



SCH GROUP BERHAD (972700-P)
(Incorporated in Malaysia)

Interim Financial Report
For the Second (2nd) Quarter ended
29 February 2016

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND (2ND) QUARTER ENDED 29 FEBRUARY 2016

(The figures have not been audited)

	<-- Individual Quarter -->		←- Cumulative Quarter -->	
	29 February 2016 RM'000	28 February 2015 RM'000	29 February 2016 RM'000	28 February 2015 RM'000
Revenue	7,597	13,340	19,257	31,968
Cost of Sales	(4,395)	(9,028)	(11,563)	(18,895)
Gross Profit	3,202	4,312	7,694	13,073
Other operating income	145	174	337	380
Administrative expenses	(2,492)	(2,476)	(4,923)	(4,692)
Selling and distribution expenses	(542)	(1,033)	(1,004)	(1,607)
Other expenses	-	-	-	-
Finance costs	(40)	(155)	(167)	(387)
Profit before taxation	273	822	1,937	6,767
Taxation	(168)	(231)	(619)	(1,712)
Profit after taxation	105	591	1,318	5,055
Other comprehensive income after tax:				
Exchange translation differences for foreign operation	2	58	11	58
Total comprehensive income for the financial period	107	649	1,329	5,113
PAT ATTRIBUTABLE TO:				
- Owners of the company	105	591	1,318	5,055
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the company	107	649	1,329	5,113
Weighted average no. of ordinary shares ('000)	412,234	412,234	412,234	412,234
Earnings per share attributable to owners of the company (sen):				
- Basic	0.03	0.14	0.32	1.23

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 2015 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 29 FEBRUARY 2016

(The figures have not been audited)

	As at 29 February 2016 RM'000	(Audited) As at 31 August 2015 RM'000
ASSETS		
NON-CURRENT ASSET		
Property, plant and equipment	10,652	12,450
Capital work-in-progress	9,953	5,676
TOTAL NON-CURRENT ASSETS	20,605	18,126
CURRENT ASSETS		
Inventories	29,044	26,021
Trade receivables	13,747	17,950
Other receivables, prepayments and deposits	939	611
Tax recoverable	945	537
Fixed deposit with a licensed bank	9,100	12,113
Cash and bank balances	1,608	3,378
TOTAL CURRENT ASSETS	55,383	60,610
TOTAL ASSETS	75,988	78,736
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	216	205
Retained earnings	35,889	36,632
TOTAL EQUITY	63,719	64,451
CURRENT LIABILITIES		
Trade payables	1,141	2,310
Other payables	1,226	1,973
Amount owing to directors	19	19
Hire purchase payables	137	494
Bank borrowings	9,310	8,150
Tax payable	212	324
	12,045	13,270

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2016 (Cont'd)

(The figures have not been audited)

	As at 29 February 2016 RM'000	(Audited) As at 31 August 2015 RM'000
NON CURRENT LIABILITIES		
Hire purchase payables	79	870
Bank borrowings	-	-
Deferred tax liabilities	145	145
	224	1,015
TOTAL LIABILITIES	12,269	14,285
TOTAL EQUITY AND LIABILITIES	75,988	78,736
NET ASSET PER SHARE (sen)	15.46	15.63

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 2015 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 SECOND (2ND) QUARTER ENDED 29 FEBRUARY 2016

(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 2015	41,223	10,906	(24,515)	205	36,632	64,451
Profit for the financial period					1,318	1,318
Other comprehensive income for the financial period				11		11
Total comprehensive income for the financial period				11	1,318	1,329
Dividends					(2,061)	(2,061)
Balance as at 29 February 2016	41,223	10,906	(24,515)	216	35,889	63,719

	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 2014	41,223	10,906	(24,515)	48	34,294	61,956
Profit for the financial period					5,055	5,055
Other comprehensive income for the financial period				58		58
Total comprehensive income for the financial period				58	5,055	5,113
Dividends					(4,122)	(4,122)
Balance as at 28 February 2015	41,223	10,906	(24,515)	106	35,227	62,947

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 2015 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 SECOND (2ND) QUARTER ENDED 29 FEBRUARY 2016

(The figures have not been audited)

	6 months ended 29 February 2016 RM'000	6 months ended 28 February 2015 RM'000
Cash Flows From Operating Activities		
Profit before taxation	1,937	6,767
Adjustment for:		
Bad debts written off	6	36
Depreciation of property, plant and equipment	529	673
Interest expenses	167	387
Property, plant and equipment written off	159	7
Interest income	(190)	(95)
Operating profit before working capital changes	2,608	7,775
Changes in working capital:		
Inventories	(1,878)	(3,575)
Trade and other receivables	3,871	6,599
Trade and other payables	(1,916)	(1,896)
	77	1,128
Cash generated from operations	2,685	8,903
Interest received	190	95
Interest paid	(167)	(387)
Tax refund	-	121
Tax paid	(1,140)	(1,073)
Exchange differences	11	56
	(1,106)	(1,188)
Net cash from operating activities	1,579	7,715
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(35)	(181)
Payment for capital work-in-progress	(4,277)	(500)
Net cash used in investing activities	(4,312)	(681)
Cash Flows From Financing Activities		
Drawdown/(repayment) of bank borrowings	4,582	(105)
Net repayment of hire purchase payables	(1,149)	(190)
Changes on bankers' acceptance & trust receipts	(4,000)	(1,991)
Increase in fixed deposits pledged	(55)	(2,121)
Dividend paid	(2,061)	(4,122)
Net cash used in financing activities	(2,683)	(8,529)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2ND) QUARTER ENDED 29 FEBRUARY 2016 (Con't)

(The figures have not been audited)

	6 months ended 29 February 2016 RM'000	6 months ended 28 February 2015 RM'000
Net decrease in cash and cash equivalents	(5,416)	(1,495)
Cash and cash equivalents at beginning of the financial year	11,908	16,976
Cash and cash equivalents at end of the financial period	6,492	15,481
Cash and cash equivalents at end of the financial period comprises:		
- Fixed deposits placed with a licensed banks	9,100	18,210
- Cash and bank balances	1,608	2,218
- Bank overdraft	(616)	(1,459)
	10,092	18,969
Less: Fixed deposits pledged with licensed banks	(3,600)	(3,488)
	6,492	15,481

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 2015 and the accompanying explanatory notes attached to this interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 29 FEBRUARY 2016

A1. Basis of preparation

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

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2015 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 2015. The Group has adopted those standards, amendments and interpretations that have become effective 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 29 February 2016 and financial period-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:-

	6 months ended 29 February 2016 RM'000	6 months ended 28 February 2015 RM'000
Quarry industrial products	8,779	11,864
Quarry machinery, quarry equipment and reconditioned quarry machinery	4,589	11,435
Spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery	4,186	6,442
Manufacturing and distribution of quarry grill	1,703	2,227
Total	<u>19,257</u>	<u>31,968</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

A final single-tier dividend of 0.5 sen per ordinary share totalling RM2.06 million for the financial year ended 31 August 2015 was paid on 26 February 2016.

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 29 February 2016 were as follows:-

	RM'000
Authorised and contracted for:	
- Capital work-in-progress	1,913

A11. Changes in the composition of the Group

There were no material changes in the composition of the Group for the period ended 29 February 2016, except that on 24 February 2016, the Group announced that it had incorporated a new wholly-owned subsidiary known as Sin Chee Heng (Cambodia) Company Limited in the Kingdom of Cambodia to supply and distribute all kinds of quarry industrial products and servicing of quarry machinery.

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 29 February 2016 were as follows:-

	RM'000
Corporate guarantees issued in favour of its subsidiaries	57,250

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 period-to-date that have not been reflected in this interim financial report.

A14. Related party transactions

There was no related party transaction entered into with related parties during the current financial quarter ended 29 February 2016.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS**B1. Review of performance****Q2/2016 compared to Q2/2015**

For the current financial quarter ended 29 February 2016, the Group recorded a revenue of RM7.60 million as compared to RM13.34 million in the corresponding quarter of last year, a decrease of RM5.74 million or 43.05%.

The decrease in revenue was mainly due to the decline in the number of high-value machines sold during the quarter under review. Revenue for the supply of machineries was down sharply from RM3.48 million in the previous quarter of last year to RM0.61 million for the quarter under review, dropped by 82.44%.

Consequently, a profit before tax of RM0.27 million was being recorded for the quarter under review as compared to a profit before tax of RM0.82 million in the comparable quarter of last year.

6 MTHS/2016 compared to 6 MTHS/2015

For the six (6) months ended 29 February 2016, the Group's revenue has decreased by 39.77% to RM19.26 million as compared to RM31.97 million in the previous year corresponding period.

As disclosed in note A7, all four (4) business segments recorded a decline in revenue due to weak demand. Revenue for the supply of machineries and machineries spare parts tumbled by 59.87% and 35.02% respectively.

Demand has yet to gather momentum since the implementation of GST and depreciation of the Ringgit as prices of imported industrial products and spare parts are now costlier.

For the same period under review, the Group achieved profit before tax of RM1.94 million, a decrease by 71.38% as compared to RM6.77 million in the previous year corresponding period.

B2. Comparison with immediate preceding quarter's results

	<----- Quarter ended ---->		
	29 February 2016 RM'000	30 November 2015 RM'000	Variance RM'000
Revenue	7,597	11,660	(4,063)
Profit before tax	273	1,665	(1,392)

For the current financial quarter ended 29 February 2016, the Group recorded a revenue and profit before tax of RM7.60 million and RM0.27 million as compared to RM11.66 million and RM1.67 million respectively in the preceding financial quarter ended 30 November 2015.

This represents a decrease of 34.85% and 83.60% in revenue and profit before tax respectively for the quarter under review.

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B3. Prospects

The Group envisaged that the outlook of the quarry market continue to remain tough. Quarry customers are holding back their purchases due to high import costs of quarry products as a result of weak Ringgit.

Despite the current challenging outlook, the Group will continue to 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	
	29 February 2016	28 February 2015	29 February 2016	28 February 2015
Income tax expense				
- Current financial period	168	231	619	1,712
- (Over) provision in prior year	-	-	-	-
	<u>168</u>	<u>231</u>	<u>619</u>	<u>1,712</u>
Deferred tax				
- Current financial period	-	-	-	-
- (Over) provision in prior year	-	-	-	-
Total tax expense	<u>168</u>	<u>231</u>	<u>619</u>	<u>1,712</u>

The applicable income tax rate is 25% except for the Group's subsidiary company Italiaworld Pte Ltd which is calculated at the statutory rate of 17% based on Singapore tax rate. The Group's effective tax rate is higher than the statutory rate of 25% mainly due to the non-deductibility of certain expenses for tax purposes.

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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 29 February 2016, 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	9,953	47	Within 36 months
iii)	General working capital requirements	8,859	8,859	-	Within 12 months
		20,859	20,812	47	

B7. Borrowings

The Group's borrowings were as follows:-

	As at 29 February 2016 RM'000	As at 31 August 2015 RM'000
Secured		
Bank overdraft	616	38
Bill payables	4,112	8,112
Hire purchases	216	1,364
Foreign currency loans against import	4,582	-
Total bank borrowings	9,526	9,514
Short Term		
Bank overdraft	616	38
Bill payables	4,112	8,112
Hire purchases	137	494
Foreign currency loans against import	4,582	-
	9,447	8,644
Long Term		
Hire purchases	79	870
Foreign currency loans against import	-	-
	79	870

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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

No dividend proposed for the financial quarter.

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	
	29 February 2016 RM'000	28 February 2015 RM'000	29 February 2016 RM'000	28 February 2015 RM'000
Profit attributable to ordinary equity holders of the Group	105	591	1,318	5,055
Weighted average number of ordinary shares in issue (000)	412,234	412,234	412,234	412,234
Basic earnings per share (sen) ^	0.03	0.14	0.32	1.23

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 period respectively.

11. Retained and unrealised profits/losses

	As at 29 February 2016 RM'000	As at 31 August 2015 RM'000
Total retained earnings of the Group		
- Realised	36,307	37,050
- Unrealised	145	145
	<hr/> 36,452	<hr/> 37,195
less: Consolidated adjustments	563	563
Total retained profits as per statement of financial position	<hr/> 35,889	<hr/> 36,632

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

	Quarter ended 29 February 2016 RM'000	Year-to- date ended 29 February 2016 RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Depreciation of property plant and equipment	231	529
Bad debts written off	6	-
Property, plant and equipment written off	-	159
Interest expenses	40	167
Interest income	(68)	(190)
Realised loss on foreign exchange	33	30

B13. Comparative figures

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

BY ORDER OF THE BOARD
28 April 2016