



**SCH GROUP BERHAD**  
(Company No. 972700-P)



**ANNUAL  
REPORT**

**2017**





# CONTENTS

2	Corporate Information
3	Corporate Structure
4	Profiles of Directors
8	Profiles of Key Senior Management
12	Management Discussion and Analysis
16	Corporate Sustainability Statement
17	Corporate Governance Statement
34	Audit Committee Report
36	Statement on Risk Management and Internal Control
38	Other Disclosures Requirements
39	Financial Statements
107	List of Properties
110	Statistics of Shareholdings
113	Analysis of Warrant Holdings
115	Notice of Annual General Meeting
118	Statement Accompanying Notice of Annual General Meeting
	Proxy Form

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Chan Wan Choon**  
**Lau Mong Ling**  
**Khoo Chee Siang**  
**Wong Kin Seng**  
**Koh Chen Foong**  
**Liew Fook Meng**  
**Sim Yee Fuan**  
**Gan Khong Aik**

*Independent Non-Executive Chairman/Senior Independent Non-Executive Director*  
*Managing Director and Deputy Chairman*  
*Executive Director*  
*Executive Director*  
*Non-Independent Non-Executive Director*  
*Non-Independent Non-Executive Director*  
*Independent Non-Executive Director*  
*Independent Non-Executive Director*

## AUDIT COMMITTEE

Sim Yee Fuan (*Chairman*)  
 Chan Wan Choon  
 Gan Khong Aik

## AUDITORS

Messrs ECOVIS AHL PLT (AF 1825)  
 No 9-3, Jalan 109F, Plaza Danau 2  
 Taman Danau Desa  
 58100 Kuala Lumpur

## REMUNERATION COMMITTEE

Lau Mong Ling (*Chairman*)  
 Chan Wan Choon  
 Sim Yee Fuan

## PRINCIPAL BANKER

CIMB Bank Berhad  
 Public Bank Berhad  
 HSBC Bank Malaysia Berhad

## NOMINATION COMMITTEE

Gan Khong Aik (*Chairman*)  
 Chan Wan Choon  
 Sim Yee Fuan

## SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd  
 Unit 32-01, Level 32  
 Tower A, Vertical Business Suite  
 Avenue 3, Bangsar South  
 No. 8, Jalan Kerinchi, 59200 Kuala Lumpur  
 Tel no. : +603-2783 9299  
 Fax no. : +603-2783 9222

## COMPANY SECRETARIES

Tan Tong Lang (MAICSA 7045482)  
 Chong Voon Wah (MAICSA 7055003)

## REGISTERED OFFICE

Suite 10.03, Level 10  
 The Gardens South Tower  
 Mid Valley City  
 Lingkaran Syed Putra  
 59200 Kuala Lumpur  
 Tel no. : +603-2279 3080  
 Fax no. : +603-2279 3090

## STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad

Ordinary Shares  
 Stock Name : SCH  
 Stock Code : 0161

Warrants  
 Stock Name : SCH-WA  
 Stock Code : 0161WA

## HEAD OFFICE/PRINCIPAL PLACE OF BUSINESS

No. 3, Jalan Teras 3  
 Taman Perindustrian Teras Balakong  
 Taman Industri Selesa Jaya  
 43300 Balakong  
 Selangor Darul Ehsan  
 Tel no. : +603-8961 8003  
 Fax no. : +603-8962 1002

## WEBSITE

www.schgroup.com.my

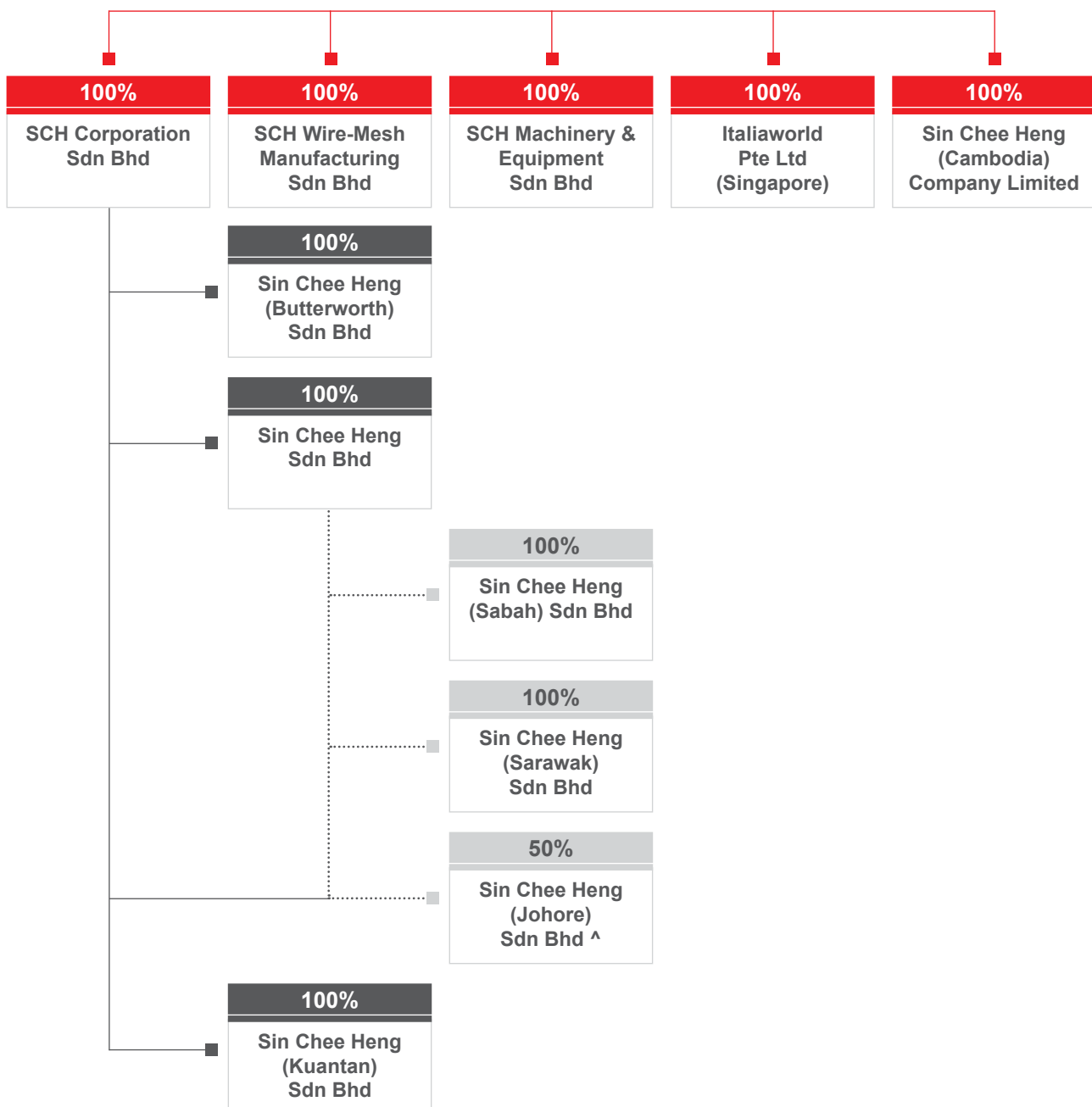
## INVESTORS RELATIONS

Email : schsb99@gmail.com  
 Tel no. : +603-8961 8003

## CORPORATE STRUCTURE



**SCH Group Berhad**  
(Company No. 972700-P)



**Note:-**

<sup>^</sup> The substantial shareholders of Sin Chee Heng (Johore) Sdn Bhd are SCH Corporation Sdn Bhd and Sin Chee Heng Sdn Bhd, holding 150,000 shares or 50% equity interest each in Sin Chee Heng (Johore) Sdn Bhd.

## PROFILES OF DIRECTORS

### CHAN WAN CHOON

80 years of age, Malaysian, Male

*Independent Non-Executive Chairman /  
Senior Independent Non-Executive Director  
Member of Audit Committee,  
Nomination Committee and  
Remuneration Committee*

Chan Wan Choon was appointed to the Board of Directors of SCH Group Berhad ("SCH" or the "Company") ("Board") as the Independent Non-Executive Chairman of the Company on 13 March 2012. On 26 July 2016, he was also appointed by the Board as Senior Independent Non-Executive Director of the Company.

He has served as the Honorary Fellow of the Institute of Materials, Minerals and Mining, UK, since 1988 and has served as the Overseas Council Member for Malaysia from 1977 to 1988. He is also a Fellow of the Institute of Mineral Engineering, Malaysia since 1981, a registered Chartered Engineer ("CEng") with the Council of Engineering Institutions, UK since 1969 and a registered Professional Engineer under the Malaysian Engineer's Act since 1974. In addition, he was a council member of the Malayan Mining Employers Association ("MMEA") from 1973 to 1994. He subsequently served as the President of MMEA from 1977 to 1978, and again from 1980 to 1982. He was the Member of the Malaysian Council of Employers Organisations from 1977 to 1982 and has served on the Employers' Panel of the Industrial Court. In addition, he has also served on various technical committees of the Standard and Industrial Research Institute of Malaysia ("SIRIM") from 1971 to 1980 and was appointed Chairman of the Technical Committee on Mining from 1980 to 1985.

After completing his Sijil Pelajaran Malaysia in 1955 at Sultan Yussof School at Batu Gajah, Perak Darul Ridzuan, Mr Chan then went on to pursue his Sijil Tinggi Persekolahan Malaysia at Sekolah King Edward VII, Taiping, Perak Darul Ridzuan, which he then completed it in 1957. He graduated from Camborne School of Mines ("ACSM"), United Kingdom in 1960 and is awarded with the qualified Associateship, which is conferred to graduates from accredited United Kingdom universities or Board of examination degree/ masters programs, since 1960. Upon his graduation in 1960, he joined Malayan Tin Dredging Ltd as a Mining Engineer until 1964 and then joined Anglo Oriental (M) Sdn Bhd as the Chief of the District Planning Department from 1964 to 1966 when the companies amalgamated. He then left the company to work as an Assistant Superintendent at Selangor Dredging Bhd in 1966 and subsequently assumed the post of Superintendent from 1967 to 1979. He retired from the company as its General Manager in 2000.

He does not hold directorships in any other public companies. He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.

## PROFILES OF DIRECTORS


Cont'd




### LAU MONG LING

63 years of age, Malaysian, Male

*Managing Director and Deputy Chairman  
Chairman of Remuneration Committee*



Lau Mong Ling is the Managing Director and Deputy Chairman of the Company, having been appointed to the Board on 13 March 2012. He pursued his secondary education until Form Three (3) in 1970 at Sekolah Menengah Kebangsaan St. Paul in Seremban, Negeri Sembilan. He is responsible for overseeing the business development, finance and corporate strategic functions of our Group.

Mr Lau started his career with UMS Holdings Berhad (“UMS”) in 1970, a company listed on Bursa Malaysia Securities Berhad (“Bursa Securities”), as an apprentice where he was exposed to various areas of the company’s operations, which included marketing, management as well as trading and distribution. He then left UMS in 1977 and established Chee Heng Motor Supply (“Chee Heng”) with Yeen Yoon Hin and three (3) other partners, being Wong Sin Chin, Tan Ah Soon and Tan Soon Seng in 1978. Chee Heng was a company that focuses on the supply of machinery parts.

His tenure with Chee Heng further exposed him to various aspects of the industrial spare parts business, and more importantly, widening his business network with various parties which included quarry engineers and bankers. He left Chee Heng to establish Sin Chee Heng Sdn Bhd (“SCHSB”) together with Wong Sin Chin and Yeen Yoon Hin in 1983.

He does not hold directorships in any other public companies. He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.




### KHOO CHEE SIANG

41 years of age, Malaysian, Male


*Executive Director*

Khoo Chee Siang is an Executive Director of our Company, having been appointed to the Board on 2 March 2017. He is a Fellow Member of the Association of Chartered Certified Accountants (FCCA).

He was the Executive Director of UHY Advisory (KL) Sdn Bhd, a boutique financial and corporate advisory firm from 2008 to 2016. He started his career in auditing with an international medium accounting firm, Morison Anuarul Azizan Chew & Co and was subsequently promoted to Senior Consultant in Corporate Finance and Advisory Department. He later joined Finmart Alliance Sdn Bhd as an Associate Director in-charge of corporate finance and business advisory services. He has significant experience in corporate finance, initial public offerings, corporate debt restructuring as well as his external auditing experience covered various sectors.

Currently, he also sits on the board of directors of Vsolar Group Berhad, Boon Koon Group Berhad and Green Ocean Corporation Berhad.

He does not hold any positions in any Board Committees of the Company. He has no relation with any director and/ or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.



## PROFILES OF DIRECTORS

Cont'd



### WONG KIN SENG

47 years of age, Malaysian, Male

Executive Director

Wong Kin Seng was appointed to the Board as the Executive Director of the Company on 9 May 2017.

He pursued his secondary education until Form Four (4) in 1987 at Confucian Secondary School in Kuala Lumpur. He began his career with our Group in 1988 where he joined the Company as a general worker cum lorry driver. In 1993, he was promoted to be a Sales Representative where he was responsible for the sales activities within the Central and Malacca region. Over the years, he has accumulated valuable hands-on experiences within different areas of quarry machinery and equipment market in Malaysia including sales and marketing activities, managing customer relationship as well as providing customer service to the customers. With his 18 years of extensive experience and knowledge he gained in the operations of our Group, he was then promoted to Business Development Manager in 1998. Since 2013, he is mainly responsible for attending and handling customers queries as well as leading our sales team and is also responsible of Sin Chee Heng (Johore) Sdn Bhd overall operations.

He does not hold directorship in other public listed companies. He has no relation with any director and/ or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.



### SIM YEE FUAN

51 years of age, Malaysian, Male

Independent Non-Executive Director  
Chairman of Audit Committee  
Member of Nomination Committee and  
Remuneration Committee

Sim Yee Fuan was appointed as an Independent Non-Executive Director of the Company on 13 March 2012. He graduated from University of Malaya with Bachelor of Accounting (Honour) and obtained his professional qualification from Malaysian Institute of Certified Public Accountants (MICPA). He holds a Master Degree in Business Administration from Northern University of Malaysia. He is a Chartered Accountant registered with the Malaysia Institute of Accountants (MIA). He started his career with Bank Negara Malaysia ("BNM") from 1991 to 1995 and had gained the banking experience in Balance of Payment Department (now known as Foreign Exchange Administration Department) and Bank Examination 1 Department (now known as Banking Supervision Department). During 1995 to 2006, he was attached to public listed companies on the Bursa Securities where his job responsibilities were in the areas of accounting, finance and corporate management.

Currently, he is also an Executive Director of Unimech Group Berhad and an Independent Non-Executive Director of Saudee Group Berhad and Eurospan Holdings Berhad. He is also the Commissioner of PT Arita Prima Indonesia Tbk, a company listed on Indonesia Stock Exchange.

He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.



## PROFILES OF DIRECTORS

Cont'd



### GAN KHONG AIK

48 years of age, Malaysian, Male

*Independent Non-Executive Director  
Chairman of Nomination Committee  
Member of Audit Committee*

Gan Khong Aik was appointed as an Independent Non-Executive Director of the Company on 13 March 2012. After completing his Sijil Pelajaran Malaysia from St. Francis Institution, Malacca in 1987, Mr Gan went on to pursue his Sijil Tinggi Persekolahan Malaysia at Malacca High School in 1989. He graduated from University of Malaya, Malaysia with a Second Class Honours (Upper Division) in Bachelor of Law in 1994 and was admitted and enrolled as an advocate and solicitor of the High Court of Malaya in 1995.

He commenced his legal career with Messrs Lee Hishammuddin Allen Gledhill in 1994 and in 2001, he became a partner of Messrs Lee Hishammuddin Allen Gledhill until 2008 where he set up his own law practice. Presently, he is a partner of Messrs Gan Partnership.

He does not hold directorships in any other public companies. He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.



### KOH CHEN FOONG

31 years of age, Malaysian, Male

*Non-Independent Non-Executive Director*

Koh Chen Foong was appointed as the Non-Independent Non-Executive Director of the Company on 9 May 2017. He graduated from University of New South Wales Sydney, NSW, Australia in Bachelor of Commerce in Accounting.

He joined Rickoh Holdings Sdn. Bhd., the flagship company of his family business in 2007 as a Personal Assistant to the CEO of Rickoh Holdings Group of Companies ("Rickoh Group"). He is principally assisting the CEO in overseeing certain functions of the Rickoh Group including, amongst others, liaison, analytical and monitoring functions over properties and securities investments, public relation and attends to all or any general issues affecting the Rickoh Group's operations. He is also representing the CEO in meetings and functions and reports directly to the CEO. Mr Koh Chen Foong is presently a director of the few Rickoh's hotels in Kota Kinabalu. He is also a director principally in charge of the few Rickoh's properties development projects in Sandakan under Rickoh Holdings Sdn. Bhd.'s investment arms.

He does not hold directorship in other public listed companies. He is the son of Tan Sri Dato' Sri Koh Kin Lip, a major shareholder of the Company. He has no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.



### LIEW FOOK MENG

69 years of age, Malaysian, Male

*Non-Independent Non-Executive Director*

Liew Fook Meng was appointed as the Non-Independent Non-Executive Director of the Company on 9 May 2017. He pursued his formal education up to lower secondary school.

He has more than 30 years of experience in the manufacturing and marketing of confectionery products. He oversees product development through his active involvement in introducing new ideas and flavouring processes.

He also an Executive Director of Cocoland Holdings Berhad. He has no relation with any director and/ or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.





## PROFILES OF KEY SENIOR MANAGEMENT



### LIM LEE POOI

61 years of age, Malaysian, Male

Chief Marketing Officer

Lim Lee Pooi was appointed as Chief Marketing Officer of the Company in 2013.

After completing his secondary school education at St John's Institution in 1973, he pursued his A-Levels at Tunku Abdul Rahman College ("TARC") in 1975. Upon completion of his A-Levels, he joined UMS as Product Manager in 1976, where he was mainly responsible for promoting the industrial products and spare parts to the local quarry industry. He then left UMS in March 1993 to join SCH (Johore) Sdn Bhd in April 1993 as our Branch Manager, where he was responsible for SCH (Johore) Sdn Bhd's overall operations. He was then promoted to the position of Marketing Manager in 1998, where he was primarily responsible for overall sales and marketing activities, comprising strategies to increase the market coverage as well as managing our sales team. The said position was re-designated to Chief Marketing Officer in 2013.

He does not hold directorships in any public companies. He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.



### LEONG MUN WAH

70 years of age, Malaysian, Male

Business Development Manager

Leong Mun Wah was appointed as Business Development Manager of SCH Machinery & Equipment Sdn Bhd ("SCHME") in 2013.

He pursued his secondary education until Form Two (2) in 1961 at Sekolah Menengah St Anthony in Ipoh, Perak. He has approximately 31 years of working experience in the quarry machinery and equipment market in Malaysia. He has worked in several companies between 1962 to 1984 in the sales profession, where he was responsible for its sales functions and marketing activities, especially in the quarry machinery and equipment market. He joined Atlas Copco (Malaysia) Sdn Bhd, a company that is principally involved in the trading of industrial spare parts as the Sales Engineer in 1984. He was responsible for the company's sales and marketing activities as well as providing technical support to their customers. His tenure with Atlas Copco (Malaysia) Sdn Bhd has allowed him to gain valuable experience and knowledge in the operations and business network of the quarry industrial products business.

He then joined our Group in 2007 as Sales Executive, where he was mainly responsible for promoting the quarry machinery. He was then promoted to the position of Marketing Manager in 2010, where he was primarily responsible for SCHME's overall operations and business development activities. He is also responsible for providing sales and technical support to our sales personnel and customers directly.

He does not hold directorships in any public companies. He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.



## PROFILES OF KEY SENIOR MANAGEMENT

Cont'd



### LOW KUAN MING

50 years of age, Malaysian, Male

Branch Manager

Low Kuan Ming was appointed as Branch Manager of Sin Chee Heng (Butterworth) Sdn Bhd in 2000.

He completed his secondary education until Form Two in 1979 at Chin Wah Secondary School in Seremban, Negeri Sembilan. He commenced his career at Cheong Chan Kilang Kicap as a salesman in 1981. He then left the company to join our Group as a general worker-cum-lorry driver in 1989 where he was exposed to the quarry machinery and equipment market in Malaysia. Subsequently, he was promoted to be the Sales Representative in 1994 where he was exposed to the sales and marketing activities of Sin Chee Heng (Butterworth) Sdn Bhd. He was then promoted to the position of Branch Manager in 2000, where he was primarily responsible for the branch's marketing function as well as day-to-day operations. He brings with him approximately 31 years of extensive experience and knowledge in the quarry machinery and equipment market in Malaysia to our Group.

He does not hold directorships in any public companies. He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.



### YEEM WENG CHEONG

55 years of age, Malaysian, Male

Branch Manager

Yeem Weng Cheong was appointed as Branch Manager of Sin Chee Heng (Kuantan) Sdn Bhd in 1994.

He pursued his secondary education until Removed Form in 1975 at Sekolah Menengah Kebangsaan St Paul in Seremban, Negeri Sembilan. He commenced his career as a mechanic in 1975. He then joined our Group in 1984 as a lorry driver. He was then promoted to be a Sales Representative in 1989 where he was responsible for the marketing operations in the Central region of Malaysia and Ipoh. Over the years, he has gained experience in various areas which include industrial spare parts trading, channel sales as well as maintaining good customer relationships. He was then promoted to the position of Branch Manager in 1994, where he was primarily responsible for the branch's marketing function as well as day-to-day operations.

He does not hold directorships in any public companies. He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.



## PROFILES OF KEY SENIOR MANAGEMENT

Cont'd



### CHANG CHOI ANN

35 years of age, Malaysian, Male

Branch Manager

Chang Choi Ann was appointed as Branch Manager of Sin Chee Heng (Sabah) Sdn Bhd in 2012.

After completing the Sijil Pelajaran Malaysia from Sekolah Menengah Thsung Tsin, Kota Kinabalu in 2000, he went on to pursue his Diploma in Accounting from LCCI from Stamford College, Kota Kinabalu, Sabah and graduated in 2002. He began his career in 2003 with Tan & Associates as Audit Assistant. In the same year, he left the accounting firm and joined Hotel Shangri-la Kota Kinabalu, Sabah as its Human Resource Executive. During his tenure with Hotel Shangri-La, Kota Kinabalu the hotel, he was responsible for human resource and administrative activities for the hotel. In 2007, he left the hotel to join Royal China Restaurant in Kota Kinabalu as Assistant Manager. He was responsible for overseeing the restaurant's day-to-day operations. He then joined Harus Sarjana (M) Sdn Bhd after leaving the restaurant in 2008. He was appointed as manager for this third-party logistics company. He was responsible for overall operation of the warehouse, included administrative activities. He then left the company in 2010 and joined Sin Chee Heng (Sabah) Sdn Bhd as Sales Executive where he was responsible for the sales and marketing activities within the Northern region of east Malaysia. He was promoted to the position of Branch Manager of Sin Chee Heng (Sabah) Sdn Bhd in 2012, where he was primarily responsible for the branch's marketing function as well as day-to-day operations.

He does not hold directorships in any public companies. He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.



### CHONG KIEN WOON

40 years of age, Malaysian, Male

Branch Manager

Chong Kien Woon was appointed as Branch Manager of Italiaworld Pte Ltd in September 2015.

He completed his Diploma of Business Administration in 1999-2001. He commenced his career as a contractor in his father's company which deals with the supply of labour for the construction industry. In 2008, he left his father's company to join Sime Darby Industrial as caterpillar product support specialist where he was responsible for the overall product function. He then left the company in 2015 and joined Italiaworld Pte Ltd as Branch Manager, where he was primarily responsible for the branch's marketing function as well as day-to-day operations. In November 2016, he assumed the role as the acting Branch Manager of Sin Chee Heng (Johore) Sdn Bhd.

He does not hold directorships in any public companies. He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.



## PROFILES OF KEY SENIOR MANAGEMENT

Cont'd

**ONG CHONG KOK***51 years of age, Malaysian, Male**Country Manager*

Ong Chong Kok was appointed as Country Manager of Sin Chee Heng (Cambodia) Company Ltd in November 2016.

He was an Allianz Life Insurance agent from 1990 to 2015. He then left the company in May 2015 and joined Sin Chee Heng (Johore) Sdn Bhd as Sales Executive where he was responsible for the sales and marketing activities within the Southern Region of West Malaysia. In April 2016 he was transferred to Sin Chee Heng (Kuantan) Sdn Bhd as Sales Executive where he was responsible for the sales and marketing activities within the Eastern region of West Malaysia. He was promoted to the position of Country Manager of Sin Chee Heng (Cambodia) Company Ltd in November 2016.

He does not hold directorships in any public companies. He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.



## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW OF THE GROUP'S BUSINESS

SCH Group is in the business of distributing and supplying a wide range of quarry-based products ranging from quarry industrial products, new and reconditioned quarry machinery and its related spare parts as well as quarry grill that are widely used by quarry operators and quarry plants in Malaysia and South-East Asia.

The Group's products are categorised into four (4) main segments namely, supply of quarry industrial products, supply of quarry machinery, supply of spare parts for quarry machinery and manufacturing and distribution of quarry grill.

### FINANCIAL PERFORMANCE REVIEW

	2017	2016	Variance	
	RM'000	RM'000	RM'000	%
<b>Statement of Comprehensive Income</b>				
Revenue	44,177	37,022	7,155	19.3
Gross profit	13,590	13,891	(301)	(2.2)
Other operating income	1,002	1,430	(428)	(29.9)
Administrative expenses	(9,663)	(10,503)	840	(8.0)
Selling and distribution expenses	(1,749)	(2,215)	466	(21.0)
Finance cost	(445)	(321)	(124)	38.6
Profit before tax	2,735	2,282	453	19.9
<b>Statement of Financial Position</b>				
Non-current assets	23,927	21,453	2,474	11.5
Current Assets	60,536	54,567	5,969	10.9
Total Liabilities	19,989	13,440	6,549	48.7
<b>Statement of Cash Flows</b>				
Net cashflow from/(used in) operating activities	(1,827)	3,528	(5,355)	(>100.0)
Net cashflow (used in) investing activities	(708)	(4,992)	4,284	(85.8)
Net cashflow from/(used in) financing activities	6,038	(4,429)	10,467	(>100.0)
Cash and cash equivalents as at 31 August	9,614	6,016	3,598	59.8

### Review on Statement of Comprehensive Income

SCH Group recorded a total revenue of RM44.2 million in financial year ended 31 August 2017 ("FYE 2017"), exceeding the total revenue in financial year ended 31 August 2016 ("FYE 2016") of RM37.0 million by RM7.2 million or 19%.

The Group's revenue is mainly derived from the supply of quarry industrial products. In FYE 2017, revenue from the sales of quarry industrial products has increased by RM1.2 million or by 6% due to higher number of orders received. Overall, revenue from the supply of quarry industrial products accounted for 44% of the Group's total revenue.

The increase in SCH Group's total revenue is also contributed by higher order received for our new and reconditioned quarry machineries. The supply of quarry machinery business segment is the second largest revenue contributor for the Group and has accounted for 21% of the Group's revenue in FYE 2017 as compared to 18% in FYE 2016.

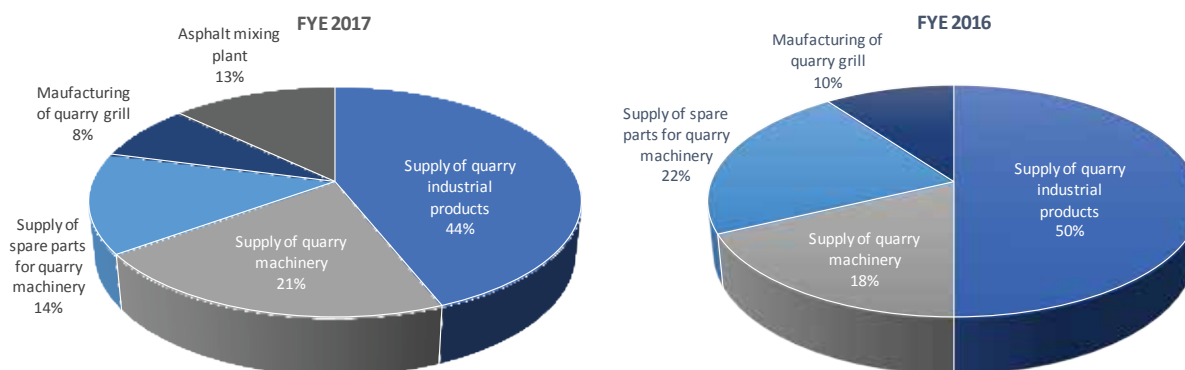
# MANAGEMENT DISCUSSION AND ANALYSIS

Cont'd

## FINANCIAL PERFORMANCE REVIEW (cont'd)

### Review on Statement of Comprehensive Income (cont'd)

In addition, the sale of an asphalt mixing plant has also contributed a total revenue of RM5.7 million, representing 13% of the Group's total revenue in FYE 2017. Our revenue contribution by business segments are as follows:-



Despite the overall increase in our revenue by 19%, the Group's gross profit has decline marginally by RM0.3 million or by 2% during FYE 2017. The decrease in our gross profit is mainly due to higher cost of purchases resulting from the overall weakening of Ringgit Malaysia against US Dollar during FYE 2017. Correspondingly, the Group's gross profit margin has also decreased to 31% in FYE 2017 from 38% in FYE 2016.

Our other operating income has decreased by 30% to RM1.0 million in FYE 2017 from RM1.4 million in FYE 2016 mainly due to the higher gain on disposal of property plant and equipment amounting to RM0.6 million recorded in FYE 2016.

The Group's operating expenses comprised of selling and distribution expenses and administrative expenses. The Group's total operating expenses amounted to RM11.4 million in FYE 2017, representing a decrease of 10% from RM12.7 million in FYE 2016. The decrease in our operating expenses was mainly due to lower selling and distribution expenses arising from operational cost savings from our subsidiary companies. The decrease in our overall selling and distribution expenses is also due to lower commission and travelling expenses incurred in FYE 2017.

Finance cost increase by 39% to RM0.4 million during FYE 2017 mainly due to higher utilisation of banking facility to finance the working requirement of the Group as well as the drawdown of term loan used to purchase a new industrial building located in Kuching, a single-storey factory located in Johor and to partially finance the renovation expenses of the Group's new office.

Profit before tax of the Group amounted to RM2.8 million in FYE 2017, representing an increase of 20% from RM2.3 million in FYE 2016. The increase was in line with higher revenue as well as the overall decrease in operating expenses.

### Review on Statement of Financial Position

Non-current assets increased by 12% or by RM2.5 million to RM23.9 million as at 31 August 2017 as compared to RM21.5 million as at 31 August 2016. The increase was mainly due to the acquisition of a two-storey semi-detached industrial building located in Kuching and a single-story factory located in Johor amounted to RM1.6 million and RM1.3 million respectively.

The Group's current assets amounted to RM60.5 million as at 31 August 2017, representing an increase of 11% or RM5.9 million from RM54.6 million as at 31 August 2016. The increase was mainly due to higher trade and other receivables by RM7.3 million and RM1.8 million respectively. The increase in trade receivables were mainly due to higher sale of quarry machineries towards the financial year end while the increase in other receivables were mainly due to down payment to contractors for renovation work as well as deposits paid upon signing the Memorandum of Understanding ("MOU") in relation to the collaboration on the excavation, removal, distribution and sale of quarry sand. The Group had on 16 November 2017 announce the termination of the MOUs and all deposits paid has been recovered subsequent to the financial year ended 31 August 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

Cont'd

## FINANCIAL PERFORMANCE REVIEW *(cont'd)*

### Review on Statement of Financial Position *(cont'd)*

In addition, the amount of fixed deposits place with license banks has also increase by 15% or by RM1.2 million to RM9.1 million as at 31 August 2017 as compared to RM7.9 million as at 31 August 2016. Nevertheless, the overall increase in trade and other receivables as well as fixed deposit is set-off by the decrease in our inventory by 18% or RM5.0 million to RM22.2 million as at 31 August 2017 from RM27.2 million as at 31 August 2016 due to a more prudent inventory re-order approach adopted by the management.

As at 31 August 2017, the Group's total liability increase by 49% or by RM6.5 million to RM19.9 from RM13.4 million as at 31 August 2016. The increase is mainly due to higher amount of borrowings utilised to finance the Group's working capital requirement as well as to finance the purchase of a new industrial building located in Kuching, single-storey factory located in Johor and renovation expenses of the Group's new office.

### Review on Statement of Cash Flow

The Group recorded a net cash used in operating activities of RM1.8 million as at 31 August 2017 as compared to a net cash flow from operating activities of RM3.5 million as at 31 August 2016. This was mainly due higher sale of quarry machineries towards the financial year end, down payment to contractors and deposit paid which resulted a higher trade and other receivables of RM9.1 million and the reduction in inventory amounting to RM5.0 million.

Net cash flow used in investing activities reduce to RM0.7 million as at 31 August 2017 as compared to RM5.0 million as at 31 August 2016. Cash used in investing activities has reduced as the construction of the Group's new office was completed as at 31 August 2016. Nevertheless, the Group has acquired additional property, plant and equipment by cash payments amounting to RM0.8 million.

The Group recorded a net cash from financing activities amounting to RM6.0 million as at 31 August 2017 as compared to a net cash used in financing activities of RM4.4 million as at 31 August 2016. The net cash flow from financing activities is mainly due to the drawdown of term loan amounting to RM2.0 million and changes on bankers' acceptance amounting to RM5.6 million.

### Capital Expenditure

The authorised and contracted capital commitment of the Group as at 31 August 2017 amounts to RM0.9 million. This represents the remaining expenses contracted for to complete the renovation on the Group's new office building.

## RISK RELATING TO OUR BUSINESS

### Dependency on the quarry industry

SCH Group is primarily dependent on the quarry industry as most of our revenue were generated from the supply of industrial products, machinery and spare parts for the quarry industry. Our operations and financial performance may be adversely affected if there is a decline in the production volume of various quarry based materials, which could, amongst others, caused by the slowdown in the construction and building demand in Malaysia and/or adverse changes in the regulatory environment governing the quarry industry.

Notwithstanding the aforementioned possibilities, our Group believes that the demand for various quarry based materials remain positive in view of the major infrastructure projects mentioned in our future prospect section.

### Foreign currency exchange fluctuation

SCH Group is exposed to foreign currency exchange fluctuation as most of the Group's purchases are denominated in foreign currencies such as United States Dollar ("USD"). In order to minimise the exposure to foreign currency fluctuations, the Group utilise letter of credit facility from licensed banks for larger purchases which are denominated in foreign currencies.

The Management will continue to monitor our foreign exchange exposure by keeping abreast with current political, economic and regulatory conditions of the countries that we work with, both our customers as well as suppliers.

# MANAGEMENT DISCUSSION AND ANALYSIS

Cont'd

## RISK RELATING TO OUR BUSINESS *(cont'd)*

### Exposure to Credit Risk

The Group's exposure to credit risk arises primarily from trade and other receivables. It is the Group's objective to seek continual revenue growth while minimises any losses arising from impairment and bad debts from our trade and other receivables by dealing with creditworthy customers.

Furthermore, our collection from customers are monitored on an on-going basis. The Group's exposure to bad debts written off and impairment on trade receivables of approximately RM7,000 and RM30,000 respectively as at 31 August 2017 were not significant.

### DIVIDEND

SCH Group has on 28 September 2016 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.

### FUTURE PROSPECT AND OUTLOOK

Although faced with uncertainties, the Malaysian economic landscape retained its steady growth rate as SCH Group records a 19% revenue growth in FYE 2017.

While the Group continuously seeks to strengthen its operations, SCH Group envisage a brighter outlook for financial year ending 31 August 2018 ("FYE 2018") as more quarry activities operations will be required to meet the demand for quarry based materials for use in major property development, construction and infrastructure projects.

This is in light of 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 year 2018.



## CORPORATE SUSTAINABILITY STATEMENT

SCH perceived corporate sustainability as its commitment to create long term value for the shareholders, environment and society through innovation and overall operational excellence.

Mindful of the need to be a corporately responsible organisation, the Group undertook various steps to play its part in contributing to the welfare of the society and communities in the environment it operates. The Group recognises that for long term sustainability, its strategic orientation will need to look beyond the financial parameters. Hence, the Group supports important causes such as donation to the needy, community services, promoting a healthy and safety culture within the organisation.

### Employee Welfare

The Group is constantly reviewing its workplace and policies to provide a conducive working environment and ensure proper development and utilisation of its human resources. We continuously place high emphasis on health and safety issues at our work sites. Necessary tools and protective gears are provided to our employees to ensure that they are adequately protected. We also enforce stringent compliance requirements so that health and safety issues are not compromise. Personal development is important and employees are encouraged to improve their knowledge through attendance at relevant seminars and workshops.

### Environmental Awareness

The Group is accountable for the impact of its business operations on the environment. We constantly review and monitor our operations to make positive contribution to the environment, economic and social wellbeing of our stakeholders, employees and the broader community. We also work very closely with environment enforcement agency with periodic consultation arrangements and visits so that our manufacturing activities are always in line with environmental standards and legislation. In the office, we continuously encourage employees to recycle and/or reduce wastage on the consumption of raw materials so that waste disposals are kept to the minimum.

### Marketplace

The Company and its subsidiaries maintain high integrity of corporate governance practices as well as enhancing the shareholders' value. We believe in conducting business fairly, impartially and in full compliance with all laws and regulations. Honesty and integrity underlie all of our relationships, including those with customers, vendors, contractors, business community at large and among employees.

### Social Awareness

The Group continues its social roles to support the community by contributing to several needy and charitable organisations through donations. Employees are encouraged and supported to actively participate in social work and community service.

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“the Board”) of SCH Group Berhad strives to ensure that high standard of corporate governance practices are implemented and maintained throughout the Company and its subsidiaries in discharging its responsibilities with integrity, transparency and professionalism, to protect and enhance shareholders’ value and the financial position of the Group.

The Board recognises the importance of good corporate governance and fully supports the principles and best practices promulgated in the Malaysian Code on Corporate Governance (“MCCG”) to enhance business prosperity and maximise shareholders’ value. The Board will continuously evaluate the Group’s corporate governance practices and procedures, and where appropriate will adopt and implement the best practices as enshrined in MCCG to the best interest of the shareholders of the Company.

Below is a statement and description in general on how the Group has applied the principles and complied with the best practice provisions as laid out in MCCG throughout the financial year ended 31 August 2017 pursuant to Rule 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”).

### PRINCIPLE 1: ESTABLISH CLEAR GOALS AND RESPONSIBILITIES

#### Clear Functions Reserved for Board and Delegation to Management

The respective roles and responsibilities of the Board and management are clearly set out and understood by both parties to ensure accountability.

The Board is responsible for overseeing and managing the Group which includes assessing the Group’s corporate objectives, and ensuring that the goals and targets are met by management. The Board has a formal schedule of matters reserved to itself for the decision, which includes the overall Group strategy and direction, major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.

The management, including the Executive Directors of the Company, is responsible for managing the day-to-day running of the business activities in accordance with the direction and delegation of the Board. The management meets regularly to discuss and resolve operational issues. The Managing Director brief the Board on business performance and operations as well as the management initiatives during Board’s quarterly meetings. The Independent Non-Executive Directors are committed in upholding business integrity and exercising their independence between the executive and non-executive functions to ensure effectiveness of the decision making process of the Board.

#### Clear Roles and Responsibilities

The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group’s affairs. Hence, to develop corporate objectives and job descriptions including the limits of management’s responsibilities, which the management is aware and are responsible for meeting.

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are systems in place, that effectively monitor and manage these risks with a view to the long-term viability of the Group.

The principal roles and responsibility assumed by the Board are as follows:

- Review and Adopt Strategic Plan of the Group

The Board plays an active role in the development of the Group’s overall corporate strategy, marketing plan and financial plan. The Board is presented with the short and long-term strategy of the Group together with its proposed business plans for the forthcoming year. The Board also monitors budgetary exercise which support the Group’s business plan and budget plan.

# CORPORATE GOVERNANCE STATEMENT

Cont'd

## PRINCIPLE 1: ESTABLISH CLEAR GOALS AND RESPONSIBILITIES (cont'd)

### Clear Roles and Responsibilities (cont'd)

- Oversee of the Group's Business

The day-to-day management of the business operations of the Group is led by the Executive Directors and a team of Senior Management personnels. Their performance under the lead of the Executive Directors is assessed by the Board based on the financial and management reports tabled during its quarterly meetings. The Board is also kept updated on the Group's strategic direction initiatives, significant operational and regulatory challenges faced by the Group during these meetings.

- Review of Internal Control and Integrity of Management Information

The Board is overall responsible for maintaining a proper internal control system. The Board's responsibilities for the Group's system of internal controls include reviewing financial condition of the business, operational, regulatory compliance as well as risk management matters.

- To Formulate and Have in Place an Appropriate Succession Plan

The Board is responsible to formulate and have in place an appropriate succession plan encompassing the appointment, training, and determination of compensation for the Directors and senior management of the Group, as well as assessing the performance of Directors and Committee members.

- Developing and Implementing an Investor Relations Program or Shareholder Communications Policy for the Group

The Board recognises that shareholder and other stakeholder are entitled to be informed in a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial year. Hence, The Company website is the primary medium in providing information to all shareholders and stakeholders.

The Board will normally hold meetings at least four (4) times in each financial year to consider:

- relevant operational reports from the management;
- reports on the financial performance;
- specific proposals for capital expenditure and acquisitions, if any;
- major issues and opportunities for the Company, if any; and
- quarterly financial statements for the announcement to authorities.

In addition, the Board will, at intervals of not more than one (1) year:

- to approve annual financial statements and other reports to shareholders;
- consider and, if appropriate, declare or recommend the payment of dividends;
- review the Board composition, structure and succession plan of the Board;
- review the Company's audit requirements;
- review the performance of and composition of Board committees;
- undertake Board and individual Board member evaluations;
- review Board's remuneration; and
- review risk assessment policies and controls and compliance with legal and regulatory requirements.

The roles and responsibilities of the Independent Non-Executive Directors and Executive Directors are clearly defined and properly segregated. All the Independent Non-Executive Directors are independent of the Executive Directors, management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a check and balance on the Board's deliberations.

# CORPORATE GOVERNANCE STATEMENT

Cont'd

## PRINCIPLE 1: ESTABLISH CLEAR GOALS AND RESPONSIBILITIES *(cont'd)*

### Clear Roles and Responsibilities *(cont'd)*

The Executive Directors are responsible for the overall performance and operations as well as the corporate affairs and administrations of the Group. They are assisted by the senior management personnel of the Group in managing the business activities of the Group in the manner that is consistent with the policies, standards, guidelines, procedures and/or practices of the Group and in accordance with the specific plans, instructions and directions set by the Board.

The Managing Director holds the principal obligations in focusing, guiding, addressing, supervising, regulating, managing and controlling as well as communicating the Company's goals and objectives, as well as all significant corporate matters, corporate restructuring plans, business extension plans and proposals. The Managing Director, assisted by other Executive Directors, is also responsible for proposing, developing and implementing applicable and relevant new policies and procedures.

The Independent Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision making process. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have considered the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

In discharging its fiduciary duties, the Board has delegated specific tasks to three (3) Board Committees namely Audit Committee, Nomination Committee and Remuneration Committee. All the Board Committees have its own terms of reference and have the authority to act on behalf of the Board within the authority as laid out in the terms of reference and report to the Board with the necessary recommendation.

### Board Charter

As part of governance process, the Board has formalised and adopted the Board Charter. This Board Charter sets out the composition and balance, roles and responsibilities, operations and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members.

The Board Charter addresses, among others, the following matters:

- i) General outline of the Board's purpose;
- ii) An overview of the Board's roles and responsibilities;
- iii) Structure and membership;
- iv) A description of the role of the Chairman, the Executive Directors as well as the Independent Directors;
- v) Board process;
- vi) Directors' remuneration;
- vii) Appointment of Board Committees; and
- viii) Relationship with shareholders.

The Board Charter is reviewed periodically to ensure that the dynamic needs of the Group are consistently met. A copy of the Board Charter is available on the Company's website at [www.schgroup.com.my](http://www.schgroup.com.my).

### Code of Conduct and Ethics

The Board is committed to maintain a corporate culture which engenders ethical conduct through its Code of Conduct and Ethics, which summarises what the Company must endeavour to do proactively to increase corporate value, and which describes the areas in daily activities that require caution to minimise any risks that may occur.

The main thrust of the Code of Conduct and Ethics for Directors are in the following areas:

- i) Corporate Governance;
- ii) Relationship with shareholders, employees, customers and creditors; and
- iii) Social Responsibilities and the Environment

# CORPORATE GOVERNANCE STATEMENT

Cont'd

## PRINCIPLE 1: ESTABLISH CLEAR GOALS AND RESPONSIBILITIES *(cont'd)*

### Code of Conduct and Ethics *(cont'd)*

The Code of Conduct and Ethics for directors was adopted in 26 July 2016 and will be reviewed from time to time when there are significant developments requiring the Code of Conduct and Ethics for Directors to be amended. A copy of the Code of Conduct and Ethics is available at the Company's website at [www.schgroup.com.my](http://www.schgroup.com.my).

### Whistle-Blowing Policy

The Board is committed to achieve and maintain the highest standard of work ethics in the conduct of business in line with the Code of Conduct and ethics and good corporate governance practices. The Group encourages its employees to report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Group. This policy is to provide an avenue for all employees of the Group and members of the public to disclose any improper conduct in accordance with the procedures as provided for under this policy and to provide protection for employees and members of the public who report such allegations.

The policy is designed to give support to the following:

- i) Be committed to the Company's business ethics of Honesty, Integrity and Transparency;
- ii) To provide a transparent and confidential process for all parties to give information on non-compliances to the Code of Conduct and Ethics, or any misconduct regardless of his or her position, to an independent party to investigate the allegations and take the appropriate actions; and
- iii) To uphold the moral duty being a Company by protecting the interest of all its stakeholders.

A copy of the Whistle-Blowing Policy is available at the Company's website at [www.schgroup.com.my](http://www.schgroup.com.my).

Stakeholders, who have suspected fraud, misconduct or any integrity concerns, are encouraged to fill up a Whistle Blowing Report Form and email to:

Attention : Mr Sim Yee Fuan  
 Designation : Audit Committee Chairman  
 Email : [samsim929@gmail.com](mailto:samsim929@gmail.com)

### Promote Sustainability

The Board ensures that the Company's strategies promote sustainability with attention given particularly to environmental, social and governance ("ESG") aspects of the business which underpins sustainability. The Board understands that balancing ESG aspects with the interests of various stakeholders is essential to enhance investor perception and public trust.

The Group is committed in its continuous efforts in maintaining a delicate balance between its sustainability agenda and other stakeholders' interest. The details of the sustainability efforts are set out in the "Corporate Sustainability Statement" of this Annual Report.

### Access to Information and Advice

Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers will be forwarded to each director no later than seven (7) days before the date of the meeting. This is to ensure that Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the Board paper and seek for any clarification as and when they may need advices or further explanation from management and Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries.

The Board has access to all information within the Company to enable them to discharge their duties and responsibilities and is supplied on a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

# CORPORATE GOVERNANCE STATEMENT

Cont'd

## PRINCIPLE 1: ESTABLISH CLEAR GOALS AND RESPONSIBILITIES *(cont'd)*

### Access to Information and Advice *(cont'd)*

In addition, all Directors have direct access to the advice and services of the Company Secretaries who is responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulatory are complied with. External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. The senior management team from different business units will also be invited to participate in the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. The Chairman of the Board Committees, namely, the Audit Committee, Nomination Committee and Remuneration Committee briefs the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committees meetings.

When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairman of the Board, and depending on the quantum of the fees involved.

The Board acknowledges that confidential information received remains the property of the Group, whether it relates to the Group or another entity. It will not be disclosed unless either the Chairman of the Board has so authorised in writing or disclosure is required by law.

### Qualified and Competent Company Secretaries

The Board is supported by qualified, competent and experienced Company Secretaries who facilitates overall compliance with the Listing Requirements as well as informs and keeps the Board updated of the latest enhancements in corporate governance, changes in the regulatory framework, new statutory requirements and best practices. The Board recognises that the Company Secretaries is suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions.

The Company Secretaries attend all Board and all Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

## PRINCIPLE 2: STRENGTHEN COMPOSITION

### Nomination Committee

As recommended by MCCG, the Board has established a Nomination Committee ("NC") which comprised exclusively of Independent Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by considering his skills and expertise for contribution to the Company on an ongoing basis.

The Terms of Reference of the NC can be viewed at the Company's website at [www.schgroup.com.my](http://www.schgroup.com.my).

The present members of the NC of the Company are:

Designation	Name	Directorship
Chairman	Gan Khong Aik	Independent Non-Executive Director
Member	Chan Wan Choon	Independent Non-Executive Chairman/Senior Independent Non-Executive Director
Member	Sim Yee Fuan	Independent Non-Executive Director

The NC shall meet at least once a year unless otherwise determine by the NC. The quorum for a meeting shall be at least two (2) members, majority members present must be Independent Non-Executive Directors.

# CORPORATE GOVERNANCE STATEMENT

Cont'd

## PRINCIPLE 2: STRENGTHEN COMPOSITION *(cont'd)*

### Nomination Committee *(cont'd)*

The functions of the NC are summarised as follows:

- i) to undertake an annual review of the Board's succession plans, taking into consideration, the present size, structure and composition of the Board and Board Committees as well as the required mix of skills, experience and competency required and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- ii) to facilitate the evaluation on the effectiveness of the Board as a whole, the various Committees and each individual Director's contribution to the effectiveness on the decision making process of the Board;
- iii) to consider succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future;
- iv) responsible for identifying and make the recommendation to the Board on new candidates for election/ appointment to the Board or to fill board vacancies as and when they arise;
- v) to ensure that orientation and education programmes are provided for new members of the Board;
- vi) to recommend to the Board concerning the re-election / re-appointment of Director to the Board pursuant to the provisions in the Company's Article of Association;
- vii) to undertake an annual review of the training programmes attended by the Directors for each financial year as well as the training programmes required to aid the Directors in the discharge of their duties as Directors and to keep abreast with industry developments and trends; and
- viii) to provide a report summarising its activities for the year in compliance with the MCCG, Listing Requirements and any relevant regulations. The report can be incorporated into the corporate governance statement in the annual report or included in as a separate report.

The summary of activities undertaken by the NC during the financial year included the following:

- i) Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board;
- ii) Reviewed and recommended the retirement and re-election of Directors at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association; and
- iii) Reviewed the qualification of Directors to be appointed and made recommendation to the Board for appointment of Directors.

### Board Composition

The current Board of Directors consists of eight (8) members, comprising an Independent Non-Executive Chairman, a Managing Director, two (2) Executive Directors, two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors. The Company thus complies with Rule 15.02 of the Listing Requirements whereby at least two (2) or one-third (1/3) of the Board of Directors, whichever is higher, are independent directors. The profile of each Director is presented separately on pages 4 to 7 of this Annual Report.

The current Board consists of individuals of high calibre, experienced and are professionals in their respective fields. Together, this brings a wide range of industry specific knowledge, broad based business and commercial experience that are vital to the Board's success.

On 26 July 2016, the Board has appointed Mr Chan Wan Choon as the Senior Independent Non-Executive Director of the Company to share the concerns of Directors to the Board on sensitive issues of the Company, leads the Board as Chairman and act as the alternative contact person for shareholder communication.

# CORPORATE GOVERNANCE STATEMENT

Cont'd

## PRINCIPLE 2: STRENGTHEN COMPOSITION *(cont'd)*

### Appointment of the Board

The proposed appointment of a new member to the Board will be deliberated on by the full Board based upon the recommendation of the NC. Before any recommendation made to the Board, the NC will ensure that an appropriate review is undertaken to ensure the requirement and qualification of the candidate nominated based on a prescribed set of criteria comprising but not limited to the following:

- a) Skills, knowledge, expertise and experience;
- b) Professionalism;
- c) Integrity;
- d) Existing number of directorships held;
- e) Confirmation of not being an undischarged bankrupt or involved in any court proceedings in connection with the promotion, formation or management of a corporation or involving fraud or dishonesty punishable on conviction with imprisonment or subject to any investigation by any regulatory authority under any legislation; and
- f) In the case of candidates being considered for the position of independent director, such potential candidates have the ability to discharge such responsibilities/functions as expected from independent non-executive directors. Amongst others, the potential candidates must fulfil the criteria used in the definition of "independent directors" prescribed by the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and being able to bring independent and objective judgement to the Board. Where required, the members of the Committee would meet up with potential candidates for the position of director to assess the suitability.

The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the NC. As a whole, the Company maintains a very lean number of Board members. The Board appoints its members through a formal and transparent selection process which is consistent with the Articles of Association of the Company. This process has been reviewed, approved and adopted by the Board. The Company Secretaries are tasked to ensure all appointments are properly made and all necessary information is obtained from the Directors, for the Company's records and for the purposes of meeting statutory obligations as well as obligations arising from the Listing Requirements.

Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The NC will help assess and recommend to the Board, the candidature of directors, the appointment of directors to board committees, review of Board's succession plans and training programmes for the Board.

In general, the process for the appointment of a director to the Board is as follows:

- i) The NC reviews the Board's composition through Board assessment/evaluation;
- ii) The NC determines skills matrix;
- iii) The NC evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate;
- iv) The NC recommends to the Board for appointment; and
- v) The Board approves the appointment of the candidates.

During the financial year, the Board has appointed four (4) new members, namely Mr Khoo Chee Siang (Executive Director), Mr Wong Kin Seng (Executive Director), Mr Koh Chen Foong (Non-Independent Non-Executive Director), and Mr Liew Fook Meng (Non-Independent Non-Executive Director).

### Criteria for Board Assessment

The NC would conduct an assessment of the performance of the Board, as a whole, Board Committees and individual Directors, based on a self assessment approach on an annual basis. From the results of the assessment, including the mix of skills, experience, tenure and other core qualities possessed by Directors, the Board will consider and approve the recommendations on the re-election and re-appointment of Directors at the Company's forthcoming Annual General Meeting, with a view to meeting current and future requirements of the Group.



# CORPORATE GOVERNANCE STATEMENT

Cont'd

## **PRINCIPLE 2: STRENGTHEN COMPOSITION** (cont'd)

### **Criteria for Board Assessment** (cont'd)

The criteria used by the NC in evaluating the performance of an individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. Each of the Directors will perform a self assessment on an annual basis. The Board did not engage any external party to undertake an independent assessment of the Directors.

Based on the assessment conducted for the financial year 2017, the Board and the NC is satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board members and the independence of its Independent Non-Executive Directors.

### **Boardroom Diversity**

The Board is aware of the importance of boardroom diversity and is supportive of the recommendation of MCCG to the establishment of boardroom and workforce gender diversity policy. However, the Board does not adopt any formal boardroom diversity policy in the selection of new Board candidates and does not have specific policies on setting the target for female candidates in the Group. The Group basically evaluate the suitability of candidates as a new Board member or as a member of the workforce based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender. Equal opportunity is given and does not practice discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.

Currently, our Board does not comprise of any female director. The Board will evaluate and match the criteria of the potential candidate as well as considering the boardroom diversity for any newly proposed appointment of directors of the Company in the future.

### **Re-Election of Directors**

The procedure on the re-election of directors by rotation is set out in the Company's Articles of Association ("the Articles"). Pursuant to the Articles, all Directors who are appointed by the Board during the year are subject to re-election by shareholders at the first meeting after their appointment. The Articles also provide at least one-third (1/3) of the remaining Directors are subject to re-election by rotation at each Annual General Meeting and retiring directors can offer themselves for re-election. All Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election.

Upon the recommendation of the NC and the Board, the Directors who are standing for re-election and re-appointment at the forthcoming Annual General Meeting of the Company to be held in year 2018 are as stated in the Notice of Annual General Meeting.

### **Remuneration Committee**

In line with the best practices of MCCG, the Board has set up a Remuneration Committee ("RC") which comprises majority of Independent Non-Executive Directors in order to assist the Board for determining the Director's remuneration.

The RC meets when required and is entrusted, among others, with examining the remuneration packages and other benefits of the Executive Director. The contribution, responsibilities and performance of each Executive Director is taken into account when determining their respective remuneration packages.

However, the ultimate responsibility to approve the remuneration of the Directors remains with the Board as a whole. The respective Director is not involved in any discussions and/or deliberations with regards to their own remuneration.

The Terms of Reference of the RC can be viewed at the Company's website at [www.schgroup.com.my](http://www.schgroup.com.my).

# CORPORATE GOVERNANCE STATEMENT

Cont'd

## PRINCIPLE 2: STRENGTHEN COMPOSITION *(cont'd)*

### Remuneration Committee *(cont'd)*

The present members of the RC are as follow:

Designation	Name	Directorship
Chairman	Lau Mong Ling	Managing Director and Deputy Chairman
Member	Chan Wan Choon	Independent Non-Executive Chairman/Senior Independent Non-Executive Director
Member	Sim Yee Fuan	Independent Non-Executive Director

The functions of the RC are summarised as following:

- i) to review and recommend to the Board the framework of remuneration of the Executive Directors and Principal Officers;
- ii) to review and determine the annual salary increment, performance bonus, and short term/long term incentives (including share grant and bonus) for Executive Directors and Principal Officers depending on various performance measurements of the Group;
- iii) to review and determine the other benefits in kind for the Executive Directors and Principal Officers;
- iv) to review the Group's compensation policy and ensure alignment of compensation to corporate performance, and compensation offered in line with market practice;
- v) to review and recommend the remuneration for Non-Executive Directors taking into consideration the fee levels and trends for similar positions in the market, time commitment required from the director and any additional responsibilities undertaken by the particular Non-Executive Directors concerned; and
- vi) to recommend the engagement of external professional advisors to assist and/or advise the Committee and the Board, on remuneration matters, where necessary.

The summary of activities undertaken by the RC during the financial year included the following :

- i) Reviewed and recommended the performance bonus for Executive Directors and Principal Officers; and
- ii) Reviewed and recommended the payment of Directors' fees and other benefits payable to Directors.

### Directors' Remuneration

The remunerations of the Executive Directors were determined fairly based on the performance and the profitability of the Group as a whole. The Directors' remuneration is at the discretion of the Board, taking into account the comparative market rates that commensurate with the level of contribution, experience and participation of each Director. The overriding principle adopted in setting the remuneration packages for the Executive Directors by the RC is to ensure that the Company attracts and retains the appropriate Directors of the calibre needed to run the Group successfully.

The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.

# CORPORATE GOVERNANCE STATEMENT

Cont'd

## PRINCIPLE 2: STRENGTHEN COMPOSITION (cont'd)

### Details of Directors' Remuneration

Details of the Directors' remuneration paid or payable to all Directors of the Company (both by the Company and the Group) and categorised into appropriate components for the financial year ended 31 August 2017 were as follows:

#### i) Aggregate Directors' Remuneration

Director	Company			Group		
	Fees (RM)	Salaries & Other Emoluments (RM)	Allowances (RM)	Fees (RM)	Salaries & Other Emoluments (RM)	Allowances (RM)
Executive Directors	-	-	7,000	-	1,362,586	7,000
Non-Executive Directors	134,500	-	9,000	134,500	-	9,000
<b>Total</b>	<b>134,500</b>	<b>-</b>	<b>16,000</b>	<b>134,500</b>	<b>1,362,586</b>	<b>16,000</b>

#### ii) Analysis of Directors' Remuneration

Total remuneration of Directors in respect of the financial year ended 31 August 2017, in bands of RM50,000 is tabulated below:

Range of Remuneration	Number of Directors			
	Company		Group	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
Below RM50,000	5	6	-	6
RM100,001 – RM150,000	-	-	1	-
RM200,001 – RM250,000	-	-	1	-
RM250,001 – RM300,000	-	-	2	-
RM400,001 – RM450,000	-	-	1	-

Details of the individual Director's remuneration are not disclosed in this report as the Board is of the view that the above remuneration disclosure by band and analysis between Executive and Non-Executive Directors satisfies the accountability and transparency aspects of the MCCG.

## PRINCIPLE 3 : REINFORCE INDEPENDENCE

### Annual Assessment of Independence

Annual assessments will be conducted by NC on annual basis and the criteria for assessment covers areas such as contributions to interaction, roles and responsibilities and quality of input to enhance the Board's effectiveness. The independence of Independent Directors was assessed based on their relationship with the Group and their involvement in any significant transactions with the Group including their ability to exercise independent judgment at all times and based on the criteria set out in the Listing Requirements of Bursa Securities.

Based on the assessment carried out during the financial year ended 31 August 2017, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company during the financial year under review, and that each of them continues to fulfill the definition of independence as set out in the Listing Requirements of Bursa Securities.

# CORPORATE GOVERNANCE STATEMENT

Cont'd

## PRINCIPLE 3 : REINFORCE INDEPENDENCE *(cont'd)*

### Tenure of Independent Directors

Currently, the Board does not have a policy on the tenure for Independent Directors as the Board is of the view that a term of more than nine (9) years may not necessarily impair independence and judgement of an Independent Director and therefore the Board does not deem it appropriate to impose a fixed term limit for Independent Directors at this juncture.

However, as recommended by the MCCG, the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of a nine (9) years term, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at a general meeting, normally the annual general meeting of the Company.

As at 31 August 2017, the tenure of the Independent Non-Executive Directors of the Company are as follows:

	< 1 Year	1-3 Years	4-7 Years	8-9 Years
Chan Wan Choon			√	
Sim Yee Fuan			√	
Gan Khong Aik			√	

As at the date of this statement, none of the independent directors had served the Company for more than nine (9) years as per the recommendations of MCCG.

### Separation of Positions of the Chairman and Managing Director

During the financial year under review, the Company has complied with the recommendation of the MCCG where the positions of the Chairman and the Managing Director are held by different individuals, and that the Chairman is a non-executive member of the Board.

The roles of the Chairman and the Managing Director are clearly defined and segregated, to ensure an appropriate balance of power and authority, increased accountability and enhanced capacity of the Board for independent decision-making. The Chairman is not related to the Managing Director, and is responsible for leading the Board to oversee and supervise the Group's management; whilst the Managing Director is responsible for the day-to-day operations of the Group, making strategic business decisions and implement the Board's policies and decisions. There is clear separation of powers between the Chairman, who is an independent director and the Managing Director, and this further enhances the independence of the Board.

### Independent Chairman

The MCCG recommends that the Board of Directors of a public listed company should be composed of a majority of independent directors where the Chairman of the Board is not an independent director.

During the financial year under review, the Board is chaired by an Independent Non-Executive Director and one-third (1/3) of the Board consists of Independent Non-Executive Directors. The Chairman being an Independent Non-Executive Director, is not involved in the day-to-day management of the Group's business and has no relationship that could materially interfere with his judgement. The Board therefore is of the view that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

# CORPORATE GOVERNANCE STATEMENT

Cont'd

## PRINCIPLE 4: FOSTER COMMITMENT

### Time Commitment and Directorship in Other Public Listed Companies

Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would include an indication of the time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointments in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies as prescribed in Rule 15.06 of the Listing Requirements.

Each Board member is expected to achieve at least 50% attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman and/or Company Secretaries, where applicable.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out in the section below.

### Record of Attendance at Board Meetings

The following is the record of attendance of each of the Directors of the Company at the Board meetings held during the financial year:-

Name of Directors	No. of Meeting Attended
Chan Wan Choon	5/5
Lau Mong Ling	5/5
Khoo Chee Siang <sup>[1]</sup>	2/2
Wong Kin Seng <sup>[2]</sup>	1/1
Koh Chen Foong <sup>[3]</sup>	1/1
Liew Fook Meng <sup>[4]</sup>	1/1
Sim Yee Fuan	5/5
Gan Khong Aik	3/5
Wong Sin Chin <sup>[5]</sup>	3/3
Yeen Yoon Hin <sup>[6]</sup>	3/3
Rahimi bin Ramli <sup>[7]</sup>	1/2

#### Note

<sup>[1]</sup> Mr Khoo Chee Siang was appointed as director of the Company on 2 March 2017.

<sup>[2]</sup> Mr Wong Kin Seng was appointed as director of the Company on 9 May 2017.

<sup>[3]</sup> Mr Koh Chen Foong was appointed as director of the Company on 9 May 2017.

<sup>[4]</sup> Mr Liew Fook Meng was appointed as director of the Company on 9 May 2017.

<sup>[5]</sup> Mr Wong Sin Chin was resigned as director of the Company on 31 March 2017.

<sup>[6]</sup> Mr Yeen Yoon Hin was resigned as director of the Company on 31 March 2017.

<sup>[7]</sup> Encik Rahimi bin Ramli was retired as director of the Company on 23 January 2017.

All the Directors have complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 August 2017.

# CORPORATE GOVERNANCE STATEMENT

Cont'd

## PRINCIPLE 4: FOSTER COMMITMENT *(cont'd)*

### Record of Attendance at Board Meetings *(cont'd)*

The Board meets on a quarterly basis, with amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings will be convened by the Company Secretaries, after consultation with the Chairman. Additionally, in between Board meetings, the Directors also approved various matters requiring the sanction of the Board by way of circular resolutions.

The tentative dates for Board and Board Committee meetings for the year will be circulated by the Company Secretaries well in advance towards the end of the previous year to ensure that each of the Directors is able to attend the planned Board and/or Board Committee meetings including that of the Annual General Meeting. At the end of each Board and Audit Committee meetings, the date of the next meetings is to be re-confirmed.

### Continuing Education Programs

All Directors appointed to the Board have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities. Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, the Directors are encouraged to attend continuous education programmes/seminars/conferences and shall as such receive further training from time to time to keep themselves abreast of the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and enhance their business acumen and professionalism in discharging their duties to the Group.

The Board has undertaken an assessment of the training needs of each Director and ensured that all the Directors undergo the necessary training programme to enable them to effectively discharge their duties.

Details of seminars/conferences/training programmes attended by the Board members during the financial year as listed below:

Name of Director	Seminars/Conferences/Training Programmes Attended
Chan Wan Choon	<ul style="list-style-type: none"> <li>Workshop on Driving Financial Integrity and Performance – Enhancing Financial Literacy for Audit Committees</li> <li>An Overview of the Companies Act 2016 – Key Changes and its Impacts</li> </ul>
Lau Mong Ling	<ul style="list-style-type: none"> <li>An Overview of the Companies Act 2016 – Key Changes and its Impacts</li> </ul>
Khoo Chee Siang	<ul style="list-style-type: none"> <li>Workshop on Driving Financial Integrity and Performance – Enhancing Financial Literacy for Audit Committees</li> <li>2017 Budget and its Impact on Capital Markets</li> <li>Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers</li> </ul>
Wong Kin Seng	<ul style="list-style-type: none"> <li>An Overview of the Companies Act 2016 – Key Changes and its Impacts</li> </ul>
Koh Chen Foong	<ul style="list-style-type: none"> <li>FX &amp; Economic Outlook Briefing</li> </ul>
Liew Fook Meng	<ul style="list-style-type: none"> <li>SIAL Interfood 2016</li> </ul>
Sim Yee Fuan	<ul style="list-style-type: none"> <li>Property Outlook &amp; Trends Update</li> <li>CEO Forum</li> </ul>
Gan Khong Aik	<ul style="list-style-type: none"> <li>IBA Annual Conference</li> <li>China Academy of Arbitration Law Forum</li> </ul>

The Board will on a continuing basis evaluate and determine the training needs of each Director, particularly on relevant new law and regulations and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

In addition to the above, Directors would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal Auditors and Company Secretaries during the Committee and Board Meetings.

# CORPORATE GOVERNANCE STATEMENT

Cont'd

## PRINCIPLE 5: UPHOLD INTEGRITY OF FINANCIAL REPORTING

### Compliance with Applicable Financial Reporting Standards

The Board strives to provide shareholders with a balanced and meaningful evaluation of the Group's financial performance, financial position and prospects through the annual audited financial statements, interim financial reports, annual report and announcements to Bursa Securities.

The interim financial reports, annual audited financial statements and annual report of the Group for the financial year ended 31 August 2017 are prepared in accordance with the Malaysian Financial Reporting Standards, Listing Requirements and the Companies Act, 2016. The Board is assisted by the Audit Committee in overseeing the financial reporting processes and ensuring the quality of its financial reporting.

The statement by the Board pursuant to Rule 15.26(a) of the Listing Requirements on its responsibilities in preparing the financial statements is set out on page 33 of this Annual Report.

### Assessment of Suitability and Independence of External Auditors

The Company has established a transparent arrangement with the External Auditors to meet their professional requirements. From time to time, the External Auditors will highlight to the Audit Committee and Board of Directors on matters that require the Board's attention.

The Audit Committee is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the Audit Committee.

To assess or determine the suitability and independence of the External Auditors, the Audit Committee has taken into consideration of the following:

- i) the adequacy of the experience and resources of the External Auditors;
- ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and
- iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the Annual General Meeting on the recommendation of the Board. The External Auditors are being invited to attend the Annual General Meeting of the Company to respond and reply to the Shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

Where necessary, the Audit Committee will meet with the External Auditors without the presence of Executive Director and members of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the Audit Committee are duly recorded by the Company Secretaries.

In presenting the Audit Planning Memorandum to the Audit Committee, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by them. The External Auditors have also provided the required independence declaration to the Audit Committee and the Board for the financial year ended 31 August 2017.

# CORPORATE GOVERNANCE STATEMENT

Cont'd

## PRINCIPLE 5: UPHOLD INTEGRITY OF FINANCIAL REPORTING *(cont'd)*

### Assessment of Suitability and Independence of External Auditors *(cont'd)*

The Audit Committee is satisfied with the competence and independence of the External Auditors for the financial year under review. Having regard to the outcome of the annual assessment of the External Auditors, the Board approved the Audit Committee's recommendation for the shareholders' approval to be sought at the Annual General Meeting on the re-appointment of Messrs ECOVIS AHL PLT as the External Auditors of the Company for the financial year ending 31 August 2018.

## PRINCIPLE 6: RECOGNISE AND MANAGE RISK

### Risk Management and Internal Control

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal controls, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to access current and emerging risks, and respond appropriately to the risks encountered.

As an effort to enhance the system of internal controls, the Board together with the assistance of external professional Internal Audit firm adopted on-going monitoring and review the existing of risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given to the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

The information on the Group's internal control is further elaborated in pages 36 and 37 on the Statement on Risk Management and Internal Control of this Annual Report.

## PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### Corporate Disclosure Policies and Procedures

The Board recognises the need for transparency and accountability to the Company's shareholders as well as regular communication with its shareholders, stakeholders and investors on the performance and major developments in the Company. The Company ensures that timely releases of the quarterly financial results, press releases and corporate announcements are made to its shareholders and investors, which are clear, unambiguous, succinct, accurate, and contains sufficient and relevant information.

In order to maintain its commitment to effective communication with shareholders, the Group embraces the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.

The practice of disclosure of information is to adopt the best practices recommended in the MCCG with regard to strengthening engagement and communication with shareholders, it is not only established just to comply with the Listing Requirements.

The Group also endeavours to provide additional disclosures of information on a voluntary basis, where necessary. The management believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions.



# CORPORATE GOVERNANCE STATEMENT

Cont'd

## **PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE** (cont'd)

### **Corporate Disclosure Policies and Procedures** (cont'd)

Besides the above, the Company's Annual Report and financial results are dispatched on an annual basis to the shareholders to provide an overview of the Group's business activities and performances. The Share Registrar is available to attend to administrative matters relating to shareholders' interests. The Company strives to provide a high level of transparency reporting in order to provide value for users.

### **Leverage on Information Technology for Effective Dissemination of Information**

The Company's website at [www.schgroup.com.my](http://www.schgroup.com.my) incorporates an Investor Relations section which provides all relevant information on the Company accessible to the public. This section enhances the investor relations function by including all the corporate information and profile of the Group business activities, financial information, stock information, annual report, quarterly reports, company announcements, corporate governance including the Board Charter, Code of Conduct and Ethics for Directors and terms of reference of Board Committees.

The quarterly financial results are announced to Bursa Securities after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

Shareholders and investors may also forward their queries to the Company via email to [schsb99@gmail.com](mailto:schsb99@gmail.com).

### **Dialogue with Shareholders**

In addition to the dissemination of information to shareholders and other interested parties via announcements to Bursa Securities, its website, circulars and press releases, the Board views that the annual and any extraordinary general meetings as ideal opportunities to communicate with shareholders.

The Chairman or the Managing Director of the Company will brief shareholders on the Company's projects and elaborate further on proposals for which the approval of shareholders is being sought at the general meeting.

Whilst the Company aims to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

## **PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS**

### **Annual General Meeting**

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. The Annual Report together with the Notice of AGM is sent to registered shareholders at least twenty-one (21) days before the meeting. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. Where special business items appear in the Notice of AGM, an explanatory note will be included as a footnote to enlighten shareholders on the significance and impact when shareholders deliberate on a resolution. At the AGM, shareholders are encouraged to participate, speak, vote and to demand a poll vote. Shareholders are given the opportunity to seek clarification on any matters pertaining to the business activities and financial performance of the Group. Shareholders are also encouraged to make their views known to the Board and to raise directly any matters of concern. Members of the Board as well as management are present to answer questions raised at these meetings. Apart from contacts at general meetings, currently there is no other formal program or schedule of meetings with investors, shareholders, stakeholders and the public generally. However, the management has the option of calling for meetings with investors/analysts if it deems necessary. Thus far, the management is of the opinion that the existing arrangement has been satisfactory.

### **Poll Voting**

In line with Rule 8.31A of the Listing Requirements, the Company will ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. At the same time, the Company will appoint at least one (1) scrutineer to validate the votes cast at the general meeting.

# CORPORATE GOVERNANCE STATEMENT

Cont'd

## PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS *(cont'd)*

### Effective Communication and Proactive Engagement

The Group maintains its effective communication with shareholders by adopting timely, comprehensive, and continuing disclosures of information to its shareholders as well as the general investing public and adopts the best practices recommended by the MCCG with regards to strengthening engagement and communication with shareholders.

To this end, the Group relies on the following channels for effective communication with the shareholders and stakeholders:

- i) Interim financial reports to provide updates on the Group's operations and business developments on a quarterly basis;
- ii) Annual audited financial statements and annual report to provide an overview of the Group's state of governance, state of affairs, financial performance and cash flows for the relevant financial year;
- iii) Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by the Listing Requirements; and
- iv) Annual General Meetings.

Shareholders and stakeholders may raise their concerns and queries by contacting the Registered Office of the Group, the details of which as provided under the "Corporate Information" section of this Annual Report. The Share Registrar is also available to attend to administrative matters relating to shareholder interests. As recommended by the MCCG, the Company has appointed a Senior Independent Non-Executive Director to whom queries and concerns regarding the Group may be conveyed.

## STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards so as to give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 August 2017, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company keeps proper accounting records with reasonable accuracy of the financial position of the Company. The Directors are to ensure that the financial statements comply with mandatory provisions of the Companies Act, 2016, the Malaysian Financial Reporting Standards and the Listing Requirements of Bursa Securities. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

## COMPLIANCE STATEMENT

Save as disclosed above, the Board is of the view that the Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices of MCCG and all other applicable laws, where applicable.

## AUDIT COMMITTEE REPORT

The primary objective of the Audit Committee is to establish a documented, formal and transparent procedure to assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, a system of risk management and internal control, the audit process and the process of monitoring compliance with laws and regulations.

The present members of the Audit Committee are as follows:

Designation	Name	Directorship
Chairman	Sim Yee Fuan	Independent Non-Executive Director
Member	Chan Wan Choon	Independent Non-Executive Chairman/Senior Independent Non-Executive Director
Member	Gan Khong Aik	Independent Non-Executive Director

### Terms of Reference

The terms of reference of the Audit Committee which laid down its duties and responsibilities are accessible via the Company's website at [www.schgroup.com.my](http://www.schgroup.com.my).

### Attendance of Meetings

During the financial year ended 31 August 2017, the Audit Committee held five (5) meetings. Details of the attendance of committee members are as follow:

Members	Meeting Attendance
Sim Yee Fuan	5/5
Chan Wan Choon	5/5
Gan Khong Aik	3/5

### Summary Activities of the Audit Committee During the Year

In line with the term of reference of the Audit Committee, the following activities were carried out by the Audit Committee in the discharge of its functions and duties during the financial year:

- i) Reviewed of the quarterly unaudited financial results and audited financial statements of the Group and the Company including the announcements pertaining thereto, before recommending to the Board for their approval and release of the Group's unaudited financial results and audited financial statements to Bursa Securities;
- ii) Reviewed with external auditors on their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 August 2017;
- iii) Reviewed and discussed with the external auditors of their audit findings inclusive of system evaluation, audit fees, issues raised, audit recommendations and management's response to these recommendations;
- iv) Reviewed and assessed the adequacy of the scope and functions of the Internal Audit plan;
- v) Reviewed the effectiveness of the Group's system of internal controls;
- vi) Reviewed the proposed final audit fees for the External Auditors and Internal Auditors in respect of their audit of the Company and the Group;
- vii) Evaluated the performance of the External Auditors for the financial year ended 31 August 2017 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence as well as the audit fees of the External Auditors and considered and recommended the re-appointment of the External Auditors;

# AUDIT COMMITTEE REPORT

Cont'd

## Summary Activities of the Audit Committee During the Year *(cont'd)*

- viii) Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;
- ix) Reviewed the Company's compliance with the Listing Requirements, applicable Approved Accounting Standards and other relevant legal and regulatory requirements;
- x) Report to the Board on its activities and significant findings and results; and
- xi) Reviewed and recommended to the Board for approval, the Audit Committee Report, Statement of Corporate Governance and Statement on Risk Management and Internal Control for inclusion in the 2017 Annual Report.

## Internal Audit Functions

The Group has appointed an established external professional Internal Audit firm, which reports to the Audit Committee and assists the Audit Committee in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives. With the internal audit function being put in place, remedial actions can be taken in relation to weaknesses identified and noted in the systems and controls of the respective operating units. The setting up of the internal audit function is geared towards increasing efficiency and better management of resources in all aspects of the Group's operations. The costs incurred for the internal audit function in respect of the financial year under review is approximately RM24,000.

The functions of the outsourced Internal Auditors are to:

- i) Perform audit work in accordance with the pre-approved internal audit plan, which covers reviews of the internal control system, risk management and follow up audits to address observations reported in preceding internal audit visits;
- ii) Carry out reviews on the systems of internal control of the Group;
- iii) Review and comment on the effectiveness and adequacy of the existing internal control policies and procedures; and
- iv) Provide recommendations, if any, for the improvement of the internal control policies and procedures.

During the financial year under review, the following activities were carried out by the internal auditors in discharge of its responsibilities:

- i) Inventory Management Review; and
- ii) Fixed Assets Management Review.

The Audit Committee and the Board are satisfied with the performance of the outsourced Internal Auditors and have in the interest of greater independence and continuity in the internal audit function, taken the decision to continue with the outsource of the Internal Audit function.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors of SCH is pleased to provide the following Statement on Risk Management and Internal Control pursuant to Rule 15.26(b) of the Listing Requirements and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“the Guidelines”).

## BOARD’S RESPONSIBILITIES

The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity. In addition, the Board has also received assurance from the Managing Director that the Group’s risk management and internal control system is operating adequately and effectively, in all material aspects.

Due to inherent limitations in any risk management and internal control system, such system put into effect by management is designed to manage rather than eliminate risks that may impede the achievement of the Group’s business objectives. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatements or errors.

The Board through its Audit Committee has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board and the Audit Committee on a periodic basis.

Management assists the Board in the implementation of the Board’s policies and procedures on risk and control by identifying and assessing the risks faced by the Group, and in the design and operation of suitable internal controls to mitigate these risks identified.

The Board is of the view that the risk management and internal control system is in place for the year under review and up to the date of issuance of the annual report is adequate and effective to safeguard the shareholders’ investment, the interests of customers, regulators, employees and the Group’s assets.

## KEY FEATURES OF THE GROUP’S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Key elements that have been established in the Group’s risk management and internal control system are described below:

### 1. Risk Management System

Risk management is firmly embedded in the Group’s management system as the Board firmly believes that risk management is critical for the Group’s sustainability and the enhancement of shareholder value. Key management staff and Heads of Department are responsible for assisting the Board to implement policies and procedures on risk management and internal control system. Significant risk affecting the Group’s strategic and business plans are escalated to the Board at their scheduled meetings.

### 2. Internal Control System

- i) A well-defined organisational structure with clear lines of accountability and responsibilities provide a sound framework within the organisation in facilitating check and balance for proper decision making at the appropriate authority levels of management including matters that require the Board’s approval.
- ii) Proper delegation of authorities that sets out decision that needs to be taken and the appropriate levels of management involved including matters that require the Board’s approval.
- iii) The Board of Directors and Audit Committee meet at least once on a quarterly basis to review and deliberate on financial reports, annual financial statements, internal audit reports and etc. Discussions with management were held to deliberate on the actions that are required to be taken to address internal control issues identified.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Cont'd

## KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (cont'd)

### 2. Internal Control System (cont'd)

- iv) Internal policies and procedures had been established for key business units within the Group.
- v) Scheduled operational and management meetings are held to discuss and review the business plans, budgets, financial and operational performances of the Group. Monthly management accounts containing key financial results, operational performances and comparison of actual performance against budgets are presented to the management team for monitoring and review. The quarterly financial statements are presented to the Audit Committee and Board for their review and approval. The Board also plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group.

### 3. Internal Audit Function

The Group's internal audit function is outsourced to an independent professional firm, to assist the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

During the financial year ended 31 August 2017, internal audit visits were carried out based on the approved audit plan and the findings of the internal audit, including the recommended corrective actions, were presented directly to the Audit Committee.

In addition, follow up review will be conducted to ensure that corrective actions have been implemented on a timely manner. Based on the internal audit review conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this annual report.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad ACE Market Listing Requirement, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Group for the financial year ended 31 August 2017 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the Group's risk management and internal control system.

Their limited assurance review was performed in accordance with Recommended Practice Guide (RPG) 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not required the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control of the Group.

## MANAGEMENT'S ASSURANCE

The Managing Director, representing the management, has given reasonable assurance to the Board that the Group's risk management and internal control systems are adequate and effective, in all material aspects, based on the risk management and internal controls adopted by the Group and similar assurance given by the respective heads of operations.

## CONCLUSION

For the financial year under review, there were no significant internal control deficiencies or material weaknesses resulting in material losses or contingencies requiring disclosure in the Annual Report. The Board is of the view that the existing Group's system of risk management and internal control is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognisant of the fact that the Group's system of risk management and internal control practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of internal control and risk management framework.

## OTHER DISCLOSURE REQUIREMENTS

Pursuant to the Listing Requirements of Bursa Securities

### 1. STATUS OF UTILISATION OF PROCEEDS

There were no proceeds raised by the Company from any corporate proposals during the financial year ended 31 August 2017.

### 2. AUDIT AND NON-AUDIT FEE PAID TO EXTERNAL AUDITORS

During the financial year, the amount of audit and non-audit fees paid/payable to the external auditors by the Company and the Group respectively for the financial year ended 31 August 2017 were as follows:

	Company (RM)	Group (RM)
<b>Audit Services Rendered</b>	25,000	138,983
<b>Non-Audit Services Rendered</b>	-	-

### 3. MATERIAL CONTRACTS

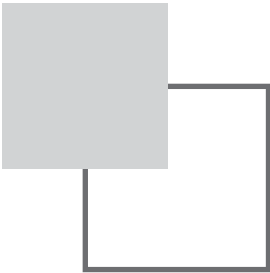
During the financial year, there were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests.

### 4. CONTRACTS RELATING TO LOAN

During the financial year, there were no material contracts relating to loans entered into by the Company involving Directors and major shareholders.

### 5. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE

Save for such disclosure made in note 31 to the financial statements on pages 94 and 95 of the Annual Report, there were no other recurrent related party transactions of revenue nature entered by the Group with the directors, major shareholders or persons connected to the directors or major shareholders during the financial year ended 31 August 2017.



40	Directors' Report
44	Statement by Directors
44	Statutory Declaration
45	Independent Auditors' Report
49	Statements of Financial Position
51	Statements of Profit or Loss and Other Comprehensive Income
52	Statements of Changes in Equity
54	Statements of Cash Flows
57	Notes to the Financial Statements

# FINANCIAL STATEMENTS





## DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 August 2017.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

### FINANCIAL RESULTS

	Group RM	Company RM
Profit/(loss) for the financial year, attributable to owners of the parent	1,822,326	(622,901)

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

### DIVIDENDS

Since the end of the previous financial year, the Company paid an interim dividend of RM0.0035 per ordinary share totaling RM1,442,819 in respect of the financial year ended 31 August 2016 on 28 September 2016.

The Directors do not recommend the payment of any dividend for the financial year ended 31 August 2017.

### ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid up share capital of the Company was increased from RM41,223,402 to RM41,223,552 by way of issuance of 1,500 new ordinary shares each pursuant to the exercise of the free detachable warrants issued by the Company to entitled shareholders on 8 December 2016 ("Warrants 2016/2021") for RM0.10 per share. Details of Warrants 2016/2021 are disclosed in Note 13 to the financial statements.

The new ordinary shares issued during the financial year rank pari passu in all respects with existing ordinary shares of the Company.

There was no issuance of debentures during the financial year.

The total number of unexercised Warrants as at 31 August 2017 amounted to 206,115,510.

### OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

# DIRECTORS' REPORT

Cont'd

## DIRECTORS

The Directors in office since the date of the last report up to the date of this report are:

Chan Wan Choon	
Lau Mong Ling	
Gan Khong Aik	
Sim Yee Fuan	
Khoo Chee Siang	(Appointed on 2 March 2017)
Wong Kin Seng	(Appointed on 9 May 2017)
Koh Chen Foong	(Appointed on 9 May 2017)
Liew Fook Meng	(Appointed on 9 May 2017)
Rahimi bin Ramli	(Retired on 23 January 2017)
Wong Sin Chin	(Resigned on 31 March 2017)
Yeen Yoon Hin	(Resigned on 31 March 2017)

## DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholding required to be kept under Section 59 of the Companies Act, 2016, the interests and deemed interests of Directors in office at the end of the financial year in the shares of the Company or its subsidiaries during the financial year (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) are as follows:

	← Number of ordinary shares in the Company →			
	At 01.09.2016	Acquired	Disposed	At 31.08.2017
<b>Direct Interest</b>				
Chan Wan Choon	8,120,700	-	-	8,120,700
Lau Mong Ling	58,873,224	-	35,000,000	23,873,224
Sim Yee Fuan	50,000	-	-	50,000
Gan Khong Aik	420,000	-	-	420,000
Khoo Chee Siang	-	27,217,900	-	27,217,900
Wong Kin Seng	-	360,000	-	360,000
<b>Deemed interest</b>				
Koh Chen Foong *	-	68,163,500	-	68,163,500
Liew Fook Meng *	-	68,163,500	-	68,163,500

	← Number of warrant 2016/2021 in the Company →			
	At 01.09.2016	Acquired	Exercised/ Disposed	At 31.08.2017
Chan Wan Choon	-	4,060,350	-	4,060,350
Lau Mong Ling	-	29,436,612	29,436,612	-
Gan Khong Aik	-	210,000	-	210,000
Sim Yee Fuan	-	25,000	-	25,000
Khoo Chee Siang	-	3,101,450	-	3,101,450
Wong Kin Seng	-	75,000	-	75,000
<b>Deemed interest</b>				
Koh Chen Foong *	-	21,581,900	-	21,581,900
Liew Fook Meng *	-	21,581,900	-	21,581,900

\* Deemed interest for the shares held by Thianjing Holdings Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.

# DIRECTORS' REPORT

Cont'd

## DIRECTORS' INTERESTS IN SHARES *(cont'd)*

By virtue of their interests in the shares of the Company, the above Directors are also deemed interested in the shares of all the subsidiary companies during the financial year to the extent that the Company has interest.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than the aggregate amount of Directors' remuneration due and receivable by Directors as shown in Note 26 to the financial statements) by reason of a contract made by the Company or a related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except that certain Directors received remuneration from the Company's related corporations.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to be realised in the accounting records in the ordinary course of business including the value of current assets as shown in the accounting records of the Company had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading; or
  - (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
  - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year required it only there is disclosure of contingent liability.

# DIRECTORS' REPORT

Cont'd

## OTHER STATUTORY INFORMATION *(cont'd)*

(d) In the opinion of the Directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
- (ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature;
- (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## SUBSIDIARIES

The details of the Company's shareholding in its subsidiaries are disclosed in Note 6 to the financial statements.

## SUBSEQUENT EVENTS

The subsequent events are disclosed in Note 34 to the financial statements.

## AUDITORS' REMUNERATION

The details of auditors' remuneration are disclosed in Note 25 to the financial statements.

## AUDITORS

The auditors, ECOVIS AHL PLT, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors on 14 December 2017,

**LAU MONG LING**

Director

**KHOO CHEE SIANG**

Director

Kuala Lumpur

## STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, **Lau Mong Ling** and **Khoo Chee Siang**, being two of the Directors of **SCH Group Berhad**, state that, in the opinion of the Directors, the accompanying financial statements set out on pages 49 to 105 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

The supplementary information set out in Note 37 to the financial statements have been prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors on 14 December 2017,

**LAU MONG LING**

Director

**KHOO CHEE SIANG**

Director

Kuala Lumpur

## STATUTORY DECLARATION

Pursuant To Section 251(1) of the Companies Act, 2016

I, **Lau Mong Ling**, being the Director primarily responsible for the financial management of **SCH Group Berhad**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 49 to 105 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the )  
abovenamed at Kuala Lumpur in the )  
Federal Territory on 14 December 2017 )

**LAU MONG LING**

Before me,

COMMISSIONER FOR OATHS  
**YM TENGKU FARIDDUDIN BIN TENGKU SULAIMAN**  
NO. W533

# INDEPENDENT AUDITORS' REPORT

To the Members of SCH Group Berhad  
(Company No.: 972700-P)  
(Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of SCH Group Berhad. ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position as at 31 August 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 105.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 August 2017, and of their financial performance and their cash flows for the year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) issued by the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key audit matters

#### How our audit addressed the key audit matters

##### Inventories

As at 31 August 2017, the Group's inventories amounted to RM22,232,334 and is representing 26% of total assets of the Group.

The Group's inventories are measured at the lower of cost or net realisable value. Management periodically reviews the inventories for potential write-downs by evaluating their net realisable value. These reviews involves judgements and estimation uncertainty in forming expectation about future sales and demands.

Our audit procedures included, among others, the following:

- obtaining an understanding of:
  - the Group's inventory management process; and
  - how the Group identifies and accesses inventory for writedown;
- reviewing the stock movement report and stock aging report to identify slow moving aged items;
- attending year end physical inventory count to observe physical existence and condition of raw material and finished goods and assessing the implementation of controls during the count.; and
- reviewing the net realisable value on selected samples of inventory items to test management's evaluation and ensuring that the inventories have been written down to their net realisable value.

Based on the procedure performed, no material exceptions were noted.

# INDEPENDENT AUDITORS' REPORT

To the Members of SCH Group Berhad

(Company No.: 972700-P)

(Incorporated in Malaysia)

Cont'd

## Report on the Audit of the Financial Statements (cont'd)

### Key Audit Matters (cont'd)

#### Key audit matters

#### How our audit addressed the key audit matters

##### Impairment of trade receivables

As at 31 August 2017, the Group's trade receivables amounted to RM20,475,065, representing 24% of total assets of the Group. The Group has material credit exposure in its trade receivables and the amount of trade receivables that are past due but not impaired amounted to RM15,902,591.

The impairment of trade receivables involved judgement in the assessment of the recoverability of trade receivables and assumptions when assessing the level of allowance for doubtful debts required to write down the value of trade receivables. Management's assumptions involve specific known facts or circumstances on customers' ability to pay and by reference to past default experience.

Our audit procedures included, among others, the following:

- reviewing the ageing analysis of trade receivables and testing the accuracy of the ageing;
- enquiring management regarding action plans to recover overdue amounts;
- reviewing subsequent collection from major and overdue trade receivables; and
- evaluating the reasonableness and adequacy of the impairment of trade receivables.

Based on the procedure performed, no material exceptions were noted.

#### Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises Statement on Risk Management and Internal Control which obtained prior to the date of this auditors' report, and other sections in 2017 Annual Report, which is expected to be made available to us after that date. Other information does not included the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group and of the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

# INDEPENDENT AUDITORS' REPORT

To the Members of SCH Group Berhad  
(Company No.: 972700-P)  
(Incorporated in Malaysia)

Cont'd

## Report on the Audit of the Financial Statements (cont'd)

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole that free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



# INDEPENDENT AUDITORS' REPORT

To the Members of SCH Group Berhad

(Company No.: 972700-P)

(Incorporated in Malaysia)

Cont'd

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

## Other Reporting Responsibilities

The supplementary information set out in Note 37 to the financial statement is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## Other Matters

1. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.
2. The financial statements of the Group and of the Company for the financial year end 31 August 2016 were audited by another firm of chartered accountants.

### ECOVIS AHL PLT

AF 001825

Chartered Accountants

Kuala Lumpur

14 December 2017

### CHUA KAH CHUN

No. 2696/09/19 (J)

Chartered Accountant

# STATEMENTS OF FINANCIAL POSITION

As at 31 August 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Non-current assets</b>					
Property, plant and equipment	5	23,926,510	21,452,860	-	-
Investment in subsidiary companies	6	-	-	31,258,600	31,278,490
		23,926,510	21,452,860	31,258,600	31,278,490
<b>Current assets</b>					
Inventories	7	22,232,334	27,242,320	-	-
Trade receivables	8	20,475,065	13,140,474	-	-
Other receivables	9	3,396,401	1,616,975	1,518,700	17,036
Amount due from subsidiary companies	10	-	-	16,543,967	18,043,967
Tax recoverable		1,925,317	1,760,433	18,611	12,600
Fixed deposits with financial institutions	11	9,085,364	7,887,850	2,035,611	2,400,000
Cash and bank balances		3,044,118	2,918,641	26,142	1,677,071
		60,158,599	54,566,693	20,143,031	22,150,674
Assets classified as held for sale	12	376,960	-	-	-
		60,535,559	54,566,693	20,143,031	22,150,674
<b>Total assets</b>		<b>84,462,069</b>	<b>76,019,553</b>	<b>51,401,631</b>	<b>53,429,164</b>

The accompanying notes form an integral part of the financial statements.

## STATEMENTS OF FINANCIAL POSITION

As at 31 August 2017

Cont'd

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Equity</b>					
Share capital	13	52,129,101	41,223,402	52,129,101	41,223,402
Share premium	14	-	10,905,549	-	10,905,549
Merger deficit	15	(24,514,828)	(24,514,828)	-	-
Foreign currency translation reserve	16	276,150	204,711	-	-
Retained earnings/(accumulated losses)		36,582,923	34,760,597	(1,128,851)	(505,950)
<b>Total equity</b>		<b>64,473,346</b>	<b>62,579,431</b>	<b>51,000,250</b>	<b>51,623,001</b>
<b>Non-current liabilities</b>					
Finance lease payables	17	316,415	157,601	-	-
Bank borrowings	18	4,110,671	-	-	-
Deferred tax liabilities	19	108,143	127,100	-	-
		4,535,229	284,701	-	-
<b>Current liabilities</b>					
Trade payables	20	1,950,165	2,244,294	-	-
Other payables	21	1,254,178	2,619,289	97,505	1,502,287
Amount due to a subsidiary company	10	-	-	303,876	303,876
Amount due to Directors	22	19,000	19,000	-	-
Finance lease payables	17	161,398	81,751	-	-
Bank borrowings	18	12,031,534	8,176,358	-	-
Tax payable		37,219	14,729	-	-
		15,453,494	13,155,421	401,381	1,806,163
<b>Total liabilities</b>		<b>19,988,723</b>	<b>13,440,122</b>	<b>401,381</b>	<b>1,806,163</b>
<b>Total equity and liabilities</b>		<b>84,462,069</b>	<b>76,019,553</b>	<b>51,401,631</b>	<b>53,429,164</b>

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 August 2017

	Note	Group		Company	
		2017 RM	2016 (restated) RM	2017 RM	2016 RM
Revenue	23	44,177,466	37,021,518	-	1,500,000
Cost of sales		(30,587,695)	(23,130,498)	-	-
Gross profit		13,589,771	13,891,020	-	1,500,000
Other income		1,002,283	1,430,074	81,674	138,400
Administrative expenses		(9,663,401)	(10,502,789)	(704,603)	(1,397,375)
Selling and distribution expenses		(1,748,714)	(2,214,736)	-	-
Finance costs	24	(445,247)	(321,556)	-	-
Profit/(loss) before tax	25	2,734,692	2,282,013	(622,929)	241,025
Taxation	27	(912,366)	(649,030)	28	(30,001)
<b>Profit/(loss) for the financial year</b>		<b>1,822,326</b>	<b>1,632,983</b>	<b>(622,901)</b>	<b>211,024</b>
<b>Other comprehensive income</b>					
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
- Exchange translation differences for foreign operations		71,439	(42)	-	-
<b>Total comprehensive income/(loss) for the financial year</b>		<b>1,893,765</b>	<b>1,632,941</b>	<b>(622,901)</b>	<b>211,024</b>
<b>Profit for the financial year attributable to:</b>					
Owners of the parent		1,822,326	1,632,983	-	-
<b>Total comprehensive income for the financial year attributable to:</b>					
Owners of the parent		1,893,765	1,632,941	-	-
<b>Earnings per share attributable to owners of the parent:</b>					
Basic (Sen)	29	0.44	0.40	-	-
Diluted (Sen)	29	0.32	-	-	-

The accompanying notes form an integral part of the financial statements.

## STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 August 2017

Notes	← Attributable to owners of the parent →					
	← Non-distributable →				Distributable	
	Share capital RM	Share premium RM	Merger deficit RM	Foreign currency translation reserve RM	Retained earnings RM	Total equity RM
<b>Group</b>						
At 1 September 2015	41,223,402	10,905,549	(24,514,828)	204,753	36,631,603	64,450,479
Profit for the financial year	-	-	-	-	1,632,983	1,632,983
Other comprehensive income for the financial year	-	-	-	(42)	-	(42)
Total comprehensive income for the financial year	-	-	-	(42)	1,632,983	1,632,941
<i>Transaction with owners:</i>						
Dividends	-	-	-	-	(3,503,989)	(3,503,989)
At 31 August 2016	41,223,402	10,905,549	(24,514,828)	204,711	34,760,597	62,579,431
At 1 September 2016	41,223,402	10,905,549	(24,514,828)	204,711	34,760,597	62,579,431
Profit for the financial year	-	-	-	-	1,822,326	1,822,326
Other comprehensive income for the financial year	-	-	-	71,439	-	71,439
Total comprehensive income for the financial year	-	-	-	71,439	1,822,326	1,893,765
<i>Transaction with owners:</i>						
Exercise of warrants	150	-	-	-	-	150
Effect of adoption of Companies Act, 2016 *	10,905,549	(10,905,549)	-	-	-	-
At 31 August 2017	52,129,101	-	(24,514,828)	276,150	36,582,923	64,473,346

\* The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purpose as set out in Section 618(2) of the Act. There is no impact on the number of ordinary shares in issued or the relative entitlement of any of the members as a result of this transition.

The accompanying notes form an integral part of the financial statements.

## STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 August 2017

Cont'd

	Note	← Non-Distributable →		Distributable	Total equity RM
		Share capital RM	Share premium RM	Retained earning/ (Accumulated loss) RM	
<b>Company</b>					
At 1 September 2015		41,223,402	10,905,549	2,787,015	54,915,966
Profit for the financial year, representing total comprehensive income for the financial year		-	-	211,024	211,024
<i>Transactions with owners:</i>					
Dividends	28	-	-	(3,503,989)	(3,503,989)
At 31 August 2016		41,223,402	10,905,549	(505,950)	51,623,001
At 1 September 2016		41,223,402	10,905,549	(505,950)	51,623,001
Loss for the financial year, representing total comprehensive loss for the financial year		-	-	(622,901)	(622,901)
<i>Transactions with owners:</i>					
Exercise of warrants		150	-	-	150
Effect of adoption of Companies Act, 2016 *		10,905,549	(10,905,549)	-	-
At 31 August 2017		52,129,101	-	(1,128,851)	51,000,250

\* The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purpose as set out in Section 618(2) of the Act. There is no impact on the number of ordinary shares in issued or the relative entitlement of any of the members as a result of this transition.

The accompanying notes form an integral part of the financial statements.

## STATEMENTS OF CASH FLOWS

For the financial year ended 31 August 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Cash flow from operating activities</b>				
Profit/(Loss) before tax	2,734,692	2,282,013	(622,929)	241,025
Adjustment for:				
Bad debts written off	6,622	10,242	-	-
Depreciation of property, plant and equipment	700,438	1,027,398	-	-
Impairment on trade receivables	30,480	188,329	-	-
Impairment on investment in subsidiary companies	-	-	208,125	895,600
Interest expenses	445,247	321,556	-	-
Inventories written down	43,059	386,461	-	-
Property, plant and equipment written off	3,624	164,473	-	-
Realised loss/(gain) on foreign exchange	393,976	-	-	-
Unrealised (gain)/loss on foreign exchange	(144,006)	119,138	-	-
Bad debts recovered	(1,420)	-	-	-
Dividend income	-	-	-	(1,500,000)
Gain on disposal of property, plant and equipment	(145,959)	(610,838)	-	-
Interest income	(273,194)	(335,902)	(81,674)	(138,400)
Reversal of impairment on trade receivables	(72,681)	(10,000)	-	-
Operating profit/(loss) before working capital changes	3,720,878	3,542,870	(496,478)	(501,775)
<b>Change in working capital:</b>				
Inventories	4,966,927	(463,451)	-	-
Trade receivables	(7,273,448)	4,621,446	-	-
Other receivables	(1,779,426)	(1,005,552)	(1,501,664)	45,399
Trade payables	(294,129)	(184,634)	-	-
Other payables	77,708	(796,540)	(1,404,782)	31,968
Amount due from/(to) subsidiaries	-	-	1,500,000	(252,232)
	(4,302,368)	2,171,269	(1,406,446)	(174,865)
Cash generated (used in)/from operations	(581,490)	5,714,139	(1,902,924)	(676,640)

The accompanying notes form an integral part of the financial statements.

## STATEMENTS OF CASH FLOWS

For the financial year ended 31 August 2017

Cont'd

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Cash flows from operating activities (cont'd)</b>					
Interest received		273,194	335,902	81,674	138,400
Interest paid		(442,415)	(321,556)	-	-
Tax refund		436,179	49,629	12,628	-
Tax paid		(1,512,025)	(2,249,637)	(18,611)	(78,840)
		(1,245,067)	(2,185,662)	75,691	59,560
Net cash (used in)/from operating activities		(1,826,557)	3,528,477	(1,827,233)	(617,080)
<b>Cash flow from investing activities</b>					
Acquisition of investment in subsidiary companies		-	-	(188,235)	(19,890)
Dividend received		-	-	-	1,500,000
Purchase of property, plant and equipment	5(c)	(833,645)	(190,033)	-	-
Proceeds from disposal of property, plant and equipment		125,962	66,619	-	-
Payment for capital work-in-progress		-	(4,868,902)	-	-
Net cash (used in)/from investing activities		(707,683)	(4,992,316)	(188,235)	1,480,110
<b>Cash flow from financing activities</b>					
Issuance of shares		150	-	150	-
Drawdown of term loans		2,000,000	-	-	-
Net drawdown/(repayment) of bankers' acceptance		5,618,000	(6,950,000)	-	-
Dividend paid	26	(1,442,819)	(2,061,170)	-	(2,061,170)
(Increase)/Decrease in fixed deposits pledged		(76,027)	1,105,462	-	-
Drawdown of foreign currency trade loan		96,059	4,662,120	-	-
Net repayment of finance lease payables		(109,925)	(1,185,695)	-	-
Repayment of term loans		(47,582)	-	-	-
Net cash from/(used in) financing activities		6,037,856	(4,429,283)	150	(2,061,170)

The accompanying notes form an integral part of the financial statements.



## STATEMENTS OF CASH FLOWS

For the financial year ended 31 August 2017

Cont'd

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Net increase/(decrease) in cash and cash equivalents</b>	3,503,616	(5,893,122)	(2,015,318)	(1,198,140)
<b>Effects on foreign exchange rate</b>	95,586	179	-	-
<b>Cash and cash equivalents at beginning of the financial year</b>	6,015,207	11,908,150	4,077,071	5,275,211
<b>Cash and cash equivalents at end of the financial year</b>	9,614,409	6,015,207	2,061,753	4,077,071
<b>Cash and cash equivalents at the end of the financial year comprises:</b>				
Fixed deposits with licensed banks	9,085,364	7,887,850	2,035,611	2,400,000
Cash and bank balances	3,044,118	2,918,641	26,142	1,677,071
Bank overdraft	-	(2,352,238)	-	-
	12,129,482	8,454,253	2,061,753	4,077,071
Less: Fixed deposits pledged with licensed banks	(2,515,073)	(2,439,046)	-	-
	9,614,409	6,015,207	2,061,753	4,077,071

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of the Bursa Malaysia Securities Berhad.

The principal place of business of the Company is located at No. 3, Jalan Teras 3, Taman Perindustrian Teras Balakong, Taman Industri Selesa Jaya, 43300 Balakong, Selangor Darul Ehsan.

The registered office of the Company is located at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 14 December 2017.

## 2. BASIS OF PREPARATION

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies as disclosed in Note 3 to the financial statements.

The financial statements are presented in Ringgit Malaysia ("RM") which is the Group's and the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 2. BASIS OF PREPARATION (cont'd)

### (a) Adoptions of standards and amendments to published standards during the current financial year

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following standards and amendments to published standards:

		<b>Applicable for annual periods beginning on or after</b>
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 5	Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016
Amendments to MFRS 7	Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11	Accounting for Acquisition of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101	Disclosure Initiative	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 119	Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 134	Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016

Adoption of the above standards, amendments to existing standards and interpretations did not have any material effect on the financial performance or position of the Group and of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 2. BASIS OF PREPARATION (cont'd)

### (b) New and amended standards and interpretations issued but not yet effective

The following are standards, amendments to published standards and IC interpretations issued by Malaysian Accounting Standard Board (MASB), but not yet effective, up to the date of issuance of the Group's and of the Company's financial statements. The Group and the Company intend to adopt these standards, amendments to published standards and IC interpretations, if applicable, when they become effective in the following annual periods:

		Applicable for annual periods beginning on or after
Amendments to MFRS 12	Annual Improvements to MFRSs 2014-2016 Cycle	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 107	Disclosure Initiative	1 January 2017
Amendments to MFRS 128	Annual Improvements to MFRSs 2014-2016 Cycle	1 January 2017
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-base Payment Transactions	1 January 2018
Amendments to MFRS 15	Clarification to MFRS 15	1 January 2018
Amendments to MFRS 128	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 or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be announced

#### MFRS 9, 'Financial Instruments'

In November 2014, the MASB issued the final version of MFRS 9, 'Financial Instruments' replacing MFRS 139. This standard made changes to the requirements for classification and measurement, impairment and hedge accounting. The adoption of this MFRS 9 will have an effect on the classification and measurement of the Group's and the Company's financial assets, but no impact on the classification and measurement of the Group's and the Company's financial liabilities.

MFRS 9, 'Financial Instruments' also requires impairment assessments to be based on an expected loss model, replacing the incurred loss model in MFRS 139. Finally, MFRS 9 aligns hedge accounting more closely with risk management to establish a more principle-based approach to hedge accounting and address inconsistencies and weaknesses in the previous model.

This standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but restatement of comparative information is not compulsory. The impact of the adoption of this standard in relation to the new requirements for classification and measurement and impairment are still being assessed, but the requirements for hedge accounting is not relevant to the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 2. BASIS OF PREPARATION *(cont'd)*

### (b) New and amended standards and interpretations issued but not yet effective *(cont'd)*

#### MFRS 15, 'Revenue from Contracts with Customers'

MFRS 15 introduces a new model for revenue recognition arising from contracts with customers. MFRS 15 will replace MFRS 111, 'Construction contracts', MFRS 118, 'Revenue', IC 13, 'Customer Loyalty Programmes', IC 15, 'Agreements for the Construction of Real Estate', IC 18, 'Transfers of Assets from Customers' and IC 31, 'Revenue - Barter Transactions Involving Advertising Services'. The application of MFRS 15 may result in difference in timing of revenue recognition as compared with current accounting policies.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group and the Company will adopt MFRS 15 on the required effective date.

#### MFRS 16, 'Leases'

Currently under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the former but not the latter. As a result, many users have resorted to adjust the lessees' financial statements for the effects of operating leases commitments to enable comparison with entities that borrow to buy assets.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position as recording certain leases as off-balance sheet leases will no longer be allowed except for some limited practical exemptions. In other words, for a lessee that has material operating leases, the assets and liabilities reported on its statement of financial position are expected to increase substantially.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is currently assessing the impact of MFRS 16 and will adopt the new standard on the required effective date.

The Directors are currently assessing the impact of the adoption of the above standards, amendments to existing standards and interpretations on the financial statements in the period of initial application.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

### (a) Basis of consolidation

#### (i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Basis of consolidation (cont'd)

#### (i) Subsidiary companies (cont'd)

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(k)(i) to the financial statements on impairment of non-financial assets.

Acquisition of subsidiaries are accounted for using the acquisition method other than those acquisition of subsidiaries accounted for using merger accounting principles which is outside the scope MFRS 3. The merger accounting is used by the Group to account for business combination involving entities under common control.

#### Merger method

Under the merger method of accounting, the results of subsidiary companies are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any difference between the consideration paid and the share capital of the subsidiaries is reflected within equity as merger reserve.

#### Acquisition method

Under the acquisition method of accounting, subsidiary companies are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed off in profit or loss as incurred.

If the business combination is achieved in stages, previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 139, 'Financial Instruments: Recognition and Measurement', is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

#### (ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Basis of consolidation (cont'd)

#### (iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, non-controlling interests and other components if equity related to the former subsidiary company are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

### (b) Foreign currency translation

#### (i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

#### (ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, are translated to RM at the rate of exchange prevailing at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k)(i).

#### (i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of property, plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

Capital work-in-progress consists of buildings and plant and machinery under construction or installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction or installation until the property, plant and equipment are ready for their intended use.

#### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

#### (iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.



# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) Property, plant and equipment (cont'd)

#### (iii) Depreciation (cont'd)

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Leasehold land	Remaining lease period
Buildings	50 years
Furniture and fittings	8 - 12 years
Motor vehicles	5 years
Office equipment	8 - 9 years
Plant and machinery	8 - 9 years
Renovation	10 years
Tools and equipment	8 - 9 years
Mould and blocks	5 years

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

### (d) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or asset and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

#### As lessee

#### (i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

#### (ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (d) Leases (cont'd)

#### As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

### (e) Financial assets

Financial assets are recognised on the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, and the categories included financial assets at fair value through profit and loss, loan and receivables, held-to-maturity investments and available-for-sale financial assets.

#### Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial assets are either held for trading, including derivatives or are designated into this category upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised as other gains or losses in profit or loss.

Financial assets at for value through profit or loss could be presented as current or non-current. Financial assets that are primarily for trading purpose are presents as current whereas financial assets that are not held primarily for trading purpose are presented as current or non-current based on settlement date.

#### Loan and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loan and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(k)(ii) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

Loans and receivables financial assetss are classified as current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

#### Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group or the Company has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(k)(ii) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (e) Financial assets (cont'd)

#### Held-to-maturity investments (cont'd)

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the end of the reporting period which are classified as current assets.

#### Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except impairment losses, foreign exchange gains and losses arising from monetary items and interest income calculated using the effective interest method, which are recognised in profit or loss.

The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss or loss as a reclassification adjustment when the financial asset is derecognised. Dividends on an available-for-sale financial assets are recognised in profit or loss when the Group's or the Company's right to receive payment is established.

Investment in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets, except for those that are expected to be realised within 12 months after the end of the reporting period which classified as current assets.

#### Regular way purchase or sale of financial assets

A regular way purchase or sale are purchase or sales of financial assets that require delivery of assets within the period generally established by regulations or convention in the marketplace concerned. All regular way purchase and sales of financial assets are recognised and derecognised on the trade date i.e., the date that the Company commits to purchase or sell the asset.

#### Derecognition

A financial assets is derecognised when the contractual rights to receive cash flows from the financial asset has expired or has been transferred and the Group or the Company has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in profit or loss.

### (f) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument.

The Group and the Company classify their financial liabilities at initial recognition, into financial liabilities at fair value through profit or loss and other financial liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (f) Financial liabilities (cont'd)

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at financial liabilities at fair value through profit or loss.

Financial liabilities held for trading include derivatives (except for a derivative that is a financial guarantee contract) entered into by the Group and the Company that does not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resulted gain or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

#### Other financial liabilities

The Group's and the Company's other financial liabilities comprise trade and other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group or the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

#### Derecognition

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### (g) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### (h) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group and the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137, 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less cumulative amortisation, where appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

### (h) Financial guarantee contracts *(cont'd)*

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

### (i) Inventories

Raw materials and finished goods are stated at the lower of cost and net realisable value.

The cost of inventories is based on the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### (j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

### (k) Impairment of assets

#### (i) Non-financial assets

The carrying amounts of non-financial assets, except for inventories are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (k) Impairment of assets (cont'd)

#### (i) Non-financial assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indication that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

#### (ii) Financial assets

All financial assets, other than those categorised at fair value through profit or loss are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

#### Financial assets carried at amortised cost

To determine whether there is objective evidence that impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (l) Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

### (m) Employee benefits

#### (i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

#### (ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

### (n) Revenue

#### (i) Sale of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

#### (ii) Rendering of services

Revenue from services rendered is recognised in the profit or loss based on the value of services performed and invoiced to customers during the period.

#### (iii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

#### (iv) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (n) Revenue (cont'd)

#### (v) Interest income

Interest income is recognised on accruals basis using the effective interest method.

### (o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets which necessarily take a substantial period of time to get ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group or the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### (p) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity or other comprehensive income.

#### (i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

#### (ii) Deferred tax

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill or the initial recognition of assets and liabilities in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (q) Goods and services tax ("GST")

Revenue, expenses and assets are recognised net of GST, unless the GST is not recoverable from the tax authority. The amount of GST not recoverable from the tax authority is recognised as an expense or as part of cost of acquisition of an asset. Receivables and payables that relate to such revenue, expenses or acquisitions of assets are presented in the statements of financial position inclusive of GST recoverable or GST payable.

GST recoverable from or payable to the tax authority may be presented on net basis should such amounts relate to GST levied by the same tax authority and the taxable entity has a legally enforceable right to set off such amounts.

### (r) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

### (s) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period. Diluted EPS is determined by adjusting the profit or loss attributable to owners of the parent and the weighted average number of ordinary shares in issue adjusted for the effects of all dilutive potential ordinary shares, which comprise the free warrants issued to shareholders.

### (t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

### (u) Related parties

A party is related to an entity if:

- (i) directly, or indirectly through one or more intermediaries, the party:
  - control, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - has an interest in the entity that gives it significant influence over the entity; or
  - has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is a venturer;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, joint controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v);
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity; or
- (viii) the party, or any member of a group of which the party is a part of, provides key management personnel services to the Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (u) Related parties (cont'd)

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

### (v) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic participant that would use the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purpose, the fair value measurements are analysed into level 1 to level 3 as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or in directly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

### (w) Non-current asset held for sale

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sales rather than through continuing use, are classified as held for sales.

Immediately before classification as held for sales, the assets or components of a disposal group are measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group are measurement at the lower of their carrying amount and fair value less cost of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rate basis, except that no loss is allocated to inventories and financial assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sales and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sales are not depreciated. In addition, equity accounting of equity-accounted associates ceased once classified as held for sale.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

There are no significant areas of critical judgement in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(cont'd)*

### Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

#### (a) Useful lives of property, plant and equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

#### (b) Impairment of investment in subsidiary companies

The Company reviews its investments in subsidiary companies when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

#### (c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

#### (d) Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected selling prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories.

#### (e) Impairment of loans and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable, default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

#### (f) Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings	Leasehold land and building	Furniture and fittings	Motor vehicles	Office equipment	Plant and machinery	Renovation	Tools and equipment	Moulds and blocks	Total
2017	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>Cost</b>										
At 1 September 2016	5,290,491	16,367,583	246,251	4,820,125	620,443	3,728,392	325,345	7,826	923,955	32,330,411
Additions	1,587,865	1,320,000	857	211,381	10,209	168,120	213,809	-	16,790	3,529,031
Disposals	-	-	-	(473,819)	(17,150)	-	-	-	-	(490,969)
Written off	-	-	-	(95,107)	(170)	(117,795)	-	-	(85,092)	(298,164)
Reclassification	-	-	(8,740)	-	8,740	-	-	-	-	-
Exchange differences	-	-	2,192	3,630	1,832	-	-	-	-	7,654
Transferred to non-current asset held for sale	(476,000)	-	-	-	-	-	-	-	-	(476,000)
At 31 August 2017	6,402,356	17,687,583	240,560	4,466,210	623,904	3,778,717	539,154	7,826	855,653	34,601,963
<b>Accumulated depreciation</b>										
At 1 September 2016	1,088,855	714,278	219,151	3,933,698	394,449	3,593,889	317,075	7,660	608,496	10,877,551
(Reversal)/charge for the financial year	(344,501)	337,252	8,039	463,408	48,282	58,599	9,763	129	119,467	700,438
Disposals	-	-	-	(493,816)	(17,150)	-	-	-	-	(510,966)
Written off	-	-	-	(95,106)	(169)	(117,334)	-	-	(81,931)	(294,540)
Reclassification	-	-	(8,275)	-	8,275	-	-	-	-	-
Exchange differences	-	-	1,951	(171)	230	-	-	-	-	2,010
Transferred to non-current asset held for sale	(99,040)	-	-	-	-	-	-	-	-	(99,040)
At 31 August 2017	645,314	1,051,530	220,866	3,808,013	433,917	3,535,154	326,838	7,789	646,032	10,675,453
<b>Carrying amount</b>										
At 31 August 2017	5,757,042	16,636,053	19,694	658,197	189,987	243,563	212,316	37	209,621	23,926,510

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group Cost 2016	Freehold	Leasehold	Furniture	Motor	Office	Plant and	Renovation	Tools and	Moulds	Total
	land and buildings RM	land and building RM	and fittings RM	vehicles RM	equipment RM	machinery RM	RM	equipment RM	and blocks RM	
At 1 September 2015	5,290,491	5,822,923	242,874	5,054,130	599,500	7,666,093	325,345	7,826	855,427	25,864,609
Additions	-	-	3,734	141,817	34,604	-	-	-	69,878	250,033
Disposals	-	-	-	(375,687)	-	(2,669,442)	-	-	(1,350)	(3,046,479)
Written off	-	-	-	-	(13,500)	(1,268,259)	-	-	-	(1,281,759)
Exchange differences	-	-	(357)	(135)	(161)	-	-	-	-	(653)
Transferred from capital work-in progress	-	10,544,660	-	-	-	-	-	-	-	10,544,660
At 31 August 2016	5,290,491	16,367,583	246,251	4,820,125	620,443	3,728,392	325,345	7,826	923,955	32,330,411
<b>Accumulated depreciation</b>										
At 1 September 2015	1,013,086	617,469	210,300	3,727,149	350,709	6,696,625	314,227	7,392	477,312	13,414,269
Charge for the financial year	75,769	96,809	9,205	563,089	51,400	95,476	2,848	268	132,534	1,027,398
Disposals	-	-	-	(356,496)	-	(2,088,486)	-	-	(1,350)	(2,446,332)
Written off	-	-	-	-	(7,560)	(1,109,726)	-	-	-	(1,117,286)
Exchange differences	-	-	(354)	(44)	(100)	-	-	-	-	(498)
At 31 August 2016	1,088,855	714,278	219,151	3,933,698	394,449	3,593,889	317,075	7,660	608,496	10,877,551
<b>Carrying amount</b>										
At 31 August 2016	4,201,636	15,653,305	27,100	886,427	225,994	134,503	8,270	166	315,459	21,452,860

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

### (a) Assets held under finance leases

The carrying amount of property, plant and equipment acquired under finance lease are as follows:

	Group	
	2017	2016
	RM	RM
Motor vehicles	365,382	260,694
Plant and machinery	159,714	-
	525,096	260,694

### (b) Assets pledged as securities to financial institutions

The carrying amount of property, plant and equipment of the Group and the Company pledged as securities for bank borrowings as disclosed in Note 17 to the financial statements are:

	Group	
	2017	2016
	RM	RM
Freehold land and buildings	5,146,786	3,563,577
Leasehold land and buildings	16,636,053	15,653,305
	21,782,839	19,216,882

### (c) Addition of property, plant and equipment of the Group during the year was acquired by the following means:

	Group	
	2017	2016
	RM	RM
Addition of property, plant and equipment	3,529,031	250,033
Less: Acquired with finance lease	(348,386)	(60,000)
Less: Acquired with term loans	(2,347,000)	-
Acquired by cash payments	833,645	190,033

### (d) Remaining lease period

The remaining lease period of the leasehold land and buildings ranges from 58 to 906 years (2016: 59 to 907 years).

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2017	2016
	RM	RM
In and outside of Malaysia		
Unquoted shares, at cost	32,174,090	32,154,200
Additions	188,235	19,890
Less: Accumulated impairment losses	(1,103,725)	(895,600)
	31,258,600	31,278,490

The movement in the allowance for impairment losses is as follows:

	Company	
	2017	2016
	RM	RM
At 1 September	895,600	-
Impairment losses recognised	208,125	895,600
At 31 August	1,103,725	895,600

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Effective interest		Principal activities
		2017	2016	
		%	%	
<b>Direct interest:</b>				
SCH Corporation Sdn. Bhd. ("SCH Corporation")	Malaysia	100	100	Investment holding
SCH Wire-Mesh Manufacturing Sdn. Bhd.	Malaysia	100	100	Manufacturing, distributing and supplying of quarry grill
SCH Machinery & Equipment Sdn. Bhd.	Malaysia	100	100	Supplying and distributing quarry machinery, quarry equipment and reconditioned quarry machinery as well as spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery to the quarry industry
Italiaworld Pte Ltd*	Singapore	100	100	Sales of industrial electrical appliance, quarry machinery and equipment.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 6. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

Name of company	Country of incorporation	Effective interest		Principal activities
		2017	2016	
		%	%	
<b>Direct interest: (cont'd)</b>				
Sin Chee Heng (Cambodia) Co., Ltd*	Cambodia	100	100	Supplying and distributing quarry machinery, quarry equipment and reconditioned quarry machinery as well as spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery to the quarry industry
<b>Indirect interest:</b>				
<b>Held through SCH Corporation</b>				
Sin Chee Heng Sdn. Bhd. ("Sin Chee Heng")	Malaysia	100	100	Supplying and distributing all kinds of quarry industrial products and quarry machinery
Sin Chee Heng (Butterworth) Sdn. Bhd.	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Kuantan) Sdn. Bhd.	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Johore) Sdn. Bhd.	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry
<b>Indirect interest:</b>				
<b>Held through Sin Chee Heng</b>				
Sin Chee Heng (Sabah) Sdn. Bhd.	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Sarawak) Sdn. Bhd.	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry

\* Subsidiary companies not audited by ECOVIS AHL PLT.

The merger method of accounting was adopted for consolidation in which the result of the subsidiary companies are presented as if the merger had been effected throughout the current year and previous financial years. The assets and liabilities combined are accounted for based on their carrying amounts from the perspective of the common control shareholders at the date of transfer.



## NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

### 6. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

There are no restrictions in the ability of the Group to access and use the assets or settle the liabilities of the subsidiaries.

(a) Impairment loss

During the year, the Company had conducted a review of the recoverable amount of its investment in certain subsidiary companies at the reporting date.

The review gave rise to the recognition of an impairment loss of investment in subsidiary companies of RM208,125. The recoverable amounts are determined adjusted net assets of the respective subsidiary companies as at the end of the reporting period less cost of investment.

(b) On 19 September 2016, the Company increased its investment in wholly-owned subsidiary, Sin Chee Heng (Cambodia) Co., Ltd by subscribing for additional share capitals of RM 188,235 in the subsidiary.

### 7. INVENTORIES

	Group	
	2017	2016
	RM	RM
Raw materials	87,206	69,642
Finished goods	22,145,128	27,172,678
	22,232,334	27,242,320
Recognised in profit or loss:		
Inventories written down	43,059	386,461
Cost of inventories included in cost of sales	30,587,695	23,130,498

### 8. TRADE RECEIVABLES

	Group	
	2017	2016
	RM	RM
Trade receivables	20,603,299	13,341,694
Less: Accumulated impairment losses	(128,234)	(201,220)
	20,475,065	13,140,474

Trade receivables are non-interest bearing and are generally on credit term of 30 to 120 days (2016: 150 to 180 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 8. TRADE RECEIVABLES (cont'd)

Movement in the allowance for impairment losses of trade receivables is as follows:

	Group	
	2017	2016
	RM	RM
At 1 September	201,220	233,645
Impairment losses recognised	30,480	188,329
Amount recovered	(72,681)	(10,000)
Amount written off	(30,785)	(210,164)
Exchange differences	-	(590)
At 31 August	128,234	201,220

Analysis of trade receivables ageing at end of the financial year is as follows:

	Group	
	2017	2016
	RM	RM
Neither past due nor impaired	4,572,474	9,606,895
<i>Past due but not impaired:</i>		
Less than 30 days	5,140,680	476,569
31 to 60 days	2,100,068	480,931
More than 60 days	8,661,843	2,576,079
	15,902,591	3,533,579
	20,475,065	13,140,474
Impaired	128,234	201,220
	20,603,299	13,341,694

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

As at 31 August 2017, trade receivables of RM15,902,591 (2016: RM3,533,579) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM128,234 (2016: RM201,220) relate to customers that are in financial difficulties, have defaulted on payments and/or have disputed on the billings. These balances are expected to be recovered through debts recovery process.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 9. OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other receivables	533,547	282,271	-	-
Deposits	1,661,007	226,861	1,501,000	1,000
Prepayments	1,201,847	1,107,843	17,700	16,036
	3,396,401	1,616,975	1,518,700	17,036

## 10. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

Amount due from/(to) subsidiary companies are non-interest bearing, unsecured and repayable on demand.

## 11. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS

Fixed deposits of the Group amounting to RM2,515,073 (2016: RM2,439,046) has been pledged with financial institutions as securities for credit facilities granted to subsidiaries as disclosed in Note 17 to the financial statements.

The interest rates and maturities of the fixed deposits range from 2.85% to 3.90% (2016: 2.92% to 4.00%) per annum and 90 to 365 days (2016: 30 to 365 days), respectively.

## 12. ASSET CLASSIFIED AS HELD FOR SALE

	Group	
	2017 RM	2016 RM
As at 1 September	-	-
Transfer from property, plant and equipment (Note 5)	376,960	-
As at 31 August	376,960	-

- (a) On 11 May 2017, a subsidiary company Sin Chee Heng Sdn. Bhd. entered into a sales and purchase agreement with third party to dispose a freehold land and building for a total consideration of RM120,000.

To date, a deposit of RM12,000 has been received from the buyer. Management estimates the freehold land and building to be transferred to the third party in the subsequent financial year.

- (b) On 21 July 2017, a subsidiary Company Sin Chee Heng Sdn. Bhd. entered into a sales and purchase agreement with third party to disposed a freehold land and building for a total consideration of RM660,000.

To date, a deposit of RM66,000 has been received from the buyer. The Management estimates the freehold land and building to be transferred to the third party in the subsequent financial year.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 13. SHARE CAPITAL

	Group and Company			
	Number of Ordinary Shares		Amount	
	2017	2016	2017	2016
	Units	Units	RM	RM
<b>Authorised:</b>				
At beginning of the financial year	500,000,000	500,000,000	50,000,000	50,000,000
Created during the financial year	500,000,000	-	50,000,000	-
Effect of adoption of Companies Act, 2016*	(1,000,000,000)	-	(100,000,000)	-
At end of the financial year	-	500,000,000	-	50,000,000
<b>Issued and fully paid</b>				
At beginning of the financial year	412,234,020	412,234,020	41,223,402	41,223,402
Exercise of warrants	1,500	-	150	-
Effect of adoption of Companies Act, 2016*	-	-	10,905,549	-
At end of the financial year	412,235,520	412,234,020	52,129,101	41,223,402

\* *The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purpose as set out in Section 618(2) of the Act. There is no impact on the number of ordinary shares in issued or the relative entitlement of any of the members as a result of this transition.*

During the financial year, the issued and paid up share capital of the Company was increased from RM41,223,402 to RM41,223,552 by way of issuance of 1,500 new ordinary shares each pursuant to the exercise of the free detachable warrants issued by the Company to entitled shareholders on 8 December 2016 ("Warrants 2016/2021") for RM0.10 per share.

The new ordinary shares issued during the financial year rank pari passu in all respects with existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

**Warrants 2016/2021**

On 8 December 2016, the Company completed a bonus issue of 206,117,010 free detachable warrants ("Warrants") on the basis of one warrant for every two ordinary shares held by the entitled shareholders on 29 November 2016.

The Warrants are constituted by the Deed Poll dated 14 November 2016 ("Deed Poll").

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 13. SHARE CAPITAL (cont'd)

### Warrants 2016/2021 (cont'd)

Salient features of the Warrants are as follow:

- (i) Each Warrant entitles the Warrant holder to subscribe for one new ordinary shares in the Company at the exercise price of RM0.10 during the 5-year period expiring on 4 December 2021 ("exercise period"), subject to the adjustments in accordance with Deed Poll constituting the Warrants;
- (ii) At the expiry of the exercise period, any Warrants which have not been exercised shall automatically lapse and cease to be valid for any purpose;
- (iii) The Warrant holders are not entitled to any voting rights or participation in any distribution and/or offer of securities in the Company, until and unless the warrant holders are issued with new ordinary shares of the Company arising from their exercise of the Warrants; and
- (iv) The new ordinary shares to be issued upon exercise of the Warrants shall, upon issue and allotment, rank pari passu in all respects with existing ordinary shares of the Company except that they will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid by the Company prior to the date of allotment of the new ordinary shares to be issued arising from the exercise of the Warrants.

At the end of the financial year, 206,115,510 Warrants remained unexercised.

## 14. SHARE PREMIUM

	Group and Company	
	2017	2016
	RM	RM
At beginning of the financial year	10,905,549	10,905,549
Effect of adoption of Companies Act, 2016	(10,905,549)	-
At end of the financial year	-	10,905,549

## 15. MERGER DEFICIT RESERVE

Merger deficit arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of subsidiaries acquired under the merger method of accounting.

## 16. FOREIGN CURRENCY TRANSLATION RESERVE

Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 17. FINANCE LEASE PAYABLES

	Group	
	2017 RM	2016 RM
<b>Minimum lease payments</b>		
Within one year	187,685	97,104
Later than one year and not later than two years	146,444	93,025
Later than two years and not later than five years	195,224	78,816
	529,353	268,945
Less: Future finance charges	(51,540)	(29,593)
Present value of minimum lease payments	477,813	239,352
<b>Present value of minimum lease payments</b>		
Within one year	161,398	81,751
Later than one year and not later than two years	130,003	84,081
Later than two years and not later than five years	186,412	73,520
	477,813	239,352
Analysed as:		
Repayable within twelve months	161,398	81,751
Repayable after twelve months	316,415	157,601
	477,813	239,352

Finance lease interest of the Group ranges from 3.28% to 4.76% (2016: 3.20% to 4.76%) per annum.

## 18. BANK BORROWINGS

	Group	
	2017 RM	2016 RM
<b>Secured</b>		
Bankers' acceptance	6,780,000	1,162,000
Bank overdraft	-	2,352,238
Foreign currency trade loan	5,059,955	4,662,120
Term loans	4,302,250	-
	16,142,205	8,176,358

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 18. BANK BORROWINGS (cont'd)

	Group	
	2017 RM	2016 RM
<b>Analysed as:</b>		
<b>Current</b>		
Bankers' acceptances	6,780,000	1,162,000
Bank overdrafts	-	2,352,238
Foreign currency trade loan	5,059,955	4,662,120
Term loans	191,579	-
	12,031,534	8,176,358
<b>Non-current</b>		
Term loans	4,110,671	-
	16,142,205	8,176,358

The bank borrowings are secured by the following:

- (a) Legal charge over certain freehold and leasehold land and buildings of the Group as disclosed in Note 5 to the financial statements;
- (b) Pledge of fixed deposits of a subsidiary company as disclosed in Note 11 to the financial statements; and
- (c) Corporate guarantee by the Company and a subsidiary company, Sin Chee Heng Sdn. Bhd.

Maturity of bank borrowings is as follows:

	Group	
	2017 RM	2016 RM
Within one year	12,031,534	8,176,358
Between one and two years	200,603	-
Between two and five years	660,300	-
After five years	3,249,768	-
	4,110,671	-

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 18. BANK BORROWINGS (cont'd)

The range of effective interest rates per annum on bank borrowings of the Group as at reporting date are as follows:

	Group	
	2017	2016
	%	%
Bankers' acceptances	3.15 - 4.71	4.78 - 5.21
Bank overdrafts	7.22 - 8.75	7.22 - 8.75
Foreign currency trade loan	1.43 - 4.15	2.12 - 3.15
Term loans	4.30 - 4.75	-

## 19. DEFERRED TAX LIABILITIES

	Group	
	2017	2016
	RM	RM
At 1 September	127,100	144,800
Recognised in profit or loss (Note 27)	(18,957)	(12,900)
Over provision in prior year	-	(4,800)
At 31 August	108,143	127,100

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follow:

	Group	
	2017	2016
	RM	RM
Deferred tax liabilities	122,364	155,600
Deferred tax assets	(14,221)	(28,500)
	108,143	127,100

The components and movement of deferred tax liabilities and assets are as follows:

	Group	
	2017	2016
	RM	RM
<u>Deferred tax liabilities</u>		
Differences between the carrying amount of property, plant and equipment and its tax base	122,364	155,600
<u>Deferred tax assets</u>		
Other deductible temporary differences	(14,221)	(28,500)
	(14,221)	(28,500)



## NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

### 19. DEFERRED TAX LIABILITIES (cont'd)

Deferred tax assets have not been recognised in respect of the following temporary differences:

	Group	
	2017	2016
	RM	RM
Differences between the carrying amount of property, plant and equipment and its tax base	4,218	17,335
Unabsorbed capital allowances	96,560	69,020
Unused tax losses	1,284,606	31,122
	<b>1,385,384</b>	<b>117,477</b>

Deferred tax assets have not been recognised in respect of those items as those companies in the Group may not have sufficient future taxable profits from which the above can be utilised or they have arisen in subsidiary companies that have a recent history of losses.

### 20. TRADE PAYABLES

Credit terms of trade payables of the Group range from 30 to 180 (2016: 150 to 180) days, depending on the term of the contracts.

### 21. OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Other payables	806,646	1,951,517	32,405	1,468,954
Accruals	333,130	538,146	65,100	33,333
Deposits	114,402	129,626	-	-
	<b>1,254,178</b>	<b>2,619,289</b>	<b>97,505</b>	<b>1,502,287</b>

In the prior year, included in other payables are dividend payables of RM1,442,819.

### 22. AMOUNT DUE TO DIRECTORS

Amount due to Directors are represents unsecured, interest free advances which are repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 23. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Dividend income	-	-	-	1,500,000
Sales of goods and services	44,177,466	37,021,518	-	-
	44,177,466	37,021,518	-	1,500,000

## 24. FINANCE COSTS

	Group	
	2017 RM	2016 RM
Interest expenses on:		
Bank overdrafts	58,705	61,438
Bankers' acceptances	126,575	125,423
Foreign currency trade loan	132,014	74,046
Finance lease	22,644	40,014
Trust receipts and letter of credit	40,956	20,635
Term loans	64,353	-
	445,247	321,556

## 25. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is determined after charging/(crediting) amongst other, the following items:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Auditors' remuneration				
- Statutory				
- Current year	138,983	146,275	25,000	25,000
- Under/(over) provision in prior years	19,800	-	2,500	-
- Non-statutory	-	3,000	-	3,000

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 25. PROFIT/(LOSS) BEFORE TAX (cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Bad debts written off	6,622	10,242	-	-
Depreciation of property, plant and equipment	700,438	1,027,398	-	-
Directors' remuneration(Note 26)	1,513,086	1,715,160	150,500	149,000
Foreign exchange loss/(gain)				
- realised	393,976	(155,589)	-	-
- unrealised	(144,006)	119,138	-	-
Impairment on trade receivables	30,480	188,329	-	-
Impairment on investment in subsidiaries	-	-	208,125	895,600
Inventories written down	43,059	386,461	-	-
Property, plant and equipment written off	3,624	164,473	-	-
Rental of factory	104,832	209,664	-	-
Rental of premises	169,176	125,457	-	-
Staff cost (excluding Directors' remuneration)				
- salaries, wages and allowance	4,568,243	4,359,104	-	-
- contribution to defined contribution plan	524,415	532,800	-	-
- other employee benefits	168,893	527,119	-	-
Bad debts recovered	(1,420)	-	-	-
Fixed deposit interest income	(273,194)	(335,902)	(81,674)	(138,400)
Gain on disposal of property, plant and equipment	(145,959)	(610,838)	-	-
Reversal of impairment on trade receivables	(72,681)	(10,000)	-	-
Insurance claims	(3,286)	-	-	-
Rental income	(297,800)	(240,413)	-	-
Other income	(43,959)	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 26. DIRECTORS' REMUNERATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors of the Group and of the Company				
Executive:				
- Salary and other emoluments	1,203,938	1,409,500	7,000	7,500
- Contribution to defined plan	165,648	164,160	-	-
	1,369,586	1,573,660	7,000	7,500
Non-executive:				
- Fees	134,500	132,000	134,500	132,000
- Salary and other emoluments	9,000	9,500	9,000	9,500
	1,513,086	1,715,160	150,500	149,000

The number of Directors of the Group and of the Company whose total remuneration fall within the following bands for the financial year ended 31 August 2017 is as follows:

Range of remuneration	Group No. of Directors		Company No. of Directors	
	Executive	Non-executive	Executive	Non-executive
Below RM50,000	-	6	5	6
RM100,001 - RM150,000	1	-	-	-
RM200,001 - RM250,000	1	-	-	-
RM250,001 - RM300,000	2	-	-	-
RM400,001 - RM450,000	1	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 27. Taxation

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Tax expense recognised in profit or loss</b>				
Current tax:				
Malaysian income tax	1,016,275	758,242	-	28,200
(Over)/under provision in prior years	(84,952)	(91,512)	(28)	1,801
	931,323	666,730	(28)	30,001
Deferred tax (Note 19):				
Origination and reversal of temporary differences	(18,957)	(12,900)	-	-
Over provision in prior years	-	(4,800)	-	-
	(18,957)	(17,700)	-	-
	912,366	649,030	(28)	30,001

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profits/(loss) for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expenses applicable to profit/(loss) before tax at the statutory tax rate to income tax expenses at the effective income tax of the Group and the Company are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(loss) before tax	2,734,692	2,282,013	(622,929)	241,025
Taxation at statutory tax rate of 24% (2016: 24%)	656,326	547,700	(149,503)	57,800
Effects of tax rates in other countries	(45,631)	67,467	-	-
Expenses not deductible for tax purposes	473,767	455,227	149,503	330,400
Expenses subject to double deduction	-	(12,922)	-	-
Income not subject to tax	(69,592)	(332,204)	-	(360,000)
Deferred tax assets not recognised	77,484	22,300	-	-
Utilisation of previously unrecognised tax losses and capital allowances	(474)	53,316	-	-
Utilisation of current year capital allowances	(94,562)	(55,542)	-	-
(Over)/under provision of income tax expense in prior years	(84,952)	(91,512)	(28)	1,801
Over provision of deferred tax in prior years	-	(4,800)	-	-
Tax expense for the financial year	912,366	649,030	(28)	30,001

The Group has estimated unused tax losses and unabsorbed capital allowances of RM1,284,606 and RM96,560 (2016: RM31,122 and RM69,020) respectively available for set-off against future taxable profit.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 28. DIVIDENDS

	Group and Company	
	2017	2016
	RM	RM
Dividends recognised as distribution to ordinary shareholders of the Company:		
Final dividend paid in respect of the financial year ended 31 August 2015:		
- single tier dividend of RM0.005 per ordinary share	-	2,061,170
Interim dividend declared in respect of the financial year ended 31 August 2016, paid on 28 September 2016:		
- single tier dividend of RM0.0035 per ordinary share	-	1,442,819
	-	3,503,989

The Board of Directors do not recommend a final dividend for the financial year ended 31 August 2017.

## 29. EARNINGS PER SHARE ("EPS")

## (a) Basis EPS

The basic EPS are calculated based on the consolidated profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2017	2016
Profit attributable to owners of the parent (RM)	1,822,326	1,632,983
Weighted average number of ordinary shares at 31 August	412,235,020	412,234,020
Basic EPS (sen)	0.44	0.40

## (b) Diluted EPS

	Group	
	2017	2016
	RM	RM
Profit attributable to owners of the parent (RM)	1,822,326	-
Profit used to determine diluted EPS (RM)	1,822,326	-
Weighted average number of ordinary shares in issue	412,235,020	-
Adjustment for:		
- Conversion of Warrants	154,587,758	-
Weighted average number of ordinary shares for diluted EPS	566,822,778	-
Diluted EPS (sen)	0.32	-

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 29. EARNINGS PER SHARE ("EPS") (cont'd)

### (b) Diluted EPS (cont'd)

As at 31 August 2017, the Company has 206,115,510 (2016: Nil) unexercised warrants, whose terms of conversion are set out in Note 13 to the financial statements. MFRS 133, 'Earnings Per Share' prescribes that warrants are dilutive when they are issued for no consideration or when they would result in the issue of ordinary shares for less than its fair value. For the diluted EPS calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

## 30. COMMITMENTS AND NON-CANCELLABLE OPERATING LEASE AGREEMENTS

### (a) Capital commitment

	Group	
	2017	2016
	RM	RM
Authorised and contracted for:		
Property, plant and equipment	908,000	1,321,500

### (b) Operating lease arrangements

The Group as lessee

The future minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities are analysed as follows:

	Group	
	2017	2016
	RM	RM
Leased rental of premises:		
Within one year	64,247	-

## 31. RELATED PARTY DISCLOSURES

### (a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group and certain members of senior management and chief executive officers of major subsidiary companies of the Group.

The Group has related party relationships with its subsidiary companies and key management personnel.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 31. RELATED PARTY DISCLOSURES (cont'd)

### (b) Compensation of key management personnel

Remuneration of key management personnel (inclusive of the Directors' remuneration as disclosed in Note 26 to the financial statements) are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Key management compensations:				
- Salaries, wages and bonus	1,091,226	1,114,000	-	-
- Defined contribution plan	188,640	164,160	-	-
- Other emoluments *	326,492	295,500	7,000	7,500
	1,606,358	1,573,660	7,000	7,500

\* Other emoluments included socso, allowances, meeting allowance and etc.

### (c) Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal terms and conditions negotiated among the related parties. In addition to the related party balances disclosed in Notes 10 and 22 to the financial statements, the significant related party transactions of the Company are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Subsidiary company</b>				
Dividend income	-	-	-	1,500,000

## 32. FINANCIAL INSTRUMENTS

### (a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 to the financial statements describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.



# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 32. FINANCIAL INSTRUMENTS (cont'd)

### (a) Classification of financial instruments (cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position at reporting date by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
<b>Group 2017</b>			
<b>Financial assets</b>			
Trade receivables	20,475,065	-	20,475,065
Other receivables	2,194,554	-	2,194,554
Fixed deposits with financial institutions	9,085,364	-	9,085,364
Cash and bank balances	3,044,118	-	3,044,118
	<b>34,799,101</b>	<b>-</b>	<b>34,799,101</b>
<b>Financial liabilities</b>			
Trade payables	-	1,950,165	1,950,165
Other payables	-	1,254,178	1,254,178
Amount due to Directors	-	19,000	19,000
Finance lease payables	-	477,813	477,813
Bank borrowings	-	16,142,205	16,142,205
	<b>-</b>	<b>19,843,361</b>	<b>19,843,361</b>
<b>Group 2016</b>			
<b>Financial assets</b>			
Trade receivables	13,140,474	-	13,140,474
Other receivables	509,132	-	509,132
Fixed deposits with financial institutions	7,887,850	-	7,887,850
Cash and bank balances	2,918,641	-	2,918,641
	<b>24,456,097</b>	<b>-</b>	<b>24,456,097</b>
<b>Financial liabilities</b>			
Trade payables	-	2,244,294	2,244,294
Other payables	-	2,619,289	2,619,289
Amount due to Directors	-	19,000	19,000
Finance lease payables	-	239,352	239,352
Bank borrowings	-	8,176,358	8,176,358
	<b>-</b>	<b>13,298,293</b>	<b>13,298,293</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 32. FINANCIAL INSTRUMENTS (cont'd)

## (a) Classification of financial instruments (cont'd)

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
<b>Company</b>			
<b>2017</b>			
<b>Financial assets</b>			
Other receivables	1,501,000	-	1,501,000
Amount due from subsidiary companies	16,543,967	-	16,543,967
Fixed deposits with financial institutions	2,035,611	-	2,035,611
Cash and bank balances	26,142	-	26,142
	<b>20,106,720</b>	<b>-</b>	<b>20,106,720</b>
<b>Financial liabilities</b>			
Other payables	-	97,505	97,505
Amount due to a subsidiary company	-	303,876	303,876
	<b>-</b>	<b>401,381</b>	<b>401,381</b>
<b>Company</b>			
<b>2016</b>			
<b>Financial assets</b>			
Other receivables	1,000	-	1,000
Amount due from subsidiary companies	18,043,967	-	18,043,967
Fixed deposits with financial institutions	2,400,000	-	2,400,000
Cash and bank balances	1,677,071	-	1,677,071
	<b>22,122,038</b>	<b>-</b>	<b>22,122,038</b>
<b>Financial liabilities</b>			
Other payables	-	1,502,287	1,502,287
Amount due to a subsidiary company	-	303,876	303,876
	<b>-</b>	<b>1,806,163</b>	<b>1,806,163</b>

## (b) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and the Company's operations whilst managing its credit, liquidity, foreign currency, interest rate and market risks. The Group and the Company operates within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 32. FINANCIAL INSTRUMENTS *(cont'd)*

### (b) Financial risk management objectives and policies *(cont'd)*

#### (i) Credit risk

Credit risk is the risk of a financial loss to the Group or the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with financial institutions. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to financial institutions for credit facilities granted to subsidiary companies.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured loans and advances to subsidiary companies. It also provides unsecured financial guarantees to banks for banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk. For financial guarantees to bank for banking facilities granted to certain subsidiary companies, the maximum exposure to credit risk amounts to RM16,138,594 (2016: RM8,176,358) representing the outstanding banking facilities of the subsidiaries at the reporting date. At the end of the reporting period, there was no indication that any subsidiary company would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

The Group has no significant concentration of credit risk as its exposure spread over a large number of customers. The Company has no significant concentration of credits risks except for loans to its subsidiary companies where risks of default have been assessed to be low.

#### (ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group and the Company finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the maturity profile of the Group's and the Company's financial liabilities as at reporting date. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company are required to pay.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 32. FINANCIAL INSTRUMENTS (cont'd)

## (b) Financial risk management objectives and policies (cont'd)

## (ii) Liquidity risk (cont'd)

	On demand or within 1 year RM	1 to 2 years RM	Total 2 to 5 years RM	After 5 years RM	contractual undiscounted cash flows RM	Total carrying amount RM
<b>Group</b>						
<b>2017</b>						
<b>Financial liabilities</b>						
Trade payables	1,950,165	-	-	-	1,950,165	1,950,165
Other payables	1,254,178	-	-	-	1,254,178	1,254,178
Amount due to Directors	19,000	-	-	-	19,000	19,000
Finance lease payables	187,685	146,444	195,224	-	529,353	477,813
Bank borrowings	12,225,701	385,746	1,157,238	4,140,458	17,909,143	16,142,205
	15,636,729	532,190	1,352,462	4,140,458	21,661,839	19,843,361
<b>Group</b>						
<b>2016</b>						
<b>Financial liabilities</b>						
Trade payables	2,244,294	-	-	-	2,244,294	2,244,294
Other payables	2,619,289	-	-	-	2,619,289	2,619,289
Amount due to Directors	19,000	-	-	-	19,000	19,000
Finance lease payables	97,104	93,025	78,816	-	268,945	239,352
Bank borrowings	8,176,358	-	-	-	8,176,358	8,176,358
	13,156,045	93,025	78,816	-	13,327,886	13,298,293

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 32. FINANCIAL INSTRUMENTS (cont'd)

### (b) Financial risk management objectives and policies (cont'd)

#### (ii) Liquidity risk (cont'd)

	On demand or within 1 year RM	1 to 2 years RM	Total 2 to 5 years RM	After 5 years RM	contractual undiscounted cash flows RM	Total carrying amount RM
<b>Company</b>						
<b>2017</b>						
<b>Financial liabilities</b>						
Other payables	97,505	-	-	-	97,505	97,505
Amount due to a subsidiary company	303,876	-	-	-	303,876	303,876
	401,381	-	-	-	401,381	401,381
<b>2016</b>						
<b>Financial liabilities</b>						
Other payables	1,502,287	-	-	-	1,502,287	2,619,289
Amount due to a subsidiary company	303,876	-	-	-	303,876	19,000
	1,806,163	-	-	-	1,806,163	2,638,289

#### (iii) Market risks

- Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Singapore Dollar (SGD), United States Dollar (USD) and Japanese Yen (JPY). The Group has investment in foreign operation whose net assets are exposed to foreign currency translation risk. Such exposures are mitigated through bank borrowings denominated in the respective functional currencies.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 32. FINANCIAL INSTRUMENTS (cont'd)

## (b) Financial risk management objectives and policies (cont'd)

## (iii) Market risks (cont'd)

- Foreign currency exchange risk (cont'd)

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date are as follows:

Group	Denominated in			Total RM
	USD RM	SGD RM	JPY RM	
<b>2017</b>				
Deposits, cash and bank balances	638,040	213,235	-	851,275
Trade receivables	53,053	1,116	-	54,169
Other receivables	6,114	3,782	-	9,896
Trade payables	-	(4,097)	-	(4,097)
Bank borrowings	(4,229,279)	(523,138)	(345,176)	(5,097,593)
	(3,532,072)	(309,102)	(345,176)	(4,186,350)
<b>2016</b>				
Deposits, cash and bank balances	194,238	223,949	-	418,187
Trade receivables	177,724	326,058	-	503,782
Other receivables	1,093,255	5,958	-	1,099,213
Trade payables	-	(49,200)	(709,104)	(758,304)
Bank borrowings	(3,952,181)	(709,938)	-	(4,662,119)
	(2,486,964)	(203,173)	(709,104)	(3,399,241)

Foreign currency sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

Group	Change in currency rate RM	2017	2016
		Effect on profit before tax RM	Effect on profit before tax RM
USD	Strengthened 10%	346,650	248,696
	Weakened 10%	(346,650)	(248,696)
SGD	Strengthened 10%	30,391	20,317
	Weakened 10%	(30,391)	(20,317)
JPY	Strengthened 10%	34,284	70,910
	Weakened 10%	(34,284)	(70,910)

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 32. FINANCIAL INSTRUMENTS (cont'd)

### (b) Financial risk management objectives and policies (cont'd)

#### (iii) Market risks (cont'd)

- Interest rate risk

The Group's and the Company's fixed rate deposits placed with financial institutions and bank borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The carrying amounts of the Group's and of the Company's financial instruments that are exposed to interest rate risk are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
<b>Fixed rate instruments</b>				
Fixed deposits with financial institutions	9,085,364	7,887,850	2,035,611	2,400,000
Finance lease payables	477,813	239,352	-	-
	9,563,177	8,127,202	2,035,611	2,400,000
<b>Variable rate instruments</b>				
Bankers' acceptance	6,780,000	1,162,000	-	-
Bank overdrafts	-	2,352,238	-	-
Foreign currency trade loan	5,059,955	4,662,120	-	-
Term loans	4,302,250	-	-	-
	16,142,205	8,176,358	-	-

#### Interest rate sensitivity analysis

##### Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 32. FINANCIAL INSTRUMENTS (cont'd)

### (b) Financial risk management objectives and policies (cont'd)

#### (iii) Market risks (cont'd)

- Interest rate risk (cont'd)

#### Interest rate sensitivity analysis (cont'd)

##### Cash flow sensitivity analysis for variable rate instruments

A change in 1% interest rate at the end of the reporting period, with all other variable being held constant, would have increased/(decreased) the Group' profit before tax by RM161,422 (2016: RM81,764) respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

### (c) Fair value of financial instruments

The Group and the Company measure fair value using the following fair value hierarchy that reflects the significance of the input used in making the measurements:

- Level 1 : Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2 : Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or in indirectly; and
- Level 3 : Inputs are unobservable inputs for the asset or liability.

The carrying amounts of short term receivables and payables, cash and cash equivalents and short-term bank borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the statements of financial position.

	Fair value of financial instruments not carried at fair value			Carrying amount
	Level 1	Level 2	Level 3	
	RM	RM	RM	
<b>Group</b>				
<b>2017</b>				
Finance lease payables	-	-	324,059	316,415
<b>2016</b>				
Finance lease payables	-	-	153,312	157,601

The fair value of finance lease payables is determined with discounted cash flow method using current market rate of borrowings of the respective Group entities at the reporting date.



# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 33. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank borrowings (including 'current and non-current borrowings' as shown in the Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Statement of Financial Position plus net debt. The gearing ratios at end of the reporting period are as follows:

	Group	
	2017 RM	2016 RM
Total bank borrowings	16,620,018	8,415,710
Less: Cash and cash equivalents (including fixed deposits pledged to financial institutions)	(12,129,482)	(8,454,253)
Net debts/(cash)	4,490,536	(38,543)
Total equity	64,473,346	62,579,431
Gearing ratio (times)	0.07	#

# *The gearing ratio is not applicable as cash and cash equivalents as at 31 August 2016 is sufficient to cover the entire borrowing obligation.*

There were no changes in the Group's approach to capital management during the financial year.

The Group and the Company are not subject to any externally imposed capital requirement.

## 34. SUBSEQUENT EVENT

On 13 November 2017, a subsidiary company, Sin Chee Heng Sdn. Bhd. had entered into a sales and purchase agreement with a third party to dispose a freehold land and building for a total consideration of RM660,000.

## 35. COMPARATIVE FIGURES

The financial statement of previous year, which are presented for comparative purpose were examined and reported on by another firm of auditors. Certain comparative figures have been reclassified where necessary to conform to current year presentations as shown below:

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

## 35. COMPARATIVE FIGURES (cont'd)

### Statement of comprehensive income

In the previous year, certain sales and distribution expenses have been classified in administrative expenses. The effects of correction of classification are shown below:

	Group 2016		
	As previously stated RM	Reclassification RM	As restated RM
Administrative expenses	10,645,406	(142,617)	10,502,789
Selling and distribution expenses	2,072,119	142,617	2,214,736

## 36. SEGMENT INFORMATION

For management purposes, the Group reported its revenue into the following business segments as presented below. For each business segment, the client operating decision maker (i.e. the Group's Managing Director) reviews management reports at least on a quarterly basis.

	Group	
	2017 RM	2016 RM
<b>Revenue</b>		
Quarry industrial products	19,642,524	18,478,618
Quarry machinery, quarry equipment and reconditioned quarry machinery	9,088,356	6,829,083
Spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery	6,240,666	8,252,661
Manufacturing and distribution of quarry grill	3,533,309	3,461,156
Asphalt mixing plant (batch and drum mix)	5,672,611	-
	44,177,466	37,021,518

Except as indicated above, no operating segments have been aggregated to form the above reportable business segments.

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2017

Cont'd

### 37. SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The following analysis of realised and unrealised retained earnings/(accumulated losses) of the Group and of the Company as at the reporting date is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Total retained earnings/(accumulated losses) of the Company and its subsidiary companies				
- Realised	36,173,722	34,514,359	(1,128,851)	(505,950)
- Unrealised	409,201	246,238	-	-
	36,582,923	34,760,597	(1,128,851)	(505,950)

The disclosure of realised and unrealised losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

## LIST OF PROPERTIES

As at 31 August 2017

No.	Title Details/Postal Address	Description of property/ Existing use	Land area/ Built-up area sq m	Approximate age of building (Years)	Tenure	Audited net book value as at 31.08.2017 RM
1.	Individual title held under HSD 227114, Lot PTD 62687, Mukim Pulai, Daerah Johor Bahru, Negeri Johor	3-storey shophouse currently rented to an individual	204 (Land)	20	99 years lease expiring on 13 April 2094	404,380
	No. 18, 18-1 and 18-2, Jalan Sri Perkasa 1/6, Taman Tampoi Utama, 81200 Johor Bahru, Johor Darul Takzim		318 (Built-up area)			
2.	Individual title held under Geran 152419, Lot 32063, Mukim Pulai, Daerah Johor Bahru, Negeri Johor	1 ½ storey terrace factory currently used as warehouse by SCH Group	223 (Land)	24	Freehold	248,400
	No. 32, Jalan Perdagangan 4, Taman Universiti, 81300, Skudai, Johor Bahru, Johor Darul Takzim		222 (Built-up area)			
3.	Individual title held under Geran 118306, Lot 37285, Pekan Kajang, Daerah Ulu Langat, Negeri Selangor	1 ½ storey semi-detached factory currently used as office and warehouse by SCH Group	1,599 (Land)	19	Freehold	2,071,864
	No. 3, Jalan Teras 3, Kawasan Industri Teras Balakong, Taman Industri Selesa Jaya, 43300 Balakong, Selangor Darul Ehsan		952 (Built-up area)			
4.	2 individual titles held under Geran 118304, Lot 37283 & Geran 118305, Lot 37284, respectively Pekan Kajang, Daerah Ulu Langat, Negeri Selangor	Open sided single storey detached factory currently used as warehouse and manufacturing factory by SCH Group	1,115 (Land)	16	Freehold	1,487,057
	No. 5 and No. 7, Jalan Teras 3, Kawasan Industri Teras Balakong, Taman Industri Selesa Jaya, 43300 Balakong, Selangor Darul Ehsan		990 (Built-up area)			

## LIST OF PROPERTIES

As at 31 August 2017

Cont'd

No.	Title Details/Postal Address	Description of property/ Existing use	Land area/ Built-up area sq m	Approximate age of building (Years)	Tenure	Audited net book value as at 31.08.2017 RM
5.	Individual title held under industrial H.S.(M) 13156, PT 23677, Mukim Cheras, Tempat Cheras Jaya, Daerah Hulu Langat, Negeri Selangor	4 storey building with officers and warehouse	8,510 (Land)	2	99 years lease expiring on 30 December 2098	14,278,431
	Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan		3,579 (Built-up area)			
6.	Individual title held under PN 4661, Lot 44677, Mukim Kuala Kuantan, Daerah Kuantan, Negeri Pahang	1 ½ storey terrace factory currently used as regional office and warehouse by SCH Group	149 (Land)	20	99 years lease expiring on 3 October 2075	145,781
	No. 3, Jalan Industri Tanah Putih Baru 5, Batu 3, Kawasan Perindustrian Perdana Jaya, Tanah Putih, Jalan Gambang, 25150 Kuantan, Pahang Darul Makmur		188 (Built-up area)			
7.	Individual title held under PN 4662, Lot 44676, Mukim Kuala Kuantan, Daerah Kuantan, Negeri Pahang	1 ½ storey terrace factory currently used as regional office and warehouse by SCH Group	177 (Land)	20	99 years lease expiring on 3 October 2075	157,083
	No. 1, Jalan Industri Tanah Putih Baru 5, Batu 3, Kawasan Perindustrian Perdana Jaya, Tanah Putih, Jalan Gambang, 25150 Kuantan, Pahang Darul Makmur		244 (Built-up area)			
8.	Master title held under Parent Title Lot No. 33 (MPKK No. 6) Title Country Lease No. Industrial 015022769, District of Kota Kinabalu, Sabah	Double storey terrace light industrial warehouse cum office currently used as regional office and warehouse by SCH Group	439 (Land)	17	999 years lease expiring on 17 August 2923	330,378
	Lot 6, Lorang Makat 3, Perindustrian, Makat Kolombong, 88450 Kolombong, Sabah		418 (Built-up area)			

## LIST OF PROPERTIES

As at 31 August 2017

Cont'd

No.	Title Details/Postal Address	Description of property/ Existing use	Land area/ Built-up area sq m	Approximate age of building (Years)	Tenure	Audited net book value as at 31.08.2017 RM
9.	Individual title held under held HSD 15745, PT 578, Mukim 06, Daerah Seberang Perai Tengah, Negeri Pulau Pinang  No. 1, Lorang Nagasari 23, Taman Nagasari, Seberang Perai 13600 Pulau Pinang	Double storey semi-detached light industrial factory currently used as regional office and warehouse by SCH Group	374 (Land)  129 (Built-up area)	21	Freehold	361,856
10.	Master title held under Parent Lot 594, Block 238, Kuching North Land District, Sarawak.  Sublot No. 10, Wismaacom Industrial Park, 8 ½ Mile, Jalan Batu Kitang. 93250 Kuching, Sarawak.	2-storey semi-detached industrial building	681 (Land)  279 (Built-up area)	1	Leasehold	1,320,000
11.	Individual title held under held HSD 62727, PTD 107429, Mukim of Kulai, District of Kulai, State of Johor.  No. 106, Jalan Lagenda 6, Taman Lagenda Putra, 81000 Kulai, Johor Darul Ta'zim	Single-storey clustered factory with mezzanine floor currently used as regional office and warehouse by SCH Group	863 (Land)  446 (Built-up area)	1	Freehold	1,587,865

## STATISTICS OF SHAREHOLDINGS

As At 30 November 2017

### SHARE CAPITAL

Issued and Paid-up Capital	:	RM41,223,552.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

### DISTRIBUTION OF SHAREHOLDINGS AS AT 30 NOVEMBER 2017

Size of Holding	No. of shareholders	% of shareholders	No. of holdings	% of shares
1 – 99	1	0.05	2	0.00
100 - 1,000	125	5.82	59,171	0.01
1,001 - 10,000	544	25.31	3,981,700	0.97
10,001 - 100,000	1,138	52.95	47,616,100	11.55
100,001 - 20,611,775 *	338	15.73	241,323,923	58.54
20,611,776 AND ABOVE **	3	0.140	119,254,624	28.93
<b>Total</b>	<b>2,149</b>	<b>100.00</b>	<b>412,235,520</b>	<b>100.00</b>

Remark:

\* - Less than 5% of Issued Shares

\*\* - 5% and above of Issued Shares

### SUBSTANTIAL SHAREHOLDERS AS AT 30 NOVEMBER 2017

No.	Name of Substantial Shareholder	No. of Shares held		No. of Shares held	
		Direct	%	Indirect	%
1	Thianjing Holdings Sdn. Bhd.	68,163,500	16.54	-	-
2	Lau Mong Ling	23,873,224	5.79	-	-
3	Khoo Chee Siang	27,217,900	6.60	-	-
4	Tan Sri Dato' Sri Koh Kin Lip	-	-	68,163,500 <sup>(a)</sup>	16.54
5	Koh Chen Foong	-	-	68,163,500 <sup>(a)</sup>	16.54
6	Liew Fook Meng	-	-	68,163,500 <sup>(a)</sup>	16.54
7	Chow Dai Ying	716,500	0.17	68,163,500 <sup>(a)</sup>	16.54

(a) Deemed interest for the shares held by Thianjing Holdings Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

## STATISTICS OF SHAREHOLDINGS

As At 30 November 2017

Cont'd

### DIRECTORS' INTERESTS IN SHARES AS AT 30 NOVEMBER 2017

No.	Name of Director	No. of Shares held		No. of Shares held	
		Direct	%	Indirect	%
1	Chan Wan Choon	8,120,700	1.97	-	-
2	Lau Mong Ling	23,873,224	5.79	-	-
3	Khoo Chee Siang	27,217,900	6.60	-	-
4	Wong Kin Seng	20,450,083	4.96	-	-
5	Koh Chen Foong	-	-	68,163,500 <sup>(a)</sup>	16.54
6	Liew Fook Meng	-	-	68,163,500 <sup>(a)</sup>	16.54
7	Sim Yee Fuan	50,000	0.01	-	-
8	Gan Khong Aik	420,000	0.10	-	-

(a) Deemed interest for the shares held by Tianjing Holdings Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

### LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 30 NOVEMBER 2017)

No.	Name of Shareholders	No. of Shares	%
1	M & A NOMINEE (TEMPATAN) SDN BHD FOR THIANJING HOLDINGS SDN BHD	68,163,500	16.54
2	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOO CHEE SIANG (M&A)	27,217,900	6.60
3	LAU MONG LING	23,873,224	5.79
4	WONG KIN SENG	20,090,083	4.87
5	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM GAIK ENG (LIM4779C)	18,880,700	4.58
6	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GENTING UTAMA SDN BHD (M&A)	18,114,900	4.39
7	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE FOR (EFGBHK-ASING)	17,200,000	4.17
8	CHAN WAN CHOON	8,120,700	1.97
9	ABD RAHMAN BIN SOLTAN	5,000,000	1.21
10	YAYASAN GURU TUN HUSSEIN ONN	5,000,000	1.21
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW NGOK MING	4,633,100	1.12
12	YONG KOK PEW	3,250,000	0.79
13	KOH ENG HONG	3,100,000	0.75
14	YONG SIEW YEE	3,073,500	0.75
15	LIM LIEW HONG	3,000,000	0.73
16	LIM KHEOW KOOI	2,500,000	0.61
17	CHONG CHEE WAI	2,049,300	0.50
18	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHAI GO	2,000,000	0.49



## STATISTICS OF SHAREHOLDINGS

As At 30 November 2017

Cont'd

### LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 30 NOVEMBER 2017) (cont'd)

No.	Name of Shareholders	No. of Shares	%
19	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WONG CHUN KEEN(E-TMI)</i>	2,000,000	0.49
20	TAN TECK TAY	1,900,000	0.46
21	ONG YIT CHENG	1,625,000	0.39
22	WONG BOON MING	1,604,300	0.39
23	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR LIM CHIN HORNG (M12035)</i>	1,600,000	0.39
24	YVONNE NG MEI SAN	1,590,000	0.38
25	LOW NGOK MING	1,490,000	0.36
26	CHONG CHEE WAI	1,348,600	0.33
27	M & A NOMINEE (TEMPATAN) SDN BHD FOR CHEW HUN SENG	1,325,000	0.32
28	GOH BUCK CHOOI	1,313,000	0.32
29	WONG BOON MING	1,301,600	0.32
30	LAM CHEE MENG	1,245,100	0.30
<b>TOTAL</b>		<b>253,609,507</b>	<b>61.52</b>

# ANALYSIS OF WARRANT HOLDINGS

As At 30 November 2017

## WARRANTS

No. of Outstanding Warrants : 206,115,510 Warrants 2016/2021  
 No. of Warrant Holders : 1,773

## DISTRIBUTION OF WARRANT HOLDINGS AS AT 30 NOVEMBER 2017

Size of Warrant Holding	No. of Holders	%	No. of Warrants	%
1 – 99	86	4.85	4,095	0.00
100 - 1,000	96	5.42	52,315	0.03
1,001 - 10,000	529	29.84	3,195,550	1.55
10,001 - 100,000	783	44.16	32,171,650	15.61
100,001 – 10,305,774 *	277	15.62	136,609,000	66.28
10,305,775 AND ABOVE **	2	0.11	34,082,900	16.53
<b>Total</b>	<b>1,773</b>	<b>100.00</b>	<b>206,115,510</b>	<b>100.00</b>

Remark:

\* - Less than 5% of Warrant Issued

\*\* - 5% and above of Warrant Issued

## DIRECTORS' INTERESTS IN WARRANTS AS AT 30 NOVEMBER 2017

No.	Name of Director	No. of Warrants held		No. of Warrants held	
		Direct	%	Indirect	%
1	Chan Wan Choon	4,060,350	1.97	-	-
2	Lau Mong Ling	-	-	-	-
3	Khoo Chee Siang	3,101,450	1.50	-	-
4	Wong Kin Seng	75,000	0.04	-	-
5	Koh Chen Foong	-	-	21,581,900 <sup>(a)</sup>	10.47
6	Liew Fook Meng	-	-	21,581,900 <sup>(a)</sup>	10.47
7	Sim Yee Fuan	25,000	0.01	-	-
8	Gan Khong Aik	210,000	0.10	-	-

<sup>(a)</sup> Deemed interest for the warrants held by Tianjing Holdings Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

## ANALYSIS OF WARRANT HOLDINGS

As At 30 November 2017

Cont'd

### LIST OF TOP 30 LARGEST WARRANT HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 30 NOVEMBER 2017)

No.	Name of Warrant Holders	No. of Warrants	%
1	M & A NOMINEE (TEMPATAN) SDN BHD FOR THIANJING HOLDINGS SDN BHD	21,581,900	10.47
2	CHOW DAI YING	12,510,000	6.07
3	CARTABAN NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE FOR (EFGBHK-ASING)</i>	7,600,000	3.69
4	ONG KENG SENG	4,225,500	2.05
5	CHAN WAN CHOON	4,060,350	1.97
6	KHOO CHEE SIANG	3,101,450	1.50
7	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIM GAIK ENG (LIM4779C)</i>	3,000,000	1.46
8	ABD RAHMAN BIN SOLTAN	2,500,000	1.21
9	YAYASAN GURU TUN HUSSEIN ONN	2,500,000	1.21
10	CHONG CHIEN MING	2,382,800	1.16
11	KOH ENG HONG	2,050,000	0.99
12	YONG KOK PEW	1,884,000	0.91
13	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR HO YOCK MAIN (REM 857-MARGIN)</i>	1,843,500	0.89
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LOW NGOK MING</i>	1,760,050	0.85
15	YOUNG THIM CHOY	1,700,000	0.82
16	HLB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GOH ENG THYE</i>	1,600,000	0.78
17	YAP WEI LIN	1,560,000	0.76
18	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)</i>	1,500,000	0.73
19	LIM LIEW HONG	1,500,000	0.73
20	AMANAHRAYA TRUSTEES BERHAD PMB DANA AL-AIMAN	1,470,000	0.71
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TAN CHEAK JOO</i>	1,400,000	0.68
22	NG KIM MOY	1,400,000	0.68
23	YVONNE NG MEI SAN	1,395,000	0.68
24	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD <i>CIMB ISLAMIC TRUSTEE BERHAD FOR PMB SHARIAH TNB EMPLOYEES FUND</i>	1,380,000	0.67
25	TEOH CHIN TEIK	1,300,000	0.63
26	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIM CHIN HORNG (7002468)</i>	1,200,000	0.58
27	LAU KOK FOO	1,073,400	0.52
28	ABDUL SATHAR BIN M S M ABDUL KADIR	1,065,000	0.52
29	LAU PAK LAM	1,023,200	0.50
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEE HAI PENG</i>	1,021,800	0.50
	<b>TOTAL</b>	<b>92,578,950</b>	<b>44.92</b>

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Sixth (6<sup>th</sup>) Annual General Meeting of SCH Group Berhad (“SCH” or “the Company”) will be held at Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan on Friday, 26 January 2018 at 10.00 a.m., for the purpose of transacting the following businesses:

- |    |  |                                    |
|----|--|------------------------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 August 2017 together with the Reports of the Directors and Auditors thereon.                         | Please refer to Explanatory Note 1 |
| 2. | To approve the payment of Directors’ fees of RM134,500 to Non-Executive Directors of the Company for the financial year ended 31 August 2017.                                    | Ordinary Resolution 1              |
| 3. | To approve the payment of Directors’ benefits of up to RM50,000 for the period from 31 January 2017 until the conclusion of the next Annual General Meeting of the Company.      | Ordinary Resolution 2              |
| 4. | To re-appoint Chan Wan Choon as Director of the Company.   | Ordinary Resolution 3              |
| 5. | To re-elect Sim Yee Fuan, who retiring pursuant to the Article 95 of the Company’s Articles of Association, as Director of the Company.  | Ordinary Resolution 4              |
| 6. | To re-elect the following Directors retiring pursuant to the Article 100 of the Company’s Articles of Association:   |                                    |
|    | i) Khoo Chee Siang   | Ordinary Resolution 5              |
|    | ii) Liew Fook Meng   | Ordinary Resolution 6              |
|    | iii) Wong Kin Seng   | Ordinary Resolution 7              |
|    | iv) Koh Chen Foong   | Ordinary Resolution 8              |
| 7. | To re-appoint Messrs ECOVIS AHL PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | Ordinary Resolution 9              |

### **SPECIAL BUSINESSES:**

To consider and, if thought fit, to pass the following Resolution:

- |    |   |                        |
|----|---|------------------------|
| 8. | <b>Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016</b> | Ordinary Resolution 10 |
|----|---|------------------------|

“THAT subject to Sections 75 and 76 of the Companies Act 2016 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of the issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company, or at the expiry of the period within which the next annual general meeting is required to be held after the approval was given, whichever is earlier.”

- |    |   |  |
|----|---|--|
| 9. | To transact any other business of the Company for which due notice shall have been given. |  |
|----|---|--|

# NOTICE OF ANNUAL GENERAL MEETING

Cont'd

By order of the Board,

Tan Tong Lang (MAICSA 7045482)  
Chong Voon Wah (MAICSA 7055003)  
Company Secretaries

Kuala Lumpur  
29 December 2017

## Notes

1. A member/shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. Where a member/shareholder appoints more than one proxy to attend and vote at the Meeting, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.
3. Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or signed by attorney so authorised.
5. The Form of Proxy must be deposited at the Registrar Office of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
6. For the purpose of determining a member who shall be entitled to attend the Sixth (6<sup>th</sup>) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 19 January 2017. Only members whose name appears on the Record of Depositors as at 19 January 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

## EXPLANATORY NOTES

### 1. Audited Financial Statements for the Financial Year Ended 31 August 2017

The Agenda No. 1 is meant for discussion only as Sections 248(2) and Section 340(1)(a) of the Companies Act, 2016 provide that the audited financial statements are to be laid in the general meeting and do not require a formal approval of the shareholders. Hence, this Agenda item is not put forward for voting.

### 2. Ordinary Resolution 2: To Approve the Payment of Directors' Benefits

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the Directors and any benefits payable to the directors shall be approved at a general meeting.

The Directors' benefits payable comprises of meeting allowances which calculated based on the current Board size and the number of scheduled Board and Board Committee meetings for the period from 31 January 2017 up to the next Annual General Meeting.

In the event the proposed amount is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for the shortfall.

# NOTICE OF ANNUAL GENERAL MEETING

Cont'd

### 3. Ordinary Resolution 3: Re-appointment of Chan Wan Choon as Director of the Company

With the coming into force of the Companies Act 2016 on 31 January 2017, there is no age limit for directors. At the Fifth (5th) Annual General Meeting of the Company held on 23 January 2017, Mr Chan Wan Choon, who is above the age of 70, was re-appointed pursuant to Section 129 of the Companies Act, 1965 to hold office until the conclusion of the Sixth (6th) Annual General Meeting.

As such, his term of office will end at the conclusion of the Sixth (6th) Annual General Meeting and he has offered himself for re-appointment. The proposed Ordinary Resolution 3, if passed, will enable Mr Chan Wan Choon to continue to act as Director of the Company and shall subject to retirement by rotation at a later date.

### 4. Ordinary Resolution 10: Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The Ordinary Resolution 10, if passed, is a renewal of General Mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a General Meeting, will expire at the next Annual General Meeting.

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) workings capital and/or acquisitions at any time without convening a general meeting as it would be both costs and time consuming to organise a general meeting.

As at the date of this Notice, no new shares in the Company were issued pursuant to the General Mandate granted to the Directors at the Fifth (5th) Annual General Meeting held on 23 January 2017 and which will lapse at the conclusion of the Sixth (6th) Annual General Meeting.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election at the Sixth (6<sup>th</sup>) Annual General Meeting of the Company are:

- a) Director standing for re-appointment:
  - i) Chan Wan Choon (Ordinary Resolution 3)
  
- b) Directors standing for re-election pursuant to Article 95 of the Company's Articles of Association:
  - i) Sim Yee Fuan (Ordinary Resolution 4)
  
- c) Directors standing for re-election pursuant to Article 100 of the Company's Articles of Association:
  - i) Khoo Chee Siang (Ordinary Resolution 5);
  - ii) Liew Fook Meng (Ordinary Resolution 6);
  - iii) Wong Kin Seng (Ordinary Resolution 7); and
  - iv) Koh Chen Foong (Ordinary Resolution 8)

The profile of the above Directors are set out on pages 4 to 7 of the Annual Report 2017. The details of the interest of the above Directors in the securities of the Company or its related corporations are disclosed in the Directors report on page 41 of the aforesaid Annual Report.

The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Statement on page 28 of the Annual Report 2017.

The Sixth (6<sup>th</sup>) Annual General Meeting of the Company will be held at Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan on Friday, 26 January 2018 at 10.00 a.m.



SCH GROUP BERHAD  
(Company No. 972700-P)

NUMBER OF SHARES HELD	CDS ACCOUNT NO.

## FORM OF PROXY

(Before completing this form please refer to the notes below)

I/We (Full Name in Block Letters) \_\_\_\_\_

NRIC No./Passport No./Company No. \_\_\_\_\_

of \_\_\_\_\_

being a member/members of **SCH GROUP BERHAD (972700-P)**, hereby appoint \_\_\_\_\_

\_\_\_\_\_ NRIC No./Passport \_\_\_\_\_

of \_\_\_\_\_

and/or \_\_\_\_\_ NRIC No./Passport \_\_\_\_\_

of \_\_\_\_\_

or failing him/her, the Chairman of the Meeting as \*my/our proxy to attend and vote for \*me/us and on my/our behalf at the Sixth (6<sup>th</sup>) Annual General Meeting of the Company to be held at Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan on Friday, 26 January 2018 at 10.00 a.m. and at any adjournment thereof in the manner as indicate below:

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors' fees of RM134,500.		
2.	To approve the payment of Directors' benefits of up to RM50,000.		
3.	To re-elect Chan Wan Choon as Director.		
4.	To re-elect Sim Yee Fuan as Director.		
5.	To re-elect Khoo Chee Siang as Director.		
6.	To re-elect Liew Fook Meng as Director.		
7.	To re-elect Wong Kin Seng as Director.		
8.	To re-elect Koh Chen Foong as Director.		
9.	To re-appoint Messrs ECOVIS AHL PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
10.	<b>As Special Business:-</b> To approve the authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		

(Please indicate with 'X' how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting on the resolutions as he/she may think fit.)

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_  
Signature/Common Seal of Member

The proportions of my/our holdings to be represented by my/our proxies are as follows:-

**First Proxy**

No. of Shares : \_\_\_\_\_

Percentage : \_\_\_\_\_%

**Second Proxy**

No. of Shares : \_\_\_\_\_

Percentage : \_\_\_\_\_%

**NOTES:**

1. A member/shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. Where a member/shareholder appoints more than one proxy to attend and vote at the Meeting, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.
3. Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or signed by attorney so authorised.
5. The Form of Proxy must be deposited at the Registrar Office of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
6. For the purpose of determining a member who shall be entitled to attend the Sixth (6<sup>th</sup>) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 19 January 2017. Only members whose name appears on the Record of Depositors as at 19 January 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.



Fold This Flap For Sealing

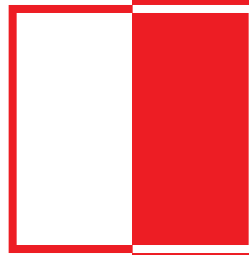
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AFFIX  
STAMP

THE SHARE REGISTRAR OF  
**SCH GROUP BERHAD** (972700-P)  
Unit 32-01, Level 32  
Tower A, Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

1st Fold Here

[www.schgroup.com my](http://www.schgroup.com.my)



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Kawasan Perindustrian Teras Balakong,  
Taman Industri Selesa Jaya,  
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Selangor Darul Ehsan.

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