



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

Interim Financial Report
For the Third (3rd) Quarter ended
31 May 2016

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD (3RD) QUARTER ENDED 31 MAY 2016

(The figures have not been audited)

	<-- Individual Quarter -->		←- Cumulative Quarter -->	
	31 May 2016 RM'000	31 May 2015 RM'000	31 May 2016 RM'000	31 May 2015 RM'000
Revenue	9,866	18,062	29,123	50,030
Cost of Sales	(5,929)	(11,662)	(17,492)	(30,557)
Gross Profit	3,937	6,400	11,631	19,473
Other operating income	155	215	492	595
Administrative expenses	(2,587)	(2,851)	(7,510)	(7,543)
Selling and distribution expenses	(476)	(655)	(1,480)	(2,262)
Other expenses	-	-	-	-
Finance costs	(81)	(172)	(248)	(559)
Profit before taxation	948	2,937	2,885	9,704
Taxation	(221)	(810)	(840)	(2,522)
Profit after taxation	727	2,127	2,045	7,182
Other comprehensive income after tax:				
Exchange translation differences for foreign operation	(14)	71	(2)	71
Total comprehensive income for the financial period	713	2,198	2,043	7,253
PAT ATTRIBUTABLE TO:				
- Owners of the company	727	2,127	2,045	7,182
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the company	713	2,198	2,043	7,253
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	0.18	0.52	0.50	1.74

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 31 MAY 2016

(The figures have not been audited)

	As at 31 May 2016 RM'000	(Audited) As at 31 August 2015 RM'000
ASSETS		
NON-CURRENT ASSET		
Property, plant and equipment	10,554	12,450
Capital work-in-progress	10,390	5,676
TOTAL NON-CURRENT ASSETS	20,944	18,126
CURRENT ASSETS		
Inventories	27,596	26,021
Trade receivables	14,071	17,950
Other receivables, prepayments and deposits	549	611
Tax recoverable	1,423	537
Fixed deposit with a licensed bank	7,965	12,113
Cash and bank balances	2,767	3,378
TOTAL CURRENT ASSETS	54,371	60,610
TOTAL ASSETS	75,315	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	203	205
Retained earnings	36,616	36,632
TOTAL EQUITY	64,433	64,451
CURRENT LIABILITIES		
Trade payables	1,592	2,310
Other payables	1,541	1,973
Amount owing to directors	19	19
Hire purchase payables	80	494
Bank borrowings	7,293	8,150
Tax payable	33	324
	10,558	13,270

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY 2016 (Cont'd)

(The figures have not been audited)

	As at 31 May 2016 RM'000	(Audited) As at 31 August 2015 RM'000
NON CURRENT LIABILITIES		
Hire purchase payables	179	870
Bank borrowings	-	-
Deferred tax liabilities	145	145
	324	1,015
TOTAL LIABILITIES	10,882	14,285
TOTAL EQUITY AND LIABILITIES	75,315	78,736
NET ASSET PER SHARE (sen)	15.63	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.

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD (3RD) QUARTER ENDED 31 MAY 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					2,045	2,045
Other comprehensive income for the financial period				(2)		(2)
Total comprehensive income for the financial period				(2)	2,045	2,043
Dividends					(2,061)	(2,061)
Balance as at 31 May 2016	41,223	10,906	(24,515)	203	36,616	64,433

	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					7,182	7,182
Other comprehensive income for the financial period				71		71
Total comprehensive income for the financial period				71	7,182	7,253
Dividends					(4,122)	(4,122)
Balance as at 31 May 2015	41,223	10,906	(24,515)	119	37,354	65,087

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 THIRD (3RD) QUARTER ENDED 31 MAY 2016

(The figures have not been audited)

	9 months ended 31 May 2016 RM'000	9 months ended 31 May 2015 RM'000
Cash Flows From Operating Activities		
Profit before taxation	2,885	9,704
Adjustment for:		
Bad debts written off	9	39
Depreciation of property, plant and equipment	763	1,007
Interest expenses	248	559
Property, plant and equipment written off	164	22
Interest income	(262)	(447)
Gain on disposal of property, plant and equipment	(53)	-
Operating profit before working capital changes	3,754	10,884
Changes in working capital:		
Inventories	(431)	(1,029)
Trade and other receivables	3,934	6,309
Trade and other payables	(1,149)	(4,332)
	2,354	948
Cash generated from operations	6,108	11,832
Interest received	262	447
Interest paid	(248)	(559)
Tax refund	-	121
Tax paid	(2,018)	(2,068)
Exchange differences	(2)	68
	(2,006)	(1,991)
Net cash from operating activities	4,102	9,841
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(115)	(756)
Payment for capital work-in-progress	(4,715)	-
Proceeds from disposal of property, plant and equipment	53	-
Net cash used in investing activities	(4,777)	(756)
Cash Flows From Financing Activities		
Drawdown/(repayment) of bank borrowings	6,040	(72)
Net repayment of hire purchase payables	(1,166)	(287)
Changes on bankers' acceptance & trust receipts	(6,897)	(4,420)
Decrease/(Increase) in fixed deposits pledged	1,125	(2,146)
Dividend paid	(2,061)	(4,122)
Net cash used in financing activities	(2,959)	(11,047)

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3RD) QUARTER ENDED 31 MAY 2016 (Con't)

(The figures have not been audited)

	9 months ended 31 May 2016 RM'000	9 months ended 31 May 2015 RM'000
Net decrease in cash and cash equivalents	(3,634)	(1,962)
Cash and cash equivalents at beginning of the financial year	11,908	16,976
Cash and cash equivalents at end of the financial period	8,274	15,014
Cash and cash equivalents at end of the financial period comprises:		
- Fixed deposits placed with a licensed banks	7,965	18,159
- Cash and bank balances	2,767	1,523
- Bank overdraft	(38)	(1,156)
	10,694	18,526
Less: Fixed deposits pledged with licensed banks	(2,420)	(3,512)
	8,274	15,014

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 31 MAY 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

SCH GROUP BERHAD (972700-P)

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 May 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:-

	Individual Quarter Ended		Cumulative Quarter Ended	
	31 May 2016	31 May 2015	31 May 2016	31 May 2015
Quarry industrial products	5,717	4,205	14,496	16,069
Quarry machinery, quarry equipment and reconditioned quarry machinery	1,288	8,030	5,877	19,465
Spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery	1,928	4,493	6,114	10,935
Manufacturing and distribution of quarry grill	933	1,334	2,636	3,561
Total	<u>9,866</u>	<u>18,062</u>	<u>29,123</u>	<u>50,030</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.

SCH GROUP BERHAD (972700-P)

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 31 May 2016 were as follows:-

	RM'000
Authorised and contracted for:	
- Capital work-in-progress	1,476

A11. Changes in the composition of the Group

There were no material changes in the composition of the Group for the period ended 31 May 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 31 May 2016 were as follows:-

	RM'000
Corporate guarantees issued in favour of its subsidiaries	53,750

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.

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SCH GROUP BERHAD (972700-P)

A14. Related party transactions

Transactions with companies in which Directors have interest were as follows:-

	Quarter ended 31 May 2016 RM'000	Year-to-date ended 31 May 2016 RM'000
Transportation charges paid	-	8
Professional charges paid for perusing & providing advice on distributorship agreement	3	3
Total	<u>3</u>	<u>11</u>

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

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B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS**B1. Review of performance****Q3/2016 compared to Q3/2015**

For the current financial quarter period ended 31 May 2016, the Group recorded revenue of RM9.87 million as compared to RM18.06 million in the corresponding quarter of last year, a decrease of RM8.19 million or 45.35%.

The decline in revenue was attributed mainly by the decline in revenue contribution from the quarry machinery, equipment and reconditioned machinery business segment, which decreased from RM8.03 million in the previous quarter of last year to RM1.29 million for the quarter under review, dropped by RM6.74 million or 83.94%.

Nevertheless, the Group has managed to record a profit before tax position of RM0.95 million for the quarter under review as compared to a profit before tax of RM2.94 million in the comparable quarter of last year.

9 MTHS/2016 compared to 9 MTHS/2015

For the nine (9) months period ended 31 May 2016, the Group's revenue has decreased by 41.79% to RM29.12 million as compared to RM50.03 million in the previous year corresponding period.

As disclosed in note A7, the Group recorded a decline in revenue due to weaker than expected demand for its products and services. Revenue generated from the supply of quarry machinery, equipment and reconditioned machinery business segment decreased by RM13.59 million or 69.81% whilst the supply of spare parts for quarry machinery, equipment and reconditioned machinery business segment decreased by RM4.82 million or 44.09%. The decrease in revenue in both business segments is mainly attributable to the decrease in orders made by the Group's customers, which have adopted a more precautionary stance in view of the prevailing economic conditions.

For the same period under review, the Group achieved profit before tax of RM2.89 million, a decrease by 70.21% as compared to RM9.70 million in the previous year corresponding period.

B2. Comparison with immediate preceding quarter's results**<----- Quarter ended ---->**

	31 May 2016	29 February 2016	Variance
	RM'000	RM'000	RM'000
Revenue	9,866	7,597	2,269
Profit before tax	948	273	675

For the current financial quarter ended 31 May 2016, the Group recorded a revenue and profit before tax of RM9.87 million and RM0.95 million as compared to RM7.60 million and RM0.27 million respectively in the preceding financial quarter ended 29 February 2016.

B3. Prospects

For the financial period ended 31 May 2016, the operating environment for the Malaysian quarry machinery market has been challenging. Despite this, the Group has managed to record a profit after taxation position of RM2.05 million for the financial period ended 31 May 2015.

Moving forward, the Board sees various opportunities that the Group are able to capitalise to maintain its growth trajectory. On the domestic front, the quarrying and construction industries remain a key contributor to the Group's overall revenue. As announced under the Malaysian Budget 2016, 11th Malaysian Plan and the Economic Transformation Programme, the Malaysian Government is expected to undertake significant amount of various infrastructure and construction projects, notably as follows:-

- a) The 350 kilometre High Speed Rail project linking Kuala Lumpur and Singapore;
- b) The 52 kilometre Sungai-Buloh-Serdang-Putrajaya Mass Rapid Transit Line, which is estimated to cost RM28 billion;
- c) The third line of the light rail transit project known as the Bandar Utama, Damansara-Johan Setia, Klang Line;
- d) The Refinery and Petrochemical Integrated Development (RAPID) project in Pengerang, Johor
- e) The RM900 million Jalan Tun Razak Traffic Dispersal Project to reduce congestion in Kuala Lumpur; and
- f) The 1,090-km Sarawak Pan-Borneo Highway, which is estimated to cost RM16.1 billion.

These construction and infrastructure projects are expected to boost the demand for quarry products which in turn drive the demand for the quarry machinery and equipment market. On the foreign front, the Group had already expanded its operations into Phnom Penh, Cambodia since the second quarter of 2016 via the establishment of its 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. Based on the foregoing, the Board remains optimistic and positive on the Group's performance in FYE 2016 and beyond, backed by on-going various Government infrastructure and construction projects as mentioned above.

B4. Profit forecast

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

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SCH GROUP BERHAD (972700-P)

B5. Taxation

	Individual Quarter Ended		Cumulative Quarter Ended	
	31 May 2016	31 May 2015	31 May 2016	31 May 2015
Income tax expense				
- Current financial period	313	856	932	2,568
- (Over) provision in prior year	(92)	(46)	(92)	(46)
	<u>221</u>	<u>810</u>	<u>840</u>	<u>2,522</u>
Deferred tax				
- Current financial period	-	-	-	-
- (Over) provision in prior year	-	-	-	-
Total tax expense	<u>221</u>	<u>810</u>	<u>840</u>	<u>2,522</u>

The applicable income tax rate is 25% except for the Group's subsidiary company Italiaworld Pte Ltd and Sin Chee Heng (Cambodia) Company Limited which is calculated at the statutory rate of 17% based on Singapore tax rate and 20% based Cambodia tax rate respectively. 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.

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 May 2016, the gross proceeds from the Public Issue amounting to RM20.86 million was fully 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	10,000	-	Within 36 months
iii)	General working capital requirements	8,859	8,859	-	Within 12 months
		<u>20,859</u>	<u>20,859</u>	<u>-</u>	

SCH GROUP BERHAD (972700-P)

B7. Borrowings

The Group's borrowings were as follows:-

	As at 31 May 2016 RM'000	As at 31 August 2015 RM'000
Secured		
Bank overdraft	38	38
Bill payables	1,215	8,112
Hire purchases	259	1,364
Foreign currency loans against import	6,040	-
Total bank borrowings	7,552	9,514
Short Term		
Bank overdraft	38	38
Bill payables	1,215	8,112
Hire purchases	80	494
Foreign currency loans against import	6,040	-
	7,373	8,644
Long Term		
Hire purchases	179	870
Foreign currency loans against import	-	-
	179	870

B8. Changes in material litigation

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

B9. Dividend Proposed

No dividend proposed for the financial quarter.

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SCH GROUP BERHAD (972700-P)

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 May 2016 RM'000	31 May 2015 RM'000	31 May 2016 RM'000	31 May 2015 RM'000
Profit attributable to ordinary equity holders of the Group	727	2,127	2,045	7,182
Weighted average number of ordinary shares in issue (000)	412,234	412,234	412,234	412,234
Basic earnings per share (sen) ^	0.18	0.52	0.50	1.74

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.

B11. Retained and unrealised profits/losses

	As at 31 May 2016 RM'000	As at 31 August 2015 RM'000
Total retained earnings of the Group		
- Realised	37,034	37,050
- Unrealised	145	145
	<hr/> 37,179	<hr/> 37,195
less: Consolidated adjustments	563	563
Total retained profits as per statement of financial position	<hr/> 36,616	<hr/> 36,632

SCH GROUP BERHAD (972700-P)

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

	Quarter ended 31 May 2016 RM'000	Year-to- date ended 31 May 2016 RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Depreciation of property plant and equipment	234	763
Bad debts written off	3	9
Property, plant and equipment written off	5	164
Interest expenses	81	248
Gain on disposal of property plant and equipment	(53)	(53)
Interest income	(72)	(262)
Realised loss on foreign exchange	(23)	7

B13. Comparative figures

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

BY ORDER OF THE BOARD
27 July 2016