

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER AND FINANCIAL YEAR ENDED 31 AUGUST 2015

(The figures have not been audited)

	<--- Individual Quarter --->		<--- Cumulative Quarter---> (Audited)	
	31 August 2015 RM'000	31 August 2014 RM'000	31 August 2015 RM'000	31 August 2014 RM'000
Revenue	9,615	16,650	59,646	65,423
Cost of Sales	(6,265)	(10,903)	(36,823)	(40,872)
Gross Profit	3,350	5,747	22,823	24,551
Other operating income	182	208	777	581
Administrative expenses	(2,258)	(2,358)	(9,801)	(9,156)
Selling and distribution expenses	(455)	(954)	(2,717)	(2,832)
Other expenses	(1,133)	(11)	(1,133)	(11)
Listing expenses	-	(32)	-	(1,931)
Finance costs	(208)	(205)	(767)	(854)
(Loss)/Profit before taxation	(522)	2,395	9,182	10,348
Taxation	(201)	(545)	(2,723)	(3,156)
(Loss)/Profit after taxation	(723)	1,850	6,459	7,192
Other comprehensive income after tax:				
Exchange translation differences for foreign operation	86	(18)	157	(18)
Total comprehensive income for the financial year	(637)	1,832	6,616	7,174
PAT ATTRIBUTABLE TO:				
- Owners of the company	(723)	1,850	6,459	7,192
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the company	(637)	1,832	6,616	7,174
Weighted average no. of ordinary shares ('000)	412,234	412,234	412,234	372,479
(Loss)/Earnings per share attributable to owners of the company (sen):				
- Basic	(0.18)	0.45	1.57	1.93

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2014 and the accompanying explanatory notes attached to the interim financial report.

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2015

(The figures have not been audited)

	As at 31 August 2015 RM'000	(Audited) As at 31 August 2014 RM'000
ASSETS		
NON-CURRENT ASSET		
Property, plant and equipment	12,450	12,203
Capital work-in-progress	5,676	986
TOTAL NON-CURRENT ASSETS	18,126	13,189
CURRENT ASSETS		
Inventories	26,021	26,907
Trade receivables	17,951	26,459
Other receivables, prepayments and deposits	606	341
Tax recoverable	537	118
Fixed deposit with a licensed bank	12,113	17,560
Cash and bank balances	3,378	3,162
TOTAL CURRENT ASSETS	60,606	74,547
TOTAL ASSETS	78,732	87,736
EQUITY AND LIABILITIES		
EQUITY		
Share capital	41,223	41,223
Share premium	10,906	10,906
Merger deficit reserve	(24,515)	(24,515)
Foreign currency translation reserves	205	48
Retained earnings	36,631	34,294
TOTAL EQUITY	64,450	61,956
CURRENT LIABILITIES		
Trade payables	2,310	6,150
Other payables	1,968	2,255
Amount owing to directors	19	19
Hire purchase payables	495	385
Bank borrowings	8,150	14,413
Tax payable	324	417
	13,266	23,639

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 August 2015 (Cont'd)

(The figures have not been audited)

	As at 31 August 2015 RM'000	(Audited) As at 31 August 2014 RM'000
NON CURRENT LIABILITIES		
Hire purchase payables	871	229
Bank borrowings	-	1,781
Deferred tax liabilities	145	131
	<u>1,016</u>	<u>2,141</u>
TOTAL LIABILITIES	<u>14,282</u>	<u>25,780</u>
TOTAL EQUITY AND LIABILITIES	<u>78,732</u>	<u>87,736</u>
NET ASSET PER SHARE (sen)	<u>15.63</u>	<u>15.03</u>

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2014 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2015

(The figures have not been audited)

	Share Capital RM'000	←----- Non-Distributable -----→ Share Premium RM'000	Merger Reserve RM'000	Translation Reserve RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
Balance as at 1 September 2014	41,223	10,906	(24,515)	48	34,294	61,956
Profit for the financial year					6,459	6,459
Other comprehensive income for the financial year				157		157
Total comprehensive income for the financial year						6,616
Dividends					(4,122)	(4,122)
Balance as at 31 August 2015	41,223	10,906	(24,515)	205	36,631	64,450

(Audited)	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Translation Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
Balance as at 1 September 2013	32,154		(24,515)	66	31,224	38,929
Profit for the financial year					7,192	7,192
Other comprehensive income for the financial year				(18)		(18)
Total comprehensive income for the financial year				(18)	7,192	7,174
Public issue of shares	9,069	11,790	-	-	-	20,859
Share issue expenses		(884)	-	-	-	(884)
Dividends					(4,122)	(4,122)
Balance as at 31 August 2014	41,223	10,906	(24,515)	48	34,294	61,956

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2014 and the accompanying explanatory notes attached to this interim financial report.

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2015

(The figures have not been audited)

	31 August 2015 RM'000	(Audited) 31 August 2014 RM'000
Cash Flows From Operating Activities		
Profit before taxation	9,182	10,348
Adjustment for:		
Allowance for slow moving inventories	430	-
Bad debts written off	52	42
Depreciation of property, plant and equipment	1,382	1,580
Impairment on trade receivables	106	43
Interest expenses	767	854
Property, plant and equipment written off	22	11
Waiver of debts	-	5
Gain on disposal of property, plant and equipment	(9)	(3)
Interest income	(600)	(338)
Reversal of impairment on trade receivables	(9)	(57)
Operating profit before working capital changes	11,323	12,485
Changes in working capital:		
Inventories	456	(2,119)
Trade and other receivables	8,083	(6,015)
Trade and other payables	(4,127)	(619)
	4,412	(8,753)
Cash generated from operations	15,735	3,732
Interest received	600	338
Interest paid	(767)	(854)
Tax refund	149	353
Tax paid	(3,368)	(2,942)
Exchange differences	161	(17)
	(3,225)	(3,122)
Net cash from operating activities	12,510	610
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(452)	(525)
Proceeds from disposal of property, plant and equipment	10	418
Payment for capital work-in-progress	(4,690)	(892)
Net cash used in investing activities	(5,132)	(999)

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2015 (Con't)

(The figures have not been audited)

	31 August 2015 RM'000	(Audited) 31 August 2014 RM'000
Cash Flows From Financing Activities		
Proceeds from issuance of shares	-	20,859
Payment of share issue expenses	-	(884)
Net repayment of bank borrowings	(2,020)	(1,220)
Net repayment of hire purchase payables	(443)	(2,828)
Changes on bankers' acceptance & trust receipts	(3,683)	3,183
(Increase)/decrease in fixed deposits pledged	(2,178)	160
Dividend paid	(4,122)	(4,122)
Net cash (used in)/from financing activities	<u>(12,446)</u>	<u>15,148</u>
Net (decrease)/increase in cash and cash equivalents	(5,068)	14,759
Cash and cash equivalents at beginning of the financial year	16,976	2,217
Cash and cash equivalents at end of the financial year	<u>11,908</u>	<u>16,976</u>
Cash and cash equivalents at end of the financial year comprises:		
- Fixed deposits placed with a licensed banks	12,113	17,560
- Cash and bank balances	3,378	3,162
- Bank overdraft	(38)	(2,380)
	<u>15,453</u>	<u>18,342</u>
Less: Fixed deposits pledged with licensed banks	(3,545)	(1,366)
	<u>11,908</u>	<u>16,976</u>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2014 and the accompanying explanatory notes attached to this interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 AUGUST 2015

A1. Basis of preparation

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

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2014 and the accompanying explanatory notes attached to this interim financial report.

The accounting policies adopted in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 August 2014. The Group has adopted those standards, amendments and interpretations that have become effective 1 January 2014 and such adoptions do not have material impact on the financial position and performance of the Group.

The Group has not applied the following standards, amendments and interpretations under MFRS framework that have been issued by the Malaysia Accounting Standards Board as they have yet to be effective for the Group.

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective dates for financial period beginning on and after
MFRS 14 – Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11 – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141 – Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127 – Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10 and MFRS 128 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 101 - Disclosure Initiative	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 – Investment Entities: Applying the Consolidation Exception	1 January 2016
Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016
MFRS 15 – Revenue from Contracts with Customers	1 January 2017
MFRS 9 – Financial Instruments (MFRS 9 issued by IASB in July 2014)	1 January 2018

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A2. Auditors' report of preceding annual audited financial statements

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

A3. Seasonal or cyclical factors

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

A4. Unusual items

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

A5. Material changes in estimates

There were no changes in the estimates of amounts reported in prior financial years that had a material effect on the current financial quarter ended 31 August 2015 and financial year-to-date.

A6. Debt and equity securities

There were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

A7. Segmental information

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

	Year to date ended 31 August 2015 RM'000	Year to date ended 31 August 2014 RM'000
Quarry industrial products	20,458	33,050
Quarry machinery, quarry equipment and reconditioned quarry machinery	22,164	15,744
Spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery	12,530	11,644
Manufacturing and distribution of quarry grill	4,494	4,985
Total	<u>59,646</u>	<u>65,423</u>

No other segmental information such as segment assets, liabilities and results are presented as the Group is principally engaged in one industry that is the quarry industry.

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A8. Dividend Paid

An interim single-tier dividend of 1.0 sen per ordinary share totalling RM4.12 million in respect of financial year ended 31 August 2015 have been declared on 21 January 2015 and paid on 5 March 2015.

A9. Valuation of property, plant and equipment

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

A10. Capital commitments

The capital commitments of the Group as at 31 August 2015 were as follows:-

	RM'000
Authorised and contracted for:	
- Capital work-in-progress	6,190

A11. Changes in the composition of the Group

There were no material changes in the composition of the Group for the current financial quarter.

A12. Contingent liabilities and contingent assets

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

Contingent liabilities of the Group as at 31 August 2015 were as follows:-

	RM'000
Corporate guarantees issued in favour of its subsidiaries	43,700

A13. Material events subsequent to the end of the quarter

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

A14. Related party transactions

Transactions with a company in which a Director has interest for the year ended 31 August 2015 were as follows:-

	RM'000
Transportation charges paid	5

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS**B1. Review of performance****Q4/2015 compared to Q4/2014**

For the current financial quarter ended 31 August 2015, the Group recorded revenue of RM9.62 million as compared to RM16.65 million in the corresponding quarter of last year, a decrease of 42.22%. Demand has weakened considerably as consumers remained cautious of the uncertainty surrounding Malaysia's economy.

As a result, a loss before tax position of RM0.52 million was recorded for the quarter under review as compared to a profit before tax position of RM2.40 million in the comparable quarter of last year.

12 MTHS/2015 compared to 12 MTHS/2014

For the financial year ended 31 August 2015, the Group's revenue has decreased by 8.82% to RM59.65 million as compared to RM65.42 million in the previous year. The decrease was mainly due to lower sales in the quarry industrial product business segment which has dropped by 38.09% to RM20.46 million this year from RM33.05 million last year.

For the same year under review, the Group achieved a profit before tax of RM9.18 million, a decrease of 11.30% as compared to RM10.35 million in the previous year. Administrative, selling & distribution and other expenses have increased by 13.75% to RM13.65 million as compared to RM12.0 million in last year. The increase were due broadly to a one-off legal expenses incurred for securing bank facilities, GST implementation expenses, allowance for slow moving inventories and also realised and unrealised foreign exchange loss.

B2. Comparison with immediate preceding quarter's results

	Quarter ended		
	31 August	31 May	
	2015	2015	Variance
	RM'000	RM'000	RM'000
Revenue	9,615	18,062	(8,447)
(Loss)/Profit before tax	(522)	2,937	(3,459)

The Group's revenue for the fourth financial quarter ended 31 August 2015 has decreased by RM8.45 million or 46.79% to RM9.62 million as compared to RM18.06 million in the preceding financial quarter ended 31 May 2015.

Revenue was dragged down by nearly half and consequently, a loss before tax of RM0.52 million was recorded as compared to a profit before tax of RM2.94 million in the preceding financial quarter ended 31 May 2015. The lower demand was due to the spillover effects of the implementation of GST, imported inflation from a weaker ringgit and also cautious consumers' sentiment of the market condition.

B3. Prospects

This is a tough year for both Malaysia and across the region given the downturn in global commodity prices, China's slower economic growth and unfavourable ringgit exchange rate. Although the global economic growth outlook remains subdued and uncertain, nevertheless, it is anticipated that domestic demand will still continue to be the key driver of economic growth.

The Group is optimistic that it will continue to benefit from the Government's various infrastructure projects under the 11th Malaysian Plan. In addition, the Group will continue its efforts to streamline and improve operational cost efficiency to ride out any challenging condition.

The Group will strive to remain competitive for the financial year ending 31 August 2016.

B4. Profit forecast

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

B5. Taxation

	Individual Quarter Ended		Cumulative Quarter Ended	
	31 August 2015	31 August 2014	31 August 2015	31 August 2014
Income tax expense				
- Current financial period	187	601	2,755	3,207
- (Over) provision in prior year	-	-	(46)	(42)
	<u>187</u>	<u>601</u>	<u>2,709</u>	<u>3,165</u>
Deferred tax				
- Current financial period	19	(19)	19	17
- (Over) provision in prior year	(5)	(37)	(5)	(26)
Total tax expense	<u>201</u>	<u>545</u>	<u>2,723</u>	<u>3,156</u>

The applicable income tax rate is 25% except for the Group's subsidiary company Italiaword Pte Ltd which is calculated at the statutory rate of 17% based on Singapore tax rate.

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B6. Status of corporate proposals and utilisation of proceeds

(i) Status of corporate proposal

There is no corporate proposal announced as at the date of this report.

(ii) Utilisation of proceeds

As at 31 August 2015, the gross proceeds from the Public Issue amounting to RM20.86 million was partially utilised from date of listing in the following manner:-

	Purpose	Approved utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000	Timeframe for utilisation
i)	Payment of listing expenses	2,000	2,000	-	Within 1 month
ii)	Capital expenditure on construction of the new operation facility	10,000	4,585	5,415	Within 36 months
iii)	General working capital requirements	8,859	8,859	-	Within 12 months
		20,859	15,444	5,415	

B7. Borrowings

The Group's borrowings were as follows:-

	As at 31 August 2015 RM'000	As at 31 August 2014 RM'000
Secured		
Bank overdraft	38	2,380
Bill payables	8,112	11,795
Hire purchases	1,366	614
Term loans	-	2,019
Total bank borrowings	9,516	16,808
Short Term		
Bank overdraft	38	2,380
Bill payables	8,112	11,795
Hire purchases	495	385
Term loans	-	238
	8,645	14,798
Long Term		
Hire purchases	871	229
Term loans	-	1,781
	871	2,010

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B8. Changes in material litigation

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

B9. Dividend Proposed

A final single-tier dividend of 0.5 sen per ordinary share of 10 sen each for the current financial year ended 31 August 2015 has been recommended by the Board for approval by shareholders. The date of payment of the recommended final single-tier dividend shall be determined by the Board and announced at a later date.

Total dividend paid/payable for the current financial year ended 31 August 2015, including the above recommended final single-tier dividend, if approved, would amount to 1.5 sen per ordinary share of 10 sen each, comprising an interim dividend of 1.0 sen and a proposed final single-tier dividend of 0.5 sen ordinary share of 10 sen each.

B10. Earnings per share

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

	Individual Quarter ended		Cumulative Quarter ended	
	31 August 2015 RM'000	31 August 2014 RM'000	31 August 2015 RM'000	31 August 2014 RM'000
(Loss)/Profit attributable to ordinary equity holders of the Group	(723)	1,850	6,459	7,192
Weighted average number of ordinary shares in issue (000)	412,234	412,234	412,234	372,479
Basic (loss)/earnings per share (sen) ^	(0.18)	0.45	1.57	1.93

Note:

^ Basic earnings per share for the quarter and financial year is calculated based on the net profit divided by the weighted average number of ordinary shares for the quarter and financial year respectively.

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B11. Retained and unrealised profits/losses

	As at 31 August 2015 RM'000	As at 31 August 2014 RM'000
Total retained earnings of the Group		
- Realised	37,049	34,726
- Unrealised	145	131
	<hr/> 37,194	<hr/> 34,857
less: Consolidated adjustments	563	563
Total retained profits as per statement of financial position	<hr/> 36,631	<hr/> 34,294

B12. Disclosure on selected expense/income items as required by the Listing Requirements

Included in profit before tax comprised the following expense/(income) items:

	Quarter ended 31 August 2015 RM'000	Year-to- date ended 31 August 2015 RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Depreciation of property plant and equipment	375	1,382
Allowance for slow moving inventories	430	430
Bad debts written off	13	52
Property, plant and equipment written off	-	22
Impairment of trade receivables	106	106
Interest expenses	208	767
Interest income	(153)	(600)
Realised loss on foreign exchange	55	511

B13. Comparative figures

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

BY ORDER OF THE BOARD
26 October 2015