



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

**Interim Financial Report
For the Third (3rd) Quarter ended
31 May 2017**

SCH GROUP BERHAD (972700-P)**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD (3rd) QUARTER ENDED 31 MAY 2017**

	<-- Individual Quarter -->		←- Cumulative Quarter -->	
	Unaudited 31 May 2017 RM'000	Unaudited 31 May 2016 RM'000	Unaudited 31 May 2017 RM'000	Unaudited 31 May 2016 RM'000
Revenue	15,101	9,866	31,803	29,123
Cost of Sales	(11,561)	(5,929)	(21,696)	(17,492)
Gross Profit	3,540	3,937	10,107	11,631
Other operating income	269	155	569	492
Administrative expenses	(2,342)	(2,587)	(7,436)	(7,510)
Selling and distribution expenses	(396)	(476)	(1,281)	(1,480)
Finance costs	(96)	(81)	(292)	(248)
Profit before taxation	975	948	1,667	2,885
Taxation	(260)	(221)	(508)	(840)
Profit after taxation	715	727	1,159	2,045
Other comprehensive income/(loss) after tax:				
Exchange translation differences for foreign operations	(32)	(14)	89	(2)
Total comprehensive income for the financial period	683	713	1,248	2,043
PAT ATTRIBUTABLE TO:				
- Owners of the company	715	727	1,159	2,045
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the company	683	713	1,248	2,043
Weighted average no. of ordinary shares ('000)	412,235	412,234	412,235	412,234
Earnings per share attributable to owners of the company (sen):				
- Basic	0.17	0.18	0.28	0.50
- Diluted	0.12	0.18	0.19	0.50

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.

SCH GROUP BERHAD (972700-P)**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2017**

	Unaudited As at 31 May 2017 RM'000	Audited As at 31 Aug 2016 RM'000
ASSETS		
NON-CURRENT ASSET		
Property, plant and equipment	22,466	21,453
CURRENT ASSETS		
Inventories	24,819	27,242
Trade receivables	18,380	13,141
Other receivables, prepayments and deposits	2,630	1,617
Tax recoverable	2,277	1,760
Fixed deposit with a licensed bank	7,174	7,888
Cash and bank balances	2,785	2,919
TOTAL CURRENT ASSETS	58,065	54,567
TOTAL ASSETS	80,531	76,020
EQUITY AND LIABILITIES		
EQUITY		
Share capital	41,224	41,223
Share premium	10,906	10,906
Merger deficit reserve	(24,515)	(24,515)
Foreign currency translation reserves	294	205
Retained earnings	35,920	34,761
TOTAL EQUITY	63,829	62,580
CURRENT LIABILITIES		
Trade payables	6,344	2,244
Other payables	889	2,619
Amount owing to directors	19	19
Hire purchase payables	122	82
Bank borrowings	6,148	8,176
Tax payable	40	15
	13,562	13,155

SCH GROUP BERHAD (972700-P)**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2017 (Cont'd)**

	Unaudited As at 31 May 2017 RM'000	Audited As at 31 Aug 2016 RM'000
NON CURRENT LIABILITIES		
Hire purchase payables	231	158
Term loan	2,782	-
Deferred tax liabilities	127	127
	3,140	285
TOTAL LIABILITIES	16,702	13,440
TOTAL EQUITY AND LIABILITIES	80,531	76,020
NET ASSET PER SHARE (sen)	15.48	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.

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD (3rd) QUARTER ENDED 31 MAY 2017

		←----- 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					1,159	1,159
Other comprehensive income for the financial period				89		89
Total comprehensive income for the financial period				89	1,159	1,248
Conversion of warrants to shares	1					1
Dividends					-	-
Balance as at 31 May 2017	41,224	10,906	(24,515)	294	35,920	63,829

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					2,045	2,045
Other comprehensive income for the financial period				(2)		(2)
Total comprehensive income for the financial period				(2)	2,045	2,043
Dividends					(2,061)	(2,061)
Balance as at 31 May 2016	41,223	10,906	(24,515)	203	36,616	64,433

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.

SCH GROUP BERHAD (972700-P)**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD (3rd) QUARTER ENDED 31 MAY 2017**

	Unaudited 9 months ended 31 May 2017 RM'000	Unaudited 9 months ended 31 May 2016 RM'000
Cash Flows From Operating Activities		
Profit before taxation	1,667	2,885
Adjustment for:		
Bad debts written off	6	9
Depreciation of property, plant and equipment	720	763
Interest expenses	292	248
Property, plant and equipment written off	-	164
Interest income	(205)	(262)
Gain on disposal of property, plant and equipment	(82)	(53)
Operating profit before working capital changes	2,398	3,754
Changes in working capital:		
Inventories	2,423	(431)
Trade and other receivables	(6,257)	3,934
Trade and other payables	3,811	(1,149)
	(23)	2,354
Cash generated from operations	2,375	6,108
Interest received	205	262
Interest paid	(292)	(248)
Tax refund	118	-
Tax paid	(1,116)	(2,018)
Exchange differences	84	(2)
	(1,001)	(2,006)
Net cash from operating activities	1,374	4,102
Cash Flow From Investing Activities		
Purchase of property, plant and equipment	(1,540)	(115)
Payment for capital work-in-progress	-	(4,715)
Proceeds from disposal of property, plant and equipment	82	53
Net cash used in investing activities	(1,458)	(4,777)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3rd) QUARTER ENDED 31 MAY 2017 (Con't)

	Unaudited 9 months ended 31 May 2017 RM'000	Unaudited 9 months ended 31 May 2016 RM'000
Cash Flow From Financing Activities		
Proceeds from issuance of shares	* (1)	-
(Repayment)/Drawdown of foreign currency loans	(209)	6,040
Drawdown of term loan	2,963	-
Net repayment of hire purchase payables	(74)	(1,166)
Changes on bankers' acceptance & trust receipts	352	(6,897)
(Increase)/Decrease in fixed deposits pledged	(57)	1,125
Dividend paid	(1,443)	(2,061)
Net cash from/(used in) financing activities	1,532	(2,959)
Net increase/(decrease) in cash and cash equivalents	1,448	(3,634)
Cash and cash equivalents at beginning of the financial year	6,015	11,908
Cash and cash equivalents at end of the financial period	7,463	8,274
Cash and cash equivalents at end of the financial period comprises:		
- Fixed deposits placed with a licensed banks	7,174	7,965
- Cash and bank balances	2,785	2,767
- Bank overdraft	-	(38)
	9,959	10,694
Less: Fixed deposits pledged with licensed banks	(2,496)	(2,240)
	7,463	8,274

Note:

(1) Amount represent less than RM1,000

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 31 MAY 2017****A1. Basis of preparation**

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

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 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 July 2017
Amendments to MFRS 107	
- Statement of Cash Flows - Disclosure Initiative	1 July 2017
Annual Improvements to MFRSs 2014-2016 Cycle	
- MFRS 12, Disclosure of Interests in Other Entities	1 July 2017
MFRS 15 – Revenue from Contracts with Customers	1 July 2018
Annual Improvements to MFRSs 2014-2016 Cycle	
- MFRS 1, First time Adoption of MFRSs	
- MFRS 128, Investments in Associates & Joint Venture	1 July 2018
Amendments to MFRS 2	
- Classification and measurement of share-based payment transactions	1 July 2018
Amendments to MFRS 140	
- Transfer of Investment Property	1 July 2018
MFRS 9 – Financial Instruments (MFRS 9 issued by IASB in July 2014)	1 July 2018
MFRS 16 - Leases	1 July 2019
Amendments to MFRS 10 and MFRS 128 – Sale of Contribution of Assets between an Investor and its Associate of Joint Venture	To be announced

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 31 May 2017 and financial period-to-date.

A6. Debt and equity securities

For the current financial quarter ended 31 May 2017, there is no change in equity.

	No. of shares issued (units)
Issued and paid-up share capital As at 28 February 2017	412,235,520
Changes:	
Conversion of warrants to shares	-
Issued and paid-up share capital As at 31 May 2017	<u>412,235,520</u>

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A7. Segmental information

The Group's revenue was derived from five (5) main business segments, namely the following:-

	Individual Quarter Ended		Cumulative Quarter Ended	
	31 May 2017	31 May 2016	31 May 2017	31 May 2016
Quarry industrial products	5,078	5,717	14,063	14,496
Quarry machinery, quarry equipment and reconditioned quarry machinery	2,208	1,288	4,705	5,877
Spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery	1,224	1,928	4,728	6,114
Manufacturing and distribution of quarry grill	918	933	2,634	2,636
Asphalt mixing plant (batch & drum mix)	5,673	-	5,673	-
Total	15,101	9,866	31,803	29,123

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

A8. Dividend Paid

No dividend was paid during the current quarter under review.

A9. Valuation of property, plant and equipment

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

A10. Capital commitments

The capital commitments of the Group as at 31 May 2017 were as follows:-

	RM'000
Authorised and contracted for:	
- Capital expenditure on the new operational facility	1,117

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 31 May 2017, the Company has provided corporate guarantees amounting to RM54.13 million to various financial institutions for banking facilities granted to certain subsidiary companies.

A13. Material events subsequent to the end of the quarter

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

A14. Related party transactions

Transaction with companies in which Directors have interest for the period ended 31 May 2017 was as follows:-

	Current Quarter ended 31 May 2017 RM'000	Cumulative Quarter ended 31 May 2017 RM'000
Transportation charges paid	1	3
Sale of industrial products and spare parts	51	51
	<u>52</u>	<u>54</u>

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

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B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS**B1. Review of performance****Q3/2017 compared to Q3/2016**

For the current financial quarter ended 31 May 2017, the Group recorded revenue of RM15.10 million as compared to RM9.87 million in the corresponding quarter of last year, an increase of RM5.23 million or 52.99%. The higher revenue recorded was due to the sale of an asphalt mixing plant to a customer in the northern region and higher sales of machinery.

The Group achieved a profit before tax of RM0.98 million for the quarter under review as compared to a profit before tax of RM0.95 million in the comparable quarter of last year.

9 MTHS/2017 compared to 9 MTHS/2016

For the nine (9) months ended 31 May 2017, the Group's revenue has increased by 9.20% to RM31.80 million as compared to RM29.12 million in the previous year corresponding period. The higher revenue recorded was mainly due to the sale of asphalt mixing plant, a new business segment that the Company recently embarked on.

For the same period under review, the Group achieved profit before tax of RM1.67 million, a decrease of 42.21% as compared to RM2.89 million in the previous year corresponding period. The lower profit before tax recorded was due to lower profit margin for the period under review.

B2. Comparison with immediate preceding quarter's results

	<----- Quarter ended ---->		
	31 May 2017	28 Feb 2017	Variance
	RM'000	RM'000	RM'000
Revenue	15,101	8,335	6,766
Profit before tax	975	80	895

The Group's revenue for the third financial quarter ended 31 May 2017 increased by RM6.76 million or 81.06% to RM15.10 million as compared to RM8.34 million in the preceding financial quarter ended 28 February 2017. The higher profit before tax was mainly due to the sale of an asphalt mixing plant and higher sales of machinery.

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. 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.

B4. Profit forecast

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

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B5. Taxation

The taxation figures are as follows:

	Current Quarter Ended		Cumulative Quarter Ended	
	31 May 2017	31 May 2016	31 May 2017	31 May 2016
	RM'000	RM'000	RM'000	RM'000
Income tax expense				
- Current financial period	346	313	594	932
- (Over) provision in prior year	(86)	(92)	(86)	(92)
	<u>260</u>	<u>221</u>	<u>508</u>	<u>840</u>

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

B6. Status of corporate proposals announced

- a) A total of 206,117,010 free warrants were issued on the 5 December 2016 and listed on the ACE Market of Bursa Malaysia Securities Berhad on 8 December 2016 with a 5 year exercise/conversion period at a price of RM0.10. The maturity date for the free warrants is on the 4 December 2021. As at to-date a total of 1,500 warrants have been converted into shares. The proceeds have been deposited into SCH Warrant-A account.

As at to-date, the outstanding unexercised warrant is 206,115,510.

- b) On 17 May 2017, the Company ("SCH") entered into three (3) separate memorandum of understanding with Sewara Engineering Sdn Bhd ("SESB") ("MOU-I"); Stigma Impiana Sdn Bhd ("SISB") ("MOU-II"); and Dataran 888 Sdn Bhd ("D8SB") ("MOU-III") (collectively, MOU-I, MOU-II and MOU-III are known as MOU) in relation to the collaboration on the excavation, removal, distribution and sale of the deposits from the retention ponds respectively.

A definitive agreement will be entered upon the completion of a feasibility study on the viability of the Collaboration Project. As at to-date, the feasibility study is still ongoing.

B7. Borrowings

The Group's borrowings were as follows:-

	As at 31 May 2017 RM'000	As at 31 Aug 2016 RM'000
Secured		
Bank overdraft	-	2,352
Bill payables	1,514	1,162
Hire purchases	353	240
Foreign currency loans against import	4,453	4,662
Term loan	2,963	-
Total bank borrowings	9,283	8,416
Short Term		
Bank overdraft	-	2,352
Bill payables	1,514	1,162
Hire purchases	122	82
Foreign currency loans against import	4,453	4,662
Term loan	181	-
	6,270	8,258
Long Term		
Hire purchases	231	158
Term loan	2,782	-
	3,013	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 current financial quarter.

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B10. Earnings per share

a) Basic

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

	Individual Quarter ended		Cumulative Quarter ended	
	31 May 2017 RM'000	31 May 2016 RM'000	31 May 2017 RM'000	31 May 2016 RM'000
Profit attributable to ordinary equity holders of the Group	715	727	1,159	2,045
Weighted average number of ordinary shares in issue (000)	412,235	412,234	412,235	412,234
Basic earnings per share (sen)	0.17	0.18	0.28	0.50

b) Diluted

	Individual Quarter ended		Cumulative Quarter ended	
	31 May 2017 RM'000	31 May 2016 RM'000	31 May 2017 RM'000	31 May 2016 RM'000
Profit attributable to ordinary equity holders of the Group	715	727	1,159	2,045
Weighted average number of ordinary shares in issue (000)	412,235	412,234	412,235	412,234
Adjustment for dilutive effect on conversion of warrants (000)	206,116	-	206,116	-
Total	618,351	412,234	618,351	412,234
Diluted earnings per share (sen)	0.12	0.18	0.19	0.50

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B11. Retained and unrealised profits/losses

	As at 31 May 2017 RM'000	As at 31 Aug 2016 RM'000
Total retained earnings of the Group		
- Realised	34,897	33,619
- Unrealised	127	246
	35,024	33,865
Add: Consolidated adjustments	896	896
Total retained profits as per statement of financial position	35,920	34,761

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

	Quarter ended 31 May 2017 RM'000	Year-to- date ended 31 May 2017 RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Bad debts written off	6	6
Depreciation of property plant and equipment	234	720
Interest expenses	96	292
Interest income	(81)	(205)
Gain on disposal of property, plant and equipment	(82)	(82)
Realised foreign exchange loss	19	417

B13. Comparative figures

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

BY ORDER OF THE BOARD
25 July 2017