



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

Interim Financial Report
For the Fourth (4th) Quarter ended
31 August 2016

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH (4TH) QUARTER ENDED 31 AUGUST 2016

	<-- Individual Quarter -->		←- Cumulative Quarter -->	
	Unaudited 31 Aug 2016 RM'000	Unaudited 31 Aug 2015 RM'000	Unaudited 31 Aug 2016 RM'000	Audited 31 Aug 2015 RM'000
Revenue	7,891	9,615	37,014	59,646
Cost of Sales	(5,205)	(6,265)	(22,697)	(36,823)
Gross Profit	2,686	3,350	14,317	22,823
Other operating income	202	182	694	777
Administrative expenses	(2,742)	(2,258)	(10,252)	(9,803)
Selling and distribution expenses	(639)	(455)	(2,119)	(2,717)
Other expenses	-	(1,133)	-	(1,133)
Finance costs	(75)	(208)	(322)	(764)
(Loss)/Profit before taxation	(568)	(522)	2,318	9,183
Taxation	131	(201)	(709)	(2,723)
(Loss)/Profit after taxation	(437)	(723)	1,609	6,460
Other comprehensive income after tax:				
Exchange translation differences for foreign operations	3	86	-	157
Total comprehensive income for the financial year	(434)	(637)	1,609	6,617
PAT ATTRIBUTABLE TO:				
- Owners of the company	(437)	(723)	1,609	6,460
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the company	(434)	(637)	1,609	6,617
Weighted average no. of ordinary shares ('000)	412,234	412,234	412,234	412,234
(Loss)/Earnings per share attributable to owners of the company (sen):				
- Basic	(0.11)	(0.18)	0.39	1.57

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 AUGUST 2016

	Unaudited As at 31 Aug 2016 RM'000	Audited As at 31 Aug 2015 RM'000
ASSETS		
NON-CURRENT ASSET		
Property, plant and equipment	20,890	12,450
Capital work-in-progress	-	5,676
TOTAL NON-CURRENT ASSETS	20,890	18,126
CURRENT ASSETS		
Inventories	28,059	26,021
Trade receivables	13,166	17,950
Other receivables, prepayments and deposits	1,619	611
Tax recoverable	1,696	537
Fixed deposit with a licensed bank	7,888	12,113
Cash and bank balances	2,919	3,378
TOTAL CURRENT ASSETS	55,347	60,610
TOTAL ASSETS	76,237	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	205	205
Retained earnings	34,737	36,632
TOTAL EQUITY	62,556	64,451
CURRENT LIABILITIES		
Trade payables	2,244	2,310
Other payables	1,420	1,973
Amount owing to directors	19	19
Hire purchase payables	82	494
Bank borrowings	8,176	8,150
Dividend payable	1,443	-
Tax payable	12	324
	13,396	13,270

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2016 (Cont'd)

	Unaudited As at 31 Aug 2016 RM'000	Audited As at 31 Aug 2015 RM'000
NON CURRENT LIABILITIES		
Hire purchase payables	158	870
Deferred tax liabilities	127	145
	285	1,015
TOTAL LIABILITIES	13,681	14,285
TOTAL EQUITY AND LIABILITIES	76,237	78,736
NET ASSET PER SHARE (sen)	15.17	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 FOURTH (4TH) QUARTER ENDED 31 AUGUST 2016

Unaudited	←----- Non-Distributable -----→				Distributable	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Translation Reserve RM'000	Retained Earnings RM'000	
Balance as at 1 September 2015	41,223	10,906	(24,515)	205	36,632	64,451
Profit for the financial year					1,609	1,609
Other comprehensive income for the financial year				-		-
Total comprehensive income for the financial year				-	1,609	1,609
Dividends					(3,504)	(3,504)
Balance as at 31 August 2016	41,223	10,906	(24,515)	205	34,737	62,556
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 2014	41,223	10,906	(24,515)	48	34,294	61,956
Profit for the financial year					6,460	6,460
Other comprehensive income for the financial year				157		157
Total comprehensive income for the financial year				157	6,460	6,617
Dividends					(4,122)	(4,122)
Balance as at 31 August 2015	41,223	10,906	(24,515)	205	36,632	64,451

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 FOURTH (4TH) QUARTER ENDED 31 AUGUST 2016

	Unaudited 12 months ended 31 Aug 2016 RM'000	Audited 12 months ended 31 Aug 2015 RM'000
Cash Flows From Operating Activities		
Profit before taxation	2,318	9,183
Adjustment for:		
Bad debts written off	10	98
Depreciation of property, plant and equipment	1,027	1,382
Impairment on trade receivables	159	184
Interest expenses	322	764
Inventories written down	-	430
Unrealised loss on foreign exchange	119	151
Property, plant and equipment written off	164	22
Interest income	(336)	(600)
Gain on disposal of property, plant and equipment	(47)	(9)
Reversal of impairment on trade receivables	(10)	(10)
Operating profit before working capital changes	3,726	11,595
Changes in working capital:		
Inventories	(892)	456
Trade and other receivables	3,619	7,966
Trade and other payables	(739)	(4,273)
	1,988	4,149
Cash generated from operations	5,714	15,744
Interest received	336	600
Interest paid	(322)	(764)
Tax refund	7	149
Tax paid	(2,206)	(3,368)
Exchange differences	-	150
	(2,185)	(3,233)
Net cash from operating activities	3,529	12,511
Cash Flow From Investing Activities		
Purchase of property, plant and equipment	(175)	(452)
Payment for capital work-in-progress	(4,884)	(4,690)
Proceeds from disposal of property, plant and equipment	67	10
Net cash used in investing activities	(4,992)	(5,132)

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4TH) QUARTER ENDED 31 AUGUST 2016 (Con't)

	Unaudited 12 months ended 31 Aug 2016 RM'000	Audited 12 months ended 31 Aug 2015 RM'000
Cash Flow From Financing Activities		
Drawdown of foreign currency loans	4,662	-
Repayment of term loans	-	(2,021)
Net repayment of hire purchase payables	(1,186)	(443)
Changes on bankers' acceptance & trust receipts	(6,950)	(3,683)
Decrease/(Increase) in fixed deposits pledged	1,106	(2,178)
Dividend paid	(2,061)	(4,122)
Net cash used in financing activities	<u>(4,429)</u>	<u>(12,447)</u>
Net decrease in cash and cash equivalents	(5,892)	(5,068)
Cash and cash equivalents at beginning of the financial year	11,908	16,976
Cash and cash equivalents at end of the financial year	<u>6,016</u>	<u>11,908</u>
Cash and cash equivalents at end of the financial year comprises:		
- Fixed deposits placed with a licensed banks	7,888	12,113
- Cash and bank balances	2,919	3,378
- Bank overdraft	<u>(2,352)</u>	<u>(38)</u>
	8,455	15,453
Less: Fixed deposits pledged with licensed banks	<u>(2,439)</u>	<u>(3,545)</u>
	<u>6,016</u>	<u>11,908</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 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 YEAR ENDED 31 AUGUST 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	To be announced
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 2018
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 August 2016 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:-

	Individual Quarter Ended		Cumulative Quarter Ended	
	31 Aug 2016	31 Aug 2015	31 Aug 2016	31 Aug 2015
Quarry industrial products	3,975	4,389	18,471	20,458
Quarry machinery, quarry equipment and reconditioned quarry machinery	952	2,699	6,829	22,164
Spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery	2,139	1,595	8,253	12,530
Manufacturing and distribution of quarry grill	825	932	3,461	4,494
Total	<u>7,891</u>	<u>9,615</u>	<u>37,014</u>	<u>59,646</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 0.50 sen per ordinary share totalling RM2.06 million for the financial year ended 31 August 2015 was paid on 26 February 2016.

An interim single-tier dividend of 0.35 sen per ordinary share amounting to RM1.44 million in respect of financial year ended 31 August 2016 was paid on 28 September 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 Aug 2016 were as follows:-

	RM'000
Authorised and contracted for:	
- Capital expenditure on the construction of the new operational facility	1,322

A11. Changes in the composition of the Group

There were no material changes in the composition of the Group for the year ended 31 August 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.

Save as disclosed below, there were no other contingent liabilities incurred or known to be incurred which upon becoming enforceable, may have a material impact on the profit after tax or net assets of the Group:-

	RM'000
Foreign exchange forward contract	731

The Company provides corporate guarantees amounting to RM56.75 million to various financial institutions for banking facilities granted to certain subsidiary companies.

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.

SCH GROUP BERHAD (972700-P)

A14. Related party transactions

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

	Quarter ended 31 Aug 2016 RM'000	Year-to-date ended 31 Aug 2016 RM'000
Transportation charges paid	2	10
Professional charges paid for perusing & providing advice on distributorship agreement	-	3
Total	<u>2</u>	<u>13</u>

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

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS**B1. Review of performance****Q4/2016 compared to Q4/2015**

For the current financial quarter, the Group recorded revenue of RM7.89 million as compared to RM9.62 million in the corresponding quarter of last year, a decrease of RM1.73 million or 17.98%.

The Group recorded a loss before tax of RM0.57 million for the quarter under review as compared to a loss before tax of RM0.52 million in the comparable quarter of last year.

12 MTHS/2016 compared to 12 MTHS/2015

For the current year to date, the Group's revenue has decreased by 37.95% to RM37.01 million as compared to RM59.65 million in the previous year.

The slowdown in the construction and property sector has indirectly affected the demand for the Group's range of quarry-based products especially in the segment of quarry machinery, equipment and reconditioned machinery. As disclosed in note A7, revenue generated from the supply of quarry machinery, equipment and reconditioned machinery business segment decreased by RM15.33 million or 69.19%. The decrease in revenue is mainly attributable to the decrease in orders made by the Group's customers, which have adopted a more prudent attitude in view of the current market uncertainties.

Nevertheless, the Group has managed to achieve a profit before tax position of RM2.32 million as compared to RM9.18 million in the previous year.

B2. Comparison with immediate preceding quarter's results

	<----- Quarter ended ---->		
	31 Aug 2016	31 May 2016	Variance
	RM'000	RM'000	RM'000
Revenue	7,891	9,866	(1,975)
(Loss)/Profit before tax	(568)	948	(1,516)

For the current financial quarter ended 31 August 2016, the Group recorded a revenue of RM7.89 million and a loss before tax of RM0.57 million as compared to a revenue of RM9.87 million and profit before tax of RM0.95 million in the preceding financial quarter ended 31 May 2016.

B3. Prospects

The Board remain optimistic with the future prospects of SCH Group and sees various opportunities that the Group are able 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. The Group is expected to benefit from the continuous growth in the construction industry, which will mainly be underpinned by the Government's initiatives such as the Malaysian Budget 2017, 11th Malaysian Plan and the Economic Transformation Programme which features a number of major property developments, construction and infrastructure projects which would give rise to the construction industry. As announced, the Malaysian Government is expected to undertake significant amount of various infrastructure and construction projects, notably as follows:-

- (a) PRIMA Housing Development projects;
- (b) 616km of village roads and bridge to be built and upgraded around Malaysia;
- (c) Construction of new hospitals and 1 Malaysia clinics around Malaysia
- (d) The 350 kilometre High Speed Rail project linking Kuala Lumpur and Singapore;
- (e) The 52 kilometre Sungai-Buloh-Serdang-Putrajaya Mass Rapid Transit Line, which is estimated to cost RM28 billion;
- (f) The third line of the light rail transit project known as the Bandar Utama, Damansara-Johan Setia, Klang Line;
- (g) The Damansara-Shah Alam (DASH), Sungai Besi-Ulu Klang (SUKE), East Klang Valley Expressway (EKVE) as well as the Pulau Indah and Central Spine Road;
- (h) The Refinery and Petrochemical Integrated Development (RAPID) project in Pengerang, Johor
- (i) The RM900 million Jalan Tun Razak Traffic Dispersal Project to reduce congestion in Kuala Lumpur; and
- (j) 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.

Based on the foregoing, the Board remains optimistic and positive on the Group's performance for the financial year ended 2017 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.

SCH GROUP BERHAD (972700-P)

B5. Taxation

	Individual Quarter Ended		Cumulative Quarter Ended	
	31 Aug 2016	31 Aug 2015	31 Aug 2016	31 Aug 2015
Income tax expense				
- Current financial period	(113)	187	819	2,755
- (Over) provision in prior year	-	-	(92)	(46)
	(113)	187	727	2,709
Deferred tax				
- Current financial period	13	19	13	38
- (Over) provision in prior year	(31)	(5)	(31)	(24)
Total tax expense	(131)	201	709	2,723

The applicable income tax rate is 24% 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 24% mainly due to the non-deductibility of certain expenses for tax purposes.

B6. Status of corporate proposals announced

The Company had on 15 August 2016 proposed the following corporate exercise:

- Proposed bonus issue of 206,117,010 free detachable warrants on the basis of one (1) warrant for every two (2) existing ordinary shares of RM0.10 each in SCH held by the entitled shareholders on an entitlement date to be determined later.
- Proposed increase in the authorised share capital of the Company from RM50,000,000 comprising 500,000,000 SCH Shares to RM100,000,000 comprising 1,000,000,000 SCH Shares.
- Proposed amendments to the Company's Memorandum of Association to facilitate the implementation of the proposed increase in authorised share capital.

(Collectively, referred to as the "Proposals")

The shareholders of SCH had at its Extraordinary General Meeting ("EGM") held on 24 October 2016 approved the Proposals by way of voting on poll.

Barring any unforeseen circumstances, the Proposals are expected to be completed by the 1st quarter of financial year ended 2017.

SCH GROUP BERHAD (972700-P)

B7. Borrowings

The Group's borrowings were as follows:-

	As at 31 Aug 2016 RM'000	As at 31 Aug 2015 RM'000
Secured		
Bank overdraft	2,352	38
Bill payables	1,162	8,112
Hire purchases	240	1,364
Foreign currency loans against import	4,662	-
Total bank borrowings	8,416	9,514
Short Term		
Bank overdraft	2,352	38
Bill payables	1,162	8,112
Hire purchases	82	494
Foreign currency loans against import	4,662	-
	8,258	8,644
Long Term		
Hire purchases	158	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

On 10 August 2016, the Company had proposed a first interim single tier dividend of 3.5% or 0.35 sen per share in respect of the financial year ending 31 August 2016. The dividend was paid on 28 September 2016.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

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 Aug 2016 RM'000	31 Aug 2015 RM'000	31 Aug 2016 RM'000	31 Aug 2015 RM'000
(Loss)/Profit attributable to ordinary equity holders of the Group	(437)	(723)	1,609	6,460
Weighted average number of ordinary shares in issue (000)	412,234	412,234	412,234	412,234
Basic (loss)/earnings per share (sen)	(0.11)	(0.18)	0.39	1.57

B11. Retained and unrealised profits/losses

	As at 31 Aug 2016 RM'000	As at 31 Aug 2015 RM'000
Total retained earnings of the Group		
- Realised	35,054	37,050
- Unrealised	246	145
	<hr/>	<hr/>
	35,300	37,195
less: Consolidated adjustments	563	563
Total retained profits as per statement of financial position	<hr/> 34,737	<hr/> 36,632

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

SCH GROUP BERHAD (972700-P)

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

	Quarter ended 31 Aug 2016 RM'000	Year-to- date ended 31 Aug 2016 RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Depreciation of property plant and equipment	264	1,027
Bad debts written off	1	10
Property, plant and equipment written off	-	164
Impairment on trade receivables	159	159
Interest expenses	75	322
Loss/(gain) on disposal of property plant and equipment	6	(47)
Interest income	(74)	(336)
Foreign exchange loss/(gain)		
- Realised	(175)	(168)
- Unrealised	119	119
Reversal of impairment on trade receivables	(10)	(10)

B13. Comparative figures

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

BY ORDER OF THE BOARD
26 October 2016