



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

Interim Financial Report
For the First (1st) Quarter ended
30 November 2017

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST (1st) QUARTER ENDED 30 NOVEMBER 2017

	<-- Individual Quarter -->		<-- Cumulative Quarter -->	
	Unaudited 30 Nov 2017 RM'000	Unaudited 30 Nov 2016 RM'000	Unaudited 30 Nov 2017 RM'000	Unaudited 30 Nov 2016 RM'000
Revenue	11,667	8,367	11,667	8,367
Cost of Sales	(7,530)	(5,031)	(7,530)	(5,031)
Gross Profit	4,137	3,336	4,137	3,336
Other operating income	784	136	784	136
Administrative expenses	(2,072)	(2,297)	(2,072)	(2,297)
Selling and distribution expenses	(384)	(475)	(384)	(475)
Profit from operations	2,465	700	2,465	700
Finance costs	(207)	(87)	(207)	(87)
Profit before taxation	2,258	613	2,258	613
Taxation	(594)	(229)	(594)	(229)
Profit after taxation	1,664	384	1,664	384
Other comprehensive income after tax:				
Exchange translation differences for foreign operations	(57)	148	(57)	148
Total comprehensive income for the financial period	1,607	532	1,607	532
PAT ATTRIBUTABLE TO:				
- Owners of the company	1,664	384	1,664	384
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the company	1,607	532	1,607	532
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	0.40	0.09	0.40	0.09

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 2017 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 30 NOVEMBER 2017

	Unaudited As at 30 Nov 2017 RM'000	Audited As at 31 Aug 2017 RM'000
ASSETS		
NON-CURRENT ASSET		
Property, plant and equipment	23,462	23,927
CURRENT ASSETS		
Inventories	21,240	22,232
Trade receivables	21,418	20,475
Other receivables, prepayments and deposits	2,698	3,397
Tax recoverable	1,589	1,925
Fixed deposit with a licensed bank	6,846	9,085
Cash and bank balances	4,476	3,044
	58,267	60,158
Assets classified as held for sale	248	377
	58,515	60,535
TOTAL ASSETS	81,977	84,462
EQUITY AND LIABILITIES		
EQUITY		
Share capital	52,129	52,129
Merger deficit reserve	(24,515)	(24,515)
Foreign currency translation reserves	219	276
Retained earnings	38,247	36,583
TOTAL EQUITY	66,080	64,473
CURRENT LIABILITIES		
Trade payables	2,727	1,950
Other payables	942	1,254
Amount owing to directors	19	19
Hire purchase payables	150	161
Bank borrowings	7,588	12,032
Tax payable	34	37
	11,460	15,453

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2017 (Cont'd)

	Unaudited As at 30 Nov 2017 RM'000	Audited As at 31 Aug 2017 RM'000
NON-CURRENT LIABILITIES		
Hire purchase payables	273	317
Bank borrowings	4,056	4,111
Deferred tax liabilities	108	108
	<u>4,437</u>	<u>4,536</u>
TOTAL LIABILITIES	15,897	19,989
TOTAL EQUITY AND LIABILITIES	81,977	84,462
NET ASSET PER SHARE (sen)	16.03	15.64

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 2017 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 FIRST (1st) QUARTER ENDED 30 NOVEMBER 2017**

Unaudited	←----- <i>Non-Distributable</i> -----→				<i>Distributable</i>	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 2017	52,129	-	(24,515)	276	36,583	64,473
Profit for the financial period					1,664	1,664
Other comprehensive income for the financial period				(57)		(57)
Total comprehensive income for the financial period				(57)	1,664	1,607
Dividends						
Balance as at 30 November 2017	52,129	-	(24,515)	219	38,247	66,080

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 2016	41,223	10,906	(24,515)	205	34,761	62,580
Profit for the financial period					384	384
Other comprehensive income for the financial period				148		148
Total comprehensive income for the financial period				148	384	532
Dividends					-	-
Balance as at 30 November 2016	41,223	10,906	(24,515)	353	35,145	63,112

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 2017 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1st) QUARTER ENDED 30 NOVEMBER 2017

	Unaudited 3 months ended 30 Nov 2017 RM'000	Unaudited 3 months ended 30 Nov 2016 RM'000
Cash Flows From Operating Activities		
Profit before taxation	2,258	613
Adjustment for:		
Depreciation of property, plant and equipment	231	249
Interest expenses	207	87
Gain on disposal of property, plant and equipment	(403)	-
Interest income	(70)	(58)
Unrealised loss on foreign exchange	3	-
Operating profit before working capital changes	2,226	891
Changes in working capital:		
Inventories	1,034	(318)
Trade and other receivables	(250)	524
Trade and other payables	467	(305)
	1,251	(99)
Cash generated from operations	3,477	792
Interest received	70	58
Interest paid	(207)	(87)
Tax refund	-	118
Tax paid	(261)	(338)
Exchange differences	(94)	140
	(492)	(109)
Net cash from operating activities	2,985	683
Cash Flow From Investing Activities		
Purchase of property, plant and equipment	(18)	(4)
Proceed from disposal of property, plant and equipment	780	-
Net cash from/(used in) investing activities	762	(4)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1st) QUARTER ENDED 30 NOVEMBER 2017 (Con't)

	Unaudited 3 months ended 30 Nov 2017 RM'000	Unaudited 3 months ended 30 Nov 2016 RM'000
Cash Flow From Financing Activities		
(Decrease)/increase in foreign currency trade loans	(629)	66
Repayment of hire purchase payables	(39)	(20)
Repayment of term loan	(48)	-
Changes on bankers' acceptance & trust receipts	(3,838)	593
Increase in fixed deposits pledged	(682)	(18)
Dividend paid	-	(1,443)
Net cash used in financing activities	<u>(5,236)</u>	<u>(822)</u>
Net decrease in cash and cash equivalents	(1,489)	(143)
Cash and cash equivalents at beginning of the financial year	9,614	6,015
Cash and cash equivalents at end of the financial period	<u>8,125</u>	<u>5,872</u>
Cash and cash equivalents at end of the financial period comprises:		
- Fixed deposits placed with licensed banks	6,846	7,580
- Cash and bank balances	4,476	2,101
- Bank overdraft	-	(1,352)
	<u>11,322</u>	<u>8,329</u>
Less: Fixed deposits pledged with a licensed bank	(3,197)	(2,457)
	<u>8,125</u>	<u>5,872</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 2017 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 30 NOVEMBER 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 2017 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 2017. 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 9 – Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 – Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 1	
- Annual Improvements to MFRSs 2014-2016 Cycle	1 January 2018
Amendments to MFRS 2	
- Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 15 – Clarification to MFRS 15	1 January 2018
Amendments to MFRS 128 1	
- Annual Improvements to MFRSs 2014-2016 Cycle	1 January 2018
Amendments to MFRS 140	
- Transfer of Investment Property	1 January 2018
IC Interpretation 22 – Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 – Leases	1 January 2019
Amendments to MFRS 9	
– Prepayments Features with Negative Compensation	1 January 2019
Amendments to MFRS 128 – Long term Interest in Associates and Joint Ventures	1 January 2019
MFRS 17 – Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 – Sale of Contribution of Assets between an Investor and its Associate of Joint Venture	To be announced

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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 and financial period-to-date.

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 and financial period-to-date.

A6. Debt and equity securities

For the current financial quarter ended 30 November 2017, there is no change in equity.

	No. of shares issued (units)
Issued and paid-up share capital As at 31 August 2017	412,235,520
Changes: Conversion of warrants to shares	<u>-</u>
Issued and paid-up share capital As at 30 November 2017	<u><u>412,235,520</u></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	
	30 Nov 2017	30 Nov 2016	30 Nov 2017	30 Nov 2016
	RM'000	RM'000	RM'000	RM'000
Quarry industrial products	4,088	4,734	4,088	4,734
Quarry machinery, quarry equipment and reconditioned quarry machinery	5,025	467	5,025	467
Spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery	1,711	2,259	1,711	2,259
Manufacturing and distribution of quarry grill	843	907	843	907
Total	11,667	8,367	11,667	8,367

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

No dividend was paid during the current quarter under review.

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 30 November 2017 were as follows: -

	RM'000
Authorised and contracted for:	
- Capital expenditure on the new operational facility	358

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.

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	1,610

As at 30 November 2017, the Company has provided corporate guarantees amounting to RM56.63 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

Transaction with companies in which Directors have interest for the current quarter ended 30 November 2017 was as follows: -

	Current Quarter ended 30 Nov 2017 RM'000	Cumulative Quarter ended 30 Nov 2017 RM'000
Rental of factory	3	3
Sale of industrial products and spare parts	0.8	0.8
	<u>3.8</u>	<u>3.8</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

Q1/2018 compared to Q1/2017

	<-Individual Quarter->			
	Unaudited	Unaudited	Changes	Changes
	30 Nov 2017	30 Nov 2016	RM'000	(%)
	RM'000	RM'000		
Revenue	11,667	8,367	3,300	39.44
Operating profit	1,681	564	1,117	198.05
Profit before interest and taxation	2,465	700	1,765	252.14
Profit before taxation	2,258	613	1,645	268.35
Profit after taxation	1,664	384	1,280	333.33

For the current quarter ended 30 November 2017, the Group recorded revenue of RM11.67 million as compared to RM8.37 million in the corresponding quarter ended 30 November 2016, an increase of RM3.30 million or 39.44%.

As disclosed in Note A7, the supply of quarry machinery, quarry equipment and reconditioned quarry machinery segment is the largest revenue contributor for the Group and accounted for 43.07% of the Group's revenue. Revenue for this segment increased by RM4.56 million or 976.02% from RM0.47 million in the corresponding quarter ended 30 November 2016 as compared to RM5.03 million for the current quarter under review. The increase is mainly due to the sale of our Junjin Crawler Drills.

The Group's administrative, selling and distribution expenses amounted to RM2.46 million for the quarter under review as compared to RM2.77 million in the comparable quarter of last year, representing a decrease of 11.19% or RM0.31 million. The decrease in the operating expenses were due to savings from factory rental and staff cost. Consequently, the Group achieved a higher operating profit of RM1.68 million for the current quarter as compared to RM0.56 million in the corresponding quarter ended 30 November 2016.

For the quarter under review, the Group's other operating income increased by RM0.64 million or 457.14% to RM0.78 million from RM0.14 in the comparable quarter of last year due to a gain of RM0.40 million on the disposal of its properties in Selangor and Johor. In addition, the Group also received an insurance claim of RM0.15 million for damages suffered for burglary.

As a result, the Group registered a profit before tax of RM2.26 million as compared to RM0.61 million in the corresponding quarter ended 30 November 2016, representing an increase of RM1.65 million or 268.35%.

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B2. Comparison with immediate preceding quarter's results

	<----- Quarter ended ---->			
	Unaudited	Unaudited	Changes	Changes
	30 Nov 2017	31 Aug 2017	RM'000	(%)
	RM'000	RM'000		
Revenue	11,667	12,374	(707)	-5.71
Operating profit	1,681	788	893	113.32
Profit before interest and taxation	2,465	1,221	1,244	101.88
Profit before taxation	2,258	1,068	1,190	111.42
Profit after taxation	1,664	663	1,001	150.98

The Group's revenue for the current quarter ended 30 November 2017 decreased by RM0.71 million or 5.71% to RM11.67 million as compared to RM12.37 million in the preceding quarter ended 31 August 2017.

The decrease in revenue was mainly attributed by lower supply of quarry industrial products. Revenue from the supply of quarry industrial products for the quarter under review amounted to RM4.09 million as compared to RM5.60 million in preceding quarter ended 31 August 2017, representing a decrease of RM1.51 million or 26.96%.

Despite the decrease in revenue, the Group posted higher profit before tax in the current quarter under review mainly due to higher other operating income and lower administrative, selling and distribution expenses as compared to the previous quarter ended 31 August 2017.

B3. Prospects

The Board remain optimistic with the prospects of SCH Group and 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. This is considering several mega infrastructure projects such as MRT2, LRT3, Pan Borneo Highway, SUKE and upgrading road works from Klang Container Terminal – North Port as well as property projects particularly affordable housing segment with projects such as PR1MA and PPA1M which is expected to take-off in the financial year ending 2018. The construction industry and ongoing 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 ending 2018 and beyond.

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B4. Profit forecast

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

B5. Taxation

	Individual Quarter Ended		Cumulative Quarter Ended	
	30 Nov 2017 RM'000	30 Nov 2016 RM'000	30 Nov 2017 RM'000	30 Nov 2016 RM'000
Income tax expense				
- Current financial period	594	229	594	229
- (Over) provision in prior year	-	-	-	-
	<u>594</u>	<u>229</u>	<u>594</u>	<u>229</u>

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

There are no other corporate proposals that were announced but not completed as at the date of this report except as below:

- a) 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.

- b) On the 8 January 2018, the Company announced a proposal to undertake an issuance of up to 103,000,000 new ordinary shares in SCH ("Placement Shares") to independent third-party investors ("Proposed Private Placement"), representing approximately 25.0% of the issued shares in the Company.

The Proposed Private Placement is subject to and conditional upon approvals from, amongst others, the following: -

1. Bursa Securities, for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities;
2. The shareholders of SCH at an extraordinary general meeting to be held for the Proposed Private Placement; and
3. Any other relevant authorities, if required.

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B6. Status of corporate proposals announced (con't)

- b) Barring any unforeseen circumstances, the application to Bursa Securities in relation to the Proposed Private Placement is expected to be completed by the second quarter of 2018.

B7. Borrowings

The Group's borrowings were as follows: -

	As at 30 Nov 2017 RM'000	As at 31 Aug 2017 RM'000
Secured		
Bill payables	2,942	6,780
Hire purchases	423	478
Foreign currency loans against import	4,431	5,060
Term loan	4,271	4,302
Total bank borrowings	12,067	16,620
Short Term		
Bill payables	2,942	6,780
Hire purchases	150	161
Foreign currency loans against import	4,431	5,060
Term loan	215	191
	<u>7,738</u>	<u>12,192</u>
Long Term		
Hire purchases	273	317
Term loan	4,056	4,111
	<u>4,329</u>	<u>4,428</u>

Note: There are no foreign currency denomination borrowings.

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	
	30 Nov 2017 RM'000	30 Nov 2016 RM'000	30 Nov 2017 RM'000	30 Nov 2016 RM'000
Profit attributable to ordinary equity holders of the Group	1,664	384	1,664	384
Weighted average number of ordinary shares in issue (000)	412,235	412,234	412,235	412,234
Basic earnings per share (sen)	0.40	0.09	0.40	0.09

b) Diluted

	Individual Quarter ended		Cumulative Quarter ended	
	30 Nov 2017 RM'000	30 Nov 2016 RM'000	30 Nov 2017 RM'000	30 Nov 2016 RM'000
Profit attributable to ordinary equity holders of the Group	1,664	384	1,664	384
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)	0.27	0.09	0.27	0.09

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B11. Retained and unrealised profits/losses

	As at 30 Nov 2017 RM'000	As at 31 Aug 2017 RM'000
Total retained earnings of the Group		
- Realised	37,984	36,174
- Unrealised	263	409
Total retained profits as per statement of financial position	<u>38,247</u>	<u>36,583</u>

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

	Quarter ended 30 Nov 2017 RM'000	Year-to- date ended 30 Nov 2017 RM'000
Profit before taxation is arrived at after charging/(crediting):-		
Depreciation of property plant and equipment	231	231
Interest expenses	207	207
Interest income	(70)	(70)
Gain on disposal of property, plant and equipment (Gain)/Loss on foreign exchange	(403)	(403)
- realised	(44)	(44)
- unrealised	3	3

B13. Comparative figures

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

BY ORDER OF THE BOARD
26 January 2018