

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD (3RD) QUARTER ENDED 31 MAY 2014**

	<--- Individual Quarter --->		<-- Cumulative Quarter--->	
	31 May 2014 ⁽¹⁾	31 May 2013 ⁽²⁾	31 May 2014 ⁽¹⁾	31 May 2013 ⁽²⁾
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Revenue	20,414	N/A	48,772	N/A
Cost of Sales	(12,038)	N/A	(29,969)	N/A
Gross Profit	8,376	N/A	18,803	N/A
Other operating income	159	N/A	374	N/A
Administrative expenses	(2,344)	N/A	(6,799)	N/A
Selling and distribution expenses	(544)	N/A	(1,878)	N/A
Listing expenses	-	N/A	(1,899)	N/A
Finance costs	(293)	N/A	(649)	N/A
Profit before taxation	5,354	N/A	7,952	N/A
Taxation	(1,285)	N/A	(2,612)	N/A
Profit after taxation	4,069	N/A	5,340	N/A
Other comprehensive income after tax:	-	N/A	-	N/A
Total comprehensive income for the period	4,069	N/A	5,340	N/A
PAT ATTRIBUTABLE TO:				
- Owners of the company	4,069	N/A	5,340	N/A
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the company	4,069	N/A	5,340	N/A
Weighted average no. of ordinary shares ('000)	412,234	N/A	275,789	N/A
Earnings per share attributable to owners of the company (sen):				
- Basic ⁽³⁾	0.99	N/A	1.94	N/A

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Prospectus dated 21 January 2014 (including Proforma Consolidated Financial Information) and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the third interim financial report announced in compliance with the ACE Market Listing Requirement of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"). There are no comparative figures for the preceding year's corresponding quarter and year-to-date as no interim financial report was prepared for the comparative financial period concerned.
- (3) Earnings per share for the quarter and financial period is calculated based on the net profit divided by the weighted average number of ordinary shares for the quarter and financial period respectively.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2014**

	As at 31 May 2014 ⁽¹⁾ (Unaudited) RM'000	As at 31 May 2013 ⁽²⁾ (Unaudited) RM'000
ASSETS		
NON-CURRENT ASSET		
Property, plant and equipment	12,862	N/A
Deferred tax assets	17	N/A
Capital work-in-progress	986	N/A
TOTAL NON-CURRENT ASSETS	13,865	N/A
CURRENT ASSETS		
Inventories	23,206	N/A
Trade receivables	23,730	N/A
Other receivables, Prepayments and Deposits	274	N/A
Fixed deposit with a licensed bank	17,138	N/A
Cash and bank balances	7,597	N/A
TOTAL CURRENT ASSETS	71,945	N/A
TOTAL ASSETS	85,810	N/A
EQUITY AND LIABILITIES		
EQUITY		
Share capital	41,223	N/A
Share premium	10,906	N/A
Merger Debit Arising on Consolidation	(24,515)	N/A
Retained Earnings	36,565	N/A
Foreign Currency Translation Differences for Foreign Operation	59	N/A
TOTAL EQUITY	64,238	N/A
CURRENT LIABILITIES		
Trade payables	4,097	N/A
Other payables	880	N/A
Amount owing to director	19	N/A
Borrowings	11,822	N/A
Hire purchase payables	707	N/A
Tax payable	906	N/A
	18,431	N/A

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2014 (Cont'd)**

	As at 31 May 2014 ⁽¹⁾ (Unaudited) RM'000	As at 31 May 2013 ⁽²⁾ (Unaudited) RM'000
NON CURRENT LIABILITIES		
Hire purchases	767	N/A
Borrowings	2,187	N/A
Deferred Taxation	187	N/A
	3,141	N/A
TOTAL LIABILITIES	21,572	N/A
TOTAL EQUITY AND LIABILITIES	85,810	N/A
NET ASSET PER SHARE⁽³⁾ (sen)	15.58	N/A

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Prospectus dated 21 January 2014 (including Proforma Consolidated Financial Information) and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the third interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding year's corresponding quarter and year-to-date as no interim financial report was prepared for the comparative financial period concerned.
- (3) Net asset per share for the current quarter is calculated based on the total equity divided by the number of ordinary shares in issue for the quarter.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD (3RD) QUARTER ENDED 31 MAY 2014**

	Share Capital RM'000	<---- Non-Distributable ----> Share Premium RM'000	Merger Reserve RM'000	Translation Reserve RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
Balance as at 1 September 2013	★(3)		-	-	(15)	(15)
Issued of shares during the financial period	32,154		-	-	-	32,154
Arising from merger with subsidiaries companies	-		(24,515)	59	31,240	6,784
Public issue of shares	9,069	11,790	-	-	-	20,859
Share issue expenses		(884)	-	-	-	(884)
Profit for the financial period	-		-	-	5,340	5,340
Balance as at 31 May 2014	41,223	10,906	(24,515)	59	36,565	64,238

Notes:

(1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Prospectus dated 21 January 2014 (including Proforma Consolidated Financial Information) and the accompanying explanatory notes attached to this interim financial report.

(2) No comparative figures are available as this is the first interim financial report being announced; and

(3) Represent less than RM1,000.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD (3RD) QUARTER ENDED 31 MAY 2014**

	Current year to date 31 May 2014 ⁽¹⁾ RM'000	Preceding year to date 31 May 2013 ⁽²⁾ RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,952	N/A
Adjustments for:		
Depreciation of property, plant and equipment	1,224	N/A
Property, plant and equipment written off	8	N/A
Gain on disposal of property, plant and equipment	(3)	N/A
Reversal of impairment on trade receivables	(4)	N/A
Interest expenses	649	N/A
Interest income	(167)	N/A
Operating profit before working capital changes:	9,659	N/A
Changes in working capital		
Change in inventories	1,895	N/A
Change in trade and other receivables	(10,263)	N/A
Change in trade and other payables	3,242	N/A
CASH FLOWS FROM OPERATIONS	4,533	N/A
Interest paid	(649)	N/A
Interest received	167	N/A
Income tax paid	(1,823)	N/A
Income tax refund	325	N/A
NET CASH FROM OPERATING ACTIVITIES	2,553	N/A
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,151)	N/A
Proceeds from disposal of property, plant and equipment	418	N/A
Capital work-in-progress incurred	-	N/A
NET CASH USED IN INVESTING ACTIVITIES	(733)	N/A
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	20,859	N/A
(Increase)/Decrease in fixed deposits pledged	176	N/A
Payment of listing expenses	(884)	N/A
Increase/(Decrease) in bankers' acceptance & trust receipts	2,866	N/A
Repayment of term loans	(709)	N/A
Repayment of hire purchase payables	(2,847)	N/A
NET CASH GENERATED USED IN FINANCING ACTIVITIES	19,461	N/A

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD (3RD) QUARTER ENDED 31 MAY 2014 (CONT'D)**

NET INCREASE OF CASH AND CASH EQUIVALENTS	21,281	N/A
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	* (3)	N/A
ARISING FROM MERGER WITH SUBSIDIARIES COMPANIES	2,105	N/A
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENT	(1)	N/A
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	23,385	N/A

Cash and cash equivalents at end of the financial period
comprise the following:

- Cash and bank balances	7,597	N/A
- Fixed deposit placed with a licensed bank	17,138	N/A
	24,735	N/A
Less: Fixed deposit pledged with licensed bank	(1,350)	N/A
	23,385	N/A

Notes:

(1) *The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Prospectus dated 21 January 2014 (including Proforma Consolidated Financial Information) and the accompanying explanatory notes attached to this interim financial report;*

(2) *This is the second interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding year's corresponding quarter and year-to-date as no interim financial report was prepared for the comparative financial period concerned; and*

(3) *Represent less than RM1,000.*

QUARTERLY REPORT FOR THE THIRD (3RD) QUARTER ENDED 31 MAY 2014

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2014

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") No. 134: Interim Financial Reporting and Paragraph 9.22 and Appendix 9B of the Ace Market Listing Requirements of Bursa Malaysia Securities Berhad.

SCH Group Berhad (the Company") was listed on the Ace Market Listing Requirements of Bursa Malaysia Securities on 13 February 2014. This is the third interim financial statements on the consolidated results for the third (3rd) quarter ended 31 May 2014 announced by the Company in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding year's corresponding period.

The interim financial statements should be read in conjunction with the Prospectus of the Company dated 21 January 2014 and the accompanying explanatory notes attached to this interim financial report.

The interim financial statements have been prepared on the basis of merger accounting, where the financial statements of the Company and its subsidiary companies ("**the Group**") have been included in the consolidated financial statements as if they have been in effect since the beginning of the financial year.

The adoption of the above standards and interpretations will not have any material impact on the financial position and performance of the Group. The accounting policies and methods of computation adopted by the Group in these unaudited condensed interim financial statements are consistent with those adopted in the financial statements as included in the Prospectus dated 21 January 2014.

The Group has not applied the following standards, amendments and interpretations under MFRS framework that have been issued by the Malaysia Accounting Standards Board as they have yet to be effective for the Group.

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective dates for financial period beginning on and after
Amendments to MFRS 132 – Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127 – Investment Entities	1 January 2014
Amendments to MFRS 136 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139 – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 – Levies	1 January 2014
MFRS 9 (IFRS 9 (2009)) – Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
MFRS 9 (IFRS 9 (2009)) – Financial Instruments (IFRS 9 issued by IASB in October (2010))	1 January 2015

A2. Auditors' report of preceding annual financial statements

In conjunction with and as an integral part of listing of the Company, the Company has completed the acquisition of SCH Corporation Sdn Bhd ("SCH Corporation"), Italiaworld Pte Ltd ("Italiaworld"), SCH Wire-Mesh Manufacturing Sdn Bhd ("SCHWM") and SCH Machinery & Equipment Sdn Bhd ("SCHME") on 11 November 2013 and formed its Group structure.

Notwithstanding the above, the audited reports on the financial statements of the subsidiary companies for the financial year ended 31 August 2013 were not subject to any qualification.

A3. Seasonal or cyclical factors

The principal businesses of the Group were not significantly affected by any seasonal or cyclical factors during the current financial quarter ended 31 May 2014 and financial period-to-date.

A4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and financial period-to-date.

A5. Material changes in estimates

There were no changes in the estimates of amounts reported in prior financial years that had a material effect on the current financial quarter ended 31 May 2014 and financial period-to-date.

A6. Debt and equity securities

Save as disclosed in the Company's Prospectus dated 21 January 2014, there were no other issuances, cancellation, repurchases, resale and repayment of debt and equity securities for the current financial period-to-date:

Date of allotment/ issuance	No. of shares allotted/ issued	Par value (RM)	Consideration	Cumulative issued and paid-up share capital (RM)
22 December 2011	2	1.00	RM2/Subscribers' shares	2
31 January 2012 [^]	20	0.10	RM2/Share split	2
11 November 2013	321,542,000	0.10	RM32,154,200/Issued as consideration for the Acquisitions	32,154,202
7 February 2014	90,692,000	0.10	Cash	41,223,402

Note:

[^] On 31 January 2012, the Company undertook a share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each in the Company into ten (10) shares of RM0.10 each.

A7. Segmental information

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

	Quarter ended 31 May 2014 RM'000	Year to date ended 31 May 2014 RM'000
Quarry industrial products	10,795	25,342
Quarry machinery, quarry equipment and reconditioned quarry machinery	5,600	11,090
Spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery	2,597	8,507
Manufacturing and distribution of quarry grill	1,422	3,833
Total	<u>20,414</u>	<u>48,772</u>

No other segmental information such as segment assets, liabilities and results are presented as the Group is principally engaged in one industry that is the quarry industry.

A8. Dividend Paid

No dividend was paid by the Company in the current financial quarter.

A9. Valuation of property, plant and equipment

The Group has not carried out any valuation on its property, plant and equipment for the current financial quarter.

A10. Capital commitments

The capital commitments of the Group as at 31 May 2014 are as follows:-

	RM'000
Authorised but not contracted for:	
- Capital work-in-progress	13,014

A11. Changes in the composition of the Group

There were no material changes in the composition of the Group for the current financial quarter except for those disclosed in Notes A6 of this interim financial report.

A12. Contingent liabilities and contingent assets

There were no changes in contingent liabilities or contingent assets since the last annual reporting period date up to the date of this report.

A13. Material events subsequent to the end of the quarter

There were no other material events subsequent to the end of current quarter and financial period-to-date that have not been reflected in this interim financial report.

A14. Related party transactions

There was no related party transaction entered into with related parties during the current financial quarter.

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B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS**B1. Review of performance**

For the third quarter ended 31 May 2014, the Group had achieved revenue of RM20.41 million, profit before tax of RM5.35 million and profit after tax of RM4.07 million.

The supply of quarry industrial products remained the Group's main revenue stream, representing 52.88% of the total revenue due to continuing demand for quarry industrial products which have short useful life.

For the first nine (9) months of the financial period ended 31 May 2014, the Group recorded revenue of RM48.77 million and profit before tax of RM7.95 million. Overall, the supply of quarry industrial product contributed 51.96% while supply of the quarry machinery, quarry equipment and reconditioned quarry machinery contributed 22.74% of the total revenue.

No comparative figures are presented for the preceding year's corresponding period as these are the third interim financial statements on the consolidated results for the third quarter ended 31 May 2014 being announced by the Group.

B2. Comparison with immediate preceding quarter's results

	Quarter ended		
	31 May	28 February	
	2014	2014	Variance
	RM'000	RM'000	RM'000
Revenue	20,414	12,349	8,065
Profit/(Loss) before tax	5,354	(571)	5,925

The Group recorded revenue of approximately RM20.41 million in the third financial quarter ended 31 May 2014, 52.88% of which was contributed by the supply of quarry industrial products business segment. Third quarter total revenue recorded an increase of approximately RM8.07 million or 65.30% from RM12.35 million in the preceding financial quarter ended 28 February 2014, which was mainly attributable to demand for quarry industrial products and high-value machineries. The Board is of the view that, existing customers' demand will continue to contribute positively to the Group's revenue.

The Group recorded a profit before tax of RM5.35 million in the third financial quarter ended 31 May 2014 as compared to a loss before tax of RM0.57 million in the preceding financial quarter ended 28 February 2014.

B3. Prospects of the Group

In line with the Group's aim to grow its presence and market share both in the domestic and overseas markets, we are now actively pursuing our interest in Cambodia.

In the local scene, we are now looking into the quarry engineering services to further complement and strengthen our business.

The Board of Directors is optimistic that the Group's performance will remain satisfactory for the financial year ending 31 August 2014.

B4. Profit forecast

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

B5. Taxation

	Quarter ended 31May 2014 RM'000	Year to date ended 31May 2014 RM'000
Income tax expense		
- Current financial period	1,327	2,607
- (Over) provision in prior year	(42)	(42)
	<u>1,285</u>	<u>2,565</u>
Deferred tax		
- Current financial period	-	27
- Under provision in prior year	-	20
Total tax expense	<u>1,285</u>	<u>2,612</u>

The applicable income tax rate is 25% for the current quarter and financial period ended except for the Group's subsidiary company Italiaword which is calculated at the statutory rate of 17% based on Singapore tax rate.

The Group's effective tax rate is higher mainly due to the non-deductible of one off listing expenses of approximately RM1.20 million.

B6. Status of corporate proposals and utilisation of proceeds

(i) Status of corporate proposal

There are no corporate proposals announced.

(ii) Utilisation of proceeds

As at 31 May 2014, the gross proceeds from the Public Issue amounting to RM20.86 million was partially utilised from date of listing in the following manner:-

	Purpose	Approved utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000	Timeframe for utilisation
i)	Payment of listing expenses	2,000	2,000	-	Within 1 month
ii)	Capital expenditure on construction of the new operation facility	10,000	986	9,014	Within 36 months
iii)	General working capital requirements	8,859	815 ⁽¹⁾	8,044	Within 12 months
		20,859	3,801	17,058	

Note:

(1) The additional listing expenses of approximately RM0.82 million was due to under estimation of listing expense of the Group's listing on the ACE Market of Bursa Securities such as underwriting fees, placement fees and professional fees (Reporting Accountant, Legal and Principal Adviser). This amount has been adjusted against the gross proceeds allocated for working capital.

B7. Borrowings

The Group's borrowings as at 31 May 2014 are as follows:-

	RM'000
Secured	
Term loans	2,531
Bill payables	11,478
Hire Purchases	1,474
Total bank borrowing	15,483
Short Term	
Term loans	344
Bill payables	11,478
Hire Purchases	707
	12,529
Long Term	
Term loans	2,187
Hire Purchases	767
	2,954

B8. Changes in material litigation

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

B9. Dividend

On 23 July 2014, the Board has approved to declare an interim single tier dividend of 1.0 sen per ordinary share totalling RM4.12 million in respect of the financial year ending 31 August 2014. The entitlement date and date of payment in respect of the dividend will be determined and announced by the Board in due course.

B10. Earnings per share

The earnings per share is calculated based on the Group's profit attributable to equity holders of the Company divided by the weighted average number of ordinary shares as follows:

	Current quarter ended		Year-to-date ended	
	31 May 2014 RM'000	31 May 2013 RM'000	31 May 2014 RM'000	31 May 2013 RM'000
Profit attributable to ordinary equity holders of the Group	4,069	N/A	5,340	N/A
Weighted average number of ordinary shares in issue ('000)	412,234	N/A	275,789	N/A
Earnings per share (sen) ^	0.99	N/A	1.94	N/A

Note:

^ Earnings per share for the quarter and financial period is calculated based on the net profit divided by the weighted average number of ordinary shares for the quarter and financial period respectively.

B11. Retained and unrealised profits/losses

	31 May 2014 RM'000	31 May 2013 RM'000
Total retained profits of the Group		
- Realised	37,341	N/A
- Unrealised	170	N/A
	37,511	N/A
Add: Consolidated adjustments	(946)	N/A
Total retained profits as per statement of financial position	36,565	N/A

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

Included in profit before tax comprised the following expense/ (income) items:

	Quarter ended 31 May 2014 RM'000	Year-to-date ended 31 May 2014 RM'000
(Loss)/Profit before taxation is arrived at after charging/(crediting) :-		
Depreciation of property plant and equipment	361	1,224
Interest expenses	293	649
Interest income	(146)	(167)
Realised loss/(gain) on foreign exchange	38	(138)
Reversal of inventory written off	-	(12)
Impairment / (Reversal of impairment) on trade receivables	4	(4)

BY ORDER OF THE BOARD
23 July 2014