SCH GROUP BERHAD (972700-P)

(Incorporated in Malaysia)

Interim Financial Report
For the First (1st) Quarter ended
30 November 2016

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST (1st) QUARTER ENDED 30 NOVEMBER 2016

	<-- Individual Quarter -->		<- Cumulative Quarter -->	
	Unaudited 30 Nov 2016 RM'000	Unaudited 30 Nov 2015 RM'000	Unaudited 30 Nov 2016 RM'000	Unaudited 30 Nov 2015 RM'000
Revenue	8,367	11,660	8,367	11,660
Cost of Sales	(5,031)	(7,168)	(5,031)	(7,168)
Gross Profit	3,336	4,492	3,336	4,492
Other operating income	136	192	136	192
Administrative expenses	(2,297)	(2,272)	(2,297)	(2,272)
Selling and distribution expenses	(475)	(462)	(475)	(462)
Other expenses	-	(159)	-	(159)
Finance costs	(87)	(126)	(87)	(126)
Profit before taxation	613	1,665	613	1,665
Taxation	(229)	(451)	(229)	(451)
Profit after taxation	384	1,214	384	1,214
Other comprehensive income after tax:				
Exchange translation differences for foreign operations	148	9	148	9
Total comprehensive income for the financial period	532	1,223	532	1,223
PAT ATTRIBUTABLE TO:				
- Owners of the company	384	1,214	384	1,214
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the company	532	1,223	532	1,223
Weighted average no. of ordinary shares ('000)	412,234	412,234	412,234	412,234
Earnings per share attributable to owners of the company (sen):				
- Basic	0.09	0.29	0.09	0.29

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2016 and the accompanying explanatory notes attached to the interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2016

	Unaudited As at 30 Nov 2016 RM'000	Audited As at 31 Aug 2016 RM'000
ASSETS		
NON-CURRENT ASSET		
Property, plant and equipment	21,217	21,453
Capital work-in-progress	-	-
TOTAL NON-CURRENT ASSETS	21,217	21,453
CURRENT ASSETS		
Inventories	27,560	27,242
Trade receivables	13,351	13,141
Other receivables, prepayments and deposits	883	1,617
Tax recoverable	1,762	1,760
Fixed deposit with a licensed bank	7,580	7,888
Cash and bank balances	2,101	2,919
TOTAL CURRENT ASSETS	53,237	54,567
TOTAL ASSETS	**74,454**	**76,020**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	41,223	41,223
Share premium	10,906	10,906
Merger deficit reserve	(24,515)	(24,515)
Foreign currency translation reserves	353	205
Retained earnings	35,145	34,761
TOTAL EQUITY	**63,112**	**62,580**
CURRENT LIABILITIES		
Trade payables	1,934	2,244
Other payables	1,183	2,619
Amount owing to directors	19	19
Hire purchase payables	82	82
Bank borrowings	7,835	8,176
Tax payable	25	15
	11,078	**13,155**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2016 (Cont'd)

	Unaudited As at 30 Nov 2016 RM'000	Audited As at 31 Aug 2016 RM'000
NON CURRENT LIABILITIES		
Hire purchase payables	137	158
Deferred tax liabilities	127	127
	264	285
TOTAL LIABILITIES	**11,342**	**13,440**
TOTAL EQUITY AND LIABILITIES	**74,454**	**76,020**
NET ASSET PER SHARE (sen)	**15.31**	**15.17**

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2016 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST (1st) QUARTER ENDED 30 NOVEMBER 2016

	←------- *Non-Distributable* -------→				*Distributable*	
Unaudited	**Share Capital RM'000**	**Share Premium RM'000**	**Merger Reserve RM'000**	**Translation Reserve RM'000**	**Retained Earnings RM'000**	**Total Equity RM'000**
Balance as at 1 September 2016	41,223	10,906	(24,515)	205	34,761	62,580
Profit for the financial period					384	384
Other comprehensive income for the financial period				148		148
Total comprehensive income for the financial period				148	384	532
Dividends					-	-
Balance as at 30 November 2016	41,223	10,906	(24,515)	353	35,145	63,112

Unaudited	**Share Capital RM'000**	**Share Premium RM'000**	**Merger Reserve RM'000**	**Translation Reserve RM'000**	**Retained Earnings RM'000**	**Total Equity RM'000**
Balance as at 1 September 2015	41,223	10,906	(24,515)	205	36,632	64,451
Profit for the financial period					1,214	1,214
Other comprehensive income for the financial period				9		9
Total comprehensive income for the financial period				9	1,214	1,223
Dividends					-	-
Balance as at 30 November 2015	41,223	10,906	(24,515)	214	37,846	65,674

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2016 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1st) QUARTER ENDED 30 NOVEMBER 2016

	Unaudited 3 months ended 30 Nov 2016 RM'000	Unaudited 3 months ended 30 Nov 2015 RM'000
Cash Flows From Operating Activities		
Profit before taxation	613	1,665
Adjustment for:		
Depreciation of property, plant and equipment	249	298
Interest expenses	87	126
Property, plant and equipment written off	-	159
Interest income	(58)	(122)
Operating profit before working capital changes	891	2,126
Changes in working capital:		
Inventories	(318)	2,654
Trade and other receivables	524	(3,600)
Trade and other payables	(305)	(827)
	(99)	(1,773)
Cash generated from operations	792	353
Interest received	58	122
Interest paid	(87)	(126)
Tax refund	118	-
Tax paid	(338)	(516)
Exchange differences	140	9
	(109)	(511)
Net cash from/(used in) operating activities	683	(158)
Cash Flow From Investing Activities		
Purchase of property, plant and equipment	(4)	(25)
Payment for capital work-in-progress	-	(1,980)
Net cash used in investing activities	(4)	(2,005)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1st) QUARTER ENDED 30 NOVEMBER 2016 (Con't)

	Unaudited 3 months ended 30 Nov 2016 RM'000	Unaudited 3 months ended 30 Nov 2015 RM'000
Cash Flow From Financing Activities		
Drawdown of foreign currency loans	66	-
Net repayment of hire purchase payables	(20)	(1,134)
Changes on bankers' acceptance & trust receipts	593	(2,024)
Increase in fixed deposits pledged	(18)	(28)
Dividend paid	(1,443)	-
Net cash used in financing activities	(822)	(3,186)
Net decrease in cash and cash equivalents	(143)	(5,349)
Cash and cash equivalents at beginning of the financial year	6,015	11,908
Cash and cash equivalents at end of the financial period	**5,872**	**6,559**
Cash and cash equivalents at end of the financial period comprises:		
- Fixed deposits placed with a licensed banks	7,580	9,631
- Cash and bank balances	2,101	2,397
- Bank overdraft	(1,352)	(1,897)
	8,329	10,131
Less: Fixed deposits pledged with licensed banks	(2,457)	(3,572)
	5,872	**6,559**

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2016 and the accompanying explanatory notes attached to this interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2016

A1. Basis of preparation

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

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2016 and the accompanying explanatory notes attached to this interim financial report.

The accounting policies adopted in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 August 2016. The Group has adopted those standards, amendments and interpretations that have become effective and such adoptions do not have material impact on the financial position and performance of the Group.

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

MFRSs and IC Interpretations (Including The Consequential Amendments)	**Effective dates for financial period beginning on and after**
Amendments to MFRS 112 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 107 - Disclosure Initiative	1 January 2017
MFRS 15 – Revenue from Contracts with Customers	1 January 2018
MFRS 9 – Financial Instruments (MFRS 9 issued by IASB in July 2014)	1 January 2018

A2. Auditors' report of preceding annual audited financial statements

The auditors' report on the preceding year audited financial statements was not subject to any qualification.

A3. Seasonal or cyclical factors

The businesses of the Group were not affected by seasonal or cyclical factors.

A4. Unusual items

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

A5. Material changes in estimates

There were no changes in the estimates of amounts reported in prior financial years that had a material effect on the current financial quarter ended 30 November 2016 and financial period-to-date.

A6. Debt and equity securities

There were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

A7. Segmental information

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

	Quarter Ended	
	30 Nov 2016	**30 Nov 2015**
	RM'000	**RM'000**
Quarry industrial products	4,734	4,800
Quarry machinery, quarry equipment and reconditioned quarry machinery	467	3,978
Spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery	2,259	1,956
Manufacturing and distribution of quarry grill	907	926
Total	8,367	11,660

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

A8. Dividend Paid

An interim single-tier dividend of 0.35 sen per ordinary share amounting to RM1.44 million in respect of financial year ended 31 August 2016 was paid on 28 September 2016.

A9. Valuation of property, plant and equipment

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

A10. Capital commitments

The capital commitments of the Group as at 30 November 2016 were as follows:-

	RM'000
Authorised and contracted for:	
- Capital expenditure on the new operational facility	1,322

A11. Changes in the composition of the Group

There were no material changes in the composition of the Group for the current financial quarter.

A12. Contingent liabilities and contingent assets

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

As at 30 November 2016, the Company has provided corporate guarantees amounting to RM57.77 million to various financial institutions for banking facilities granted to certain subsidiary companies.

A13. Material events subsequent to the end of the quarter

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

A14. Related party transactions

Transaction with a company in which a Director has interest for the period ended 30 November 2016 was as follows:-

	RM'000
Transportation charges paid	2

The transactions were carried out in the ordinary course of business and on normal commercial terms.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Review of performance

Q1/2017 compared to Q1/2016

For the current financial quarter ended 30 November 2016, the Group recorded revenue of RM8.37 million as compared to RM11.66 million in the corresponding quarter of last year, a decrease of RM3.29 million or 28.24%.

Demand for the Group's range of quarry-based products especially in the segment of quarry machinery, equipment and reconditioned machinery has been weak.

Nevertheless, the Group has managed to achieve a profit before tax of RM0.61 million for the quarter under review as compared to a profit before tax of RM1.67 million in the comparable quarter of last year.

B2. Comparison with immediate preceding quarter's results

	<----- Quarter ended ---→		
	30 Nov 2016 RM'000	31 Aug 2016 RM'000	Variance RM'000
Revenue	8,367	7,891	476
Profit/(loss) before tax	613	(568)	1,181

The Group's revenue for the first financial quarter ended 30 November 2016 has increased by RM0.48 million or 6.03% to RM8.37 million as compared to RM7.89 million in the preceding financial quarter ended 31 August 2016.

For the quarter under review, revenue from all business segments of the Group have increased except for the quarry machinery, quarry equipment and reconditioned quarry machinery segment. This has resulted a profit before tax of RM0.61 million as compared to a loss before tax of RM0.57 million in the previous quarter ended 31 August 2016.

B3. Prospects

The Board remain optimistic with the future prospects of SCH Group and sees various opportunities that the Group are able to capitalise to maintain its growth trajectory. On the domestic front, the quarrying and construction industries remain a key contributor to the Group's overall revenue. The construction industry and ongoing infrastructure projects are expected to boost the demand for quarry products which in turn drive the demand for the quarry machinery and equipment market.

Based on the foregoing, the Board remains optimistic and positive on the Group's performance for the financial year ended 2017.

B4. Profit forecast

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

B5. Taxation

	Individual Quarter Ended		Cumulative Quarter Ended	
	30 Nov 2016 RM'000	30 Nov 2015 RM'000	30 Nov 2016 RM'000	30 Nov 2015 RM'000
Income tax expense				
- Current financial period	229	451	229	451
- (Over) provision in prior year	-	-	-	-
	229	451	229	451
Deferred tax				
- Current financial period	-	-	-	-
- (Over) provision in prior year	-	-	-	-
Total tax expense	229	451	229	451

The applicable income tax rate is 24% except for the Group's subsidiary company Italiaworld Pte Ltd and Sin Chee Heng (Cambodia) Company Limited which is calculated at the statutory rate of 17% based on Singapore tax rate and 20% based Cambodia tax rate respectively. The Group's effective tax rate is higher than the statutory rate of 24% mainly due to the non-deductibility of certain expenses for tax purposes.

B6. Status of corporate proposals announced

The Company had on 15 August 2016 proposed the following corporate exercise:

(a) Proposed bonus issue of 206,117,010 free detachable warrants 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) Proposed 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) Proposed amendments to the Company's Memorandum of Association to facilitate the implementation of the proposed increase in authorised share capital.

(Collectively, referred to as the "Proposals")

The above corporate 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.

B7. Borrowings

The Group's borrowings were as follows:-

	As at 30 Nov 2016 RM'000	As at 31 Aug 2016 RM'000
Secured		
Bank overdraft	1,352	2,352
Bill payables	1,755	1,162
Hire purchases	219	240
Foreign currency loans against import	4,728	4,662
Total bank borrowings	**8,054**	**8,416**
Short Term		
Bank overdraft	1,352	2,352
Bill payables	1,755	1,162
Hire purchases	82	82
Foreign currency loans against import	4,728	4,662
	7,917	8,258
Long Term		
Hire purchases	137	158

B8. Changes in material litigation

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

B9. Dividend

No dividend was proposed for the financial quarter.

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B10. Earnings per share

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

	Individual Quarter ended		Cumulative Quarter ended	
	30 Nov 2016 RM'000	30 Nov 2015 RM'000	30 Nov 2016 RM'000	30 Nov 2015 RM'000
Profit attributable to ordinary equity holders of the Group	384	1,214	384	1,214
Weighted average number of ordinary shares in issue (000)	412,234	412,234	412,234	412,234
Basic earnings per share (sen)	0.09	0.29	0.09	0.29

B11. Retained and unrealised profits/losses

	As at 30 Nov 2016 RM'000	As at 31 Aug 2016 RM'000
Total retained earnings of the Group		
- Realised	34,122	33,619
- Unrealised	127	246
	34,249	33,865
Add: Consolidated adjustments	896	896
Total retained profits as per statement of financial position	**35,145**	**34,761**

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

	Quarter ended 30 Nov 2016 RM'000	Year-to-date ended 30 Nov 2016 RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Depreciation of property plant and equipment	249	249
Interest expenses	87	87
Interest income	(58)	(58)
Realised foreign exchange loss	75	75

B13. Comparative figures

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

BY ORDER OF THE BOARD
23 January 2017