SCH GROUP BERHAD

(Company No. 972700-P)













ANNUAL REPORT

2016



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Corporate Information

BOARD OF DIRECTORS

CHAN WAN CHOON	*Independent Non-Executive Chairman/Senior Independent Non-Executive Director*
LAU MONG LING	*Managing Director and Deputy Chairman*
WONG SIN CHIN	*Executive Director*
YEEN YOON HIN	*Executive Director*
GAN KHONG AIK	*Independent Non-Executive Director*
SIM YEE FUAN	*Independent Non-Executive Director*
RAHIMI BIN RAMLI	*Independent Non-Executive Director*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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

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

AUDITORS

Messrs UHY (AF 1411)
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel no : +603-2279 3088
Fax no : +603-2279 3099

PRINCIPAL BANKER

CIMB Bank Berhad

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

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

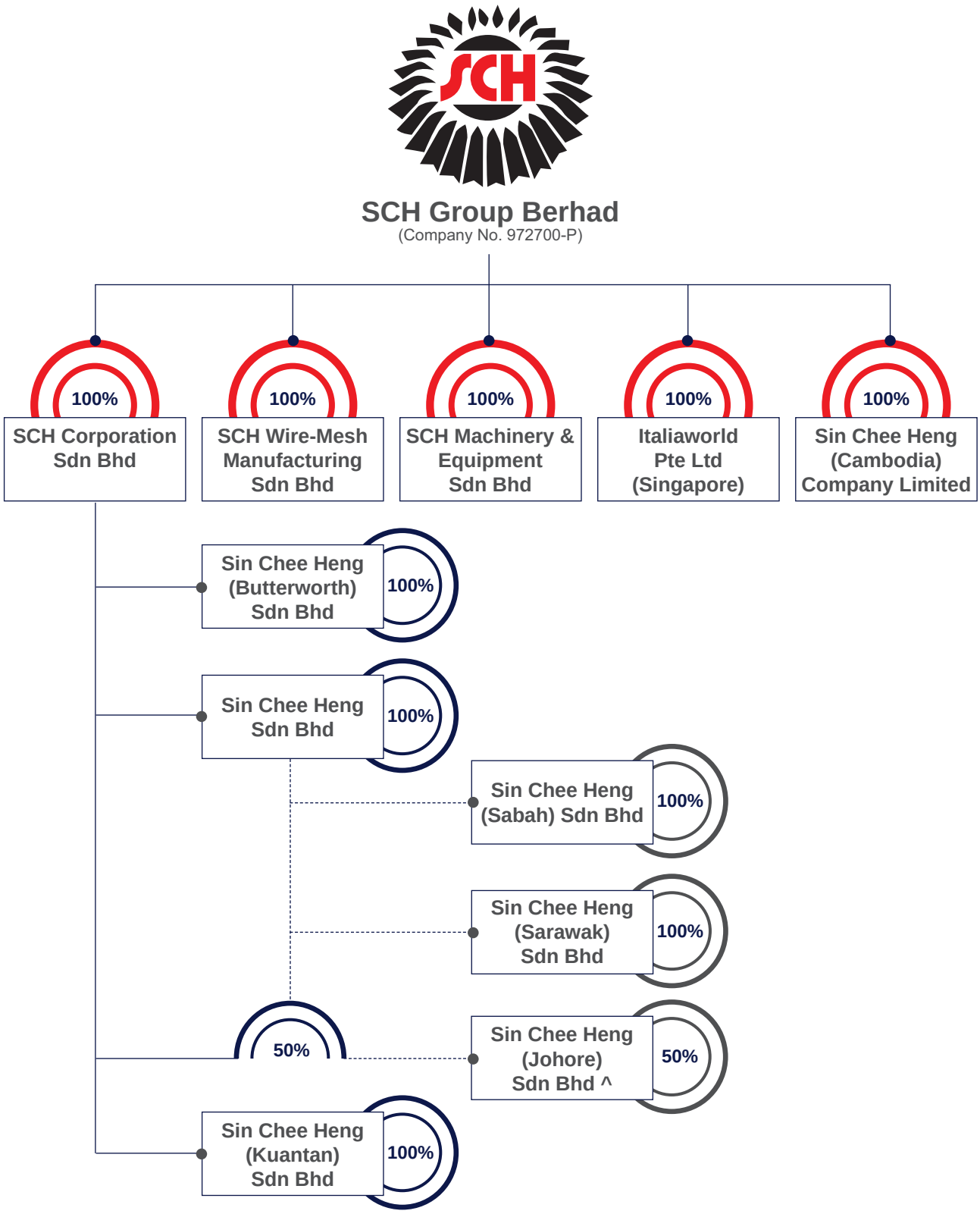
WEBSITE

www.schgroup.com.my

INVESTORS RELATIONS

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

Corporate Structure



Note:-

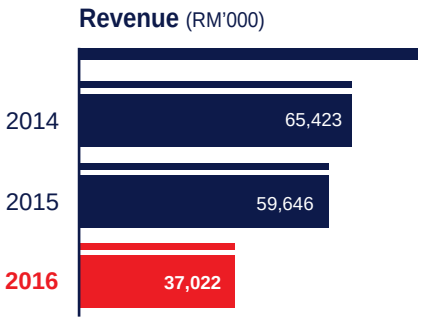
^ *The substantial shareholders of Sin Chee Heng (Johore) Sdn Bhd are SCH Corporation Sdn Bhd and Sin Chee Heng Sdn Bhd, holding 150,000 shares or 50% equity interest each in Sin Chee Heng (Johore) Sdn Bhd.*

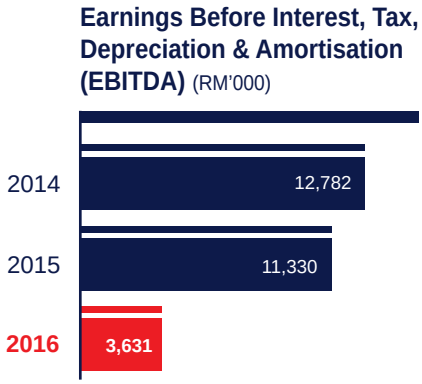
Financial Highlights

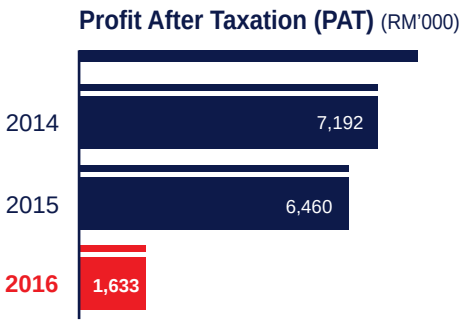
Financial Year Ended 31 Aug		Audited 2014	Audited 2015	Audited 2016
No. of Months		12	12	12
KEY FINANCIALS				
Revenue	RM'000	**65,423**	**59,646**	**37,022**
Gross Profit (GP)	RM'000	**24,551**	**22,823**	**13,891**
GP Margin	%	**37.53**	**38.26**	**37.52**
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	RM'000	**12,782**	**11,330**	**3,631**
Profit Before Taxation (PBT)	RM'000	**10,348**	**9,183**	**2,282**
PBT Margin	%	**15.82**	**15.40**	**6.16**
Profit After Taxation (PAT)	RM'000	**7,192**	**6,460**	**1,633**
PAT Margin	%	**10.99**	**10.83**	**4.41**
Basic Earnings Per Share (Basic EPS) ^	sen	**1.93**	**1.57**	**0.40**

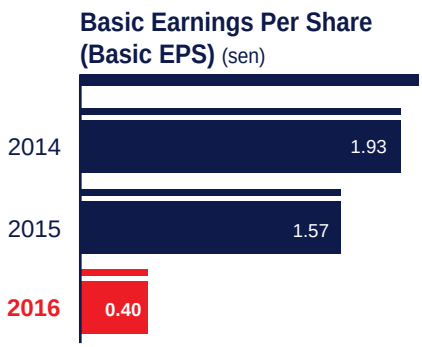
Notes:

^ *The basic EPS is calculated based on the profit for the financial year attributable to the owners of the parent divided by the weighted average number of ordinary shares in issue during the financial year.*









Profiles of Directors

CHAN WAN CHOON

79 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 to1982 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.

LAU MONG LING

62 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.

Profiles of Directors
Cont'd

WONG SIN CHIN
76 years of age, Malaysian, Male
Executive Director

Wong Sin Chin is an Executive Director of our Company, having been appointed to the Board on 13 March 2012. He pursued his secondary education until Form Three (3) in 1956 at Seremban Chung Hua High School, Negeri Sembilan. He is primarily responsible for our Group's purchases and inventory systems.

Prior to setting up of SCHSB in 1983, he was attached with UMS as an apprentice from 1970 to 1982. During his tenure in UMS, he was in charge of stock keeping and over the counter sales. Mr Wong was also the partner of Chee Heng, however he was not involved in the operations and decision matters of Chee Heng as he was still the employee of UMS. He then left UMS and joined Lau Mong Ling and Yeen Yoon Hin to establish SCHSB in 1983, where he was responsible for the company's inventory system and over the counter sales. The experience he gained from the years spent in UMS has enabled Mr Wong to play a vital role in our Group and has since, managed our inventory system as well as over the counter sales.

He does not hold any positions in any Board Committees of the Company and he does not hold any 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.

YEEN YOON HIN
63 years of age, Malaysian, Male
Executive Director

Yeen Yoon Hin is an Executive Director of our 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 our marketing functions, collections and customer relationship, as well as managing the operations of our distribution centres.

Mr Yeen joined UMS as an apprentice in 1973, where he was exposed to the company's store keeping operations. He left UMS in 1977 to establish Chee Heng with Lau Mong Ling and three (3) other partners, being Wong Sin Chin and Tan Ah Soon, Tan Soon Seng in 1978. He was in charge of sales and marketing functions of Chee Heng. In 1983, he left Chee Heng to establish SCHSB together with Lau Mong Ling and Wong Sin Chin. His years of experience in past companies enabled him to provide much needed support in the early years of the company's establishment, where he was responsible for sales in the east Coast of Malaysia, before handling all of the sales and distribution centres of our Group outside Klang Valley.

He does not hold any positions in any Board Committees of the Company and he does not hold any 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

SIM YEE FUAN
50 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.

GAN KHONG AIK
47 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.

Profiles of Directors
Cont'd

RAHIMI BIN RAMLI
46 years of age, Malaysian, Male
Independent Non-Executive Director
Member of Audit Committee

Rahimi Bin Ramli was appointed as an Independent Non-Executive Director of the Company on 3 December 2013.

He completed his Sijil Pelajaran Malaysia Examination at the Malay College Kuala Kangsar, Perak in 1987. He obtained a Diploma in Accountancy from Universiti Institut Teknologi Mara in 1991. He is a graduate in BA (Hons) in Accounting and Finance from Middlesex University, United Kingdom in 1993. He has been a fellow member of the Association of Chartered Certified Accountants (FCCA) since 2000 and is a registered Chartered Accountant with Malaysian Institute of Accountants since 2001. He is a member of the Chartered Institute of Taxation, Malaysia since 2002. He is also a Professional Member of Institute of Internal Auditors, Malaysia (IIAM) since 2010 and was previously its Chartered Member since 2004.

He began his career with KPMG in Malaysia in 1996 as a Senior Associate where he was responsible for providing tax compliance and tax planning for various individuals and corporate clients. He was also involved in assurance and statutory assignments for various clients in various industries during his tenure with KPMG. He left KPMG in 1999 on his own accord to join UTSB Management Sdn Bhd as a Group Executive Consultant where he was responsible for, amongst others, provision of corporate advisory services on compliance, policy and procedures as well as taxation and transaction review for management reporting and financial audited accounts. He was also involved in the provision of tax planning, financial analysis and general business advisory.

In 2001, he left the company to join KHR Business Advisory Sdn Bhd as its Chief Executive Officer, where he played a leading role in the establishment and development of new business venture under the company's corporate advisory services and tax planning unit. He also played a major role in leading the strategic business improvement and operation enhancement consulting assignments for both private and public companies in the areas of mergers and acquisition, internal controls and risk management, process review, transaction review and special audits.

In 2006, he was attached with Al Emadi Group, a company established in Doha, Qatar and United Arab Emirates' incorporated companies, Middle East Development LLC and Ramada Real Estate LLC as Financial Management Consultant for the group's Corporate Finance and Treasury department. During his tenure abroad, he was responsible for preparing and evaluating the group's real estate development projects cash flow and oversees payment for construction and property management activities in the Middle East. He then left the Group in 2007 that took him back to Malaysia to join Binary Group of Companies as its Chief Financial Officer and was responsible for several of the group's restructuring and fund raising activities.

He subsequently left Binary Group in 2008 to join Sapura Secured Technology Sdn Bhd as its General Manager where he led the finance, accounting, treasury and commercial planning Division. He was also responsible for overseeing the company's commercial planning activities and played a major role in the company's merger and acquisition exercise both locally and abroad.

In 2009, he joined Prokhas Sdn Bhd, a wholly owned company by the Ministry of Finance, Malaysia as a Senior Manager. He was transferred to various Divisions within the company including Corporate Advisory, Property and Special Projects.

Presently, he is the Head of Finance and Treasury and Business Outsourcing responsible for provision of shared services for the government owned companies and agencies under the Ministry of Finance, Incorporated. He is also a Director with KHR Tax Services (Utara) Sdn Bhd, a company involved in the provision of business advisory, tax compliance and planning services and an Independent Non-Executive Director of Orion IXL 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
60 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.

WONG KIN SENG
46 years of age, Malaysian, Male
Business Development Manager

Wong Kin Seng was appointed as Business Development Manager of Sin Chee heng Sdn Bhd in 1998.

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 us 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's overall operations.

He is the son of Mr Wong Sin Chin, an Executive Director of the Company. He does not hold directorships in any public companies. 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.

Profiles of Key Senior Management
Cont'd

LEONG MUN WAH
69 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.

LOW KUAN MING
49 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 is the nephew of Mr Wong Sin Chin, an Executive Director of the Company. He does not hold directorships in any public companies. 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.

Profiles of Key Senior Management
Cont'd

YEEM WENG CHEONG
54 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 is the brother of Mr Yeen Yoon Hin, an Executive Director of the Company. He does not hold directorships in any public companies. 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.

CHANG CHOI ANN
34 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, 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.

Profiles of Key Senior Management
Cont'd

CHONG KIEN WOON
39 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.

ONG CHONG KOK
50 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.

Chairman's Statement



"Dear Shareholders,

On behalf of the Board of Directors and the Management of SCH Group Berhad ("SCH Group" or the "Company"), I am pleased to present the Company's Annual Report and Audited Financial Statements for the financial year ended 31 August 2016 ("FYE 2016")."

I am delighted to announce that SCH Group has turned in another profitable year during the period in review despite challenging year for the Group's operations due to the developments in the global economy which have caused adverse impacts to the Malaysian economy and the slowdown in the construction and building demand in Malaysia.

However, the recent announcements by the Malaysian Government during Budget 2017 provide us positive indication of a promising outlook for the construction industry, which is closely correlated with the quarry industry. The Malaysian Government had recently reiterated its commitment to roll out more high value infrastructure projects under the Budget 2017 and 11th Malaysian Plan especially those that are pertinent to support long-term economic activities.

The Group is expected to benefit from the continuous growth in the construction industry, which will mainly be underpinned by the Government's initiatives under the Malaysian Budget 2017, 11th Malaysian Plan and the Economic Transformation Programme to roll out more high value infrastructure projects, major property developments and construction projects which would give rise to the continuous growth in the Malaysian construction industry. These positive developments in the construction industry are expected to boost the demand for quarry projects which bodes well for the quarry industry. This in turn is expected to drive the demand for the quarry machinery and equipment market, as more quarrying activities and quarrying operations will be required to meet the demand for quarry based materials for use in these major property development, construction and infrastructure projects.

Chairman's Statement
Cont'd

I would also like to add that your Board and Management have been guided by prudence, farsightedness and providence throughout the year, doing what's best for the SCH Group.

We are of the opinion that the Company lies in good stead to benefit from the foundation laid over the years.

GROUP PERFORMANCE REVIEW

For FYE 2016, the operating environment for the Malaysian quarry industry, particularly the quarry machinery market, has been challenging due to the volatile global oil prices, global economic slowdown as well as the slowdown in the construction and building demand in Malaysia. This has affected the quarrying activities and quarrying operations of the Group's customers which in turn affected demand for the Group's range of quarry-based products that are used by quarry operators and quarry plants in the quarry industry. Despite this, the Group has managed to record a profit after taxation position of RM1.63 million for FYE 2016.

SCH Group recognises the need to exercise caution and prudence in the evolving business environment and that any expansion plan had to be carefully assessed, with due consideration of the chances of success and its critical timing in the current economic situation. During the course of the financial year, our new operation facility in Balakong has been completed in June 2016 and we expect to move in to our new operational facility upon receiving of Certificate of Completion and Compliance ("CCC") from the authority. This would augur well for our business growth in the quarry machinery and quarry equipment segments. Our new showroom will also act as a platform to facilitate any pre-sales enquiries and activities associated with the range of quarry machinery and quarry equipment that we supply. We will be able to provide our potential customers with product demonstrations and highlighting the key features and capabilities of our various models of quarry-based products.

Also noteworthy is that we have already expanded our business operations into Phnom Penh, Cambodia since the second quarter of 2016 via the establishment of our wholly-owned subsidiary known as Sin Chee Heng (Cambodia) Company Limited in the Kingdom of Cambodia to supply and distribute all kinds of quarry industrial products and servicing of quarry machinery. Our business expansion in Cambodia will help complement our target markets and expand our reach in the Southeast Asia region.

REVIEW OF FINANCIAL PERFORMANCE

For the FYE 2016, SCH Group recorded a lower revenue of RM37.02 million as compared to RM59.65 million for the financial year ended 31 August 2015 ("FYE 2015") and a profit before tax of RM2.28 million, in contrast to RM9.18 million for FYE 2015.

The lower revenue and profit recorded were mainly due to the decrease in orders from all business segments made by the Group's customers who have adopted a more pre-cautionary stance in view of the current market conditions.

Earnings per share for the year in review stood at 0.40 sen, while net assets per share at 15.18 sen.

DIVIDEND

On 22 August 2016, the Company had declared a first interim single-tier dividend of 0.35 sen per ordinary share for the FYE 2016 which was paid on 28 September 2016.

CORPORATE DEVELOPMENTS

The shareholders have at the Company's Extraordinary General Meeting held on 24 October 2016 approved the bonus issue of 206,117,010 free detachable warrants ("Warrant(s)") on the basis of one (1) Warrant for every two (2) existing ordinary shares held by the entitled shareholders on the entitlement date to be determined by the Board. The exercise was completed following the listing of and quotation for 206,117,010 Warrants on the ACE Market of Bursa Malaysia Securities Berhad on 8 December 2016.

BUSINESS OUTLOOK AND PROSPECTS

This has been a tough year for both Malaysia and globally, given the downturn in global commodity prices, China's slower economic growth and the unfavourable Ringgit exchange rate. Although the global economic growth outlook remains subdued and uncertain, nevertheless, it is anticipated that domestic demand will still continue to be the key driver of economic growth. Our Group shall continue to practice prudence and conservative approach in our cash flow management and business expansion approaches.

Chairman's Statement
Cont'd

Moving forward, the Group is expected to benefit from the continuous growth in the Malaysian construction industry, which will mainly be underpinned by the Government's initiatives such as the Malaysian Budget 2017, 11th Malaysian Plan and the Economic Transformation Programme which features a number of major property developments, construction and infrastructure projects.

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

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

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

On top of this, our offer of a wide range of quarry-based products gives us a very significant competitive advantage that few players in Malaysia are able to emulate.

CORPORATE GOVERNANCE

The Board of SCH Group holds dear values such as integrity, transparency and dedication among a whole others, high on our list of priorities. We also place much emphasis on corporate governance and are at all times looking to create the utmost value for our shareholders. The measures taken and implemented have been outlined further in our Corporate Governance Statement, the Audit Committee Report and Statement on Risk Management and Internal Control found further in this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

SCH Group is mindful of the impact its operations have on society. The Group's key corporate social responsibility platforms continue to be in the areas of employees, stakeholders, the environment as well as the communities at large. We will continue to identify activities where our support can make a real difference.

APPRECIATION

On behalf of the Board of Directors, I wish to extend my heartfelt gratitude to all our shareholders for your steadfast support and confidence in the Group. Rest assured that SCH Group will continue to deliver value.

My sincere appreciation also goes to our business partners, clients, bankers, and suppliers for their continued support in the Group. We look forward to your continued cooperation.

To our management and employees, a big thank you for your dedication and worthy contributions toward the continued success of SCH Group.

MR CHAN WAN CHOON
Independent Non-Executive Chairman/
Senior Independent Non-Executive Director

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 is committed to ensure that a high standard of corporate governance is practised throughout the Company and its subsidiaries ("the Group") 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 2016 pursuant to Rule 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements").

A. DIRECTORS

1. Board Balance

The Board assumes responsibility for effective stewardship and control of the Group and its members have established terms of reference to assist in the discharge of their responsibilities.

The Board consists of seven (7) members, comprising an Independent Non-Executive Chairman, a Managing Director and Deputy Chairman, two (2) Executive Directors and three (3) Independent Non-Executive Directors. The Company is in compliance with Rule 15.02 of the Listing Requirements whereby at least two (2) or one third (1/3) of its Board members are independent directors. The profile of each Director is presented separately in pages 5 to 8 of the Annual Report 2016.

The current composition of the Board provides an effective Board with a mix of industry specific knowledge, broad based business and commercial experience together with independent judgement on matters of strategy, operations, resources and business conduct.

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 Managing Director on sensitive issues of the Company and perform as the alternative contact person for shareholder communication.

2. Board Responsibilities

The Board retains full and effective control of the Group and has developed corporate objectives and position descriptions including the limits to management's responsibilities, which the management are aware and are responsible for meeting.

The Board has a formal schedule of matters reserved to itself for decision, which includes the overall Group strategy and direction, investment policy, major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.

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.

Corporate Governance Statement
Cont'd

A. DIRECTORS *(cont'd)*

2. Board Responsibilities *(cont'd)*

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 exercises which support the Group's business plan and budget plan.

- Implementation of internal compliance controls and justifies measures to address principal risks

  The Board is fully alert of the responsibilities to maintain a proper internal control system. The Board is responsible for the Group's system of internal controls including 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 senior management of the Group, as well as assessing the performance of Directors and Committee members and, where appropriate, retiring and appointing new members of the Board and Executive Directors.

- Developing and implementing an investor relations program or shareholder communications policy for the Group

  The Board recognises that shareholders and other stakeholders 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 Company has a clear distinction and separation of roles between the Chairman and the Managing Director, with clear division of responsibilities. The Chairman is primarily responsible in leading and guiding the Board, and also serves as the communication point between the Board and the Managing Director whilst the Managing Director and his management team is responsible for implementing the plans chartered out and the day to day management of the Group, with clear authority delegated by the Board.

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 taken into account 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) committees namely the Audit Committee, Nomination Committee and Remuneration Committee. All the Board Committees have its own terms of reference and has the authority to act on behalf of the Board within the authority as laid out in the terms of reference and to report to the Board with the necessary recommendation.

Corporate Governance Statement
Cont'd

A. DIRECTORS *(cont'd)*

3. Code of Conduct and Ethics

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

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

(a) Corporate Governance;
(b) Relationship with shareholders, employees, customers and creditors; and
(c) Social Responsibilities and the Environment

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.

4. 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:

(a) General outline of the Board's purpose;
(b) An overview of the Board's roles and responsibilities;
(c) Structure and membership;
(d) A position description of the role of the Chairman, the Executive Directors as well as the Independent Directors;
(e) Board process;
(f) Directors remuneration;
(g) Appointment of Board Committees; and
(h) Relationship with shareholders.

A copy of the Board Charter is available at the Company's website at www.schgroup.com.my.

5. Directorship in Other Public Listed Companies / Time Commitments

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 time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointment 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 fulfil 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 Listing Requirements).

Board Meetings for the ensuing financial year are scheduled in advance before the end of the current financial year so that the Directors are able to plan their schedule ahead.

Corporate Governance Statement
Cont'd

A. DIRECTORS *(cont'd)*

6. Promote Sustainability

The Board ensures that the Company's strategies promote sustainability with attention given particularly to environmental, social and governance ("ESG") aspects of business which underpin sustainability. The Board understands that balancing ESG aspects with the interests of various stakeholders is essential to enhance investor's perception and public trust. Disclosures on corporate responsibility are presented under "Corporate Sustainability Statement" of this Annual Report.

7. Workplace Diversity

The Board is aware of the importance of boardroom diversity and is supportive of the recommendation of MCCG to the establishment of the boardroom and workforce gender diversity policy. However, the Board does not adopt any formal gender diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the Group. The Group basically evaluates the suitability of candidates as 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. Nevertheless, the Board will evaluate and match the criteria of the potential candidate as well as considering the boardroom diversity for any new proposed appointment of directors of the Company in the future. Currently, our Board does not comprise of any female director.

8. Whistle Blowing Policy

The Company has implemented a Whistle-Blowing Policy. The policy is a specific mean by which an employee can exercise their responsibility to report or disclose through established channels, their legitimate concerns regarding any unethical conduct, illegal acts or failure to comply with the Company's policies and regulatory requirements in a responsible and sensible manner.

The objectives of the policy are:

(a) Be committed to the Company's business ethics of Honesty, Integrity and Transparency;
(b) 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
(c) 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.

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

9. Supply of information

Unless otherwise agreed, the Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board at least seven (7) days before the date of the meeting. 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.

The Board has access to all information within the Company as a full Board to enable them to discharge their duties and responsibilities and is supplied in 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

A. DIRECTORS *(cont'd)*

9. Supply of information *(cont'd)*

To fulfil the responsibilities as set out above, all Directors have direct access to the advice and services of the Company Secretary who is responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulations 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. Senior management team from different business units are also 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.

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. The Directors may consult the Chairman or other Board members prior to seeking any independent professional advice.

10. Board Meetings

There were five (5) Board of Directors' meetings held during the financial year ended 31 August 2016. Details of the attendance of the Directors at the Board of Directors' meetings are as follow:

Name of Directors	No. of meetings Attended
Chan Wan Choon	5/5
Lau Mong Ling	5/5
Wong Sin Chin	5/5
Yeen Yoon Hin	5/5
Sim Yee Fuan	4/5
Gan Khong Aik	5/5
Rahimi Bin Ramli	4/5

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 herein above.

Each Board member is expected to achieve at least fifty percent (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 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 maybe convened by the Company Secretaries, after consultation with the Chairman.

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.

Corporate Governance Statement
Cont'd

A. DIRECTORS *(cont'd)*

11. Company Secretaries

The Board is supported by qualified and competent Company Secretaries who are responsible for ensuring that the Company's Memorandum and Articles of Association, procedures and policies and regulations are complied with. Also ensuring that, all obligations required by the regulatory and under the Listing Requirements are fulfilled in a timely manner. The Board is regularly updated and advised by the Company Secretaries on any new statutory and regulatory requirements in relation to their duties and responsibilities. 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.

12. Directors' Training

All Directors appointed to the Board have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities. 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.

Details of seminars and training programmes attended by the Board members during the financial year are listed below:

Name of Director	Seminar & Training Programmes
Chan Wan Choon	➢ Board Chairman Series Part 2: Leadership Excellence From The Chair
Lau Mong Ling	➢ Board Chairman Series Part 2: Leadership Excellence From The Chair
Sim Yee Fuan	➢ Global Market Outlook By UOB ➢ Budget Seminar By SH Yeoh Taxation
Gan Khong Aik	➢ Complying with Corruption and Bribery Regulations – Strategies for Multinational Employers ➢ A Game of Thrones : Interaction between Manufacturer and Distribution Channels ➢ National Employment Conference
Rahimi Bin Ramli	➢ 7 Habits Of Highly Effective people

Saved as disclosed above, Mr Wong Sin Chin and Mr Yeen Yoon Hin were not able to attend any seminars and / or training programmes during the financial year due to overseas travelling and their busy work schedule. However, they have kept themselves abreast on financial and business matters through readings to enable them to contribute to the Board. They are also aware of their duties and responsibilities and will continue to undergo other relevant training programmes to keep abreast with new regulatory developments and requirements in compliance with the Listing Requirements on continuing education.

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/or Board meetings.

Corporate Governance Statement
Cont'd

A. DIRECTORS *(cont'd)*

13. Nomination Committee

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

The present members of the NC are:

Chairman
Gan Khong Aik - Independent Non-Executive Director

Members
Chan Wan Choon - Independent Non-Executive Chairman/Senior Independent Non-Executive Director
Sim Yee Fuan - Independent Non-Executive Director

The functions of the NC are summarise as following:

(a) 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;

(b) 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;

(c) to give full consideration to 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;

(d) to identify and make recommendation to the Board on new candidates for election/appointment to the Board or to fill board vacancies as and when they arise;

(e) to ensure that orientation and education programmes are provided for new members of the Board;

(f) to recommend to the Board concerning the re-election/re-appointment of Director to the Board pursuant to the provisions in the Company's Articles of Association; and

(g) 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.

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 Articles of Association of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the NC. The NC will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

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, appointment of directors to board committees, review of Board's succession plans and training programmes for the Board.

Corporate Governance Statement
Cont'd

A. DIRECTORS *(cont'd)*

13. Nomination Committee *(cont'd)*

In assessing suitability of candidates,

(a) consideration will be given to the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of skills, experience and diversity (including gender diversity) represented in addition to an understanding of:

- the Business, the Markets and the Industry in which the Group operates; and
- the accounting, finance and legal matters.

(b) where a need has been identified, the NC shall entask the Company's Chairman or Managing Director:

- to search/recommend for potential candidates from within the Company; or
- engage its Human Resources Department to advertise (whether locally or internationally); or
- appoint recruitment advisers; or
- draw references and recommendations from the fellow directors of the Company.

(c) the Company's Chairman or Managing Director:

- shall shortlist potential candidates taking into account, amongst other things, the particular skills, experience and contribution to diversity of each individual candidate and their fit with the existing Board; whereby women candidates would be encouraged to join; and
- recommend to the NC the candidate who best matches the needs of the Board.

The NC will assess, review and deliberate and thereafter, present their recommendations to the Board for consideration and approval.

Factors considered by the NC when recommending a person for appointment as a director include:

(a) the merits and time commitment required for a Director to effectively discharge his or her duties to the Company;

(b) the outside commitments of a candidate to be appointed or elected as a Non-Executive Director and the need for that person to acknowledge that they have sufficient time to effectively discharge their duties; and

(c) the extent to which the appointee is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.

The NC would conduct an assessment of the performance of the Board, as a whole, Board Committee and individual Directors, based on a self assessment approach. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board considered and approved 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.

The criteria used by the NC in evaluating the performance of individual directors are in a set of questionnaires. Each of the Directors will perform a self assessment on an annually basis. The Board did not engage any external party to undertake an independent assessment of the Directors.

The NC is satisfied with the current size of the Board, and with the mix of qualifications, skills and experience among the Board members. Among other evaluation criteria is the commitment displayed, the depth of contribution, ability to communicate and undertake assignments on behalf of the Board.

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 of members present must be Independent Non-Executive Directors.

Corporate Governance Statement
Cont'd

A. DIRECTORS *(cont'd)*

13. Nomination Committee *(cont'd)*

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

(a) Reviewed the Assessment Report on Individual Director for year 2016 and make appropriate recommendation to the Board;

(b) 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

(c) Reviewed the Terms of Reference of the NC.

14. Re-election of Directors

In accordance with the Company's Articles of Association, at the first Annual General Meeting ("AGM") of the Company, all the Directors shall retire from office, and at the AGM in every subsequent year, an election of directors shall take place and one-third (1/3) of the Directors (including the Managing Director) for the time being, or if their number is not three (3), or a multiple of three (3), then the number nearest to one-third (1/3) with a minimum of one (1) shall retire from office and be eligible for re-election PROVIDED ALWAYS that all Directors including a Managing Director shall retire from office at least once in every three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election.

Any Director appointed during the year is required to retire and seek re-election by shareholders at the first AGM following his appointment. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with the Section 129 (6) of the Companies Act, 1965.

15. Reinforce Independence

The Non-Executive Directors are not employees of the Group and do not participate in the day to day management of the Group. All the Non-Executive Directors of the Company are independent directors and are able to express their views without any constraint. This strengthens the Board which benefits from the independent views expressed before any decisions are taken. The Nomination Committee has reviewed the performance of the Independent Directors and is satisfied they have been able to discharge their responsibilities in an independent manner.

There is a 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. Should any director have an interest in any matter under deliberation, he is required to disclose his interest and abstain from participating in discussions on the matter.

As at 31 August 2016, the tenure of the Independent Non-Executive Directors of the Company are as follows:

Name	< 1 Year	1-3 Years	4-6 Years
Chan Wan Choon			√
Sim Yee Fuan			√
Gan Khong Aik			√
Rahimi Bin Ramli		√	

As at the end of the financial year, none of the Independent Non-Executive Directors have been with the Company for more than nine (9) years.

Corporate Governance Statement
Cont'd

A. DIRECTORS *(cont'd)*

15. Reinforce Independence *(cont'd)*

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 necessary impair independence and judgement of an Independent Director and therefore the Board does not deemed 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 cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject the said Director to be redesignated 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.

B. DIRECTORS' REMUNERATION

1. Procedures

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 Remuneration Committee is to ensure that the Company attracts and retains caliber Directors 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 are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.

2. 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 2016 were as follows:

i) Company

	Fee	Salaries and * other emoluments	Total
	RM	RM	RM
Executive Directors	-	7,500	7,500
Non-Executive Directors	132,000	9,500	141,500
Total	**132,000**	**17,000**	**149,000**

Corporate Governance Statement
Cont'd

B. DIRECTORS' REMUNERATION *(cont'd)*

2. Details of Directors' Remuneration *(cont'd)*

ii) Group

	Fee	Salaries and * other emoluments	Total
	RM	RM	RM
Executive Directors	-	1,573,660	1,573,660
Non-Executive Directors	132,000	9,500	141,500
Total	**132,000**	**1,583,160**	**1,715,160**

* *Other emoluments include the meeting allowance for the Directors' attendance in Board and Board's Committee Meetings.*

The number of Directors whose remuneration falls into the following bands is as follows:

	Number of Directors			
	Company		Group	
Range of Remuneration	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
Below RM50,000	3	4		4
RM400,001 – RM450,000			2	
RM650,001 – RM700,000			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 disclosures by band and analysis between Executive and Non-Executive Directors satisfy the accountability and transparency aspects of MCCG.

3. 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 present members of the RC are as follow:

Chairman
Lau Mong Ling - Managing Director and Deputy Chairman

Members
Chan Wan Choon - Independent Non-Executive Chairman/Senior Independent Non-Executive Director
Sim Yee Fuan - Independent Non-Executive Director

Corporate Governance Statement
Cont'd

B. DIRECTORS' REMUNERATION *(cont'd)*

3. Remuneration Committee *(cont'd)*

The functions of the RC are summarised as following:

(a) to review and recommend to the Board the framework of remuneration of the Executive Directors and Principal Officers;

(b) 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;

(c) to review and determine the other benefits in kind for the Executive Directors and Principal Officers;

(d) to review the Group's compensation policy and ensure alignment of compensation to corporate performance, and compensation offered in line with market practice;

(e) 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

(f) 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:

(a) Reviewed and recommended the performance bonus for Executive Directors and Principal Officers;

(b) Reviewed and recommended the payment of Directors' fees to Non-Executive Directors for the financial year ended 31 August 2016; and

(c) Reviewed the Terms of Reference of the RC.

C. COMMUNICATION BETWEEN THE COMPANY AND ITS SHAREHOLDERS AND INVESTORS

1. Corporate Disclosure Policies

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 of effective communication with shareholders, the Group embraced 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

C. COMMUNICATION BETWEEN THE COMPANY AND ITS SHAREHOLDERS AND INVESTORS *(cont'd)*

1. Corporate Disclosure Policies *(cont'd)*

Besides the above, the Company's Annual Report and financial results are dispatched on annually 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 strived to provide a high level of transparency reporting in order to provide value for its shareholders and investors.

2. Leverage on Information Technology for Effective Dissemination of Information

The Company's website at www.schgroup.com.my has incorporated an Investor section which provides all relevant information on the Company. This section enhances the investor relations function by including all announcements made by the Company and its annual reports. Alternatively, the Group's latest announcements can be obtained via the stock exchange's website maintained at http://announcements.bursamalaysia.com.

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@hotmail.com.

3. 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 is of the view that the annual and any extraordinary general meetings provides an 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.

4. Annual General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. The shareholders will be given sufficient notice of the holding of the AGM through the Annual Report that is sent to them. At the AGM, the Board will present to the shareholders with a comprehensive report on the progress and performance of the Group and the shareholders are encouraged to participate in the questions and answers session there at, where they will be given the opportunity to raise questions or seek more information during the AGM. Informal discussions between the Directors, senior management staff and the shareholders and investors are always active before and after the General 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.

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

D. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

In presenting the annual financial statements and quarterly announcements to shareholders, the aim of the directors is to present a balanced and comprehensible assessment of the Group's position and prospects. The Audit Committee assists the Board to ensure accuracy and adequacy of all annual and quarterly financial reports, audited and unaudited for disclosure. 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 in page 31, Section E of this Annual Report.

2. Risk Management and Internal Controls

The Board affirms the importance of sound internal control and risk management practices to safeguard shareholders' investments, customers' interest and the Group's assets. In order to improve internal controls within the Group, the Board has appointed an established independent professional firm to carry out the internal audit function for the Group.

As an effort to enhance the system of internal control, the Board together with the assistance of Internal Auditors adopted an on-going monitoring and review of the existing 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 on 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 to be taken to mitigate, avoid or eliminate these risks.

The information on the Group's risk management and internal control is further elaborated in pages 34 to 36 on the Statement on Risk Management and Internal Control of this Annual Report.

3. Relationship with Auditors

The Board has appropriately established a formal and transparent relationship with the Group's External Auditors. From time to time, the External Auditors will highlight to the Audit Committee and the Board on matters that require the Audit Committee's and Board's attention and action. The role of the Audit Committee in relation to the External Auditors can be found in the Audit Committee Report as set out in pages 32 to 33 of this Annual Report. Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the AGM on the recommendation of the Board.

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.

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 the External Auditors.

In compliance with the Malaysian Institute of Accountants, the audit firm rotates its audit partners every five (5) years to ensure objectivity, independence and integrity of the audit opinions.

Corporate Governance Statement
Cont'd

D. ACCOUNTABILITY AND AUDIT *(cont'd)*

3. Relationship with Auditors *(cont'd)*

The External Auditors have provided the required independence declaration to the Audit Committee and the Board for the financial year ended 31 August 2016. The Audit Committee is satisfied with the competence and independence of the External Auditors for the financial year under review.

E. STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 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 2016, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirmed 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, 1965, the Malaysian Financial Reporting Standards and the Listing Requirements. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

F. 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

1. COMPOSITION

Chairman

Sim Yee Fuan	-	Independent Non-Executive Director

Members

Chan Wan Choon	-	Independent Non-Executive Chairman/Senior Independent Non-Executive Director
Gan Khong Aik	-	Independent Non-Executive Director
Rahimi Bin Ramli	-	Independent Non-Executive Director

2. 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.

3. ATTENDANCE OF MEETINGS

During the financial year ended 31 August 2016, the Audit Committee held five (5) meetings. Details of the attendance of committee members are as follow:

Members	Meeting Attendance
Sim Yee Fuan	4/5
Chan Wan Choon	5/5
Gan Khong Aik	5/5
Rahimi Bin Ramli	4/5

4. 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:

(a) Reviewed 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;

(b) Reviewed with external auditors on their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 August 2016;

(c) 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;

(d) Reviewed and assessed the adequacy of the scope and functions of the Internal Audit plan;

(e) Reviewed the effectiveness of the Group's system of internal controls;

(f) Reviewed the proposed final audit fees for the External Auditors and Internal Auditors in respect of their audit of the Company and the Group;

(g) Evaluated the performance of the External Auditors for the financial year ended 31 August 2016 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

4. SUMMARY ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR *(cont'd)*

(h) Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;

(i) Reviewed the Company's compliance with the Listing Requirements, applicable Approved Accounting Standards and other relevant legal and regulatory requirements;

(j) Report to the Board on its activities and significant findings and results; and

(k) 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 2016 Annual Report.

5. 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 RM36,000.00.

The functions of the outsourced Internal Auditors are to:

(a) 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;

(b) Carry out reviews on the systems of internal control of the Group;

(c) Review and comment on the effectiveness and adequacy of the existing internal control policies and procedures; and

(d) 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 the discharge of its responsibilities:

(a) Sales and Collection; and
(b) Purchasing and Payment

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 Group Berhad ("SCH" or "the Company") is pleased to provide the following Statement on Risk Management and Internal Control pursuant to Rule 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") 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 delegated with the responsibility to manage identified risks within standards. Significant risks 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) A documented delegation of authority that sets out decisions that need to be taken and the appropriate levels of management involved including matters that require the Board's approval.

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)*

(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.

(iv) Internal policies and procedures had been established for key business units within the Group.

(v) Comprehensive guidelines on employment and retention of employees are in place to ensure that the Group has a team of employees who are qualified and equipped with all the necessary knowledge, skills and abilities to carry out their responsibilities effectively.

(vi) 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 2016, 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

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 2016 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.

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.

Statement on Risk Management and Internal Control

Cont'd

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 cognizant 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. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

As at 31 August 2016, the gross proceeds from the public issue amounting to RM20.86 million had been fully utilised from the date of listing in the following manner:

Purposes		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	10,000	-	Within 36 months
(iii)	General working capital requirements	8,859	8,859	-	Within 12 months
		20,859	**20,859**	**-**	

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 2016 were as follows:

		Company (RM)	Group (RM)
Audit Services Rendered		25,000	146,275
Non-Audit Services Rendered			
(a)	Review of Statement of Risk Management & Internal Control	3,000	3,000

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 30 to the financial statements on pages 81 and 82 of the Annual Report, there were no recurrent related party transactions of revenue nature during the financial year ended 31 August 2016.



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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 2016.

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 for the financial year, attributable to owners of the parent	1,632,983	211,024

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 previous financial year, the Company paid a final single tier dividend of RM0.005 per ordinary share, amounting to a total dividend of RM2,061,170 in respect of the financial year ended 31 August 2015 on 26 February 2016.

The Board of Directors declared an interim dividend of RM0.0035 per ordinary share, amounting to a total dividend of RM1,442,819 for the current financial year ended 31 August 2016 and was paid on 28 September 2016.

ISSUE OF SHARES AND DEBENTURES

There was no issuance of shares or debentures during the financial year.

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

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

Chan Wan Choon
Lau Mong Ling
Wong Sin Chin
Yeen Yoon Hin
Gan Khong Aik
Sim Yee Fuan
Rahimi Bin Ramli

Directors' Report
Cont'd

DIRECTORS' INTERESTS

The interests and deemed interests in the share capital of the Company or its related corporations by the Directors in office at the end of the financial year, according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.10 each			
	At 01.09.2015	Acquired	Disposed	At 31.08.2016
Direct Interest				
Chan Wan Choon	8,120,700	-	-	8,120,700
Lau Mong Ling	73,873,224	-	15,000,000	58,873,224
Wong Sin Chin	53,377,083	-	10,320,000	43,057,083
Yeen Yoon Hin	53,376,903	-	15,480,000	37,896,903
Sim Yee Fuan	50,000	-	-	50,000
Gan Khong Aik	420,000	-	-	420,000

By virtue of their interests in the shares of the Company, Lau Mong Ling, Wong Sin Chin and Yeen Yoon Hin are also deemed interested in the shares of all the subsidiary companies during the financial year to the extent that the Company has an interest under Section 6A of the Companies Act 1965.

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 a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in 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.

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 statements of financial position and statements of profit or loss and other comprehensive income 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 realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

Directors' Report
Cont'd

OTHER STATUTORY INFORMATION *(cont'd)*

(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 the 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 of the Group and of the Company which would render any amount stated in the financial statements 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 of the Group and of the Company which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Company.

(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 its 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.

SUBSEQUENT EVENTS

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

AUDITORS

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 20 December 2016.

LAU MONG LING **WONG SIN CHIN**

KUALA LUMPUR

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 45 to 91 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 August 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 36 to the financial statements on page 92 have been compiled 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 and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 20 December 2016.

LAU MONG LING **WONG SIN CHIN**

KUALA LUMPUR

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

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 45 to 92 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 20 December 2016)

LAU MONG LING

Before me,

COMMISSIONER FOR OATHS
MOHAN A.S. MANIAM
NO. W710

Independent Auditors' Report

To the Members of SCH Group Berhad

(Company No.: 972700-P)
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of SCH Group Berhad, which comprise the statements of financial position as at 31 August 2016 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 45 to 91.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements 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, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 August 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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, 1965 in Malaysia, we also report the followings:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of the subsidiary companies of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 36 on page 92 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 Disclosures 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

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

CHAN JEE PENG
Approved Number: 3068/08/18 (J)
Chartered Accountant

KUALA LUMPUR
20 December 2016

Statements of Financial Position

As at 31 August 2016

	Note	Group		Company	
		2016	2015	2016	2015
		RM	RM	RM	RM
Non-Current Assets					
Property, plant and equipment	4	21,452,860	12,450,340	-	-
Capital-work-in progress	5	-	5,675,758	-	-
Investment in subsidiary companies	6	-	-	31,278,490	32,154,200
		21,452,860	18,126,098	31,278,490	32,154,200
Current Assets					
Inventories	7	27,242,320	26,021,025	-	-
Trade receivables	8	13,140,474	17,950,491	-	-
Other receivables	9	1,616,975	611,423	17,036	62,435
Amount due from subsidiary companies	10	-	-	18,043,967	17,487,859
Tax recoverable		1,760,433	536,504	12,600	-
Fixed deposits with licensed banks	11	7,887,850	12,112,525	2,400,000	5,000,000
Cash and bank balances		2,918,641	3,378,416	1,677,071	275,211
		54,566,693	60,610,384	22,150,674	22,825,505
Total Assets		76,019,553	78,736,482	53,429,164	54,979,705

Statements of Financial Position

As at 31 August 2016
Cont'd

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Equity					
Share capital	12	41,223,402	41,223,402	41,223,402	41,223,402
Share premium	13	10,905,549	10,905,549	10,905,549	10,905,549
Merger deficit reserve	14	(24,514,828)	(24,514,828)	-	-
Foreign currency translation reserve	15	204,711	204,753	-	-
Retained earnings/(accumulated losses)		34,760,597	36,631,603	(505,950)	2,787,015
Total Equity		62,579,431	64,450,479	51,623,001	54,915,966
Non-Current Liabilities					
Finance lease payables	16	157,601	870,546	-	-
Deferred tax liabilities	17	127,100	144,800	-	-
		284,701	1,015,346	-	-
Current Liabilities					
Trade payables	18	2,244,294	2,309,790	-	-
Other payables	19	2,619,289	1,973,010	1,502,287	27,500
Amount due to a subsidiary company	10	-	-	303,876	-
Amount due to Directors	20	19,000	19,000	-	-
Finance lease payables	16	81,751	494,502	-	-
Bank borrowings	21	8,176,358	8,150,282	-	-
Tax payable		14,729	324,073	-	36,239
		13,155,421	13,270,657	1,806,163	63,739
Total Liabilities		13,440,122	14,286,003	1,806,163	63,739
Total Equity and Liabilities		76,019,553	78,736,482	53,429,164	54,979,705

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 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Revenue	22	37,021,518	59,645,819	1,500,000	6,976,401
Cost of sales		(23,130,498)	(36,822,597)	-	-
Gross profit		13,891,020	22,823,222	1,500,000	6,976,401
Other income		1,430,074	777,199	138,400	379,882
Administrative expenses		(10,645,406)	(10,935,986)	(1,397,375)	(406,984)
Selling and distribution expenses		(2,072,119)	(2,717,130)	-	-
Finance costs	23	(321,556)	(764,488)	-	-
Profit before tax	24	2,282,013	9,182,817	241,025	6,949,299
Taxation	25	(649,030)	(2,722,930)	(30,001)	(93,332)
Profit for the financial year		1,632,983	6,459,887	211,024	6,855,967
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
- Exchange translation differences for foreign operation		(42)	156,169	-	-
Total comprehensive income for the financial year		1,632,941	6,616,056	211,024	6,855,967
Profit for the financial year attributable to:					
Owners of the parent		1,632,983	6,459,887		
Total comprehensive income for the financial year attributable to:					
Owners of the parent		1,632,941	6,616,056		
Earnings per share attributable to owners of the parent (sen):					
Basic	28	0.40	1.57		

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

Statements of Changes in Equity

For the Financial Year Ended 31 August 2016

	Note	Attributable to owners of the parent					
		Non-Distributable				Distributable	
		Share Capital	Share Premium	Merger Deficit Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
		RM	RM	RM	RM	RM	RM
Group							
At 1 September 2014		41,223,402	10,905,549	(24,514,828)	48,584	34,294,056	61,956,763
Profit for the financial year		-	-	-	-	6,459,887	6,459,887
Other comprehensive income for the financial year		-	-	-	156,169	-	156,169
Total comprehensive income for the financial year		-	-	-	156,169	6,459,887	6,616,056
Transaction with owners:							
Dividends to owners of the Company	26	-	-	-	-	(4,122,340)	(4,122,340)
At 31 August 2015		41,223,402	10,905,549	(24,514,828)	204,753	36,631,603	64,450,479
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
Transaction with owners :							
Dividends to owners of the Company	26	-	-	-	-	(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

Statements of Changes in Equity

For the Financial Year Ended 31 August 2016

Cont'd

	Note	Attributable to owners of the parent			
		Non-Distributable		Distributable	
		Share Capital	Share Premium	Retained Earnings/ (Accumulated Losses)	Total Equity
		RM	RM	RM	RM
Company					
At 1 September 2014		41,223,402	10,905,549	53,388	52,182,339
Profit for the financial year, representing total comprehensive income for the financial year		-	-	6,855,967	6,855,967
Transactions with owners:					
Dividends to owners of the Company	26	-	-	(4,122,340)	(4,122,340)
At 31 August 2015		41,223,402	10,905,549	2,787,015	54,915,966
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
Transactions with owners:					
Dividends to owners of the Company	26	-	-	(3,503,989)	(3,503,989)
At 31 August 2016		41,223,402	10,905,549	(505,950)	51,623,001

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

Statements of Cash Flows

For the Financial Year Ended 31 August 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash Flows From Operating Activities					
Profit before tax		2,282,013	9,182,817	241,025	6,949,299
Adjustment for:					
Bad debts written off		10,242	97,501	-	-
Depreciation of property, plant and equipment		1,027,398	1,382,381	-	-
Dividend income		-	-	(1,500,000)	-
Impairment on trade receivables		188,329	184,284	-	-
Impairment on investment in subsidiary company		-	-	895,600	-
Interest expenses		321,556	764,488	-	-
Inventories written down		386,461	430,000	-	-
Unrealised loss on foreign exchange		119,138	150,641	-	-
Property, plant and equipment written off		164,473	22,084	-	-
Gain on disposal of property, plant and equipment		(610,838)	(9,433)	-	-
Interest income		(335,902)	(599,931)	(138,400)	(379,883)
Reversal of impairment on trade receivables		(10,000)	(9,540)	-	-
Operating profit before working capital changes		3,542,870	11,595,292	(501,775)	6,569,416
Change in working capital:					
Inventories		(463,451)	456,148	-	-
Trade receivables		4,621,446	8,235,975	-	-
Other receivables		(1,005,552)	(270,360)	45,399	(62,435)
Trade payables		(184,634)	(3,990,421)	-	-
Other payables		(796,540)	(282,213)	31,968	2,096
Amount due from/to subsidiaries		-	-	(252,232)	(9,672,801)
		2,171,269	4,149,129	(174,865)	(9,733,140)
Cash generated from/(used in) operations		5,714,139	15,744,421	(676,640)	(3,163,724)
Interest received		335,902	599,931	138,400	379,883
Interest paid		(321,556)	(764,488)	-	-
Tax refund		49,629	149,102	-	-
Tax paid		(2,249,637)	(3,367,759)	(78,840)	-
Exchange differences		179	149,744	-	(114,094)
		(2,185,483)	(3,233,470)	59,560	265,789
Net cash from/(used in) operating activities		3,528,656	12,510,951	(617,080)	(2,897,935)

Statements of Cash Flows

For the Financial Year Ended 31 August 2016

Cont'd

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash flow from investing activities					
Investment in subsidiary company		-	-	(19,890)	-
Dividend received		-	-	1,500,000	-
Purchase of property, plant and equipment	4(c)	(190,033)	(452,323)	-	-
Proceeds from disposal of property, plant and equipment		66,619	10,000	-	-
Payment for capital work-in-progress		(4,868,902)	(4,689,598)	-	-
Net cash (used in)/from investing activities		(4,992,316)	(5,131,921)	1,480,110	-
Cash flow from financing activities					
Changes on bankers' acceptances and trust receipts		(6,950,000)	(3,682,708)	-	-
Dividend paid	26	(2,061,170)	(4,122,340)	(2,061,170)	(4,122,340)
Decrease/(Increase) in fixed deposits pledged		1,105,462	(2,178,174)	-	-
Drawdown of foreign currency trade loan		4,662,120	-	-	-
Net repayment of hire purchase payables		(1,185,695)	(443,238)	-	-
Repayment of term loans		-	(2,020,325)	-	-
Net cash used in financing activities		(4,429,283)	(12,446,785)	(2,061,170)	(4,122,340)
Net (decrease) in cash and cash equivalents		(5,892,943)	(5,067,755)	(1,198,140)	(7,020,275)
Cash and cash equivalents at beginning of the financial year		11,908,150	16,975,905	5,275,211	12,295,486
Cash and cash equivalents at end of the financial year		6,015,207	11,908,150	4,077,071	5,275,211
Cash and cash equivalents at the end of the financial year comprises:					
Fixed deposits with licensed banks		7,887,850	12,112,525	2,400,000	5,000,000
Cash and bank balances		2,918,641	3,378,416	1,677,071	275,211
Bank overdraft		(2,352,238)	(38,282)	-	-
		8,454,253	15,452,659	4,077,071	5,275,211
Less: Fixed deposits pledged with licensed banks		(2,439,046)	(3,544,509)	-	-
		6,015,207	11,908,150	4,077,071	5,275,211

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

Notes to the Financial Statements

31 August 2016

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. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 below.

Standards issued but not yet effective

The Group and the Company have not applied the following new MFRSs and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

		Effective dates for financial periods beginning on or after
MFRS 14	Regulatory Deferral Accounts	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 MRFS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
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 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 107	Disclosure Initiative	1 January 2017
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018

Notes to the Financial Statements

31 August 2016
Cont'd

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

(a) Statement of Compliance *(cont'd)*

Standards issued but not yet effective *(cont'd)*

The Group and the Company have not applied the following new MFRSs and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company: *(cont'd)*

		Effective dates for financial periods beginning on or after
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 15	Clarification to MFRS 15	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be announced

The Group and the Company intend to adopt the above MFRSs when they become effective.

The initial application of the abovementioned MFRSs is not expected to have any significant impacts on the financial statements of the Company except as mentioned below:

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement*.

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 9.

Notes to the Financial Statements

31 August 2016
Cont'd

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

(a) Statement of Compliance *(cont'd)*

Standards issued but not yet effective *(cont'd)*

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Group is in the process of assessing the impact of this Standard. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

(b) Functional and Presentation Currency

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.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group'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.

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:

Useful lives of property, plant and equipment (Note 4)

The Group regularly review 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.

Notes to the Financial Statements

31 August 2016
Cont'd

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

(c) Significant accounting judgements, estimates and assumptions *(cont'd)*

Key sources of estimation uncertainty *(cont'd)*

Impairment of investment in subsidiary companies

The Company review 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.

The carrying amount at the reporting date for investments in subsidiary companies is disclosed in Note 6.

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. Details of the carrying value of recognised and unrecognized deferred tax assets are disclosed in Note 17.

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 sales 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. Details of inventories are disclosed in Note 7.

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 and 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. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 8, 9 and 10 respectively.

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 for expected tax issues 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. As at 31 August 2016, the Group has tax recoverable and payable of RM1,760,433 (2015: RM536,504) and RM14,729 (2015:RM324,073) respectively.

Notes to the Financial Statements

31 August 2016
Cont'd

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.

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

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 resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

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 ceased. 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.

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 2016
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(j) to the financial statements on impairment of non-financial assets.

(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.

(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, and non-controlling interests 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. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(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.

Notes to the Financial Statements

31 August 2016
Cont'd

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

(b) Foreign currency translation *(cont'd)*

(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 ("FCTR") 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 FCTR 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.

(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(j).

(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 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/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/installation until the property, plant and equipment are ready for their intended use.

Notes to the Financial Statements

31 August 2016
Cont'd

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

(c) Property, Plant and Equipment *(cont'd)*

(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. 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 its intended use.

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.

Notes to the Financial Statements

31 August 2016
Cont'd

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

(d) Leases *(cont'd)*

As lessee *(cont'd)*

(i) Finance lease *(cont'd)*

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.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

(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.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

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 and the Company become 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, into loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Notes to the Financial Statements

31 August 2016
Cont'd

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

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

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases or sales of financial assets are recognised and derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

A financial asset is derecognised when the contractual rights to receive cash flows from the financial asset has expired or has been transferred and the Group and the Company have 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 and the Company become a party to the contractual provisions of the financial instrument.

The Group and the Company classify their financial liabilities at initial recognition, into other financial liability measured at amortised cost.

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 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.

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) 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.

Notes to the Financial Statements

31 August 2016
Cont'd

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

(h) Inventories *(cont'd)*

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.

(i) 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.

(j) Impairment of Assets

(i) Non-financial assets

The carrying amounts of non-financial assets except for inventories and 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.

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 indications 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 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.

Notes to the Financial Statements

31 August 2016
Cont'd

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

(j) Impairment of Assets *(cont'd)*

(ii) Financial assets

All financial assets, other than those categorised at fair value through profit or loss, investments in subsidiary companies, 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 an 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.

(k) 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 recorded at the nominal value of shares issued. 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.

(l) 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.

Notes to the Financial Statements

31 August 2016
Cont'd

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

(l) Employee benefits *(cont'd)*

(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.

(m) 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 the transfer of significant risk and rewards of ownership of the goods 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.

(v) Interest income

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

(n) 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 are assets that necessarily take a substantial period of time to get ready for theirs intended use or sale, are capitalised as part of the cost of those assets. 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 and 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.

Notes to the Financial Statements

31 August 2016
Cont'd

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

(o) 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 it relates to a business combination or items recognised directly in equity or other comprehensive income.

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.

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.

(p) 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.

(q) 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 share options granted to employees.

(r) Segments Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are 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.

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Leasehold land and buildings	Furniture and fittings	Motor vehicles	Office equipment	Plant and machinery	Renovation	Tools and equipment	Moulds and blocks	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group										
2016										
Cost										
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
Exchange differences	-	-	(357)	(135)	(161)	-	-	-	-	(653)
Disposals	-	-	-	(375,687)	-	(2,669,442)	-	-	(1,350)	(3,046,479)
Written off	-	-	-	-	(13,500)	(1,268,259)	-	-	-	(1,281,759)
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
Accumulated depreciation										
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
Exchange differences	-	-	(354)	(44)	(100)					(498)
Disposals	-	-	-	(356,496)	-	(2,088,486)	-	-	(1,350)	(2,446,332)
Written off	-	-	-	-	(7,560)	(1,109,726)	-	-	-	(1,117,286)
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
Carrying amount										
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

4. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

	Freehold land and buildings	Leasehold land and buildings	Furniture and fittings	Motor vehicles	Office equipment	Plant and machinery	Renovation	Tools and equipment	Moulds and blocks	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group										
Cost										
2015										
At 1 September 2014	5,290,491	5,822,923	237,529	4,914,235	593,586	6,460,263	325,345	7,826	682,335	24,334,533
Additions	-	-	-	197,608	69,893	1,205,830	-	-	173,092	1,646,423
Exchange differences	-	-	5,345	4,287	2,401	-	-	-	-	12,033
Disposals	-	-	-	(62,000)	-	-	-	-	-	(62,000)
Written off	-	-	-	-	(66,380)	-	-	-	-	(66,380)
At 31 August 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
Accumulated depreciation										
At 1 September 2014	937,317	552,809	195,685	3,135,842	337,439	6,292,245	311,259	7,052	361,554	12,131,202
Charge for the financial year	75,769	64,660	9,351	652,496	56,659	404,380	2,968	340	115,758	1,382,381
Exchange differences	-	-	5,264	810	907	-	-	-	-	6,981
Disposals	-	-	-	(61,999)	-	-	-	-	-	(61,999)
Written off	-	-	-	-	(44,296)	-	-	-	-	(44,296)
At 31 August 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
Carrying amount										
At 31 August 2015	4,277,405	5,205,454	32,574	1,326,981	248,791	969,468	11,118	434	378,115	12,450,340

Notes to the Financial Statements

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4. 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	
	2016	2015
	RM	RM
Motor vehicles	260,694	298,492
Plant and machinery	-	1,353,348
	260,694	1,651,840

(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 21 to the financial statements are:

	Group	
	2016	2015
	RM	RM
Freehold land and buildings	3,563,577	3,629,301
Leasehold land and buildings	15,653,305	5,205,454
	19,216,882	8,834,755

(c) The aggregate additional cost for the property, plant and equipment of the Group under finance lease and cash payments are as follows:

	Group	
	2016	2015
	RM	RM
Aggregate costs	250,033	1,646,423
Less: Finance lease	(60,000)	(1,194,100)
Cash payments	190,033	452,323

(d) Revaluation of freehold land and buildings

The freehold land and building of the Group with carrying amount of RM364,980 (2015: RM368,104) was revalued by the Directors based on open market value carried out by an independent firm of professional valuers on 10 September 1996.

(e) Remaining lease period

The remaining lease period of the leasehold land and buildings ranges from 59 to 907 years (60 to 908 years).

Notes to the Financial Statements

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5. CAPITAL WORK-IN-PROGRESS

	Group	
	2016	2015
	RM	RM
At 1 September	5,675,758	986,160
Additions	4,868,902	4,689,598
Transfer to property, plant and equipment	(10,544,660)	-
At 31 August	-	5,675,758

This is in relation to expenses incurred for the construction of a factory building located at Lot 35, Jalan CJ 1/1, Taman Cheras Jaya, 43200 Cheras, Selangor.

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2016	2015
	RM	RM
In Malaysia		
Unquoted shares, at cost	32,154,200	32,154,200
Additions	19,890	-
Less: Impairment loss	(895,600)	-
	31,278,490	32,154,200

The recoverable amount of the Company's investment in Italiaworld Pte Ltd estimated based on value-in-use method was Nil. An impairment loss amounting to RM895,600 was recognised during the financial year. In determining value-in-use for Italiaworld Pte Ltd, the cash flows were discounted at a rate of 2.64% on pre-tax basis.

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Effective interest 2016 %	Effective interest 2015 %	Principal activities
Direct interest:				
SCH Corporation Sdn. Bhd.	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

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

Details of the subsidiary companies are as follows: *(cont'd)*

Name of company	Country of incorporation	Effective interest 2016 %	Effective interest 2015 %	Principal activities
Direct interest: *(cont'd)*				
Italiaworld Pte Ltd*	Singapore	100	100	Importing and exporting wholesale and trading of heavy industrial machinery, mechanical and electrical appliances and for quarries
Sin Chee Heng (Cambodia) Co., Ltd*	Cambodia	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 quarry industry
Indirect interest:				
Held through SCH Corporation Sdn Bhd				
Sin Chee Heng Sdn. Bhd.	Malaysia	100	100	Supply and distributing of all kinds of quarry industrial products and quarry machinery
Sin Chee Heng (Butterworth) Sdn. Bhd.	Malaysia	100	100	Distributing of all kinds of quarry products to the quarry industry
Sin Chee Heng (Kuantan) Sdn. Bhd.	Malaysia	100	100	Distributing of all kinds of quarry products to the quarry industry
Sin Chee Heng (Johore) Sdn. Bhd.	Malaysia	100	100	Distributing of all kinds of quarry products to the quarry industry
Indirect interest:				
Held through Sin Chee Heng Sdn. Bhd.				
- Sin Chee Heng (Sabah) Sdn. Bhd.	Malaysia	100	100	Distributing of all kinds of quarry products to the quarry industry
- Sin Chee Heng (Sarawak) Sdn. Bhd.	Malaysia	100	100	Distributing of all kinds of quarry products to the quarry industry

* *Subsidiary companies not audited by UHY.*

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

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 the carrying amount from the perspective of the common control shareholders at the date of transfer.

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

(a) Acquisition of subsidiary companies

On 23 February 2016, the Company has incorporated a new wholly-owned subsidiary company Sin Chee Heng (Cambodia) Co., Ltd, with the registered capital of KHR20,000,000 or equivalent to approximately USD5,000.

7. INVENTORIES

	Group	
	2016	2015
	RM	RM
Raw materials	69,642	209,838
Finished goods	27,172,678	25,811,187
	27,242,320	26,021,025
Recognise in profit or loss:		
Inventories written down	386,461	430,000

8. TRADE RECEIVABLES

	Group	
	2016	2015
	RM	RM
Trade receivables	13,341,694	18,184,136
Less: Accumulated impairment	(201,220)	(233,645)
	13,140,474	17,950,491

Trade receivables are non-interest bearing and are generally on 150 to 180 days (2015: 150 to 180 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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8. TRADE RECEIVABLES *(cont'd)*

Movements in the allowance for impairment losses of trade receivables are as follows:

	Group	
	2016	2015
	RM	RM
At 1 September	233,645	111,220
Impairment losses recognised	188,329	184,284
Amount recovered	(10,000)	(9,540)
Amount written off	(210,164)	(64,289)
Exchange differences	(590)	11,970
At 31 August	201,220	233,645

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

	Group	
	2016	2015
	RM	RM
Neither past due nor impaired	9,606,895	14,751,940
Past due but not impaired:		
Less than 30 days	476,569	567,865
31 to 60 days	480,931	472,688
More than 60 days	2,576,079	2,157,998
	3,533,579	3,198,551
	13,140,474	17,950,491
Impaired	201,220	233,645
	13,341,694	18,184,136

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

As at 31 August 2016, trade receivables of RM3,533,579 (2015: RM3,198,551) 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 RM201,220 (2015: RM233,645), related 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 the debts recovery process.

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9. OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Other receivables	282,271	287,896	-	-
Deposits	226,861	229,537	1,000	1,000
Prepayments	1,107,843	93,990	16,036	61,435
	1,616,975	611,423	17,036	62,435

10. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

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

11. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits of the Group amounting to RM2,439,046 (2015: RM3,544,509) has been pledged with licensed banks as securities for credit facilities granted to subsidiaries as disclosed in Note 21.

The interest rates and maturities of the fixed deposits range from 2.92% to 4.00% (2015: 2.90% to 3.12%) per annum and 30 to 365 days (2015: 30 to 365 days), respectively.

12. SHARE CAPITAL

	Group/Company			
	Number of Ordinary Shares		Amount	
	2016	2015	2016	2015
	Units	Units	RM	RM
Ordinary shares of RM0.10 each:				
Authorised				
At 1 September/31 August	500,000,000	500,000,000	50,000,000	50,000,000
Issued and fully paid				
At 1 September/31 August	412,234,020	412,234,020	41,223,402	41,223,402

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 restriction and rank equally with regard to the Company residual assets.

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13. SHARE PREMIUM

	Group/Company	
	2016	2015
	RM	RM
At 1 September/31 August	10,905,549	10,905,549

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965 in Malaysia.

14. MERGER DEFICIT RESERVE

The 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.

15. FOREIGN CURRENCY TRANSLATION RESERVE

The 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.

16. FINANCE LEASE PAYABLES

	Group	
	2016	2015
	RM	RM
Minimum lease payments		
Within one year	97,104	566,677
Later than one year and not later than two years	93,025	476,352
Later than two year and not later than five years	78,816	456,039
	268,945	1,499,068
Less: Future finance charges	(29,593)	(134,020)
Present value of minimum lease payments	239,352	1,365,048
Present value of minimum lease payments		
Within one year	81,751	494,502
Later than one year and not later than two years	84,081	433,264
Later than two year and not later than five years	73,520	437,282
	239,352	1,365,048
Analysed as:		
Repayable within twelve months	81,751	494,502
Repayable after twelve months	157,601	870,546
	239,352	1,365,048

The finance lease liabilities interest of the Group are ranged from 3.20% to 4.76% (2015: 2.10% to 4.16%) per annum.

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17. DEFERRED TAX LIABILITIES

	Group	
	2016	2015
	RM	RM
At 1 September	144,800	130,907
Recognised in profit or loss (Note 25)	(12,900)	37,600
Over provision in prior year	(4,800)	(23,707)
At 31 August	127,100	144,800

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

	Group	
	2016	2015
	RM	RM
Deferred tax liabilities	155,600	183,429
Deferred tax assets	(28,500)	(38,629)
	127,100	144,800

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

	Group	
	2016	2015
	RM	RM
Deferred tax liabilities		
Differences between the carrying amount of property, plant and equipment and its tax base	155,600	183,429
Deferred tax assets		
Unabsorbed capital allowances	-	(1,029)
Other deductible temporary differences	(28,500)	(37,600)
	(28,500)	(38,629)

Deferred tax assets have not been recognised in respect of the following temporary differences due to uncertainty of its recoverability:

	Group	
	2016	2015
	RM	RM
Differences between the carrying amount of property, plant and equipment and its tax base	17,335	24,918
Unabsorbed capital allowances	69,020	-
Unused tax losses	31,122	-
	117,477	24,918

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

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18. TRADE PAYABLES

Credit terms of trade payables of the Group ranged from 150 to 180 (2015: 150 to 180) days, depending on the term of the contracts.

19. OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Other payables	1,951,517	1,408,488	1,468,954	2,500
Accruals	538,146	479,881	33,333	25,000
Deposits	129,626	84,641	-	-
	2,619,289	1,973,010	1,502,287	27,500

Included in other payables are dividend payables of RM1,442,819.

20. AMOUNT DUE TO DIRECTORS

This represents unsecured, interest free advances and repayable on demand.

21. BANK BORROWINGS

	Group	
	2016	2015
	RM	RM
Secured		
Bankers' acceptances	1,162,000	8,112,000
Bank overdraft	2,352,238	38,282
Foreign currency trade loan	4,662,120	-
	8,176,358	8,150,282
Analysed as:		
Current		
Bankers' acceptances	1,162,000	8,112,000
Bank overdrafts	2,352,238	38,282
Foreign currency trade loan	4,662,120	-
	8,176,358	8,150,282

The bank borrowings are secured by the following:

(a) Legal charges over certain freehold and leasehold land and buildings of the subsidiaries as disclosed in Note 4;

(b) Pledge of fixed deposits of a subsidiary company as disclosed in Note 11; and

(c) Corporate guarantee by the Company and a subsidiary company.

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21. BANK BORROWINGS *(cont'd)*

Maturity of bank borrowings is as follows:

	Group	
	2016	2015
	RM	RM
Within one year	8,176,358	8,150,282

The average effective interest rates per annum are as follows:

	Group	
	2016	2015
	%	%
Bankers' acceptances	4.78 - 5.21	3.80 - 5.03
Bank overdrafts	7.22 - 8.75	7.35 - 8.85
Foreign currency trade loan	2.12 - 3.15	-
Trust receipts	7.47 - 8.75	7.60 - 8.10

22. REVENUE

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Dividend income	-	-	1,500,000	6,976,401
Sale of goods and services	37,021,518	59,645,819	-	-
	37,021,518	59,645,819	1,500,000	6,976,401

23. FINANCE COSTS

	Group	
	2016	2015
	RM	RM
Interest expenses on:		
Bank overdrafts	61,438	57,063
Bankers' acceptances	125,423	451,215
Foreign currency trade loan	74,046	-
Finance lease	40,014	41,429
Trust receipts and letter of credit	20,635	38,051
Term loans	-	176,730
	321,556	764,488

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24. PROFIT BEFORE TAX

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

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Auditors' remuneration				
- Statutory				
- Current year	146,275	126,371	25,000	25,000
- Over provision in prior years	-	(12,720)	-	-
- Non Statutory	3,000	-	3,000	-
Bad debts written off	10,242	97,501	-	-
Depreciation of property, plant and equipment	1,027,398	1,382,381	-	-
Executive Directors' remuneration:				
- Fees	-	-	-	-
- Salary and other emoluments	1,409,500	1,159,500	7,500	7,500
- Contribution to defined plan	164,160	164,160	-	-
Non-executive Directors' remuneration:				
- Fees	132,000	132,000	132,000	132,000
- Salary and other emoluments	9,500	10,500	9,500	10,500
Foreign exchange loss/(gain)				
- realised	(155,589)	(9,147)	-	-
- unrealised	119,138	150,641	-	-
Impairment on trade receivables	188,329	184,284	-	-
Inventories written down	386,461	430,000	-	-
Property, plant and equipment written off	164,473	22,084	-	-
Rental of factory	209,664	189,072		
Rental of premises	125,457	227,069	-	-
Fixed deposit interest income	(335,902)	(599,931)	(138,400)	(379,883)
Gain on disposal of property, plant and equipment	(610,838)	(9,433)	-	-
Reversal of impairment on trade receivables	(10,000)	(9,540)	-	-
Rental income	(240,413)	(152,800)	-	-

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25. TAXATION

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Tax expense recognised in profit or loss				
Current year tax	758,242	2,755,413	28,200	90,239
(Over)/Under provision in prior years	(91,512)	(46,376)	1,801	3,093
	666,730	2,709,037	30,001	93,332
Deferred tax (Note 17):				
Origination and reversal of temporary differences	(12,900)	37,600	-	-
Over provision in prior years	(4,800)	(23,707)	-	-
	(17,700)	13,893	-	-
	649,030	2,722,930	30,001	93,332

Malaysian income tax is calculated at the statutory tax rate of 24% (2015:25%) of the estimated assessable profits 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 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	
	2016	2015	2016	2015
	RM	RM	RM	RM
Profit before tax	2,282,013	9,182,817	241,025	6,949,299
Taxation at statutory tax rate of 24% (2015 : 25%)	547,700	2,295,700	57,800	1,737,300
Effects of tax rates in other country	67,467	18,085	-	-
Expenses not deductible for tax purposes	455,227	783,965	330,400	97,039
Expenses subject to double deduction	(12,922)	(62,300)	-	-
Income not subject to tax	(332,204)	-	(360,000)	(1,744,100)
(Reversal)/Origination of deferred tax liabilities	-	37,600	-	-
Deferred tax assets not recognised	22,300	38,800	-	-
Utilisation of previously unrecognised tax losses and capital allowances	53,316	-	-	-
Utilisation of current year capital allowances	(55,542)	(318,837)	-	-
(Over)/Under provision of income tax expense in prior years	(91,512)	(46,376)	1,801	3,093
Over provision of deferred tax in prior years	(4,800)	(23,707)	-	-
Tax expense for the financial year	649,030	2,722,930	30,001	93,332

The Group has estimated unutilised tax losses and unabsorbed capital allowances of RM31,122 and RM69,020 (2015: RM Nil and RM Nil) respectively available for set-off against future taxable profit.

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26. DIVIDENDS

	Group/Company	
	2016	2015
	RM	RM
Dividends recognised as distribution to ordinary shareholders of the Company:		
Interim dividend paid in respect of the financial year ended:		
- 31 August 2015 (single tier dividend of RM0.01 per ordinary share)	-	4,122,340
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 (single tier dividend of RM0.0035 per ordinary share)	1,442,819	-
	3,503,989	4,122,340

27. EMPLOYEE BENEFITS

	Group	
	2016	2015
	RM	RM
Employee benefits (excluding Directors)		
- Salaries, wages and allowances	4,359,104	3,944,669
- Contribution to defined contribution plans	532,800	489,976
- Other employee benefits	527,119	271,959
	5,419,023	4,706,604

28. EARNINGS PER SHARE

The basic earnings per share 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	
	2016	2015
	RM	RM
Profit attributable to ordinary shareholders	1,632,983	6,459,887
Weighted average number of ordinary shares at 31 August	412,234,020	412,234,020
Basic earnings per ordinary shares (sen)	0.40	1.57

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29. CAPITAL COMMITMENT

	Group	
	2016	2015
	RM	RM
(a) Capital commitment		
Authorised and contracted for:		
Property, plant and equipment	1,321,500	10,880,000
(b) Operating lease commitment		
Future minimum lease payments:		
Within one year	-	171,780

The Group has entered into commercial lease for the office rental. This lease has tenure of Nil years (2015: 2 years) with a renewal option included in the contracts.

30. 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.

(b) Compensation of key management personnel

Remuneration of key management personnel are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Salaries and other short term employee benefits	1,409,500	1,159,500	7,500	7,500
Defined contribution plan	164,160	164,160	-	-
	1,573,660	1,323,660	7,500	7,500

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30. RELATED PARTY DISCLOSURES *(cont'd)*

(c) Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. In addition to the related party balances disclosed in Notes 10 and 20 to the financial statements, the significant related party transactions of the Company are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Subsidiary company				
Dividend paid	-	-	1,500,000	6,976,401
Related party				
Transportation charges paid	9,600	5,000	-	-
Professional charges carried for perusing and providing advice on distributorship agreement	3,000	-	-	-
	12,600	5,000	1,500,000	6,976,401

31. SEGMENT INFORMATION

For management purposes, the Group reported its revenue into four (4) main business segments as follows:

	Group	
	2016	2015
	RM	RM
Revenue		
Quarry industrial products	18,478,618	20,458,234
Quarry machinery, quarry equipment and reconditioned quarry machinery	6,829,083	22,163,648
Spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery	8,252,661	12,530,345
Manufacturing and distribution of quarry grill	3,461,156	4,493,592
	37,021,518	59,645,819

Except as indicated above, no operating segments have been aggregated to form the above reportable operating 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 2016
Cont'd

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 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

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

	Loans and receivables	Financial liabilities measured at amortised cost	Total
	RM	RM	RM
Group			
2016			
Financial assets			
Trade receivables	13,140,474	-	13,140,474
Other receivables	509,132	-	509,132
Fixed deposits with licensed banks	7,887,850	-	7,887,850
Cash and bank balances	2,918,641	-	2,918,641
	24,456,097	-	24,456,097
Financial liabilities			
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
	-	13,298,293	13,298,293
Group			
2015			
Financial assets			
Trade receivables	17,950,491	-	17,950,491
Other receivables	517,433	-	517,433
Fixed deposits with licensed banks	12,112,525	-	12,112,525
Cash and bank balances	3,378,416	-	3,378,416
	33,958,865	-	33,958,865
Financial liabilities			
Trade payables	-	2,309,790	2,309,790
Other payables	-	1,973,010	1,973,010
Amount due to Directors	-	19,000	19,000
Finance lease payables	-	1,365,048	1,365,048
Bank borrowings	-	8,150,282	8,150,282
	-	13,817,130	13,817,130

Notes to the Financial Statements

31 August 2016
Cont'd

32. FINANCIAL INSTRUMENTS *(cont'd)*

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

	Loans and receivables	Financial liabilities measured at amortised cost	Total
	RM	RM	RM
Company			
2016			
Financial assets			
Other receivables	1,000	-	1,000
Amount due from a subsidiary company	18,043,967	-	18,043,967
Fixed deposits with licensed banks	2,400,000	-	2,400,000
Cash and bank balances	1,677,071	-	1,677,071
	22,122,038	-	22,122,038
Financial liabilities			
Other payables	-	1,502,287	1,502,287
Amount owing to a subsidiary	-	303,876	303,876
	-	1,806,163	1,806,163
Company			
2015			
Financial assets			
Other receivables	1,000	-	1,000
Amount due from subsidiary companies	17,487,859	-	17,487,859
Fixed deposits with licensed banks	5,000,000	-	5,000,000
Cash and bank balances	275,211	-	275,211
	22,764,070	-	22,764,070
Financial liabilities			
Other payables	-	27,500	27,500

(b) Financial risk management objectives and policies

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

The following sections provide details regarding the Group'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 2016
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 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 banks. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to banks 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 banks and 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.

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 finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. 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 can be required to pay.

Notes to the Financial Statements

31 August 2016
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	1 to 2 years	2 to 5 years	After 5 years	Total contractual cash flows	Total carrying amount
	RM	RM	RM	RM	RM	RM
Group						
2016						
Financial liabilities						
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
2015						
Financial liabilities						
Trade payables	2,309,790	-	-	-	2,309,790	2,309,790
Other payables	1,973,010	-	-	-	1,973,010	1,973,010
Amount due to Directors	19,000	-	-	-	19,000	19,000
Finance lease payables	566,677	476,352	456,039	-	1,499,068	1,365,048
Bank borrowings	8,150,282	-	-	-	8,150,282	8,150,282
	13,018,759	476,352	456,039	-	13,951,150	13,817,130

Notes to the Financial Statements

31 August 2016
Cont'd

32. FINANCIAL INSTRUMENTS *(cont'd)*

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

(iii) Market risks

a) Foreign currency risk

The Group is exposed to foreign currency 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 carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

Group	Denominated in			
	USD	SGD	JPY	Total
	RM	RM	RM	RM
2016				
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)
Loans and borrowings	(3,952,181)	(709,938)	-	(4,662,119)
	(2,486,964)	(203,173)	(709,104)	(3,399,241)
2015				
Deposits, cash and bank balances	25,576	196,625	-	222,201
Trade receivables	-	416,338	-	416,338
Other receivables	75,855	32,704	-	108,559
Trade payables	(1,198,526)	(49,407)	-	(1,247,933)
Loans and borrowings	(5,944,000)	(258,000)	-	(6,202,000)
	(7,041,095)	338,260	-	(6,702,835)

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.

Notes to the Financial Statements

31 August 2016
Cont'd

32. FINANCIAL INSTRUMENTS *(cont'd)*

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

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

a) Foreign currency risk *(cont'd)*

Group	Change in currency rate RM	2016 Effect on profit before tax RM	Change in currency rate RM	2015 Effect on profit before tax RM
USD	Strengthened 10%	248,696	Strengthened 10%	704,110
	Weakened 10%	(248,696)	Weakened 10%	(704,110)
SGD	Strengthened 10%	20,317	Strengthened 10%	(33,826)
	Weakened 10%	(20,317)	Weakened 10%	33,826
JPY	Strengthened 10%	70,910	Strengthened 10%	-
	Weakened 10%	(70,910)	Weakened 10%	-

b) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and 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 licensed 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Fixed rate instruments				
Fixed deposits with licensed banks	7,887,850	12,112,525	2,400,000	5,000,000
Finance lease payables	239,352	1,365,048	-	-
	8,127,202	13,477,573	2,400,000	5,000,000
Floating rate instruments				
Bankers' acceptance	1,162,000	8,112,000	-	-
Bank overdraft	2,352,238	38,282	-	-
Foreign currency trade loan	4,662,120	-	-	-
	8,176,358	8,150,282	-	-

Notes to the Financial Statements

31 August 2016
Cont'd

32. FINANCIAL INSTRUMENTS *(cont'd)*

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

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

b) Interest rate risk *(cont'd)*

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.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Group' profit before tax by RM81,764 (2015: RM81,503) 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 carrying amounts of short term receivables and payables, cash and cash equivalents and short term 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 carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and 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	RM
Group				
2016				
Finance lease payables	-	153,312	-	157,601
Group				
2015				
Finance lease payables	-	768,353	-	870,546

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current and previous financial years.

Notes to the Financial Statements

31 August 2016
Cont'd

32. FINANCIAL INSTRUMENTS *(cont'd)*

(c) Fair value of financial instruments *(cont'd)*

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of RCPS, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

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. The gearing ratios at end of the reporting period are as follows:

	Group	
	2016	2015
	RM	RM
Total loans and borrowings	8,415,710	9,515,330
Less: Cash and cash equivalents	(8,367,445)	(11,946,432)
Net debts	48,265	(2,431,102)
Total equity	62,579,431	64,450,479
Gearing ratio (times)	#	#

\# *The gearing ratio is not applicable as the cash and bank balances as at 31 August 2015 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.

Notes to the Financial Statements

31 August 2016
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34. SUBSEQUENT EVENT

(i) The Company have completed the following exercise as at 8 December 2016, comprising:-

(a) Bonus issue of 206,117,010 free detachable warrants ("warrant(s)"), on the basis of one (1) warrant for every two (2) existing ordinary shares of RM0.10 each in SCH held by the entitled shareholders on an entitlement date to be determined later.

(b) Increase in the authorised share capital of the company from RM50,000,000 comprising 500,000,000 SCH shares to RM100,000,000 comprising 1,000,000,000 SCH shares.

(c) Amendments to Company's memorandum of association to facilitate the implementation of increase in the authorised share capital.

(ii) The Company has increased the investment in subsidiary company Sin Chee Heng (Cambodia) Co., Ltd from USD5,000 to USD50,000 on 13 September 2016.

35. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 20 December 2016.

Notes to the Financial Statements

31 August 2016
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36. 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained earnings/(accumulated losses) of the Company and its subsidiary companies				
- Realised	34,514,359	36,336,162	(505,950)	2,787,015
- Unrealised	246,238	295,441	-	-
	34,760,597	36,631,603	(505,950)	2,787,015

The disclosure of realised and unrealised profits or 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 2016

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 31.08.2016 RM'000
1.	Individual title held under HSD 227114, Lot PTD 62687, Mukim Pulai, Daerah Johor Bahru, Negeri Johor No. 18, 18-1 and 18-2, Jalan Sri Perkasa 1/6, Taman Tampoi Utama, 81200 Johor Bahru, Johor Darul Takzim	3-storey shophouse currently rented to an individual	204 (Land) 318 (Built-up area)	19	99 years lease expiring on 13 April 2094	412,002
2.	Individual title held under Geran 152419, Lot 32063, Mukim Pulai, Daerah Johor Bahru, Negeri Johor No. 32, Jalan Perdagangan 4, Taman Universiti, 81300, Skudai, Johor Bahru, Johor Darul Takzim	1 ½ storey terrace factory current used as warehouse by SCH Group	223 (Land) 222 (Built-up area)	23	Freehold	221,400
3.	Individual title held under Geran 152414, Lot 32061, Mukim Pulai, Daerah Johor Bahru, Negeri Johor No. 36, Jalan Perdagangan 4, Taman Universiti, 81300 Skudai, Johor Bahru, Johor Darul Takzim	1 ½ storey terrace factory current used as regional office and warehouse by SCH Group	223 (Land) 318 (Built-up area)	23	Freehold	330,000
4.	Strata title held under Geran S9390/M1/2/4, Bangunan No. M1, Tingkat No. 2, Petak No. 4, Lot S2468, Bandar Selayang, Daerah Gombak, Negeri Selangor No. 18-1B, Jalan SBC 3, Taman Sri Batu Caves, 68100 Selangor Darul Ehsan	Apartment currently rented to an individual	59 (Built-up area)	16	Freehold	51,680
5.	Individual title held under Geran 118306, Lot 37285, Pekan Kajang, Daerah Ulu Langat, Negeri Selangor No. 3, Jalan Teras 3, Kawasan Industri Teras Balakong, Taman Industri Selesa Jaya, 43300 Balakong, Selangor Darul Ehsan	1 ½ storey semi-detached factory currently used as office and warehouse by SCH Group	1,599 (Land) 952 (Built-up area)	18	Freehold	1,729,216

List of Properties

As at 31 August 2016

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 31.08.2016 RM'000
6.	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)	15	Freehold	1,504,360
	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)			
7.	Individual title held under industrial H.S.(M) 13156, PT 23677, Mukim Ceras, Tempat Cheras Jaya, Daerah Hulu Langat, Negeri Selangor	4 storey building with offices and warehouse	8,510 (Land)	1	99 years lease expiring on 30 December 2098	4,083,435
	Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan		3,579 (Built-up area)			10,512,511
8.	Individual title held under PN 4661, Lot 44677, Mukim Kuala Kuantan, Daerah Kuantan, Negeri Pahang	1 ½ storey terrace factory current used as regional office and warehouse by SCH Group	149 (Land)	19	99 years lease expiring on 3 October 2075	149,462
	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)			
9.	Individual title held under PN 4662, Lot 44676, Mukim Kuala Kuantan, Daerah Kuantan, Negeri Pahang	1 ½ storey terrace factory current used as regional office and warehouse by SCH Group	177 (Land)	19	99 years lease expiring on 3 October 2075	160,923
	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)			

List of Properties

As at 31 August 2016

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 31.08.2016 RM'000
10.	Master title held under Parent Title Lot No. 33 (MPKK No. 6) Title Country Lease No. Industrial 015022769, District of Kota Kinabalu, Sabah Lot 6, Lorang Makat 3, Perindustrian, Makat Kolombong, 88450 Kolombong, Sabah	Double storey terrace light industrial warehouse cum office current used as regional office and warehouse by SCH Group	439 (Land) 418 (Built-up area)	16	999 years lease expiring on 17 August 2923	334,972
11.	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 current used as regional office and warehouse by SCH Group	374 (Land) 129 (Built-up area)	20	Freehold	364,980

Statistics of Shareholdings
As at 29 November 2016

SHARE CAPITAL

Authorised Share Capital	:	RM50,000,000.00
Issued and Paid-up Capital	:	RM41,223,402.00
Class of Shares	:	Ordinary Shares of RM0.10 each
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 29 NOVEMBER 2016

Size of Holding	No. of shareholders	% of shareholders	No. of holdings	% of shares
1 – 99	1	0.04	50	0.00
100 – 1,000	117	5.09	56,500	0.01
1,001 – 10,000	570	24.82	4,190,700	1.02
10,001 – 100,000	1,283	55.86	53,575,900	12.99
100,001 – 20,611,700 *	323	14.06	215,251,660	52.22
20,611,701 AND ABOVE **	3	0.13	139,159,210	33.76
Total	**2,297**	**100.00**	**412,234,020**	**100.00**

Remark:

* *- Less than 5% of Issued Shares*
** *- 5% and above of Issued Shares*

SUBSTANTIAL SHAREHOLDERS AS AT 29 NOVEMBER 2016

		No. of Shares held		No. of Shares held	
No.	Name of Substantial Shareholder	Direct	%	Indirect	%
1	Lau Mong Ling	58,873,224	14.28	-	-
2	Wong Sin Chin	43,057,083	10.44	-	-
3	Yeen Yoon Hin	37,896,903	9.19	-	-

DIRECTORS' INTERESTS IN SHARES AS AT 29 NOVEMBER 2016

		No. of Shares held		No. of Shares held	
No.	Name of Director	Direct	%	Indirect	%
1	Chan Wan Choon	8,120,700	1.97	-	-
2	Lau Mong Ling	58,873,224	14.28	-	-
3	Wong Sin Chin	43,057,083	10.44	-	-
4	Yeen Yoon Hin	37,896,903	9.19	-	-
5	Sim Yee Fuan	50,000	0.01	-	-
6	Gan Khong Aik	420,000	0.10	-	-
7	Rahimi Bin Ramli	-	-	-	-

Statistics of Shareholdings

As at 29 November 2016

Cont'd

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS
(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 29 NOVEMBER 2016)

No.	Name of Shareholders	No. of Shares	%
1	LAU MONG LING	58,873,224	14.28
2	CIMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG SIN CHIN (TAMING-CL)*	42,723,083	10.36
3	YEEN YOON HIN	37,562,903	9.11
4	M & A NOMINEE (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GENTING UTAMA SDN BHD (M&A)*	18,385,600	4.46
5	M & A NOMINEE (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KHOO CHEE SIANG (M&A)*	18,202,900	4.42
6	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR BSI SA (BSI BK SG-NR)*	17,200,000	4.17
7	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)*	12,000,000	2.91
8	CHAN WAN CHOON	8,120,700	1.97
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW NGOK MING*	5,620,100	1.36
10	ABD RAHMAN BIN SOLTAN	5,000,000	1.21
11	KUMPULAN WANG SIMPANAN GURU-GURU	5,000,000	1.21
12	KOH ENG HONG	3,100,000	0.75
13	ONG KENG SENG	3,050,000	0.74
14	LIM LIEW HONG	3,000,000	0.73
15	YONG KOK PEW	2,900,000	0.70
16	CHONG CHEE WAI	2,049,300	0.50
17	CIMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SOON THIAM YEW (AMPANG-CL)*	2,030,000	0.49
18	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NG CHAI GO*	2,000,000	0.49
19	LIM KHEOW KOOI	2,000,000	0.49
20	YVONNE NG MEI SAN	1,960,000	0.48
21	M & A NOMINEE (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHOW DAI YING (M&A)*	1,716,500	0.42
22	ONG YIT CHENG	1,600,000	0.39
23	YOUNG THIM CHOY	1,500,000	0.36
24	LOW NGOK MING	1,490,000	0.36
25	LAU KOK TIAN	1,360,000	0.33
26	CHONG CHEE WAI	1,348,600	0.33
27	GOH BUCK CHOOI	1,313,000	0.32
28	TAN HOP SEEN @ TANG HOP SEEN	1,100,000	0.27
29	LIEW KAH LEONG	1,028,900	0.25
30	AFFIN HWANG NOMINEES (ASING) SDN. BHD. *DBS VICKERS SECS (S) PTE LTD FOR EE BENG CHUAN*	1,000,000	0.24
	TOTAL	**264,234,810**	**64.10**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifth (5th) Annual General Meeting of SCH Group Berhad ("SCH" or "the Company") will be held at Livia 1, Level UG, Ibis Styles Kuala Lumpur Cheras, Jalan C180/1, Dataran C180, 43200 Cheras, Selangor Darul Ehsan on Monday, 23 January 2017 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 2016 together with the Reports of the Directors and Auditors thereon. ***Please refer to Note A***

2. To approve the payment of Directors' fees of RM132,000.00 to Non-Executive Directors of the Company for the financial year ended 31 August 2016. ***Ordinary Resolution 1***

3. To re-elect the following Directors retiring pursuant to Section 129 of the Companies Act, 1965:

   (i) Chan Wan Choon ***Ordinary Resolution 2***
   (ii) Wong Sin Chin ***Ordinary Resolution 3***

4. To re-elect the following Directors retiring pursuant to the Article 95 of the Company's Articles of Association:

   (i) Rahimi Bin Ramli ***Ordinary Resolution 4***
   (ii) Yeen Yoon Hin ***Ordinary Resolution 5***

5. To appoint Messrs Ecovis AHL PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 6***

   Notice of Nomination of Auditors pursuant to Section 172 (11) of the Companies Act, 1965 (a copy of which is annexed hereto and marked as "Annexure A") has been received by the Company for the nomination of Messrs Ecovis AHL PLT for appointment as Auditors of the Company in place of the retiring Auditors, Messrs UHY and of the intention to propose the following Ordinary Resolution:

   "THAT Messrs Ecovis AHL PLT be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs UHY and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration."

SPECIAL BUSINESSES:
To consider and, if thought fit, to pass the following Resolution:

6. **Authority to Directors to Allot and Issue Shares** ***Ordinary Resolution 7***

   "THAT subject to the Companies Act, 1965, and the approval of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue shares of the Company from time to time upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution shall not exceed 10% of the issued capital of the Company for the time being, subject always to the approval of all the relevant regulatory bodies having been obtained for such allotment and issue, and such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company; and FURTHER THAT the Directors be and are hereby empowered to obtain the approval for the listing and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities")."

Notice of Annual General Meeting
Cont'd

7. To transact any other business of the Company for which due notice shall have been given.

By order of the Board,

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

Kuala Lumpur
29 December 2016

Notes

A. This Agenda item is meant for discussion only as Section 169 (1) of the Companies Act, 1965 and the Company's Articles of Association provide that the audited financial statements are to be laid in the general meeting. Hence, it is not put forward for voting.

1. A member entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. The provision of Section 149(1)(b) of the Act shall not apply to the Company.

2. Where a member appoints two (2) proxies, the appointment of such proxies shall not be valid unless the member specifies the proportion of his shareholding to be represented by each such proxy.

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 Fifth (5th) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 16 January 2017. Only members whose name appears on the Record of Depositors as at 16 January 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

EXPLANATORY NOTES ON SPECIAL BUSINESS

Ordinary Resolution 7: Authority to Directors to Allot and Issue Shares

The Ordinary Resolution 7, 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 Fourth (4th) Annual General Meeting held on 26 January 2016 and which will lapse at the conclusion of the Fifth (5th) Annual General Meeting.

Statement Accompanying Notice of Annual General Meeting

The Directors who are standing for re-election at the Fifth (5th) Annual General Meeting of the Company are:

(i)	Chan Wan Choon	Section 129 of the Companies Act, 1965	Ordinary Resolution 2
(ii)	Wong Sin Chin	Section 129 of the Companies Act, 1965	Ordinary Resolution 3
(iii)	Rahimi Bin Ramli	Article 95	Ordinary Resolution 4
(iv)	Yeen Yoon Hin	Article 95	Ordinary Resolution 5

The profile of the above Directors are set out on pages 5 to 8 of the Annual Report 2016. 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 40 of the aforesaid Annual Report.

The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Statement on page 21 of the Annual Report 2016.

The Fifth (5th) Annual General Meeting of the Company will be held at Livia 1, Level UG, Ibis Styles Kuala Lumpur Cheras, Jalan C180/1, Dataran C180, 43200 Cheras, Selangor Darul Ehsan on Monday, 23 January 2017 at 10.00 a.m.

Annexure A

Yeen Yoon Hin
No. 15 Jalan 6/155A,
Bukit Jalil,
57100 Kuala Lumpur,
Wilayah Persekutuan.

Date: 14 December 2016

The Board of Directors
SCH GROUP BERHAD
(Company No. 972700-P)
No. 3, Jalan Teras 3,
Kawasan Industri Teras Balakong,
Taman Industri Selesa Jaya,
43300 Balakong, Selangor.

Dear Sirs,

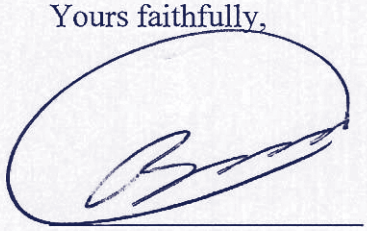
NOTICE OF NOMINATION OF ECOVIS AHL PLT
FOR APPOINTMENT AS AUDITORS

I, Yeen Yoon Hin, being a shareholder of SCH Group Berhad, hereby give notice of my intention to nominate **Messrs ECOVIS AHL PLT** for appointment as Auditors of the Company in replace of the retiring Auditors, **Messrs UHY** and to propose the following resolution to be considered at the forthcoming Annual General Meeting to be convened at a date to be determined by the Board of Directors :

"THAT Messrs ECOVIS AHL PLT be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs UHY and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration."

Thank you.

Yours faithfully,



Yeen Yoon Hin

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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 Fifth (5th) Annual General Meeting of the Company to be held at Livia 1, Level UG, Ibis Styles Kuala Lumpur Cheras, Jalan C180/1, Dataran C180, 43200 Cheras, Selangor Darul Ehsan on Monday, 23 January 2017 at 10.00 a.m. and at any adjournment thereof in the manner as indicate below:

NO.	RESOLUTIONS	FOR	AGAINST
1.	**Ordinary Resolutions** To approve the payment of Directors' fees of RM132,000.00 to the Non-Executive Directors of the Company.		
2.	To re-elect Chan Wan Choon as Director.		
3.	To re-elect Wong Sin Chin as Director.		
4.	To re-elect Rahimi Bin Ramli as Director.		
5.	To re-elect Yeen Yoon Hin as Director.		
6.	To appoint Messrs Ecovis AHL PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	**As Special Business:-** To approve the ordinary resolution pursuant to Section 132D of the Companies Act, 1965.		

(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 _____, 2017.

Signature: _____
(If shareholder is a corporation, this form should be executed under seal)

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 entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. The provision of Section 149(1)(b) of the Act shall not apply to the Company.*
2. *Where a member appoints two (2) proxies, the appointment of such proxies shall not be valid unless the member specifies the proportion of his shareholding to be represented by each such proxy.*
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 Fifth (5th) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 16 January 2017. Only members whose name appears on the Record of Depositors as at 16 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

Then Fold Here

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

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