



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

Interim Financial Report
For the Second (2nd) Quarter ended
28 February 2017

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND (2nd) QUARTER ENDED 28 FEBRUARY 2017

	<-- Individual Quarter -->		←- Cumulative Quarter -->	
	Unaudited 28 Feb 2017 RM'000	Unaudited 29 Feb 2016 RM'000	Unaudited 28 Feb 2017 RM'000	Unaudited 29 Feb 2016 RM'000
Revenue	8,335	7,597	16,702	19,257
Cost of Sales	(5,104)	(4,395)	(10,135)	(11,563)
Gross Profit	3,231	3,202	6,567	7,694
Other operating income	164	145	300	337
Administrative expenses	(2,797)	(2,492)	(5,094)	(4,923)
Selling and distribution expenses	(410)	(542)	(885)	(1,004)
Finance costs	(108)	(40)	(195)	(167)
Profit before taxation	80	273	693	1,937
Taxation	(19)	(168)	(248)	(619)
Profit after taxation	61	105	445	1,318
Other comprehensive income/(loss) after tax:				
Exchange translation differences for foreign operations	(27)	2	121	11
Total comprehensive income for the financial period	34	107	566	1,329
PAT ATTRIBUTABLE TO:				
- Owners of the company	61	105	445	1,318
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the company	34	107	566	1,329
Weighted average no. of ordinary shares ('000)	412,235	412,234	412,235	412,234
Earnings per share attributable to owners of the company (sen):				
- Basic	0.01	0.03	0.11	0.32
- Diluted	* ⁽¹⁾	0.03	0.07	0.32

Note:

(1) Amount represent less than 0.01 sen

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 2016 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 28 FEBRUARY 2017

	Unaudited As at 28 Feb 2017 RM'000	Audited As at 31 Aug 2016 RM'000
ASSETS		
NON-CURRENT ASSET		
Property, plant and equipment	20,980	21,453
CURRENT ASSETS		
Inventories	26,697	27,242
Trade receivables	13,374	13,141
Other receivables, prepayments and deposits	962	1,617
Tax recoverable	2,153	1,760
Fixed deposit with a licensed bank	8,023	7,888
Cash and bank balances	2,791	2,919
TOTAL CURRENT ASSETS	54,000	54,567
TOTAL ASSETS	74,980	76,020
EQUITY AND LIABILITIES		
EQUITY		
Share capital	41,224	41,223
Share premium	10,906	10,906
Merger deficit reserve	(24,515)	(24,515)
Foreign currency translation reserves	326	205
Retained earnings	35,206	34,761
TOTAL EQUITY	63,147	62,580
CURRENT LIABILITIES		
Trade payables	1,337	2,244
Other payables	2,720	2,619
Amount owing to directors	19	19
Hire purchase payables	85	82
Bank borrowings	5,407	8,176
Tax payable	24	15
	9,592	13,155

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2017 (Cont'd)

	Unaudited As at 28 Feb 2017 RM'000	Audited As at 31 Aug 2016 RM'000
NON CURRENT LIABILITIES		
Hire purchase payables	114	158
Term loan	2,000	-
Deferred tax liabilities	127	127
	2,241	285
TOTAL LIABILITIES	11,833	13,440
TOTAL EQUITY AND LIABILITIES	74,980	76,020
NET ASSET PER SHARE (sen)	15.32	15.17

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 2016 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 28 FEBRUARY 2017

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 2016	41,223	10,906	(24,515)	205	34,761	62,580
Profit for the financial period					445	445
Other comprehensive income for the financial period				121		121
Total comprehensive income for the financial period				121	445	566
Conversion of warrants to shares	1					1
Dividends					-	-
Balance as at 28 February 2017	41,224	10,906	(24,515)	326	35,206	63,147

Unaudited	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 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

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 2016 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2nd) QUARTER ENDED 28 FEBRUARY 2017

	Unaudited 6 months ended 28 Feb 2017 RM'000	Unaudited 6 months ended 29 Feb 2016 RM'000
Cash Flows From Operating Activities		
Profit before taxation	693	1,937
Adjustment for:		
Bad debts written off	-	6
Depreciation of property, plant and equipment	486	529
Interest expenses	195	167
Property, plant and equipment written off	-	159
Interest income	(124)	(190)
Operating profit before working capital changes	1,250	2,608
Changes in working capital:		
Inventories	545	(1,878)
Trade and other receivables	422	3,871
Trade and other payables	636	(1,916)
	1,603	77
Cash generated from operations	2,853	2,685
Interest received	124	190
Interest paid	(195)	(167)
Tax refund	118	-
Tax paid	(749)	(1,140)
Exchange differences	113	11
	(589)	(1,106)
Net cash from operating activities	2,264	1,579
Cash Flow From Investing Activities		
Purchase of property, plant and equipment	(4)	(35)
Payment for capital work-in-progress	-	(4,277)
Net cash used in investing activities	(4)	(4,312)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2nd) QUARTER ENDED 29 FEBRUARY 2017 (Con't)

	Unaudited 6 months ended 28 Feb 2017 RM'000	Unaudited 6 months ended 29 Feb 2016 RM'000
Cash Flow From Financing Activities		
Proceeds from issuance of shares	* (1)	-
(Repayment)/Drawdown of foreign currency loans	(1,186)	4,582
Drawdown of term loan	2,000	
Net repayment of hire purchase payables	(40)	(1,149)
Changes on bankers' acceptance & trust receipts	538	(4,000)
Increase in fixed deposits pledged	(36)	(55)
Dividend paid	(1,443)	(2,061)
Net cash used in financing activities	<u>(167)</u>	<u>(2,683)</u>
Net increase/(decrease) in cash and cash equivalents	2,093	(5,416)
Cash and cash equivalents at beginning of the financial year	6,015	11,908
Cash and cash equivalents at end of the financial period	<u>8,108</u>	<u>6,492</u>
Cash and cash equivalents at end of the financial period comprises:		
- Fixed deposits placed with a licensed banks	8,023	9,100
- Cash and bank balances	2,791	1,608
- Bank overdraft	(231)	(616)
	<u>10,583</u>	<u>10,092</u>
Less: Fixed deposits pledged with licensed banks	(2,475)	(3,600)
	<u>8,108</u>	<u>6,492</u>

Note:

(1) Amount represent less than RM1,000

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 2016 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 28 FEBRUARY 2017

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 2016 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 2016. 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
Amendments to MFRS 112 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 107 - Disclosure Initiative	1 January 2017
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

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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 28 February 2017 and financial period-to-date.

A6. Debt and equity securities

For the current financial quarter ended 28 February 2017, the change in equity is as follow:

	No. of shares issued (units)
Issued and paid-up share capital As at 30 November 2016	412,234,020
Changes:	
Conversion of warrants to shares	<u>1,500</u>
Issued and paid-up share capital As at 28 February 2017	<u>412,235,520</u>

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A7. Segmental information

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

	Individual Quarter Ended		Cumulative Quarter Ended	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Quarry industrial products	4,252	3,979	8,986	8,779
Quarry machinery, quarry equipment and reconditioned quarry machinery	2,030	611	2,497	4,589
Spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery	1,245	2,230	3,504	4,186
Manufacturing and distribution of quarry grill	808	777	1,715	1,703
Total	<u>8,335</u>	<u>7,597</u>	<u>16,702</u>	<u>19,257</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.

A8. Dividend Paid

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 28 February 2017 were as follows:-

	RM'000
Authorised and contracted for:	
- Capital expenditure on 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 current financial quarter.

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A12. Contingent liabilities and contingent assets

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

As at 28 February 2017, the Company has provided corporate guarantees amounting to RM57.77 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 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 28 February 2017.

	Current Quarter ended 28 Feb 2017 RM'000	Cumulative Quarter ended 28 Feb 2017 RM'000
Transportation charges paid	-	2

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****Q2/2017 compared to Q2/2016**

For the current financial quarter ended 28 February 2017, the Group recorded revenue of RM8.34 million as compared to RM7.60 million in the corresponding quarter of last year, an increase of RM0.74 million or 9.71%. The better performance was due to the better sale of quarry machinery, quarry equipment and reconditioned quarry machinery.

For the quarter under review as disclosed in note A7, revenue from three (3) business segments of the Group recorded an improvement except for the spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery segment.

The Group has managed to achieve a profit before tax of RM0.08 million for the quarter under review as compared to a profit before tax of RM0.27 million in the comparable quarter of last year. The lower profit before tax was mainly due to foreign exchange loss.

6 MTHS/2017 compared to 6 MTHS/2016

For the six (6) months ended 28 February 2017, the Group's revenue has decreased by 13.27% to RM16.70 million as compared to RM19.26 million in the previous year corresponding period. The lower revenue recorded was mainly due to the decline in orders from two (2) business segments namely from the quarry machinery, quarry equipment and reconditioned quarry machinery segment and spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery segment.

For the same period under review, the Group achieved profit before tax of RM0.69 million, a decrease of 64.22% as compared to RM1.94 million in the previous year corresponding period. The lower profit before tax recorded was mainly due to foreign exchange loss.

B2. Comparison with immediate preceding quarter's results

	<----- Quarter ended ---->		
	28 Feb 2017	30 Nov 2016	Variance
	RM'000	RM'000	RM'000
Revenue	8,335	8,367	(32)
Profit before tax	80	613	(533)

The Group's revenue for the second financial quarter ended 28 February 2017 has decreased by RM0.03 million or 0.38% to RM8.34 million as compared to RM8.37 million in the preceding financial quarter ended 30 November 2016. The lower profit before tax was mainly due to foreign exchange loss.

B3. Prospects

The Board remain optimistic with the future prospects of SCH Group and sees various opportunities that the Group are able to capitalise to maintain its growth trajectory. Moving forward, the Group is expected to benefit from the continuous growth in the Malaysian 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.

These construction and infrastructure projects are expected to boost the demand for quarry products which in turn will drive the demand for the quarry machinery and equipment market, as more quarrying activities and quarrying operations will be required to meet the demand for quarry based materials for use in major property development, construction and infrastructure projects.

The construction sector is projected to grow 8.3% (2016: 8.7%) mainly supported by the commencement of large infrastructure projects such as MRT Sungai Buloh – Serdang – Putrajaya Line, Pan Borneo Highway, Sungai Besi – Ulu Kelang Elevated Expressway. The upgrading road works from Klang Container Terminal – North Port and the construction of infrastructure in Malaysia Vision valley are expected to further support the sector. The residential subsector is projected to expand driven by affordable housing programmes, particularly 1Malaysia Civil Servants Housing. Meanwhile, non-residential subsector is expected to benefit from the mixed commercial development mainly in Klang Valley, Johor and Penang.

Moving forward, SCH Group will strive to remain competitive for the financial year ending 31 August 2017. We believe that our commitment to delivering strongly on all our undertakings by adhering strictly to target delivery timelines, maintaining stringent standards of quality and implementing cost efficiencies throughout our operations will continue to hold us in good stead.

B4. Profit forecast

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

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B5. Taxation

The taxation figures are as follows:

	Current Quarter Ended		Cumulative Quarter Ended	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
	RM'000	RM'000	RM'000	RM'000
Current tax	19	168	248	619

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

A total of 206,117,010 free warrants were issued on the 5 December 2016 and listed on the ACE Market of Bursa Malaysia Securities Berhad on 8 December 2016 with a 5 year exercise/conversion period at a price of RM0.10. The maturity date for the free warrants is on the 4 December 2021.

As at to-date a total of 1,500 warrants have been converted into shares. The proceeds have been deposited into SCH Warrant-A account.

As at to-date, the outstanding unexercised warrant is 206,115,510.

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B7. Borrowings

The Group's borrowings were as follows:-

	As at 28 Feb 2017 RM'000	As at 31 Aug 2016 RM'000
Secured		
Bank overdraft	231	2,352
Bill payables	1,700	1,162
Hire purchases	199	240
Foreign currency loans against import	3,476	4,662
Term loan	2,000	-
Total bank borrowings	7,606	8,416
Short Term		
Bank overdraft	231	2,352
Bill payables	1,700	1,162
Hire purchases	85	82
Foreign currency loans against import	3,476	4,662
	5,492	8,258
Long Term		
Hire purchases	114	158
Term loan	2,000	-
	2,114	158

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

No dividend was proposed for the financial quarter.

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B10. Earnings per share

a) Basic

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	
	28 Feb 2017 RM'000	29 Feb 2016 RM'000	28 Feb 2017 RM'000	29 Feb 2016 RM'000
Profit attributable to ordinary equity holders of the Group	61	105	445	1,318
Weighted average number of ordinary shares in issue (000)	412,235	412,234	412,235	412,234
Basic earnings per share (sen)	0.01	0.03	0.11	0.32

b) Diluted

	Individual Quarter ended		Cumulative Quarter ended	
	28 Feb 2017 RM'000	29 Feb 2016 RM'000	28 Feb 2017 RM'000	29 Feb 2016 RM'000
Profit attributable to ordinary equity holders of the Group	61	105	445	1,318
Weighted average number of ordinary shares in issue (000)	412,235	412,234	412,235	412,234
Adjustment for dilutive effect on conversion of warrants (000)	206,116	-	206,116	-
Total	618,351	412,234	618,351	412,234
Diluted earnings per share (sen)	* (1)	0.03	0.07	0.32

Note :

(1) Amount represent less than 0.01 sen

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B11. Retained and unrealised profits/losses

	As at 28 Feb 2017 RM'000	As at 31 Aug 2016 RM'000
Total retained earnings of the Group		
- Realised	34,183	33,619
- Unrealised	127	246
	<hr/> 34,310	<hr/> 33,865
Add: Consolidated adjustments	896	896
Total retained profits as per statement of financial position	<hr/> 35,206	<hr/> 34,761

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

	Quarter ended 28 Feb 2017 RM'000	Year-to- date ended 28 Feb 2017 RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Depreciation of property plant and equipment	237	486
Interest expenses	108	195
Interest income	(66)	(124)
Realised foreign exchange loss	323	398

B13. Comparative figures

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

BY ORDER OF THE BOARD
25 April 2017