from contracts with customers based on five-step model as set out in MFRS 15:

(i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group and the Company allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the Group and the Company satisfy a performance obligation.

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

(i) Do not create an assets with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or

(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(iii) Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group and the Company satisfy a performance obligation by delivering the promised goods or services, it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

The Group's revenue and other income is measured at fair value of consideration received or receivable.

(i) Sale of goods

The Group contracts with its customers for sales of all kinds of quarry industrial products and quarry machinery. Revenue from sales of goods is recognised at the point in time when control of the assets is transferred to the customers, generally upon the transfer of significant risk and rewards of ownership of the goods to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(o) Revenue and other income *(cont'd)*

(ii) Rendering of services

Revenue from services rendered is recognised over time, as the benefits of rendering of services are simultaneously received and consumed by the customers.

(iii) Rental income of machinery and equipment

Rental income of machinery and equipment is accounted for on a straight-line basis over the lease terms.

(iv) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(v) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(vi) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets which necessarily take a substantial period of time to get ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group or the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(q) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity or other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Notes to the Financial Statements
31 August 2019
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(q) Income taxes *(cont'd)*

(ii) Deferred tax

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill or the initial recognition of assets and liabilities in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Goods and services tax ("GST")

Revenue, expenses and assets are recognised net of GST, unless the GST is not recoverable from the tax authority. The amount of GST not recoverable from the tax authority is recognised as an expense or as part of cost of acquisition of an asset. Receivables and payables that relate to such revenue, expenses or acquisitions of assets are presented in the statements of financial position inclusive of GST recoverable or GST payable.

GST recoverable from or payable to the tax authority may be presented on net basis should such amounts relate to GST levied by the same tax authority and the taxable entity has a legally enforceable right to set off such amounts.

(s) Contract assets and liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract liability is the obligation to transfer goods or services to customer for which the Group have received the consideration or have billed the customer.

(t) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(u) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period. Diluted EPS is determined by adjusting the profit or loss attributable to owners of the parent and the weighted average number of ordinary shares in issue adjusted for the effects of all dilutive potential ordinary shares, which comprise the free warrants issued to shareholders.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(w) Related parties

A party is related to an entity if:

(i) directly, or indirectly through one or more intermediaries, the party:
- control, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the entity; or
- has joint control over the entity;

(ii) the party is an associate of the entity;
(iii) the party is a joint venture in which the entity is a venturer;
(iv) the party is a member of the key management personnel of the entity or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, joint controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v);
(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity; or
(viii) the party, or any member of a group of which the party is a part of, provides key management personnel services to the Company.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(x) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic participant that would use the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to the Financial Statements
31 August 2019
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(x) Fair value measurement *(cont'd)*

For financial reporting purpose, the fair value measurements are analysed into level 1 to level 3 as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or in directly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

(y) Non-current asset held for sale

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sales rather than through continuing use, are classified as held for sales.

Immediately before classification as held for sales, the assets or components of a disposal group are measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group are measurement at the lower of their carrying amount and fair value less cost of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rate basis, except that no loss is allocated to inventories and financial assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sales and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sales are not depreciated. In addition, equity accounting of equity-accounted associates ceased once classified as held for sale.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

There are no significant areas of critical judgement in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(cont'd)*

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

(a) Useful lives of property, plant and equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

(b) Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected selling prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories.

(c) Impairment assessment of financial assets

The Group recognises impairment losses for financial assets using the expected credit loss model based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(d) Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(e) Provisional goodwill and gain on bargain purchases

Goodwill is the excess of cost of business combination over the Group's interest in the fair value of the identifiable assets acquired and liabilities assumed in a business combination. The identifiable assets and liabilities shall be measured at their acquisition date fair values. If a purchase price allocation exercise is not completed as at the reporting date, the Group shall report a provisional goodwill on acquisition.

In the previous financial year, the provisional goodwill on acquisition of TK Rentals Sdn. Bhd. (formerly known as TK Tent & Air Conditioning Rental Sdn. Bhd.)("TK Rentals") of RM28,756,903 is arrived at the excess of cost of business combination over the carrying amount of the identified assets and liabilities as at the date of acquisition. The carrying amounts of the identified assets and liabilities are estimated to approximate its fair value as at the acquisition date. The Group had reviewed and final allocation of the purchase price was determined after completion of a final analysis to determine the fair value of TK Rentals' tangible and intangible assets and liabilities acquired and the fair values as at date of acquisition remains unchanged.

Notes to the Financial Statements
31 August 2019
cont'd

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(cont'd)*

Key sources of estimation uncertainty *(cont'd)*

(e) Provisional goodwill and gain on bargain purchases *(cont'd)*

In the previous financial year, the gain on bargain purchase on acquisition of PK Fertilizers (Sarawak) Sdn. Bhd.("PKF") of RM2,107,270 is arrived at the excess of the fair value of the identified assets and liabilities over the cost of business combination as at the date of acquisition. The Group had reviewed and final allocation of the purchase price was determined after completion of a final analysis to determine the fair value of PKF's tangible and intangible assets and liabilities acquired and the fair values as at date of acquisition as disclosed in Note 33.

During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to include recognition of additional assets and/or liabilities, to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of the date. However, the measurement period shall not exceed one year from the acquisition date.

(f) Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value-in-use ("VIU") of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a VIU amount requires management to make an estimate of the expected future cash flows from the CGU and also choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of carrying amount, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are disclosed in Note 7 to the financial statement.

(g) Impairment of non-current assets

The Group and the Company perform impairment review of the recoverable amount of the non-current assets related to PK Fertilizers (Sarawak) Sdn. Bhd. ("PKF") which identified as a CGU, incurred losses, hereby indicating potential impairment. The recoverable amount of the CGU was based on its VIU calculation. VIU of the CGU was determined by discounting the future cash flows forecasted to be generated from the continuing use of the CGU.

The 5-year cash flows forecast are based on the average growth of sales volume approved by the Directors based on the past performance and management expectation of market development. The discount rate used to discount the future flows are pre-tax and reflect the specific risk relating to the CGU.

The Directors of the Company believes that any reasonable change in the key assumptions would not cause the carrying mount of the CGU to exceed their recoverable amount.

The key assumptions used for the CGU PKF are as follows:

	2019
Revenue growth rate	20%
Growth rate beyond 5 years	0%
Pre-tax discount rate	8.94%

Notes to the Financial Statements
31 August 2019
cont'd

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Leasehold land and building	Furniture and fittings	Motor vehicles	Office equipment	Plant and machinery	Renovation	Tools and equipment	Moulds and blocks	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group										
2019										
Cost										
At 1 September 2018	3,799,176	36,357,583	801,113	7,063,952	1,482,731	33,757,539	1,231,637	5,461,967	861,953	90,817,651
Additions	-	1,155,359	9,861	5,350	318,584	336,043	780,447	235,032	-	2,840,676
Disposals	(1,765,111)	-	(3,807)	(248,466)	(8,180)	-	-	-	-	(2,025,564)
Written off	-	-	(8,587)	(400)	(21,654)	-	(12,069)	-	(153,743)	(196,453)
Exchange differences	-	-	32	564	193	-	-	-	-	789
At 31 August 2019	2,034,065	37,512,942	798,612	6,821,000	1,771,674	34,093,582	2,000,015	5,696,999	708,210	91,437,099
Accumulated depreciation										
At 1 September 2018	406,642	1,453,529	359,617	4,239,317	773,864	15,209,372	409,788	2,123,651	740,811	25,716,591
Charge for the financial year	19,575	1,075,593	48,328	655,057	152,292	2,278,942	118,280	335,426	72,726	4,756,219
Disposals	(299,549)	-	(1,047)	(167,750)	(7,877)	-	-	-	-	(476,223)
Written off	-	-	(7,778)	(399)	(12,588)	-	(10,308)	-	(153,660)	(184,733)
Exchange differences	-	-	7	236	82	-	-	-	-	325
At 31 August 2019	126,668	2,529,122	399,127	4,726,461	905,773	17,488,314	517,760	2,459,077	659,877	29,812,179
Carrying amount										
At 31 August 2019	1,907,397	34,983,820	399,485	2,094,539	865,901	16,605,268	1,482,255	3,237,922	48,333	61,624,920

Notes to the Financial Statements
31 August 2019
cont'd

5. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

	Freehold land and buildings	Leasehold land and building	Furniture and fittings	Motor vehicles	Office equipment	Plant and machinery	Renovation	Tools and equipment	Moulds and blocks	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group										
2018 (restated)										
Cost										
At 1 September 2017	6,402,356	17,687,583	240,560	4,466,210	623,904	3,778,717	539,154	7,826	855,653	34,601,963
Additions	-	-	424,118	1,462,903	454,818	29,130	598,589	-	6,300	2,975,858
Disposals	(270,000)	-	-	(1,392,172)	(5,900)	-	-	-	-	(1,668,072)
Written off	-	-	(96,045)	-	(134,964)	(886,576)	(52,185)	-	-	(1,169,770)
Acquisition of subsidiaries	-	19,200,000	233,055	2,529,684	545,799	30,836,268	146,079	5,454,141	-	58,945,026
Exchange differences	-	-	(575)	(2,673)	(926)	-	-	-	-	(4,174)
Reclassified to asset held for sale(Note 13)	(2,333,180)	(530,000)	-	-	-	-	-	-	-	(2,863,180)
At 31 August 2018	3,799,176	36,357,583	801,113	7,063,952	1,482,731	33,757,539	1,231,637	5,461,967	861,953	90,817,651
Accumulated depreciation										
At 1 September 2017	645,314	1,051,530	220,866	3,808,013	433,917	3,535,154	326,838	7,789	646,032	10,675,453
Charge for the financial year	58,603	280,505	28,770	413,002	75,548	77,130	53,197	25	94,779	1,081,559
Disposals	(21,960)	-	-	(1,330,165)	(4,569)	-	-	-	-	(1,356,694)
Written off	-	-	(91,933)	-	(110,071)	(884,917)	(50,070)	-	-	(1,136,991)
Acquisition of subsidiaries	-	254,737	203,568	1,348,798	379,579	12,482,005	79,823	2,115,837	-	16,864,347
Exchange differences	-	-	(1,654)	(331)	(540)	-	-	-	-	(2,525)
Reclassified to asset held for sale(Note 13)	(275,315)	(133,243)	-	-	-	-	-	-	-	(408,558)
At 31 August 2018	406,642	1,453,529	359,617	4,239,317	773,864	15,209,372	409,788	2,123,651	740,811	25,716,591
Carrying amount										
At 31 August 2018	3,392,534	34,904,054	441,496	2,824,635	708,867	18,548,167	821,849	3,338,316	121,142	65,101,060

Notes to the Financial Statements

31 August 2019

cont'd

5. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

(a) Assets held under finance leases

The carrying amount of property, plant and equipment acquired under finance lease are as follows:

	Group	
	2019	**2018**
	RM	**RM**
Motor vehicles	1,228,940	1,592,172
Plant and machinery	92,466	126,090
	1,321,406	1,718,262

(b) Assets pledged as securities to financial institutions

The carrying amount of property, plant and equipment of the Group and the Company pledged as securities for bank borrowings as disclosed in Note 18 to the financial statements are:

	Group	
	2019	**2018**
		(restated)
	RM	**RM**
Freehold land and buildings	1,551,789	3,033,802
Leasehold land and buildings	34,697,042	34,904,054
	36,248,831	37,937,856

(c) Addition of property, plant and equipment of the Group during the year was acquired by the following means:

	Group	
	2019	**2018**
	RM	**RM**
Addition of property, plant and equipment	2,840,676	2,975,858
Less: Acquired with finance lease	-	(1,295,612)
Acquired by cash payments	2,840,676	1,680,246

(d) Remaining lease period

The remaining lease period of the leasehold land and buildings ranges from 19 to 905 years (2018: 20 to 906 years).

Notes to the Financial Statements
31 August 2019
cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2019 RM	Company 2018 RM
In and outside of Malaysia		
Unquoted shares, at cost	99,721,536	32,362,325
Additions	-	68,254,811
Disposal	-	(895,600)
Less: Accumulated impairment losses	(208,125)	(208,125)
	99,513,411	99,513,411

The movement in the allowance for impairment losses is as follows:

	Company 2019 RM	Company 2018 RM
At 1 September	208,125	1,103,725
Disposal	-	(895,600)
At 31 August	208,125	208,125

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Effective interest 2019 %	Effective interest 2018 %	Principal activities
Direct interest:				
SCH Corporation Sdn. Bhd. ("SCH Corporation")	Malaysia	100	100	Investment holding
SCH Wire-Mesh Manufacturing Sdn. Bhd.	Malaysia	100	100	Manufacturing, distributing and supplying of quarry grill
SCH Machinery & Equipment Sdn. Bhd.	Malaysia	100	100	Supplying and distributing quarry machinery, quarry equipment and reconditioned quarry machinery as well as spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery to the quarry industry

Notes to the Financial Statements
31 August 2019
cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES *(cont'd)*

Name of company	Country of incorporation	Effective interest 2019 %	Effective interest 2018 %	Principal activities
Direct interest: *(cont'd)*				
Sin Chee Heng (Cambodia) Co., Ltd*^	Cambodia	100	100	Supplying and distributing quarry machinery, quarry equipment and reconditioned quarry machinery as well as spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery to the quarry industry
TK Rentals Sdn. Bhd. *(formerly known as TK Tent & Air-Conditioning Rental Sdn. Bhd.)*	Malaysia	100	100	Business of renting and trading of mobile air conditioner, tent and event related equipment and tools and forklift
PK Fertilizers (Sarawak) Sdn. Bhd.	Malaysia	83.33	83.33	Business of manufacturing, merchandising, trading, distribution and wholesale warehouseman of fertilizers
Indirect interest:				
Held through SCH Corporation				
Sin Chee Heng Sdn. Bhd. ("Sin Chee Heng")	Malaysia	100	100	Supplying and distributing all kinds of quarry industrial products and quarry machinery
Sin Chee Heng (Butterworth) Sdn. Bhd.	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Kuantan) Sdn. Bhd.	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Johore) Sdn. Bhd. ^	Malaysia	50	50	Distributing all kinds of quarry products to the quarry industry

Notes to the Financial Statements

31 August 2019
cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES *(cont'd)*

Name of company	Country of incorporation	Effective interest 2019 %	2018 %	Principal activities
Indirect interest:				
Held through Sin Chee Heng				
Sin Chee Heng (Sabah) Sdn. Bhd.	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Sarawak) Sdn. Bhd. ^	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Johore) Sdn. Bhd. ^	Malaysia	50	50	Distributing all kinds of quarry products to the quarry industry

* *Subsidiary companies not audited by ECOVIS MALAYSIA PLT.*

^ *The auditors' report of these subsidiaries contains an emphasis of matter relating the appropriateness of the going concern basis used in the preparation of its financial statements. The holding Company has confirmed to provide continued financial support to these subsidiaries to continue its business without any significant curtailment of its operations.*

The merger method of accounting was adopted for consolidation in which the result of the subsidiary companies are presented as if the merger had been effected throughout the current year and previous financial years. The assets and liabilities combined are accounted for based on their carrying amounts from the perspective of the common control shareholders at the date of transfer.

There are no restrictions in the ability of the Group to access and use the assets or settle the liabilities of the subsidiaries.

(a) Impairment loss

During the year, the Company had conducted a review of the recoverable amount of its investment in certain subsidiary companies at the reporting date.

No additional of impairment charge for the cost of investment in the subsidiaries was recognised as the recoverable amount was in excess of its carrying amount. The recoverable amounts are determined adjusted net assets of the respective subsidiary companies as at the end of the reporting period less cost of investment.

6. INVESTMENT IN SUBSIDIARY COMPANIES *(cont'd)*

(b) Acquisition of a subsidiary - TK Rentals Sdn. Bhd.

In the previous financial year, the Group had completed the acquisition of 100% of the issued and paid-up share capital of TK Rentals Sdn. Bhd. (formerly known as TK Tent & Air Conditioning Rental Sdn. Bhd.) ("TK Rentals") for a total consideration of RM 50.00 million on 28 August 2018.

	Group RM
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	16,581,680
Inventories	432,286
Trade and other receivables	4,204,416
Tax recoverable	218,831
Cash and cash equivalents	3,470,243
Trade and other payables	(772,359)
Deferred tax liabilities	(2,892,000)
Net assets acquired	21,243,097
Goodwill	28,756,903
Consideration paid by the Group	50,000,000
Net cash outflow arising from acquisition of a subsidiary are as follows:	
Fair value of the consideration paid by the Group	50,000,000
Less: Cash and cash equivalents acquired	(3,470,243)
	46,529,757

(i) Acquisition-related costs

The Group incurred acquisition-related costs of RM452,500 related to external legal fees, professional services and due diligence costs. The legal fees, professional services and due diligence costs have been included in administrative expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

(ii) Accounting of acquisition

The Group had reviewed and final allocation of the purchase price was determined after completion of a final analysis to determine the fair value of TK Rentals' tangible and intangible assets and liabilities acquired and the fair values as at date of acquisition remains unchanged.

Notes to the Financial Statements
31 August 2019
cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES *(cont'd)*

(c) Acquisition of a subsidiary - PK Fertilizers (Sarawak) Sdn. Bhd.

In the previous financial year, the Group had completed the acquisition of 83.33% of the issued and paid-up share capital of PK Fertilizers (Sarawak) Sdn. Bhd. ("PKF") for a total fair value consideration of RM 18.25 million on 28 August 2018.

	Group RM
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	25,498,999
Inventories	16,379,734
Trade and other receivables	13,234,401
Tax recoverable	446,337
Cash and cash equivalents	818,246
Trade and other payables	(13,056,827)
Bank borrowings	(15,429,666)
Finance lease payables	(91,034)
Deferred tax liabilities	(4,517,657)
Non-controlling interest	(3,880,422)
Net assets acquired	19,402,111
Gain on bargain purchase	(1,147,300)
Consideration paid by the Group	18,254,811
Net cash outflow arising from acquisition of a subsidiary are as follows:	
Fair value of the consideration paid by the Group	18,254,811
Less: Cash and cash equivalents acquired	(818,246)
	17,436,565

(i) Acquisition-related costs

The Group incurred acquisition-related costs of RM339,668 related to external legal fees, professional services and due diligence costs. The legal fees, professional services and due diligence costs have been included in administrative expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

(ii) Accounting of acquisition

The Group had reviewed and final allocation of the purchase price was determined after completion of a final analysis to determine the fair value of PKF's tangible and intangible assets and liabilities acquired and the fair values as at date of acquisition as disclosed in Note 33.

Notes to the Financial Statements
31 August 2019
cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES *(cont'd)*

(d) Non-controlling interest in a subsidiary

	2019 RM	2018 (restated) RM
NCI percentage of ownership interest and voting interest	16.67%	16.67%
Carrying amount of NCI	3,642,175	3,880,422
Loss allocated to NCI	(238,247)	-

Summarised financial information before intra-group elimination

	2019 RM	2018 (restated) RM
As at 31 August		
Non-current assets	24,832,949	25,498,999
Current assets	36,936,916	30,699,744
Non-current liabilities	(17,439,898)	(18,544,134)
Current liabilities	(22,444,084)	(14,372,076)
Net assets	21,885,883	23,282,533
Year ended 31 August		
Revenue	73,523,943	26,750,723
Loss for the period	(1,429,483)	(200,131)

7. GOODWILL ON CONSOLIDATION

	Group	
	2019 RM	2018 RM
At 1 September	28,756,903	-
Acquisition of a subsidiary	-	28,756,903
At 31 August	28,756,903	28,756,903

Impairment test for goodwill

The Group undertakes an annual test for impairment of its cash-generating units ("CGU").

No impairment loss was required for the carrying amount of goodwill assessed as at 31 August 2019 and the previous financial year end as the recoverable amount of the CGU were in excess of the carrying amount.

The recoverable amount of the CGU are determined based on the value-in-use ("VIU") calculations. Cash flows are derived from financial budgets approved by the Directors covering over ten-year period that reflects the majority of the assets' useful life. The projection reflects management's expectation of revenue growth for the CGU based on the expectations of market growth.

Notes to the Financial Statements
31 August 2019
cont'd

7. GOODWILL ON CONSOLIDATION *(cont'd)*

Key assumptions used in VIU calculations are as follows:

	2019	2018
Revenue growth rate	Range from 0% to 16% for the first five-year period and -10% for next five-year period	Range from 0% to 16% for the first five-year period and -10% for next five-year period
Pre-tax discount rate	11.27%	12.24%

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, the Directors concluded that no reasonable possible changes in the assumptions would cause the carrying amount of the CGU to exceed their recoverable amounts.

8. TRADE RECEIVABLES

	Group	
	2019	2018 (restated)
	RM	RM
Non-current:		
Trade receivables	433,150	1,113,140
Current:		
Trade receivables	41,482,118	30,600,494
Less: Impairment loss	(1,406,227)	(2,211,880)
	40,075,891	28,388,614
Total trade receivables	41,915,268	31,713,634
Less: Impairment loss	(1,406,227)	(2,211,880)
	40,509,041	29,501,754

Trade receivables are non-interest bearing and are generally on credit term of 30 to 120 days (2018: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Notes to the Financial Statements

31 August 2019
cont'd

8. TRADE RECEIVABLES *(cont'd)*

Movement in the allowance for impairment losses of trade receivables is as follows:

	Group	
	2019	**2018 (restated)**
	RM	**RM**
At 1 September	2,211,880	128,234
Effect of adoption of MFRS 9		
- lifetime ECL allowances	239,178	-
- specific allowances	(1,355,557)	-
As restated at 1 September	1,095,501	128,234
Net impairment (gain)/loss during the financial year		
- lifetime ECL allowances	(1,121)	-
- specific allowances	311,847	2,148,161
Amount recovered	-	(97,348)
Amount written off	-	-
Acquisition of subsidiary	-	32,833
At 31 August	1,406,227	2,211,880
At 31 August		
Accumulated impairment losses		
- lifetime ECL allowances	238,057	-
- specific allowances	1,168,170	2,211,880
	1,406,227	2,211,880

(a) Trade receivables on deferred payment terms

The Group has arranged for past due receivables amounting RM1,604,115, (2018: RM1,933,486) at reporting data to settle their balances under monthly instalment agreement with no interest charged and tenure ranging between 24 and 36 months (2018: 36 months).

Notes to the Financial Statements

31 August 2019
cont'd

8. TRADE RECEIVABLES *(cont'd)*

(a) Trade receivables on deferred payment terms *(cont'd)*

Analysis of trade receivables on deferred payment terms are as follows:

	Group	
	2019	2018 (restated)
	RM	RM
Nominal value		
At 1 September	2,202,178	-
Addition	270,000	2,557,368
Repayment	(755,380)	(355,190)
At 31 August	1,716,798	2,202,178
Discount		
At 1 September	268,692	-
Add: Accretion of discount	26,099	411,377
Less: Unwinding of discount	(182,108)	(142,685)
At 31 August	112,683	268,692
Net carrying amount	1,604,115	1,933,486

Analysis of trade receivables ageing at end of the financial year is as follows:

	Gross amount	Impairment loss	Carrying amount
	RM	RM	RM
2019			
Not past due	18,797,952	(20,745)	18,777,207
Past due			
Less than 30 days	3,581,415	(35,451)	3,545,964
31 to 60 days	2,664,045	(8,480)	2,655,565
61 to 90 days	4,357,136	(6,023)	4,351,113
91 to 120 days	3,168,751	(5,421)	3,163,330
More than 120 days	9,345,969	(1,330,107)	8,015,862
	23,117,316	(1,385,482)	21,731,834
	41,915,268	(1,406,227)	40,509,041

Notes to the Financial Statements
31 August 2019
cont'd

8. TRADE RECEIVABLES *(cont'd)*

(a) Trade receivables on deferred payment terms *(cont'd)*

Analysis of trade receivables ageing at end of the financial year is as follows: *(cont'd)*

	Gross amount RM	Impairment loss RM	Carrying amount RM
2018 (restated)			
Not past due	14,528,538	-	14,528,538
Past due			
Less than 30 days	4,024,246	(283,044)	3,741,202
31 to 60 days	4,496,606	(157,688)	4,338,918
61 to 90 days	1,644,501	(88,688)	1,555,813
91 to 120 days	1,592,778	(163,371)	1,429,407
More than 120 days	5,426,965	(1,519,089)	3,907,876
	17,185,096	(2,211,880)	14,973,216
	31,713,634	(2,211,880)	29,501,754

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables which are past due but not impaired as they are substantially entities with good collection track record and no recent history of default.

9. INVENTORIES

	Group 2019 RM	Group 2018 RM
At cost/net realisable value		
Raw materials	10,511,934	16,523,201
Finished goods	15,599,341	16,057,151
	26,111,275	32,580,352
Recognised in profit or loss:		
Inventories written down	60,754	8,034,284
Inventories written off	120,577	-
Cost of inventories included in cost of sales	84,031,188	21,491,887

Notes to the Financial Statements
31 August 2019
cont'd

10. OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Other receivables	497,726	940,444	-	-
Deposits	368,182	399,891	1,000	1,000
Prepayments	2,364,908	811,741	21,007	22,700
	3,230,816	2,152,076	22,007	23,700

11. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

Amount due from/(to) subsidiary companies are non-interest bearing, unsecured and repayable on demand.

12. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS

Fixed deposits of the Group amounting to RM3,506,748 (2018: RM3,376,491) has been pledged with financial institutions as securities for credit facilities granted to subsidiaries as disclosed in Note 18 to the financial statements.

The interest rates and maturities of the fixed deposits range from 2.80% to 3.90% (2018: 3.03% to 3.90%) per annum and 8 to 365 days (2018: 90 to 365 days), respectively.

13. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2019	2018
	RM	RM
As at 1 September	2,454,622	376,960
Reclassified from property, plant and equipment (Note 5)	-	2,454,622
Disposal during the year	(2,454,622)	(376,960)
As at 31 August	-	2,454,622

(a) On 5 June 2018, a subsidiary company Sin Chee Heng Sdn. Bhd. entered into a sales and purchase agreement with third party to dispose a freehold land and building for a total consideration of RM 4,600,000.

The disposal of such freehold land and building was completed during the current financial year.

(b) On 29 January 2018, a subsidiary Company Sin Chee Heng (Johore) Sdn. Bhd. entered into a sales and purchase agreement with third party to disposed a freehold land and building for a total consideration of RM434,000.

The disposal of such freehold land and building was completed during the current financial year.

Notes to the Financial Statements

31 August 2019

cont'd

14. SHARE CAPITAL

	Group and Company			
	Number of Ordinary Shares		Amount	
	2019	2018	2019	2018
	Units	Units	RM	RM
Issued and fully paid				
At beginning of the financial year	555,511,720	412,235,520	75,917,971	52,129,101
Conversion of warrants	-	276,200	-	27,620
Effect arising from the acquisition of the subsidiaries	-	40,000,000	-	6,800,000
Private placement of shares	-	103,000,000	-	17,550,000
Share issue expenses	-	-	-	(588,750)
At end of the financial year	555,511,720	555,511,720	75,917,971	75,917,971

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

Warrants 2016/2021

On 8 December 2016, the Company completed a bonus issue of 206,117,010 free detachable warrants ("Warrants") on the basis of one warrant for every two ordinary shares held by the entitled shareholders on 29 November 2016.

The Warrants are constituted by the Deed Poll dated 14 November 2016 ("Deed Poll").

Salient features of the Warrants are as follow:

(i) Each Warrant entitles the Warrant holder to subscribe for one new ordinary shares in the Company at the exercise price of RM0.10 during the 5-year period expiring on 4 December 2021 ("exercise period"), subject to the adjustments in accordance with Deed Poll constituting the Warrants;

(ii) At the expiry of the exercise period, any Warrants which have not been exercised shall automatically lapse and cease to be valid for any purpose;

(iii) The Warrant holders are not entitled to any voting rights or participation in any distribution and/or offer of securities in the Company, until and unless the warrant holders are issued with new ordinary shares of the Company arising from their exercise of the Warrants; and

(iv) The new ordinary shares to be issued upon exercise of the Warrants shall, upon issue and allotment, rank pari passu in all respects with existing ordinary shares of the Company except that they will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid by the Company prior to the date of allotment of the new ordinary shares to be issued arising from the exercise of the Warrants.

Notes to the Financial Statements
31 August 2019
cont'd

14. SHARE CAPITAL *(cont'd)*

Warrants 2016/2021 *(cont'd)*

	Group and Company 2019 Number	Group and Company 2018 Number
Balance unexercised as at 1 September	205,839,310	206,115,510
Conversion of warrants	-	(276,200)
Balance unexercised as at 31 August	205,839,310	205,839,310

At the end of the financial year, 205,839,310 (2018: 205,839,310) Warrants remained unexercised.

15. MERGER DEFICIT

Merger deficit arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of subsidiaries acquired under the merger method of accounting.

16. FOREIGN CURRENCY TRANSLATION RESERVE

Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

17. FINANCE LEASE PAYABLES

	Group 2019 RM	Group 2018 RM
Minimum lease payments		
Within one year	479,686	501,648
Later than one year and not later than two years	460,349	622,318
Later than two years and not later than five years	306,551	613,099
	1,246,586	1,737,065
Less: Future finance charges	(90,469)	(169,877)
Present value of minimum lease payments	1,156,117	1,567,188
Present value of minimum lease payments		
Within one year	423,970	423,567
Later than one year and not later than two years	403,964	539,433
Later than two years and not later than five years	328,183	604,188
	1,156,117	1,567,188
Analysed as:		
Repayable within twelve months	423,970	423,567
Repayable after twelve months	732,147	1,143,621
	1,156,117	1,567,188

Finance lease interest of the Group ranges from 2.20% to 4.76% (2018: 3.28% to 4.76%) per annum.

Notes to the Financial Statements
31 August 2019
cont'd

18. BANK BORROWINGS

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Secured				
Bankers' acceptance	1,735,000	1,814,000	-	-
Bank overdraft	-	1,864,187	-	-
Foreign currency trade loan	-	3,162,893	-	-
Term loans	56,156,957	62,103,104	38,121,187	43,027,794
	57,891,957	68,944,184	38,121,187	43,027,794

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Analysed as:				
Current				
Bankers' acceptances	1,735,000	1,814,000	-	-
Bank overdrafts	-	1,864,187	-	-
Foreign currency trade loan	-	3,162,893	-	-
Term loans	6,987,661	6,653,408	5,701,187	5,520,000
	8,722,661	13,494,488	5,701,187	5,520,000
Non-current				
Term loans	49,169,296	55,449,696	32,420,000	37,507,794
	57,891,957	68,944,184	38,121,187	43,027,794

The bank borrowings are secured by the following:

(a) Legal charge over certain freehold and leasehold land and buildings of the Group as disclosed in Note 5 to the financial statements;

(b) Pledge of fixed deposits of a subsidiary company as disclosed in Note 12 to the financial statements; and

(c) Corporate guarantee by the Company and a subsidiary company, Sin Chee Heng Sdn. Bhd.

(d) Pledge of ordinary shares of two subsidiaries, TK Rentals Sdn. Bhd. and PK Fertilizers (Sarawak) Sdn. Bhd. by way of first party Open All Monies Memorandum of Deposits.

Notes to the Financial Statements
31 August 2019
cont'd

18. BANK BORROWINGS *(cont'd)*

Maturity of bank borrowings is as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Within one year	8,722,661	13,494,488	5,701,187	5,520,000
Between one and two years	6,742,278	6,667,266	5,520,000	5,520,000
Between two and five years	22,452,637	22,249,783	18,720,000	18,720,000
After five years	19,974,381	26,532,647	8,180,000	13,267,794
	49,169,296	55,449,696	32,420,000	37,507,794

The range of effective interest rates per annum on bank borrowings of the Group as at reporting date are as follows:

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Bankers' acceptances	3.41 - 3.52	3.72 - 5.44	-	-
Bank overdrafts	5.60 - 7.99	7.22 - 8.75	-	-
Foreign currency trade loan	3.34 - 5.15	3.06 - 5.10	-	-
Term loans	4.55 - 6.95	4.55 - 6.28	5.62	5.89

19. DEFERRED TAX LIABILITIES

	Group	
	2019 RM	2018 (restated) RM
At 1 September	7,427,657	108,143
Recognised in profit or loss (Note 26)	(339,315)	(90,143)
Acquisition of subsidiaries	-	7,409,657
At 31 August	7,088,342	7,427,657

Notes to the Financial Statements
31 August 2019
cont'd

19. DEFERRED TAX LIABILITIES *(cont'd)*

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follow:

	Group	
	2019	2018 (restated)
	RM	RM
Deferred tax liabilities	7,573,944	7,962,713
Deferred tax assets	(485,602)	(535,056)
	7,088,342	7,427,657

The components and movement of deferred tax liabilities and assets are as follows:

	Group	
	2019	2018 (restated)
	RM	RM
Deferred tax liabilities		
Differences between the carrying amount of property, plant and equipment and its tax base	7,573,944	7,962,713
Deferred tax assets		
Unabsorbed capital allowances	485,602	535,056

Deferred tax assets have not been recognised in respect of the following temporary differences:

	Group	
	2019	2018 (restated)
	RM	RM
Unabsorbed capital allowances	562,027	200,048
Unused tax losses	3,923,031	730,042
	4,485,058	930,090

Deferred tax assets have not been recognised in respect of those items as those companies in the Group may not have sufficient future taxable profits from which the above can be utilised or they have arisen in subsidiary companies that have a recent history of losses.

20. TRADE PAYABLES

Credit terms of trade payables of the Group range from 30 to 180 (2018: 30 to 180) days, depending on the term of the contracts.

Notes to the Financial Statements
31 August 2019
cont'd

21. OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Other payables	1,456,364	1,776,282	8,080	4,674
Accruals	491,216	1,004,612	43,000	79,400
Deposits	31,274	617,734	-	-
	1,978,854	3,398,628	51,080	84,074

22. REVENUE

	Group		Company	
	2019	2018 (restated)	2019	2018
	RM	RM	RM	RM
Dividend income	-	-	4,000,000	-
Sales of goods	103,598,579	32,715,080		
Rendering of services	606,780	533,243	-	-
Rental income of machinery and equipment	12,688,591	-		
	116,893,950	33,248,323	4,000,000	-
Timing of revenue recognition				
- at a point in time	103,598,579	32,715,080	4,000,000	-
- over time	13,295,371	533,243	-	-
	116,893,950	33,248,323	4,000,000	-

(a) Contact assets and contract liabilities

Contract asset primarily related to the Group's right to consideration for work completed but not yet billed at the reporting date for consultancy services provided for rental income of machinery and equipment project. Contract assets are transferred to receivables when the rights become unconditional at the point of invoicing to customers.

Contract liabilities primarily related to the Group's advance billing for those rental of machinery and equipment's lease term are after the reporting date. Contract liabilities are recognised as revenue when those lease term had end.

The Group has a right to consideration from a customer in an amount that corresponds directly with the value of goods transferred, and the Directors expect the remaining performance obligation to be fulfilled within one year or less. Consequently, no disclosure is necessary when applying practical expedient in MFRS 15.

23. FINANCE COSTS

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Interest expenses on:				
Bank overdrafts	53,570	23,744	-	-
Bankers' acceptances	352,441	161,680	-	-
Foreign currency trade loan	110,468	177,475	-	-
Finance lease	79,467	56,566	-	-
Trust receipts and letter of credit	14,123	21,058	-	-
Term loans	3,434,832	221,058	2,361,174	27,794
	4,044,901	661,581	2,361,174	27,794

24. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is determined after charging/(crediting) amongst other, the following items:

	Group		Company	
	2019	2018 (restated)	2019	2018
	RM	RM	RM	RM
Auditors' remuneration				
- Statutory				
- Current year	219,765	184,788	35,000	59,000
- (Over)/under provision in prior years	(500)	20,770	-	10,500
- Non-statutory audit fee	2,000	87,000	2,000	87,000
Accretion of discount on trade receivables	26,099	411,377	-	-
Bad debts written off	133,702	6,544	-	-
Depreciation of property, plant and equipment	4,756,219	1,081,559	-	-
Foreign exchange loss/(gain)				
- realised	141,890	(267,541)	-	-
- unrealised	(144,585)	131,414	-	-
Inventories written down	60,754	8,034,284	-	-
Inventories written off	120,577	-	-	-
Loss on strike off of a subsidiary	-	239,370	-	-
Net impairment (gains)/losses on trade receivables:				
- lifetime ECL allowance	(1,121)	-	-	-
- specific allowance	311,847	2,050,813	-	-
Property, plant and equipment written off	11,720	32,779	-	-

Notes to the Financial Statements
31 August 2019
cont'd

24. PROFIT/(LOSS) BEFORE TAX *(cont'd)*

Profit/(loss) before tax is determined after charging/(crediting) amongst other, the following items: *(cont'd)*

	Group		Company	
	2019	2018 (restated)	2019	2018
	RM	RM	RM	RM
Rental of equipments	328,135	-	-	-
Rental of factory	12,000	2,500	-	-
Rental of lorry	195,120	-	-	-
Rental of premises	728,948	134,553	-	-
Staff cost (excluding Directors' remuneration)				
- salaries, wages and allowance	9,457,919	4,148,553	-	-
- contribution to defined contribution plan	896,356	537,847	-	-
- other employee benefits	741,011	67,576	-	-
Bad debts recovered	(142,586)	-	-	-
Finance income:				
- unwinding of discount on trade receivables	(182,108)	(142,685)	-	-
- interest income	(313,918)	(250,850)	(19,224)	(51,395)
Gain on disposal of property, plant and equipment	(7,716,040)	(996,939)	-	-
Gain on bargain purchase	-	(1,147,300)	-	-
Insurance claims	-	(147,968)		
Rental income	(5,900)	(99,000)	-	-
Management fees received	-	-	-	(216,803)

25. DIRECTORS' REMUNERATION

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Directors of the Group and of the Company				
Executive:				
- Salary and other emoluments	713,568	1,203,938	3,000	10,500
- Contribution to defined plan	66,960	165,648	-	-
	780,528	1,369,586	3,000	10,500
Non-executive:				
- Fees	158,250	134,500	158,250	162,000
- Salary and other emoluments	12,000	9,000	12,000	14,000
	950,778	1,513,086	173,250	186,500

25. DIRECTORS' REMUNERATION *(cont'd)*

The number of Directors of the Group and of the Company whose total remuneration fall within the following bands for the financial year ended 31 August 2019 is as follows:

	Group		Company	
	No. of Directors		No. of Directors	
	Executive	Non-executive	Executive	Non-executive
Range of remuneration				
Below RM50,000	-	5	2	6
RM50,001 - RM100,000	-	-	-	-
RM100,001 - RM150,000	-	1	-	-
RM150,001 - RM200,000	-	-	-	-
RM200,001 - RM250,000	1	-	-	-
RM250,001 - RM300,000	-	-	-	-
RM300,001 - RM350,000	-	-	-	-
RM350,001 - RM400,000	-	-	-	-
RM400,001 - RM450,000	-	-	-	-
RM450,001 - RM500,000	1	-	-	-

26. TAXATION

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Tax expense recognised in profit or loss				
Current tax:				
Malaysian income tax	1,497,501	768,309	3,697	88
Under provision in prior years	145,691	(111,127)	1,878	-
Real property gain tax	394,586	-	-	-
	2,037,778	657,182	5,575	88
Deferred tax (Note 19):				
Origination and reversal of temporary differences	(339,315)	(90,143)	-	-
	1,698,463	567,039	5,575	88

Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profit/(loss) for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

Notes to the Financial Statements

31 August 2019
cont'd

26. TAXATION *(cont'd)*

A reconciliation of income tax expenses applicable to profit/(loss) before tax at the statutory tax rate to income tax expenses at the effective income tax of the Group and the Company are as follows:

	Group		Company	
	2019	2018 (restated)	2019	2018
	RM	RM	RM	RM
Profit/(loss) before tax	7,219,180	(8,308,116)	1,156,337	(1,485,904)
Taxation at statutory tax rate of 24% (2018: 24%)	1,732,603	(1,993,948)	277,521	(356,617)
Effects of tax rates in other countries	1,147	(40,801)	-	-
Expenses not deductible for tax purposes	1,352,196	2,935,896	686,176	356,705
Income not subject to tax	(1,906,884)	(237,882)	(960,000)	-
Deferred tax assets not recognised	495,259	45,820	-	-
Utilisation of current year capital allowances	(19,201)	(30,919)	-	-
Under/(over) provision of income tax expense in prior years	43,343	(111,127)	1,878	-
Tax expense for the financial year	1,698,463	567,039	5,575	88

The Group has estimated unused tax losses and unabsorbed capital allowances of RM2,585,368 and RM3,923,031 (2018: RM730,042 and RM200,048) respectively available for set-off against future taxable profit.

27. EARNINGS PER SHARE ("EPS")

(a) Basic EPS

The basic EPS are calculated based on the consolidated profit/(loss) for the financial year attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2019	2018 (restated)
Profit/(loss) attributable to owners of the parent (RM)	5,758,964	(8,875,155)
Weighted average number of ordinary shares at 31 August (Unit)	555,511,720	420,414,500
Basic EPS (sen)	1.04	(2.11)

Notes to the Financial Statements
31 August 2019
cont'd

27. EARNINGS PER SHARE ("EPS") *(cont'd)*

(b) Diluted EPS

For the purpose of calculating diluted earnings per share, the profit/(loss) attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares.

	Group	
	2019	**2018 (restated)**
Profit/(loss) attributable to owners of the parent (RM)	5,758,964	(8,875,155)
Weighted average number of ordinary shares in issue (unit)	555,511,720	420,414,500
Effects for dilution on conversion of warrants (unit)	42,258,401	98,320,731
Adjusted weighted average number of ordinary shares for diluted EPS (unit)	597,770,121	518,735,231
Diluted EPS (sen)	0.96	(1.71)

28. COMMITMENTS AND NON-CANCELLABLE OPERATING LEASE AGREEMENTS

(a) Operating lease arrangements

The Group as lessee

The future minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities are analysed as follows:

	Group	
	2019 RM	**2018 RM**
Leased rental of premises:		
Within one year	56,400	-

(b) Bank guarantee

	Group	
	2019 RM	**2018 RM**
Bank guarantee given to a utilities Company	20,000	39,000
Bank guarantee given for supply and delivery of fertilizers	1,078,231	-

Notes to the Financial Statements
31 August 2019
cont'd

29. RELATED PARTY DISCLOSURES

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group and certain members of senior management of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

The Group has related party relationships with its subsidiary companies, related parties and key management personnel.

(b) Compensation of key management personnel

Remuneration of key management personnel (inclusive of the Directors' remuneration as disclosed in Note 25 to the financial statements) are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Key management compensations:				
- Salaries, wages and bonus	1,940,818	1,270,810	158,250	162,000
- Defined contribution plan	158,974	217,973	-	-
- Other emoluments *	59,358	301,941	15,000	24,500
	2,159,150	1,790,724	173,250	186,500

* *Other emoluments included socso, allowances, meeting allowance and etc.*

(c) Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal terms and conditions negotiated among the related parties. In addition to the related party balances disclosed in Notes 11 to the financial statements, the significant related party transactions of the Company are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Subsidiary company				
Dividend income	-	-	4,000,000	-
Management fees received	-	-	-	216,803
Related parties				
Revenue	(1,005,432)	-	-	-
Purchases	9,566,215	-	-	-
Rental of lorry	195,120	-	-	-
Rental of premises	676,800	-	-	-

Notes to the Financial Statements
31 August 2019
cont'd

30. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 to the financial statements describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position at reporting date by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Total
	RM	RM	RM
Group			
2019			
Financial assets			
Trade receivables	40,509,041	-	40,509,041
Other receivables	442,266	-	442,266
Contact assets	1,218,000		1,218,000
Fixed deposits with financial institutions	5,438,802	-	5,438,802
Cash and bank balances	10,927,063	-	10,927,063
	58,535,172	-	58,535,172
Financial liabilities			
Trade payables	-	20,032,757	20,032,757
Other payables	-	1,582,557	1,582,557
Finance lease payables	-	1,156,117	1,156,117
Bank borrowings	-	57,891,957	57,891,957
	-	80,663,388	80,663,388

Notes to the Financial Statements
31 August 2019
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(a) Classification of financial instruments *(cont'd)*

	Loans and receivables	Financial liabilities measured at amortised cost	Total
	RM	RM	RM
Group			
2018 (restated)			
Financial assets			
Trade receivables	29,501,754	-	29,501,754
Other receivables	1,340,335	-	1,340,335
Fixed deposits with financial institutions	8,367,109	-	8,367,109
Cash and bank balances	5,476,851	-	5,476,851
	44,686,049	-	44,686,049
Group			
2018			
Financial liabilities			
Trade payables	-	12,953,824	12,953,824
Other payables	-	3,398,628	3,398,628
Finance lease payables	-	1,567,188	1,567,188
Bank borrowings	-	68,944,184	68,944,184
	-	86,863,824	86,863,824

	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Total
	RM	RM	RM
Company			
2019			
Financial assets			
Other receivables	1,000	-	1,000
Amount due from subsidiary companies	12,040,000	-	12,040,000
Cash and bank balances	1,046,176	-	1,046,176
	13,087,176	-	13,087,176

Notes to the Financial Statements

31 August 2019

cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(a) Classification of financial instruments *(cont'd)*

	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Total
	RM	RM	RM
Company			
2019			
Financial liabilities			
Other payables	-	51,080	51,080
Bank borrowings	-	38,121,187	38,121,187
	-	38,172,267	38,172,267

	Loans and receivables	Financial liabilities measured at amortised cost	Total
	RM	RM	RM
Company			
2018			
Financial assets			
Other receivables	1,000	-	1,000
Amount due from subsidiary companies	16,000,000	-	16,000,000
Cash and bank balances	1,168,521	-	1,168,521
	17,169,521	-	17,169,521
Financial liabilities			
Other payables	-	84,074	84,074
Amount due to a subsidiary company	-	303,876	303,876
Bank borrowings	-	43,027,794	43,027,794
	-	43,415,744	43,415,744

(b) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and the Company's operations whilst managing its credit, liquidity, foreign currency, interest rate and market risks. The Group and the Company operates within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions.

Notes to the Financial Statements
31 August 2019
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

The following sections provide details regarding the Group's and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group or the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from trade and other receivables, deposits places with licensed banks for facilities granted to the Group and the Company. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to financial institutions for credit facilities granted to subsidiary companies.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk. For financial guarantees to bank for banking facilities granted to certain subsidiary companies, the maximum exposure to credit risk amounts to RM19,770,770 (2018: RM25,215,740) representing the outstanding banking facilities of the subsidiaries at the reporting date. At the end of the reporting period, there was no indication that any subsidiary company would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(a) Trade receivables

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms be subject to credit verification procedures.

Credit risk concentration profile

The Group has no significant concentration of credit risk. The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the statement of financial position

Exposure to credit risk, credit quality and collateral

Trade receivable balances are monitored on an ongoing basis.

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of trade receivables as at the end of the reporting period.

Ageing analysis of trade receivables and impairment losses

Information regarding ageing analysis of trade receivables and impairment losses is disclosed in Note 8 to the financial statements.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 8 to the financial statements.

Financial assets that are past due but not impaired

Information regarding trade receivables that are past due but not impaired is disclosed in Note 8 to the financial statements.

Notes to the Financial Statements
31 August 2019
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

(i) Credit risk *(cont'd)*

(a) Trade receivables *(cont'd)*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group categorises a trade receivables as impaired when a debtor fails to make contractual payments after more than between 180 days to 730 days past due. Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage to repayment plan with the Group. Where trade receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about ageing analysis and amounts arising from expected credit losses for trade receivables.

The Group provides for lifetime expected credit losses for all trade receivables. The expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product is expected to deteriorate over the next year, leading to increase in the number of defaults.

The loss allowance provision as at the end of each reporting period is determined as follows:

	Current	30 days past due	60 days past due	90 days past due	120 days past due	>120 days past due	Total
Group							
31 August 2019							
Loss rate (%)	0.02-1.76	0.40-8.28	0.15-2.71	0.64-3.57	0.01-3.17	0.03-13.59	
Gross carrying amount (RM)	18,797,952	3,581,415	2,664,045	4,357,136	3,168,751	9,345,969	
Loss allowance (RM)	20,745	35,451	8,480	6,023	5,421	161,937	238,057
Impaired receivables (RM)	-	-	-	-	-	1,168,170	1,168,170
Total impairment							1,406,227

Notes to the Financial Statements

31 August 2019
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

(i) Credit risk *(cont'd)*

(a) Trade receivables *(cont'd)*

The loss allowance provision as at the end of each reporting period is determined as follows:

	Current	30 days past due	60 days past due	90 days past due	120 days past due	>120days past due	Total
Group							
1 September 2018							
Loss rate (%)	0.02-1.48	0.12-1.58	0.08-2.91	0.35-8.47	0.01-0.57	0.86-11.94	
Gross carrying amount (RM)	14,528,538	4,024,246	4,496,606	1,644,501	1,592,778	5,426,965	
Loss allowance (RM)	37,698	7,316	8,784	13,155	600	171,625	239,178
Impaired receivables (RM)	-	9,885	3,269	1,487	-	841,682	856,323
Total impairment							1,095,501

(b) Other receivables

At the end of reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

At the end of reporting period, the Group and the Company did not recognised any allowance for impairment losses.

(c) Contact assets

The Group measures the loss allowance on contract assets at an amount equal to lifetime ECL, taking into account the zero historical default experience, customers' financial information and past trends of payments of each customer individually. None of the contract assets at the end of the reporting period is past due, hence no loss allowance is made.

(d) Investments and other financial instruments

For other financial assets (including deposits placed with licensed banks and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

As at the end of the reporting period, there was no indication that there are other financial assets are impaired.

Notes to the Financial Statements

31 August 2019
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group and the Company finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the maturity profile of the Group's and the Company's financial liabilities as at reporting date. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company are required to pay.

	On demand or within 1 year	1 to 2 years	2 to 5 years	After 5 years	Total contractual undiscounted cash flows	Total carrying amount
	RM	RM	RM	RM	RM	RM
Group						
2019						
Financial liabilities						
Trade payables	20,032,757	-	-	-	20,032,757	20,032,757
Other payables	1,582,557	-	-	-	1,582,557	1,582,557
Finance lease payables	479,686	460,349	306,551	-	1,246,586	1,156,117
Bank borrowings	11,975,333	9,027,740	27,096,389	26,348,688	74,448,150	57,891,957
	34,070,333	9,488,089	27,402,940	26,348,688	97,310,050	80,663,388

Notes to the Financial Statements
31 August 2019
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

(ii) Liquidity risk *(cont'd)*

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual undiscounted cash flows RM	Total carrying amount RM
Group						
2018						
Financial liabilities						
Trade payables	12,953,824	-	-	-	12,953,824	12,953,824
Other payables	3,398,628	-	-	-	3,398,628	3,398,628
Finance lease payables	501,648	622,318	613,099	-	1,737,065	1,567,188
Bank borrowings	16,137,131	8,970,868	26,999,560	28,414,077	80,521,636	68,944,184
	32,991,231	9,593,186	27,612,659	28,414,077	98,611,153	86,863,824

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual undiscounted cash flows RM	Total carrying amount RM
Company						
2019						
Financial liabilities						
Other payables	51,080	-	-	-	51,080	51,080
Bank borrowings	7,905,725	7,580,542	22,828,583	14,085,794	52,400,644	38,121,187
	7,956,805	7,580,542	22,828,583	14,085,794	52,451,724	38,172,267
2018						
Financial liabilities						
Other payables	84,074	-	-	-	84,074	84,074
Amount due to a subsidiary company	303,876	-	-	-	303,876	303,876
Bank borrowings	7,905,725	7,580,542	22,828,583	14,085,794	52,400,644	43,027,794
	8,293,675	7,580,542	22,828,583	14,085,794	52,788,594	43,415,744

Notes to the Financial Statements

31 August 2019

cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

(iii) Market risks

- Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Singapore Dollar (SGD) and United States Dollar (USD). The Group has investment in foreign operation whose net assets are exposed to foreign currency translation risk. Such exposures are mitigated through bank borrowings denominated in the respective functional currencies.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date are as follows:

Group		**Denominated in**	
	USD	**SGD**	**Total**
	RM	**RM**	**RM**
2019			
Deposits, cash and bank balances	55,929	-	55,929
Trade receivables	-	460,990	460,990
Trade payables	(1,195,256)	-	(1,195,256)
Other payables	(39,457)	-	(39,457)
	(1,178,784)	460,990	(717,794)
2018			
Deposits, cash and bank balances	696,316	-	696,316
Trade receivables	128,413	-	128,413
Other receivables	10,178	-	10,178
Other payables	(38,467)	-	(38,467)
Bank borrowings	(2,576,930)	(585,963)	(3,162,893)
	(1,780,490)	(585,963)	(2,366,453)

<u>Foreign currency sensitivity analysis</u>

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

Notes to the Financial Statements
31 August 2019
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

(iii) Market risks *(cont'd)*

- Foreign currency exchange risk *(cont'd)*

Group		2019	2018
	Change in currency rate	Effect on profit before tax	Effect on profit before tax
	RM	RM	RM
USD	Strengthened 10%	118,789	783,104
	Weakened 10%	(118,789)	(783,104)
SGD	Strengthened 10%	(47,032)	175,784
	Weakened 10%	47,032	(175,784)

- Interest rate risk

The Group's and the Company's fixed rate deposits placed with financial institutions and bank borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

Notes to the Financial Statements

31 August 2019

cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

(iii) Market risks *(cont'd)*

- Interest rate risk *(cont'd)*

The carrying amounts of the Group's and of the Company's financial instruments that are exposed to interest rate risk are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Fixed rate instruments				
Fixed deposits with financial institutions	5,438,802	8,367,109	-	-
Finance lease payables	(1,156,117)	(1,567,188)	-	-
	4,282,685	6,799,921	-	-
Variable rate instruments				
Bankers' acceptance	(1,735,000)	(1,814,000)	-	-
Bank overdrafts	-	(1,864,187)	-	-
Foreign currency trade loan	-	(3,162,893)	-	-
Term loans	(56,156,957)	(62,103,104)	(38,121,187)	(43,027,794)
	(57,891,957)	(68,944,184)	(38,121,187)	(43,027,794)

Interest rate sensitivity analysis

<u>Fair value sensitivity analysis for fixed rate instruments</u>

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

<u>Cash flow sensitivity analysis for variable rate instruments</u>

A change in 1% interest rate at the end of the reporting period, with all other variable being held constant, would have increased/(decreased) the Group' and the Company's profit before tax by RM578,920 and RM381,211 (2018: RM689,442 and RM430,278) respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Notes to the Financial Statements

31 August 2019
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(c) Fair value of financial instruments

The Group and the Company measure fair value using the following fair value hierarchy that reflects the significance of the input used in making the measurements:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or in directly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

The carrying amounts of short term receivables and payables, cash and cash equivalents and short-term bank borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the statements of financial position.

	Fair value of financial instruments not carried at fair value			
	Level 1	**Level 2**	**Level 3**	**Carrying amount**
	RM	**RM**	**RM**	**RM**
Group				
2019				
Finance lease payables	-	-	968,429	732,147
2018				
Finance lease payables	-	-	1,256,249	1,143,621

The fair value of finance lease payables is determined with discounted cash flow method using current market rate of borrowings of the respective Group entities at the reporting date.

31. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank borrowings (including 'current and non-current borrowings' as shown in the Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Statement of Financial Position plus net debt. The gearing ratios at end of the reporting period are as follows:

Notes to the Financial Statements

31 August 2019
cont'd

31. CAPITAL MANAGEMENT *(cont'd)*

	Group	
	2019	2018 (restated)
	RM	RM
Total bank borrowings	59,048,074	70,511,372
Less: Cash and cash equivalents (including fixed deposits pledged to financial institutions)	(16,365,865)	(11,979,773)
Net debts	42,682,209	58,531,599
Total equity	85,978,037	79,121,019
Gearing ratio (times)	0.50	0.74

There were no changes in the Group's approach to capital management during the financial year.

The Group and the Company are not subject to any externally imposed capital requirement.

32. SEGMENT INFORMATION

The Group has four reportable segment as below:
(a) Fertilizers products
(b) Rental of machinery and equipment
(c) Quarry related products
(d) Investment holding activities

For each segment, the management reporting the operating segment results separately and the operating decision maker (i.e. the Group's Executive Director and Chief Executive Officer) reviews the results of operating segment at least on a quarterly basis.

	Fertilizers products	Rental of machinery and equipment	Quarry related products	Investment holding activities	Group
	RM	RM	RM	RM	RM
At 31 August 2019					
Revenue					
Total revenue	73,523,943	16,878,112	42,833,389	7,000,000	140,235,444
Inter-segment elimination	-	-	(16,341,494)	(7,000,000)	(23,341,494)
External revenue	73,523,943	16,878,112	26,491,895	-	116,893,950

Notes to the Financial Statements
31 August 2019
cont'd

32. SEGMENT INFORMATION *(cont'd)*

	Fertilizers products RM	Rental of machinery and equipment RM	Quarry related products RM	Investment holding activities RM	Group RM
At 31 August 2019					
Results					
Depreciation of property, plant and equipment	2,050,937	1,577,926	1,127,356	-	4,756,219
Finance cost	1,184,958	-	498,769	2,361,174	4,044,901
Finance income	-	(48,586)	(428,216)	(19,224)	(496,026)
Gain on disposal of property, plant and equipments	-	(1,955)	(7,714,085)	-	(7,716,040)
Impairment gain/(loss) on financial assets	-	311,331	(605)	-	310,726
Segment profit/(loss)	(899,102)	3,362,052	7,611,791	(2,855,561)	7,219,180
Segment assets	61,769,766	26,893,891	87,359,582	2,559,847	178,583,086
Segment liabilities	38,148,655	4,086,992	8,554,960	38,172,267	88,962,874

	Fertilizers products RM	Rental of machinery and equipment RM	Quarry related products RM	Investment holding activities RM	Group RM
At 31 August 2018 (restated)					
Revenue					
Total revenue	-	-	52,196,821	-	52,196,821
Inter-segment elimination	-	-	(18,948,498)	-	(18,948,498)
External revenue	-	-	33,248,323	-	33,248,323
Results					
Depreciation of property, plant and equipment	-	-	1,081,559	-	1,081,559
Finance cost	-	-	633,787	27,794	661,581
Finance income	-	-	(342,140)	(51,395)	(393,535)
Gain on bargain purchase	-	-	-	(1,147,300)	(1,147,300)
Inventories written down	-	-	8,034,284	-	8,034,284
Impairment loss on financial assets	-	-	2,050,813	-	2,050,813
Segment loss	-	-	(8,383,778)	75,662	(8,308,116)

Notes to the Financial Statements
31 August 2019
cont'd

32. SEGMENT INFORMATION *(cont'd)*

	Fertilizers products RM	Rental of machinery and equipment RM	Quarry related products RM	Investment holding activities RM	Group RM
At 31 August 2018 (restated)					
Segment assets	56,377,717	24,907,456	94,816,140	1,223,643	177,324,956
Segment liabilities	33,095,184	3,664,359	14,446,304	43,117,668	94,323,515

No geographical segmental information are presented as the Group currently operate and derived revenue in Malaysia, the revenue from the foreign subsidiary is immaterial and less than 10% to the Group.

Major customer

The following is the major customer with revenue equal or more than 10% of the Group's revenue:

	Revenue 2019 RM	Revenue 2018 RM	Segment
Customer A	15,894,926	-	Fertilizers products

33. COMPARATIVE FIGURES

(a) Adjustment arising from finalisation of initial provisional accounting estimate and comparative.

In the previous financial year ended 31 August 2018, the Group had completed the acquisition of 83.33% of the issued and paid-up share capital of PK Fertilizers (Sarawak) Sdn. Bhd. ("PKF") for a total consideration of RM 18.25 million on 28 August 2018. As permitted by MFRS 3, Business Combination, the provisional gain on bargain purchase estimated in the previous financial year end was reviewed during current financial year, and the final allocation of purchase price was determined after completion of a final analysis. The fair value of net assets acquired of PKF is determined at RM 19.40 million as at the date of acquisition and accordingly, the gain on bargain purchase had been revised to RM 1.1 million. The revision is accounted for retrospectively.

(b) Reclassification

Certain comparative figures have been adjusted to conform the current year presentation.

Notes to the Financial Statements
31 August 2019
cont'd

33. COMPARATIVE FIGURES *(cont'd)*

(c) Impact on the financial statements

The following tables show the adjustments and reclassification recognised in financial statements:

Reconciliation of statements of financial position and equity

	Note	31 August 2018 (As previously reported) RM	Prior year adjustment and reclassification RM	1 September 2018 (As restated) RM
Group				
Non-current assets				
Property, plant and equipment	a	65,355,797	(254,737)	65,101,060
Trade receivables	b	-	1,113,140	1,113,140
Current assets				
Trade receivables	b	29,359,069	(970,455)	28,388,614
Equity				
Retained earnings		27,868,823	(817,285)	27,051,538
Non-controlling interest	a	4,072,416	(191,994)	3,880,422
Non-current liabilities				
Deferred tax liabilities	a	6,530,430	897,227	7,427,657

Reconciliation of statements of profit or loss

	Note	31 August 2018 (As previously reported) RM	Prior year adjustment and reclassification RM	1 September 2018 (As restated) RM
Group				
Other income	a, b	4,074,121	(914,633)	3,159,488
Net impairment loss on financial assets	b	-	(2,050,813)	(2,050,813)
Administrative expenses	b	(20,811,625)	2,148,161	(18,663,464)
Loss for the financial year attributable to:				
- owners of the Company		(8,057,870)	(817,285)	(8,875,155)
Total comprehensive loss for the financial year attributable to:				
- owners of the Company		(8,323,912)	(817,285)	(9,141,197)
Earnings per share attributable to owners of the parent:				
Basic (Sen)		(1.92)		(2.11)
Diluted (Sen)		(1.40)		(1.71)

Notes to the Financial Statements
31 August 2019
cont'd

33. COMPARATIVE FIGURES *(cont'd)*

(c) Impact on the financial statements *(cont'd)*

The following tables show the adjustments and reclassification recognised in financial statements:

Reconciliation of statements of cash flows

	Note	31 August 2018 (As previously reported) RM	Prior year adjustment and reclassification RM	1 September 2018 (As restated) RM
Group				
Cash flows from operating activities				
Loss before tax	a, b	(7,490,831)	(817,285)	(8,308,116)
Adjustment for:				
Accretion of discounton trade receivable	b	-	411,377	411,377
Net impairment loss on trade receivables	b	2,462,190	(411,377)	2,050,813
Gain on bargain purchase	a	(2,107,270)	959,970	(1,147,300)
Finance income	b	(250,850)	(142,685)	(393,535)
Operating profit before working capital changes		1,536,290	-	1,536,290

List of Properties

As at 31 August 2019

No.	Title Details/Postal Address	Description of property/ Existing use	Land area sq m	Approximate age of building (Years)	Tenure	Audited net book value as at 31.08.2019 (RM)
1.	Individual title held under industrial H.S.(M) 13156, PT 23677, Mukim Ceras, Tempat Cheras Jaya, Daerah Hulu Langat, Negeri Selangor Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan	4 storey building with offices and warehouse	8,510	4	99 years lease expiring on 30 December 2098	13,767,944
2.	Individual title held under HS(D) 12001, Lot 40666, Mukim Kuala Kuantan, Daerah Kuantan, Negeri Pahang No. 3, Jalan Industri Tanah Putih Baru 5, Batu 3, Kawasan Perindustrian Perdana Jaya, Tanah Putih, Jalan Gambang, 25150 Kuantan, Pahang Darul Makmur	1 ½ storey terrace factory currently used as regional office and warehouse by SCH Group	149	22	99 years lease expiring on 3 October 2075	137,943
3.	Individual title held under HS(D) 12002, Lot 44667, Mukim Kuala Kuantan, Daerah Kuantan, Negeri Pahang No. 1, Jalan Industri Tanah Putih Baru 5, Batu 3, Kawasan Perindustrian Perdana Jaya, Tanah Putih, Jalan Gambang, 25150 Kuantan, Pahang Darul Makmur	1 ½ storey terrace factory currently used as regional office and warehouse by SCH Group	177	22	99 years lease expiring on 3 October 2075	148,835

List of Properties

As at 31 August 2019
cont'd

No.	Title Details/Postal Address	Description of property/ Existing use	Land area sq m	Approximate age of building (Years)	Tenure	Audited net book value as at 31.08.2019 (RM)
4.	Master title held under Parent Title Lot No. 33 (MPKK No. 6) Title Country Lease No. Industrial 015548482, District of Kota Kinabalu, Sabah Lot 6, Lorang Makat 3, Perindustrian, Makat Kolombong, 88450 Kolombong, Sabah	Double storey terrace light industrial warehouse cum office currently used as regional office and warehouse by SCH Group	445	22	999 years lease expiring on 17 August 2923	321,186
5	Individual title held under 149604, Lot 3653, Mukim 06, Daerah Seberang Perai Tengah, Negeri Pulau Pinang No. 1, Lorang Nagasari 23, Taman Nagasari, Seberang Perai, 13600 Pulau Pinang	Double storey semi-detached light industrial factory currently used as regional office and warehouse by SCH Group	377	24	Freehold	355,608
6.	Master title held under Parent Lot 594, Block 238, Kuching North Land District, Sarawak Sublot No. 10, Wismacom Industrial Park, 8 ½ Mile, Jalan Batu Kitang, 93250 Kuching, Sarawak	2-storey semi-detached industrial building	681	3	60 years lease expiring on 30 November 2038	1,284,800
7.	Individual title held under HSD 62727, PTD 107429, Mukim of Kulai, District of Kulai, State of Johor No. 106, Jalan Lagenda 6, Taman Lagenda Putra, 81000 Kulai, Johor Darul Ta'zim	Single-storey clustered factory with mezzanine floor	863	3	Freehold	1,551,789

List of Properties

As at 31 August 2019
cont'd

No.	Title Details/Postal Address	Description of property/ Existing use	Land area sq m	Approximate age of building (Years)	Tenure	Audited net book value as at 31.08.2019 (RM)
8.	Title held under held No. Lot 4061, Block 26, Kemena Land District Lot 4061, Kidurong Light Industrial Estate (KLIE), Jalan Kidurong, 97000 Bintulu, Sarawak	Single-storey detached industrial warehouse	16,302	26	60 years lease expiring on 7 July 2058	19,333,112

Statistics of Shareholdings
As at 16 December 2019

SHARE CAPITAL

Total Number of Issued Shares	:	555,511,720 *
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

* *The issued and paid up capital is as per Record of Depositors as at 16 December 2019*

DISTRIBUTION OF SHAREHOLDINGS AS AT 16 DECEMBER 2019

Size of Holding	No. of shareholders	% of shareholders	No. of holdings	% of shares
1 – 99	3	0.14	103	0.00
100 – 1,000	134	6.63	61,410	0.01
1,001 – 10,000	522	24.20	3,824,700	0.69
10,001 – 100,000	1,106	51.27	48,551,700	8.74
100,001 – 27,775,585*	379	17.57	305,173,807	54.94
27,775,586 AND ABOVE **	4	0.19	197,900,000	35.62
Total	**2,157**	**100.000**	**555,511,720**	**100.00**

Remark:

* *- Less than 5% of Issued Shares*
** *- 5% and above of Issued Shares*

SUBSTANTIAL SHAREHOLDERS AS AT 16 DECEMBER 2019

		No. of Shares held		No. of Shares held	
No.	Name of Substantial Shareholder	Direct	%	Indirect	%
1	HEXTAR HOLDING SDN BHD	171,733,900	30.91	-	-
2	PRISTINE ACRES SDN BHD	40,000,000	7.20	-	-

DIRECTORS' INTERESTS IN SHARES AS AT 16 DECEMBER 2019

		No. of Shares held		No. of Shares held	
No.	Name of Director	Direct	%	Indirect	%
1	Dato' Chan Choun Sien	400,000	0.07	200,000[(a)]	0.04
2	Dato' Ong Choo Meng	-	-	171,733,900[(b)]	30.91
3	Gan Khong Aik	420,000	0.08	-	-
4	Khoo Chee Siang	2,448,100	0.44	-	-
5	Sim Yee Fuan	50,000	0.01	-	-
6	Wong Kin Seng	20,450,083	3.68	-	-
7	De Souza Michael Lawrence[(c)]	-	-	-	-

Notes:

(a) Deemed interest for the shares held by parents Pursuant to Section 8 of the Companies Act, 2016
(b) Deemed interest for the shares held by Hextar Holdings Sdn. Bhd. Pursuant to Section 8 of the Companies Act, 2016
(c) De Souza Michael Lawrence was appointed as Director of the Company on 19 December 2019

Statistics of Shareholdings

As at 16 December 2019

cont'd

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS

(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 16 DECEMBER 2019)

No.	Name of Shareholders	No. of Shares	%
1	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR HEXTAR HOLDINGS SDN BHD (MX3826)*	80,000,000	14.40
2	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PRISTINE ACRES SDN BHD (THIRD PARTY)*	40,000,000	7.20
3	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR HEXTAR HOLDINGS SDN BHD*	40,000,000	7.20
4	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR HEXTAR HOLDINGS SDN BHD (THIRD PARTY)*	37,900,000	6.82
5	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GAN KONG HIOK (001)*	23,500,000	4.23
6	WONG KIN SENG	20,090,083	3.62
7	M & A NOMINEE (ASING) SDN BHD *MAJESTIC SALUTE SDN BHD FOR GAMRIE LIMITED*	17,200,000	3.10
8	SUTERA BANGSA SDN BHD	15,850,000	2.85
9	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR HEXTAR HOLDINGS SDN BHD (PB)*	13,833,900	2.49
10	M & A NOMINEE (TEMPATAN) SDN BHD *MAJESTIC SALUTE SDN BHD FOR WEALTHMAX ASSETS SDN BHD*	11,800,000	2.12
11	LWY HOLDING SDN BHD	11,150,000	2.01
12	CHAI KOON KHOW	8,008,900	1.44
13	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR LIM GAIK ENG (LIM4779C)*	7,650,000	1.38
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW NGOK MING*	5,894,900	1.06
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TEE TIAM HOCK*	5,175,500	0.93
16	ABD RAHMAN BIN SOLTAN	5,000,000	0.90
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD *TEE TIAM HOCK*	4,848,900	0.87
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHEE CHIK ENG	4,760,600	0.86
19	YONG KOK PEW	3,350,000	0.60
20	LIM LIEW HONG	3,000,000	0.54
21	KOH ENG HONG	2,802,000	0.50
22	LIM KHEOW KOOI	2,600,000	0.47
23	M & A NOMINEE (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KHOO CHEE SIANG*	2,448,100	0.44
24	SIAH GIM SIEW	2,350,000	0.42
25	CHONG CHEE WAI	2,049,300	0.37
26	M & A NOMINEE (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KOAY KEAT CHYE (PNG)*	2,000,000	0.36
27	MOK YAU CHOY	1,782,700	0.32
28	ONG YIT CHENG	1,625,000	0.29
29	KENANGA NOMINEES (TEMPATAN) SDN BHD *RAKUTEN TRADE SDN BHD FOR FU HAN HONG*	1,620,000	0.29
30	YVONNE NG MEI SAN	1,590,000	0.29

Analysis of Warrant Holdings
As at 16 December 2019

WARRANTS

No. of Outstanding Warrants : 205,839,310 (warrants 2016/2021)
No. of Warrant Holders : 1509

DISTRIBUTION OF WARRANT HOLDING AS AT 16 DECEMBER 2019

Size of Holding	No. of Holders	% of Warrant Holders	No. of Warrants	% of Warrants
1 – 99	87	5.77	4,194	0.00
100 – 1,000	90	5.96	48,365	0.02
1,001 – 10,000	431	28.56	2,583,301	1.26
10,001 – 100,000	633	41.95	25,712,550	12.49
100,001 – 10,291,964 *	266	17.63	143,408,000	69.67
10,291,965 AND ABOVE **	2	0.13	34,082,900	16.56
Total	**1,509**	**100.00**	**205,839,310**	**100.00**

Remark:

* - *Less than 5% of Issued Warrants*
** - *5% and above of Issued Warrants*

SUBSTANTIAL WARRANTS HOLDERS AS AT 16 DECEMBER 2019

		No. of Shares held		No. of Shares held	
No.	**Name of Warrant Holders**	**Direct**	**%**	**Indirect**	**%**
1	M & A NOMINEE (TEMPATAN) SDN BHD FOR THIANJING HOLDINGS SDN BHD	21,581,900	10.48	-	-
2	CHOW DAI YING	12,501,000	6.07	-	-

DIRECTORS' INTERESTS IN WARRANTS AS AT 16 DECEMBER 2019

		No. of Shares held		No. of Shares held	
No.	**Name of Director**	**Direct**	**%**	**Indirect**	**%**
1	DATO' CHAN CHOUN SIEN	-	-	-	-
2	DATO' ONG CHOO MENG	-	-	-	-
3	GAN KHONG AIK	210,000	0.10	-	-
4	KHOO CHEE SIANG	-	-	-	-
5	SIM YEE FUAN	25,000	0.01	-	-
6	WONG KIN SENG	75,000	0.04	-	-
7	DE SOUZA MICHAEL LAWRENCE[(a)]	-	-	-	-

Note:

(a) De Souza Michael Lawrence was appointed as Director of the Company on 19 December 2019.

Analysis of Warrant Holdings

As at 16 December 2019

cont'd

LIST OF TOP 30 LARGEST WARRANT HOLDERS

(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 16 DECEMBER 2019)

No.	Name of Shareholders	No. of Shares	%
1	M & A NOMINEE (TEMPATAN) SDN BHD *FOR THIANJING HOLDINGS SDN BHD*	21,581,900	10.48
2	CHOW DAI YING	12,501,000	6.07
3	ONG KENG SENG	7,500,000	3.64
4	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)*	4,900,000	2.38
5	M & A NOMINEE (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHOW DAI YING (M&A)*	4,057,150	1.97
6	YEOH AIK KHONG	4,000,000	1.94
7	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR CHEAH CHEE SIONG (PB-0J0022)*	3,444,700	1.67
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW NGOK MING*	3,010,050	1.46
9	KOH ENG HONG	2,900,000	1.41
10	ABD RAHMAN BIN SOLTAN	2,500,000	1.21
11	ABDUL SATHAR BIN M S M ABDUL KADIR	2,465,000	1.20
12	YONG KOK PEW	2,374,000	1.15
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN CHEAK JOO*	2,360,000	1.15
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YAP KIAM HENG (E-SGM)*	2,353,200	1.14
15	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHONG FUT LING (001)*	2,000,000	0.97
16	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)*	1,968,300	0.96
17	YOUNG THIM CHOY	1,900,000	0.92
18	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LAU THY YONG*	1,712,500	0.83
19	LAU PAK LAM	1,505,600	0.73
20	LIM LIEW HONG	1,500,000	0.73
21	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR VINCENT PHUA CHEE EE*	1,500,000	0.73
22	NG KIM MOY	1,400,000	0.68
23	YVONNE NG MEI SAN	1,395,000	0.68
24	TEOH CHIN TEIK	1,300,000	0.63
25	AARON TAN NGO HUI	1,250,000	0.61
26	VINCENT TAN SEI KEONG	1,205,000	0.59
27	KENANGA NOMINEES (TEMPATAN) SDN BHD *RAKUTEN TRADE SDN BHD FOR FU HAN HONG*	1,200,000	0.58
28	LAU KOK FOO	1,073,400	0.52
29	HLIB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YAP THIAM SENG (CCTS)*	1,043,000	0.51
30	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR OOI HOOT KUANG (MP0380)*	1,011,600	0.49

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eighth (8th) Annual General Meeting of SCH Group Berhad ("SCH" or "the Company") will be held at Lot 35, Jalan CJ 1/1, Kawasan Perumahan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan on Friday, 14 February 2020 at 10.00 a.m., for the purpose of transacting the following businesses:

1. To receive the Audited Financial Statements for the financial year ended 31 August 2019 together with the Reports of the Directors and Auditors thereon. — **Please refer to Explanatory Note 1**

2. To approve the payment of Directors' Fees payable to Non-Executive Directors up to RM200,000 for the period from 15 February 2020 until the conclusion of the next Annual General Meeting of the Company. — **Ordinary Resolution 1**

3. To approve the payment of Directors' benefits of up to RM50,000 for the period from 15 February 2020 until the conclusion of the next Annual General Meeting of the Company. — **Ordinary Resolution 2**

4. To re-elect the following Directors retiring pursuant to the Clause 103(1) of the Company's Constitution:

   i) Sim Yee Fuan — **Ordinary Resolution 3**
   ii) Wong Kin Seng — **Ordinary Resolution 4**

5. To re-elect the following Director retiring pursuant to the Clause 110 of the Company's Constitution:

   i) De Souza Michael Lawrence — **Ordinary Resolution 5**

6. To re-appoint Messrs. ECOVIS MALAYSIA PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. — **Ordinary Resolution 6**

   SPECIAL BUSINESSES:
   To consider and, if thought fit, to pass the following Resolution:

7. **Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016** — **Ordinary Resolution 7**

   "THAT subject to Sections 75 and 76 of the Companies Act 2016 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

8. To transact any other business of the Company for which due notice shall have been given.

By order of the Board,

Tan Tong Lang (MAICSA 7045482)
Thien Lee Mee (LS0009760)
Company Secretaries

Kuala Lumpur
31 December 2019

Notice of Annual General Meeting
cont'd

Notes:

1. *A member/shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy may, but need not, be a member of the Company. Where a member/shareholder appoints more than one proxy to attend and vote at the Meeting, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.*

2. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.*

3. *Where a member of the Company is an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

4. *Where a member of the Company is an exempt authorised nominee defined under the SICDA which is exempted from compliance with the provision of subsection 25A(1) of SICDA which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

5. *The Form of Proxy must be deposited at the Registrar Office of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.*

6. *For the purpose of determining a member who shall be entitled to attend the Eighth (8th) AGM, the Company shall request the Record of Depositors as at 6 February 2020. Only members whose name appears on the Record of Depositors as at 6 February 2020 shall be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote and vote on his/her stead.*

EXPLANATORY NOTES

1. **Audited Financial Statements for the Financial Year Ended 31 August 2019**

   The Agenda No. 1 is meant for discussion only as Section 340(1)(a) of the Companies Act 2016 provides that the audited financial statements are to be laid in the general meeting and do not require a formal approval of the shareholders. Hence, this Agenda item is not put forward for voting.

2. **Ordinary Resolution 1 and 2: Directors' Fees and Benefits**

   Pursuant to Section 230(1) of the Companies Act, 2016, the fees of the Directors and any benefits payable to the directors of public company or a listed company and its subsidiaires, shall be approved at a general meeting.

   The Directors' benefits payable comprises of meeting allowances and other claimable benefits which calculated based on the current Board size and the number of scheduled Board and Board Committee meetings for the period commencing from 15 February 2020 up to the next Annual General Meeting.

   In the event the proposed amount is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for the shortfall.

3. **Ordinary Resolution 7: Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016**

   The Ordinary Resolution 7, if passed, is a renewal of General Mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a General Meeting, will expire at the next Annual General Meeting.

   The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) workings capital and/or acquisitions at any time without convening a general meeting as it would be both costs and time consuming to organise a general meeting.

Statement Accompanying Notice of Annual General Meeting

The Directors who are standing for re-election at the Eighth (8th) Annual General Meeting of the Company are:

a) Directors standing for re-election pursuant to Clause 103(1) of the Company's Constitution:

   i) Sim Yee Fuan (Ordinary Resolution 3)
   ii) Wong Kin Seng (Ordinary Resolution 4)

b) Director standing for re-election pursuant to Clause 110 of the Company's Constitution:

   i) De Souza Michael Lawrence (Ordinary Resolution 5)

The profile of the above Directors are set out in the Annual Report 2019. The details of the interest of the above Directors in the securities of the Company or its related corporations are disclosed in the Directors report set out in the Annual Report.

The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Overview Statement set out in the Annual Report 2019.

The Eighth (8th) Annual General Meeting of the Company will be held at Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan on Friday, 14 February 2020 at 10.00 a.m.

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SCH GROUP BERHAD
Registration No. 201101044580 (972700-P)

NUMBER OF SHARES HELD	CDS ACCOUNT NO.

FORM OF PROXY

(Before completing this form please refer to the notes below)

I/We *(Full Name in Block Letters)* ______________________________

NRIC No./Passport No./Company No. ______________________________

of ______________________________

being a member/members of **SCH GROUP BERHAD 201101044580 (972700-P)**, hereby appoint ______________________________

______________________________ NRIC No./Passport No. ______________________________

of ______________________________

and/or ______________________________ NRIC No./Passport No. ______________________________

of ______________________________

or failing him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us and on my/our behalf at the Eighth (8th) Annual General Meeting of the Company to be held at Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan on Friday, 14 February 2020 at 10.00 a.m. and at any adjournment thereof in the manner as indicate below:

NO.	RESOLUTIONS		FOR	AGAINST
1.	To approve the payment of Directors' fees.	Ordinary Resolution 1		
2.	To approve the payment of Directors' benefits.	Ordinary Resolution 2		
3.	To re-elect Sim Yee Fuan as Director.	Ordinary Resolution 3		
4.	To re-elect Wong Kin Seng as Director.	Ordinary Resolution 4		
5.	To re-elect De Souza Michael Lawrence as Director.	Ordinary Resolution 5		
6.	To re-appoint Messrs. ECOVIS MALAYSIA PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 6		
7.	To approve the authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016.	Ordinary Resolution 7		

(Please indicate with 'X' how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting on the resolutions as he/she may think fit.)

Signed this ______________ day of ____________________, 2020.

____
Signature/Common Seal of Member

The proportions of my/our holdings to be represented by my/our proxies are as follows:-

First Proxy
No. of Shares : ______________
Percentage : ______________%

Second Proxy
No. of Shares : ______________
Percentage : ______________%

NOTES:

1. *A member/shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy may, but need not, be a member of the Company. Where a member/shareholder appoints more than one proxy to attend and vote at the Meeting, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.*
2. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.*
3. *Where a member of the Company is an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member of the Company is an exempt authorised nominee defined under the SICDA which is exempted from compliance with the provision of subsection 25A(1) of SICDA which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The Form of Proxy must be deposited at the Registrar Office of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.*
6. *For the purpose of determining a member who shall be entitled to attend the Eighth (8th) AGM, the Company shall request the Record of Depositors as at 6 February 2020. Only members whose name appears on the Record of Depositors as at 6 February 2020 shall be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote and vote on his/her stead.*

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

THE SHARE REGISTRAR OF
SCH GROUP BERHAD 201101044580 (972700-P)
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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