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Date: 20 DEC 2013

The Board of Directors
SCH Group Berhad
Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Dear Sirs,

SCH GROUP BERHAD ("SCH" OR "COMPANY")
ACCOUNTANTS' REPORT

1. INTRODUCTION

This report has been prepared by UHY, Malaysia, an international accounting firm of chartered accountants registered in Malaysia and an approved company auditor, for inclusion in the Prospectus of SCH in connection with the listing of and quotation for the enlarged issued and paid-up share capital of SCH on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing"). Details of the listing scheme are disclosed in Section 2 of this report.

2. DETAILS OF THE ACQUISITIONS AND LISTING SCHEME

2.1 Acquisitions

In preparation for the listing of the Company on the ACE Market of 8ursa Securities, SCH have undertaken the Acquisitions. Under the Acquisitions, the Company had entered into four (4) sale and purchase agreements to acquire the entire equity interest in SCH Corporation, Italiaworld, SCHWM and SCHME.

2.1.1 Acquisition of SCH Corporation

Pursuant to the sale and purchase agreement dated 3 January 2013 entered into between SCH and the vendors of SCH Corporation, being Lau Mong Ling, Wong Sin Chin and Yeen Yoon Hin, SCH acquired SCH Corporation's entire issued and paid-up share capital of RM7,880,002 comprising 7,880,002 ordinary shares of RM1.00 each for a total purchase consideration of RM23,556,900, which was wholly satisfied by the issuance of 235,569,000 new Shares at an issue price of RM0.10 per Share on 11 November 2013. Immediately thereafter, SCH Corporation became a wholly-owned subsidiary of SCH.

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2. DETAILS OF THE ACQUISITIONS AND LISTING SCHEME (CONT'D)

2.1 Acquisition (Cont'd)

2.1.1 Acquisition of SCH Corporation (Cont'd)

The purchase consideration of SCH Corporation of RM23,556,900 was arrived at a willing-buyer willing-seller basis, after taking into consideration the audited consolidated net assets ("NA") position of SCH Corporation as at 31 August 2012 of RM23,556,869.

2.1.2 Acquisition of Italiaworld

Pursuant to the sale and purchase agreement dated 3 January 2013 entered into between SCH and the vendors of Italiaworld, being Lau Mong Ling, Wong Sin Chin and Yeen Yoon Hin, SCH acquired Italiaworld's entire issued and paid-up share capital of SGD100,000 comprising 100,000 ordinary shares for a total purchase consideration of RM895,600, which was wholly satisfied by the issuance of 8,956,000 new Shares at an issue price of RM0.10 per Share on 11 November 2013. Immediately thereafter, Italiaworld become a wholly-owned subsidiary of SCH.

The purchase consideration of Italiaworld of RM895,600 was arrived at a willing-buyer willing-seller basis, after taking into consideration the audited NA position of Italiaworld as at 31 August 2012 of SGD359,528 (equivalent to RM895,512).

2.1.3 Acquisition of SCWM

Pursuant to the sale and purchase agreement dated 3 January 2013 entered into between SCH and the vendors of SCHWM, being Lau Mong Ling, Wong Sin Chin, Yeen Yoon Hin, Au Yong Sau Kuen and Wong Sang @ Wong Hock Lim, SCH acquired SCHWM's entire issued and paid-up share capital of RM500,000 comprising 500,000 ordinary shares of RM1.00 each for a total purchase consideration of RM2,070,200, which was wholly satisfied by the issuance of 20,702,000 new Shares at an issue price of RM0.10 per Share on 11 November 2013. Immediately thereafter, SCHWM became a wholly-owned subsidiary of SCH.

The purchase consideration of SCHWM of RM2,070,200 was arrived at a willing-buyer willing-seller basis, after taking into consideration the audited NA position of SCHWM as at 31 August 2012 of RM2,070,194.

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2. DETAILS OF THE ACQUISITIONS AND LISTING SCHEME (CONT'D)

2.1 Acquisition (Cont'd)

2.1.4 Acquisition of SCHME

Pursuant to the sale and purchase agreement dated 3 January 2013 entered into between SCH and the vendors of SCHME, being Lau Mong Ling, Wong Sin Chin, Yeen Yoon Hin and Lim Lee Pooi, SCH acquired SCHME's entire issued and paid-up share capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each for a purchase consideration of RM5,631,500, which was wholly satisfied by the issuance of 56,31S,000 new Shares at an issue price of RM0.10 per Share on 11 November 2013. Immediately thereafter, SCHME became a wholly-owned subsidiary of SCH.

The purchase consideration of SCHME of RMS,631,S00 was arrived at a willing-buyer willing-seller basis, after taking into consideration the audited NA position of SCHME as at 31 August 2012 of RMS,631,4S8.

The new Shares issued pursuant to the Acquisitions shall rank pari passu in all respects with the existing issued Shares including the voting rights and will be entitled to all rights and dividends and other distributions, the entitlement date of which are subsequent thereof.

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2. DETAILS OF THE ACQUISITIONS AND LISTING SCHEME (CONT'D)

2.2 Listing Scheme

In conjunction with, and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of the Company on the ACE Market of Bursa Securities, the details of the Listing Scheme are as follows:-

(a) Public Issue

Pursuant to the Public Issue, the Company shall issue 90,692,000 new Shares ("Issue Share") at an issue price of RM0.23 per Share ("IPO Price") to be allocated in the following manner:-

(i) 13,000,000 Issue Shares will be made available for application by the Malaysian Public, to be allocated via ballot;

(ii) 13,000,000 Issue Shares made available to the eligible Directors, employees and business associates/persons who have contributed to the success of the Group;

(iii) 19,662,000 new shares by way of private placement to selected investors; and

(iv) 45,030,000 new shares by way of private placement to identified Bumiputera investors approved by the Ministry of International Trade and Industry

The Issue Shares shall rank *pari passu* in all respects with the existing issued Shares including the voting rights and will be entitled to all rights and dividends and other distributions, the entitlement date of which are subsequent thereof.

Upon completion of the Public Issue, the issued and paid-up share capital will increase from RM32,154,202 comprising 321,542,020 Shares to RM41,223,402 comprising 412,234,020 Shares.

(b) Offer for Sale

Concurrent with the Listing, the Company will undertake an offer for sale of 32,980,000 Shares ("Offer Shares") at the IPO Price. The Offerors are offering for sale 32,980,000 Offer Shares, representing approximately 8.0% of the enlarged issued and paid-up share capital to selected investors. The Offer Shares are payable in full on application upon such terms and conditions as set out in this Prospectus.

(c) Listing

Upon completion of the IPO, the Company's entire enlarged issued and paid-up share capital of RM41,223,402 comprising 412,234,020 Shares shall be listed on the ACE Market of Bursa Securities.

(Collectively known as the "Listing Scheme")

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3. BACKGROUND INFORMATION

3.1 Background

SCH was incorporated on 22 December 2011 as an investment holding with a paid-up share capital of RM2.00. On 31 January 2012, SCH had undertaken a share split whereby 2 ordinary shares of RM1.00 each were sub-divided into 20 ordinary shares of RM0.10 each.

The background of its subsidiaries is as follows:-

Company	Date of Incorporation	Authorised Share Capital (RM)	Issued and Paid-up Share Capital (RM)	Equity Interest %	Principal Activities
Direct holding:					
SCH Corporation Sdn Bhd ("SCH Corporation")	13/01/1993	25,000,000	7,880,002	100	Investment holding company
SCH Wire-Mesh Manufacturing Sdn Bhd ("SCHWM")	05/03/1999	500,000	500,000	100	Manufacturing and distribution of quarry grill
SCH Machinery & Equipment Sdn Bhd ("SCHME")	17/08/2006	500,000	400,000	100	Supplying and distributing of quarry machinery, quarry equipment and reconditioned quarry machinery as well as spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery to the quarry industry
Italiaworld Pte Ltd ("Italiaworld")	29/04/2000	239,370 (SGD100,000)	239,370 (SGD100,000)	100	Supplying and distributing of all kinds of quarry industrial products to the quarry industry in the South East Asia region mainly Singapore and Indonesia
Indirect holding:					
Subsidiaries of SCH Corporation					
Sin Chee Heng Sdn Bhd ("SCHSB")	09/09/1983	10,000,000	6,000,000	100	Supplying and distributing of all kinds of quarry industrial products and quarry machinery in the central region of peninsular Malaysia



3. BACKGROUND INFORMATION (CONT'D)

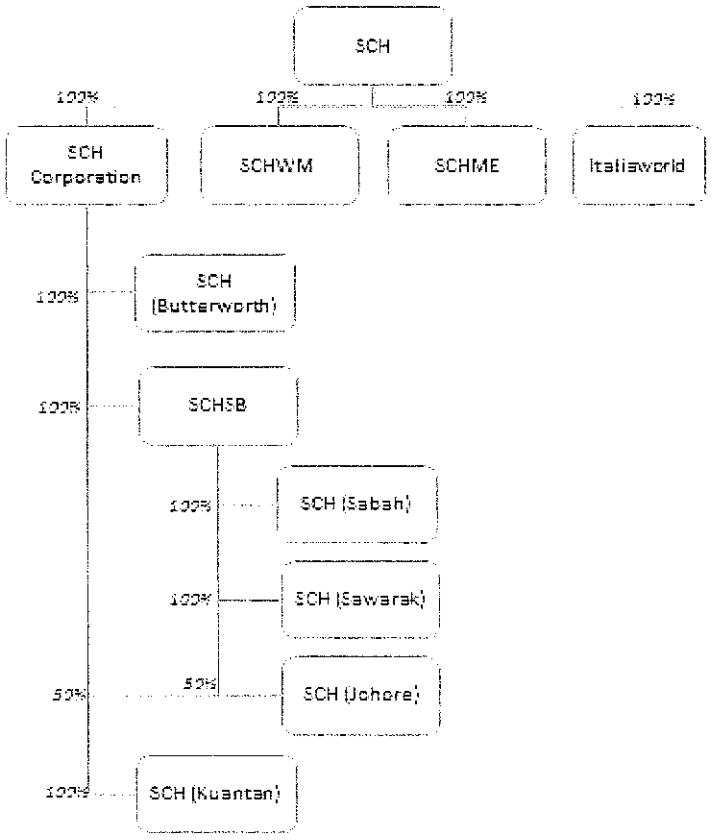
3.1 Background (Cont'd)

Company	Date of Incorporation	Authorised Share Capital (RM)	Issued and Paid-up Share Capital (RM)	Equity Interest %	Principal Activities
Indirect holding: Subsidiaries of SCH Corporation					
Sin Chee Heng (Butterworth) Sdn Bhd ("SCH (Butterworth)")	27/07/1983	500,000	500,000	100	Distributing of all kinds of quarry industrial products to the quarry industry in the northern region of peninsular Malaysia
Sin Chee Heng (Kuantan) Sdn Bhd ("SCH (Kuantan)")	22/11/1993	500,000	100,000	100	Distributing of all kinds of quarry industrial products to the quarry industry in the eastern region of peninsular Malaysia
Sin Chee Heng (Johore) Sdn Bhd ("SCH (Johore)")	18/11/1992	500,000	300,000	100	Distributing of all kinds of quarry industrial products to the quarry industry in the southern region of peninsular Malaysia
Subsidiaries of SCHSB					
Sin Chee Heng (Sabah) Sdn Bhd ("SCH (Sabah)")	15/11/1991	500,000	300,005	100	Distributing of all kinds of quarry industrial products to the quarry industry in the north east of east Malaysia
Sin Chee Heng (Sarawak) Sdn Bhd ("SCH (Sarawak)")	12/05/1997	500,000	300,000	100	Distributing of all kinds of quarry industrial products to the quarry industry in the north west of east Malaysia

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4. GROUP STRUCTURE

The corporate structure of SCH Group upon listing is as follows:-



Notes:-

* Collectively known as the "SCH Corporation Group"

^ Collectively known as the "SCH Group" or "the Group"

\# The substantial shareholders of SCH (Johore) is SCH Corporation and SCHSB, holding 150,000 shares or 50% equity interest each in SCH (Johore).

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5. RELEVANT FINANCIAL PERIODS AND AUDITORS

The relevant financial periods of the audited financial statements presented for the purpose of this report ("Relevant Financial Periods") and the auditors of SCH Group for the Relevant Financial Periods are set out below:-

Companies/Relevant Financial Periods	Auditor	Auditor's Report
SCH Group Berhad		
FYE 31 August 2013 ("FYE 2013")	UHY	Appendix I
FPE 31 August 2012 ("FPE 2012")	UHY	Appendix II
SCH Corporation Group		
FYE 2013	UHY	Appendix III
FYE 31 August 2012 ("FYE 2012")	UHY	Appendix IV
FYE 31 August 2011 ("FYE 2011")	UHY	Appendix V
FYE 31 August 2010 ("FYE 2010")	RW William	Appendix VI
Italiaworld		
FYE 2013	UHY Diong, Singapore	Appendix VII
FYE 2012	UHY Diong, Singapore	Appendix VIII
FYE 2011	UHY Diong, Singapore	Appendix IX
FYE 2010	Patrick Kan & Co	Appendix X
SCHWM		
FYE 2013	UHY	Appendix XI
FYE 2012	UHY	Appendix XII
FYE 2011	UHY	Appendix XIII
FYE 2010	RW William	Appendix XIV
SCHME		
FYE 2013	UHY	Appendix XV
FYE 2012	UHY	Appendix XVI
FYE 2011	UHY	Appendix XVII
FYE 2010	RW William	Appendix XVIII

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6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

This report is prepared on a basis consistent with the accounting policies adopted by SCH Group as disclosed in Section 6.1 of this report.

6.1 Basis of Preparation and Significant Accounting Policies

(a) Statement of Compliance

The report of the Group has been prepared on the historical cost convention except as disclosed in the notes to this report and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the Companies Act, 1965 in Malaysia.

In the previous years, the report of the Group was prepared in accordance with Financial Reporting Standards ("FRSs"). This is the Group's first report prepared in accordance with MFRSs and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

The transition to MFRSs does not have financial impact to the financial statements of the Group.

The Group has not applied the following MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group:

		Effective dates for financial periods beginning on or after
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119 (2011)	Employee Benefits	1 January 2013
MFRS 127 (2011)	Separate Financial Statements	1 January 2013
MFRS 128 (2011)	Investments in Associates and Joint Ventures	1 January 2013
MFRS 3	Business Combinations (IFRS 3 issued by IASB in March 2004)	1 January 2013
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)	1 January 2013
Amendments to MFRS 1	Government Loans	1 January 2013
Amendments to MFRS 7	Disclosure - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRSs 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

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6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Basis of Preparation and Significant Accounting Policies (Cont'd)

(a) Statement of Compliance (Cont'd)

		Effective dates for financial periods beginning on or after
IC Interpretation 20	Stripping Costs in the Production of A Surface Mine	1 January 2013
Amendments to MFRSs contained in the document entitled "Annual Improvements 2009 – 2011 Cycle"		1 January 2013
Amendment to MFRSs 10, 12 and 127	Investment Entities	1 January 2014
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9 (IFRS 9 (2009))	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
MFRS 9 (IFRS 9 (2010))	Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015

The initial application of the standards which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior period's report upon the first adoption.

The possible financial impacts of initial application of MFRSs, which will be applied retrospectively is as follows:

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 (2009)) replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on classification and measurement of financial asset. MFRS 9 requires financial asset to be measured at fair value or amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

MFRS 9 (IFRS 9 (2010)) includes the requirements for the classification and measurement of financial liabilities and for derecognition. Measurement for financial liability designated as at fair value through profit or loss, requires the amount of change in the fair value of the financial liability, that is attributable to the change of credit risk of that liability to be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the cumulative gain or loss may be transferred within equity.

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6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Basis of Preparation and Significant Accounting Policies (Cont'd)

(a) Statement of Compliance (Cont'd)

MFRS 9 Financial Instruments(Cont'd)

Under MFRS 139, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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.

MFRS 10 Consolidated Financial Statements

MFRS 10 replaces all the guidance on control and consolidation in MFRS 127 Consolidated and Separate Financial Statements and IC Interpretation 112 Consolidation-Special Purpose Entities.

MFRS 10 changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidation financial statements.

The adoption of MFRS 10 may lead to consolidation of entities that were previously not included in the Group. The Group is currently examining the financial impact of application of MFRS 10.

MFRS 13 Fair Value Measurement

MFRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. The definition of fair value under this standard emphasises the principle that fair value is a market-based measurement, not an entity specific measurement.

The adoption of MFRS 13 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 13.

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6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Basis of Preparation and Significant Accounting Policies (Cont'd)

(a) Statement of Compliance (Cont'd)

MFRS 119 Employee Benefits (2011)

This revised MFRS 119 will supersede the existing MFRS 119 when effective. This new standard makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. Past service costs, whether unvested or already vested, are recognised immediately in the profit or loss as incurred and the annual defined benefit costs in the profit or loss will include net interest expense/income on the defined benefit asset/liability.

The adoption of MFRS 119 (2011) will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 119 (2011).

The initial applications of other MFRSs are not expected to have any material financial impacts on this report of the Group.

(b) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

This report is presented in Ringgit Malaysia (RM), which is the Group's functional currency.

(c) Significant Accounting Estimates and Judgements

The summary of accounting policies is essential to understand the Group's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's accounting policies.

Estimates and assumptions concerning the future and judgements are made in the preparation of the report. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

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6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Basis of Preparation and Significant Accounting Policies (Cont'd)

(c) Significant Accounting Estimates and Judgements (Cont'd)

The key assumptions concerning the future and other key sources of estimation or 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 financial year are set out below.

Useful lives of property, plant and equipment

Management estimates the useful lives of the property, plant and equipment to be within 3 to 50 years and reviews the useful lives of depreciable assets at end of each reporting period. At 31 August 2013 management assesses that the useful lives represent the expected utilisation of the assets to the Group. Actual results, however, may vary due to change in the business plan and strategies, expected level of usage and technological developments, resulting in the adjustment to the Group's assets. 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.

Impairment of investment in subsidiaries

The carrying values of investment in subsidiaries and the related goodwill are reviewed for impairment. In the determination of the value in use of the investment, the Group is required to estimate the expected cash flows to be generated by the subsidiary companies and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of loans and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a financial asset 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 receivables 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 of assets with similar credit risk characteristics.

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6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Basis of Preparation and Significant Accounting Policies (Cont'd)

(c) Significant Accounting Estimates and Judgements (Cont'd)

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Income taxes

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expense in determining tax base allowances and deductibility of certain expense in determining the Group wide provision of income taxes. The Group recognises liabilities for expected tax issues bases on estimates or 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 financial year in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the 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.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

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6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Basis of Preparation and Significant Accounting Policies (Cont'd)

(d) Basic of Consolidation

(i) Subsidiaries

Subsidiary companies are those companies in which the Group has long term equity interest and has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights.

Investment in subsidiary companies is stated at cost less any impairment losses in the Company's statement of financial position, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

Upon the disposal of investment in a subsidiary company, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

(ii) Consolidation

If the Group loses control of a subsidiary, the assets and liabilities of the subsidiary 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 the consolidated statements of comprehensive income.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the Group. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combination and its share of changes in the subsidiary's equity since the date of combination.

Changes in the Company's owner's ownership in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary company. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parents.

All earnings and losses of the subsidiary company are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholder's equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

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6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Basis of Preparation and Significant Accounting Policies (Cont'd)

(d) Basic of Consolidation (Cont'd)

(ii) Consolidation (Cont'd)

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

(e) 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 6.1(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.

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.

(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 statement of comprehensive income as incurred.

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6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Basis of Preparation and Significant Accounting Policies (Cont'd)

(e) Property, Plant and Equipment (Cont'd)

(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. Freehold land is not depreciated.

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 – 13 years
Motor vehicles	5 years
Office equipment	8 - 10 years
Plant and machinery	3 - 9 years
Renovation	10 years
Mould and blocks	5 years
Signboard	10 years
Tools and equipment	8-9 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.

(f) Investment in subsidiaries and associates

Investment in subsidiaries and associates are stated at cost less accumulated impairment, if any. The policy of recognition and measurement of impairment losses is in accordance with Note 6.1(J).

On disposal of an investment, the difference between net proceeds and its carrying amount is recognised in the profit or loss.

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6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Basis of Preparation and Significant Accounting Policies (Cont'd)

(g) Inventories

Inventories are measured at the lower of cost and net realisable value after adequate impairment has been made for all deteriorated, damage, obsolete or slow-moving inventories.

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

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

(h) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances and deposit with bank 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.

(i) Financial assets

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

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

The Group classifies its financial assets depending on the purpose for which it was acquired at initial recognition into the following categories:

Loan 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 presented as current assets, except for those maturing later than 12 months after the end of the reporting period which are presented 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.

UHY

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Basis of Preparation and Significant Accounting Policies (Cont'd)

(i) Financial assets (Cont'd)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the end of the reporting period.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Regular way purchase or sale of financial assets

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 and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset.

Derecognition of financial assets

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

UHY

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Basis of Preparation and Significant Accounting Policies (Cont'd)

(j) Impairment of Assets

(i) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment loss is recognised immediately in profit or loss. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating units is the greater of its value in use and its fair value less costs to sell. 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.

Previously recognised impairment losses are assessed at the end of each reporting period whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's 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, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

(ii) Financial Assets

All financial assets, other than those at fair value through profit or loss, investment in subsidiary company and investment on associate company, 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.

UHY

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Basis of Preparation and Significant Accounting Policies (Cont'd)

(j) Impairment of Assets (Cont'd)

(ii) Financial Assets (Cont'd)

Financial Assets Carried at Amortised Cost (Cont'd)

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 the profit or loss.

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, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, the amount of impairment loss is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously. When a decline of fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss is reclassified from equity to profit or loss.

Impairment losses on available-for-sale equity investment that is carried at cost are not reversed in profit or loss in the subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss, if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

UHY

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Basis of Preparation and Significant Accounting Policies (Cont'd)

(k) Financial liabilities

Financial liabilities are recognised in the statement of financial position when, and only when the Group becomes a party to the contractual provisions of the financial instrument.

All financial liabilities are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method, other than those categorised as fair value through profit or loss. Changes in the carrying value of these liabilities are recognised in the profit or loss.

The Group has not designated any financial liabilities as at fair value through profit or loss.

The Group and the Company classifies its financial liabilities at initial recognition, into the following category

Other liabilities measured at amortised cost

Other financial liabilities are non-derivatives financial liabilities. The Group's other financial liabilities comprise trade and other payables and amounts due to Directors at borrowings. Other financial liabilities are classified as current liabilities; except for maturities more than 12 months after the end of the reporting period, in which case they are classified as non-current liabilities.

Other liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Derecognition

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting of Financial Instruments

A financial asset and financial liability are offset and the net amount reported in the statement 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.

UHY

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Basis of Preparation and Significant Accounting Policies (Cont'd)

(l) Share capital

Ordinary shares

An equity instrument is any contract that evidences a residual interest in the assets of the Group 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.

Dividends on ordinary shares are recognised in equity as appropriation of retained earnings and recognised as a liability in the period in which they are approved.

(m) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Good sold and services rendered

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) 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.

(iii) Interest income

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

(iv) Dividend income

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

UHY

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Basis of Preparation and Significant Accounting Policies (Cont'd)

(n) Employees benefits

(i) Short term employee benefits

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

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

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). 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.

(o) Leases

(i) Finance Lease

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

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

UHY

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Basis of Preparation and Significant Accounting Policies (Cont'd)

(o) Leases

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised in the statement of financial position of the Group.

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.

(p) 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.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the reporting period. 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 directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(q) Capital Work-In-Progress

Capital work-in-progress consists of expenditure incurred on construction of property, plant and equipment which takes a substantial period of time to be ready for their intended use.

Capital work-in-progress is stated at cost during the period of construction. No depreciation is provided on capital work-in-progress and upon completion of construction, the cost will be transferred to property, plant and equipment.

UHY

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Basis of Preparation and Significant Accounting Policies (Cont'd)

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When the borrowings are made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawndown from that borrowing facility.

When the borrowings are made generally, and used for the purpose of obtaining a qualifying asset, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the financial year.

All other borrowing costs are recognised as an expense in the statement of comprehensive income in the period in which they are incurred.

(s) Income Tax

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 statement 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.

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Basis of Preparation and Significant Accounting Policies (Cont'd)

(s) Income Tax (Cont'd)

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 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.

(t) Related parties

For the purpose of this report, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operation decision, or vice versa or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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7. FINANCIAL INFORMATION AND LIMITATION

The SCH Group shall only exist upon the completion of the Listing Scheme as detailed in Section 2 of this report, and hence, there are no consolidated financial statements prepared for SCH Group for the financial years under review. For the purpose of this report, only the audited financial statements of SCH Group Berhad, SCH Corporation Group in group level, Italiaworld, SCHWM and SCHME at company level were presented and modified appropriately as stated in Section 8.

The scope of work conducted in the preparation of this report does not itself, constitute an audit in accordance with the approved standards on auditing in Malaysia. Except where otherwise explicitly stated, information contained in this report has not been independently verified by us. In preparing this report, we have relied upon information and representations given to us by Directors, officers, and employees of SCH Group and sought explanations for apparent discrepancies, if any.

UHY has not audited all the financial statements contained in this report. The information contained in this report has been compiled from the financial statements of SCH Group Berhad, SCH Corporation Group, Italiaworld, SCHWM and SCHME which were reported on by their respective auditors without any qualification.

Other than for inclusion in the prospectus, our report should not be used for any other purpose including issuance to any third parties or included in any document to be circulated to third parties without our prior written approval.

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8. AUDITED FINANCIAL STATEMENTS

8.1 Financial Statements of SCH Group Berhad

SCH was only incorporated on 22 December 2011. We set out below the financial statement of SCH which include statement of comprehensive income, statement of financial position, statement for changes in equity and consolidated statement of cash flows for the nine (9) months Financial Period Ended ("FPE") 2012 and Financial Year Ended ("FYE") 2013.

8.1.1 Statements of Comprehensive Income

	Note	FPE 2012 RM	FYE 2013 RM
Revenue		-	-
Cost of sales		-	-
Gross profit ("GP")		-	-
Other income		6	8
Administration expenses		(10,143)	(4,524)
Loss before taxation ("LBT")	*8.2.1*	(10,137)	(4,516)
Income tax expense	*8.2.2*	-	-
Net loss for the financial period/year, representing total comprehensive income for the financial period/year		**(10,137)**	**(4,516)**
Key financial ratio:			
Losses before interest and taxation		(10,137)	(4,516)
Losses before interest, taxation and depreciation		(10,137)	(4,516)
GP margin (%)		N/A	N/A
LBT margin (%)		N/A	N/A
Loss after taxation ("LAT") margin (%)		N/A	N/A
Effective tax rate (%)		N/A	N/A
Gross losses per share (RM)	*(a)*	(507)	(226)
Net losses per share (RM)	*(b)*	(507)	(226)
Weighted average number of ordinary shares		20	20

Notes:

(a) The gross EPS is computed by dividing the PBT against the weighted average number of ordinary shares.

(b) The net EPS is computed by dividing the PAT against the weighted average number of ordinary shares.

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.1 Financial Statements of SCH Group Berhad (Cont'd)

8.1.2 Statements of Financial Position

	Note	As at 31 August 2012 RM	As at 31 August 2013 RM
ASSETS			
Current Assets			
Other receivables	*8.2.3*	17,000	320,876
Cash and bank balances		2,985	1,039
TOTAL ASSETS		**19,985**	**321,915**
EQUITY AND LIABILITIES			
Equity			
Share capital	*8.2.4*	2	2
Accumulated loss		(10,137)	(14,653)
Total Equity		(10,135)	(14,651)
Current Liability			
Other payables	*8.2.5*	30,120	336,566
Total Liabilities		30,120	336,566
TOTAL EQUITY AND LIABILITIES		**19,985**	**321,915**

8.1.3 Statements of Changes in Equity

	Share Capital RM	Accumulated Loss RM	Total RM
At date of incorporation	2	-	2
Net loss for the financial period, representing total comprehensive income for the financial period	-	(10,137)	(10,137)
At 31 August 2012	2	(10,137)	(10,135)
At 1 September 2012	2	(10,137)	(10,135)
Net loss for the financial year, representing total comprehensive income for the financial year	-	(4,516)	(4,516)
At 31 August 2013	2	(14,653)	(14,651)

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.1 Financial Statements of SCH Group Berhad (Cont'd)

8.1.4 Statements of Cash Flows

	FPE 2012 RM	FYE 2013 RM
Cash Flows From Operating Activities		
Loss before taxation	(10,137)	(4,516)
Adjustment for:		
Interest income	(6)	(8)
Operating loss before working capital changes	(10,143)	(4,524)
Changes in working capital:		
Other receivable	(17,000)	(303,876)
Other payables	30,120	306,446
	13,120	2,570
Cash generated from/(used in) operations	2,977	(1,954)
Interest received	6	8
Net cash from/(used in) operating activities	2,983	(1,946)
Net increase/(decrease) in cash and cash equivalents	2,983	(1,946)
Cash and cash equivalents at date of incorporation/beginning of the year	2	2,985
Cash and cash equivalents at end of the financial period/year	2,985	1,039
Cash and cash equivalents at end of financial period/year comprise:		
Cash and bank balances	2,985	1,039

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.2 Notes to the Financial Statements of SCH Group Berhad

8.2.1 Loss Before Taxation

Loss before taxation is derived after charging/(crediting):

	FPE 2012 RM	FYE 2013 RM
Auditors' remuneration	2,000	2,000
Incorporation fee	1,500	-
Interest income	(6)	(8)

8.2.2 Income Tax Expense

No provision for taxation for the financial period was made as SCH was in a tax loss position.

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of SCH is as follows:

	FPE 2012 RM	FYE 2013 RM
Loss before taxation	(10,137)	(4,516)
Taxation at statutory tax rate of 25% (2012:25%)	(2,534)	(1,100)
Expenses not deductible for tax purposes	2,534	1,100
Income tax expense for the financial period/year	-	-

8.2.3 Other Receivables

	As at 31 August 2012 RM	As at 31 August 2013 RM
Deferred expenditure	17,000	17,000
Prepayments	-	303,876
	17,000	320,876

Included in prepayments are prepaid listing expenses paid on behalf by a related party.

UHY

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.2 Notes to the Financial Statements of SCH Group Berhad (Cont'd)

8.2.4 Share Capital

	As at 31 August 2012		As at 31 August 2013	
	Number of shares	RM	Number of shares	RM
Authorised:				
At date of incorporation/At beginning of the year	100,000	100,000	1,000,000	100,000
Share split	900,000	-	-	-
Ordinary shares of RM0.10 each at end of the financial period/year	1,000,000	100,000	1,000,000	100,000
Issued and fully paid:				
At date of incorporation/At beginning of the year	2	2	20	2
Share split	18	-	-	-
Ordinary shares of RM0.10 each at end of the financial period/year	20	2	20	2

The holder of ordinary shares is entitled to receive dividends as and when declared by SCH. All ordinary shares carry one vote per share without restrictions and rank equally with regard to SCH's residual asset.

At the date of incorporation, SCH issued 2 ordinary shares of RM1.00 each as subscribers' shares.

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

The new ordinary shares issued during the financial period ranked pari passu in all respects with the existing ordinary shares of the SCH.

8.2.5 Other Payables

	As at 31 August 2012 RM	As at 31 August 2013 RM
Other payable	25,600	334,354
Accruals	4,520	2,212
	30,120	336,566

Included in the other payable is an amount of RM334,354 (2012: RM25,600) owing to SCH in which certain Directors of the SCH have significant financial interest.

UHY

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.2 Notes to the Financial Statements of SCH Group Berhad (Cont'd)

8.2.6 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 6 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 financial liabilities in the statement of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loan and receivables RM	Financial liabilities at amortised cost RM	Total RM
2012			
Financial assets			
Other receivable	17,000	-	17,000
Cash and bank balances	2,985	-	2,985
Total financial assets	19,985	-	19,985
Financial liability			
Other payables	-	30,120	30,120
Total financial liability	-	30,120	30,120
2013			
Financial assets			
Other receivable	320,876	-	320,876
Cash and bank balances	1,039	-	1,039
Total financial assets	321,915	-	321,915
Financial liability			
Other payables	-	336,566	336,566
Total financial liability	-	336,566	336,566

(b) Financial risk management objectives and policies

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

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

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.2 Notes to the Financial Statements of SCH Group Berhad (Cont'd)

8.2.6 Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk

Financial assets that are primarily exposed to credit risks are receivables and cash and bank balances.

Credit risk is the risk of a financial loss to SCH if a customer or counterparty to a financial instrument fails to meet its contractual obligations. SCH's exposure to credit risk arises principally from the inability of its customers to make payments when due.

SCH has adopted a policy of only 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 via SCH's management reporting procedures and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statement of financial position at the end of the reporting period represents SCH's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk.

(ii) Liquidity risk

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

SCH's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. SCH is dependent on its shareholders for appropriate financial support to enable it to meet its obligations as and when they fall due.

All of SCH's liabilities at the reporting date mature within a year or repayable on demand.

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.2 Notes to the Financial Statements of SCH Group Berhad (Cont'd)

8.2.6 Financial Instruments (Cont'd)

(c) Market risks

(i) Foreign currency exchange risk

SCH's expose to foreign currency exchange risk is minimal.

(ii) Interest rate risk

SCH's exposure to interest rate risk is minimal.

(d) Fair values of financial assets and financial liabilities

Financial instruments at fair value

As the financial assets and liabilities of SCH are not carried at fair value by any valuation method, the fair value hierarchy analysis is not presented.

Financial instrument other than those carried at fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

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

8.2.7 Capital Management

SCH has yet to commence its business operations and relies solely on financial support from its shareholders to meet its financial obligations.

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

SCH is not subject to any externally imposed capital requirements.

UHY

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.2 Notes to the Financial Statements of SCH Group Berhad (Cont'd)

8.2.8 Related Party Disclosures

(a) Identity of related parties

For the purposes of these financial statements, parties are considered to be related to SCH if SCH has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where SCH and the party are subject to common control or common significant influence. 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 SCH either directly or indirectly. The key management personnel include all the Directors of SCH and certain members of senior management of SCH.

SCH has related party relationship with a Directors' related party.

(b) Information regarding outstanding balances arising from related parties transactions is disclosed in Notes 8.2.3 and 8.2.5.

(c) SCH does not have any key management personnel compensation during the financial year.

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.3 Financial Statements of SCH Corporation Group

We set out below the consolidated financial statements of SCH Corporation Group which includes its consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement for changes in equity and consolidated statement of cash flows for the four (4) FYE 2010 to FYE 2013.

8.3.1 Consolidated Statements of Comprehensive Income

		<---------- FYE 31 August ---------->			
		2010	2011	2012	2013
	Note	RM	RM	RM	RM
Revenue	*8.4.1*	32,742,555	45,051,385	55,016,490	60,370,256
Cost of sales		(24,890,070)	(33,864,138)	(41,313,022)	(45,287,395)
GP		7,852,485	11,187,247	13,703,468	15,082,861
Other income		935,062	865,224	604,134	542,893
Administration expenses		(5,844,852)	(6,117,582)	(6,919,762)	(7,472,158)
Finance costs	*8.4.2*	(468,938)	(737,043)	(793,054)	(719,292)
Profit before taxation ("P8T")	*8.4.3*	2,473,757	5,197,846	6,594,786	7,434,304
Taxation	*8.4.4*	(917,712)	(1,376,273)	(1,887,270)	(2,169,318)
Net profit for the financial year, representing total comprehensive income for the financial year		1,556,045	3,821,573	4,707,516	5,264,986
Net profit for the financial year attributable to:					
Equity holders of the parent		1,551,565	3,821,573	4,707,516	5,264,986
Non-controlling interest		4,480	-	-	-
		1,556,045	3,821,573	4,707,516	5,264,986
Key financial ratio:					
Earnings before interest and taxation		2,942,695	5,934,889	7,387,840	8,153,596
Earnings before interest, taxation and depreciation		3,721,524	6,778,847	8,154,802	8,963,680
GP margin (%)	*(a)*	23.98	24.83	24.91	24.98
P8T margin (%)		7.56	11.54	11.99	12.31
Profit after taxation ("PAT") margin (%)		4.75	8.48	8.56	8.72
Effective tax rate (%)		37.10	26.48	28.62	29.18
Gross earnings per share ("EPS") (RM)	*(b)*	0.31	0.66	0.84	0.94
Net EPS (RM)	*(c)*	0.20	0.48	0.60	0.67
Weighted average number of ordinary shares		7,880,002	7,880,002	7,880,002	7,880,002

Notes:

(a) The GP margin is computed by dividing the GP against the revenue earned in the respective financial years.

(b) The gross EPS is computed by dividing the PBT against the weighted average number of ordinary shares.

(c) The net EPS is computed by dividing the PAT against the weighted average number of ordinary shares.

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.3 Financial Statements of SCH Corporation Group (Cont'd)

8.3.2 Consolidated Statements of Financial Position

		<---------- As at 31 August ---------->			
	Note	**2010**	**2011**	**2012**	**2013**
		RM	**RM**	**RM**	**RM**
ASSETS					
Non-Current Assets					
Property, plant and equipment	*8.4.5*	12,325,809	12,057,920	11,753,448	12,070,652
Capital work-in-progress	*8.4.6*	-	-	-	94,485
Other investments	*8.4.7*	1,772,000	1,172,000	112,000	-
Deferred tax assets	*8.4.17*	-	-	98,291	-
		14,097,809	13,229,920	11,963,739	12,165,137
Current Assets					
Inventories	*8.4.8*	10,415,181	12,032,571	15,392,473	19,472,882
Trade receivables	*8.4.9*	13,150,885	13,938,024	19,316,472	17,709,882
Other receivables	*8.4.10*	1,202,880	1,038,861	1,965,709	3,633,273
Amount owing by Directors	*8.4.11*	279,394	279,394	-	-
Tax recoverable		43,969	62,587	62,339	116,795
Fixed deposit with a licensed bank	*8.4.12*	-	200,800	200,800	200,800
Cash and bank balances		548,442	2,437,629	1,587,721	1,881,060
		25,640,751	29,989,866	38,525,514	43,014,692
TOTAL ASSETS		39,738,560	43,219,786	50,489,253	55,179,829
EQUITY AND LIABILITY					
Equity					
Share capital	*8.4.13*	7,880,002	7,880,002	7,880,002	7,880,002
Merger deficit	*8.4.14*	(1,380,000)	(1,380,000)	(1,380,000)	(1,380,000)
Retained profits		12,337,778	12,349,351	17,056,867	22,321,853
Total Equity		18,837,780	18,849,353	23,556,869	28,821,855
Non-Current Liabilities					
Hire purchase payables	*8.4.15*	758,742	937,516	1,066,570	1,497,109
Bank borrowings	*8.4.16*	3,596,289	4,329,006	3,203,958	2,744,636
Deferred tax liabilities	*8.4.17*	206,875	17,767	-	65,600
		4,561,906	5,284,289	4,270,528	4,307,345

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.3 Financial Statements of SCH Corporation Group (Cont'd)

8.3.2 Consolidated Statements of Financial Position (Cont'd)

		<----------As at 31 August ---------->			
	Note	**2010**	**2011**	**2012**	**2013**
		RM	**RM**	**RM**	**RM**
Current Liabilities					
Trade payables	*8.4.18*	9,714,637	11,581,090	11,594,227	12,028,900
Other payables	*8.4.19*	836,631	801,383	710,272	1,470,697
Amount owing to Directors	*8.4.11*	66,000	139,917	76,524	-
Hire purchase payables	*8.4.15*	530,627	360,393	385,261	557,811
Lease payables	*8.4.20*	35,123	-	-	-
8ank borrowings	*8.4.16*	5,061,613	5,627,296	9,534,549	7,868,642
Tax payable		94,243	576,065	361,023	124,579
		16,338,874	19,086,144	22,661,856	22,050,629
Total Liabilities		20,900,780	24,370,433	26,932,384	26,357,974
TOTAL EQUITY AND LIABILITY		39,738,560	43,219,786	50,489,253	55,179,829

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.3 Financial Statements of SCH Corporation Group (Cont'd)

8.3.3 Statements of Changes in Equity

		Attributable to Equity Holders of the Parent					
		Non-Distributable		Distributable			
	Note	Share Capital RM	Merger Deficit RM	Retained Profits RM	Total Equity RM	Non-Controlling Interests RM	Total Equity RM
At 1 September 2009		7,880,002	(1,380,000)	10,786,213	17,286,215	242,043	17,528,258
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	1,551,565	1,551,565	4,480	1,556,045
Acquisition of interest from non-controlling interest		-	-	-	-	(246,523)	(246,523)
At 31 August 2010		7,880,002	(1,380,000)	12,337,778	18,837,780	-	18,837,780
At 1 September 2010		7,880,002	(1,380,000)	12,337,778	18,837,780	-	18,837,780
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	3,821,573	3,821,573	-	3,821,573
Dividend paid	*8.4.21*	-	-	(3,810,000)	(3,810,000)	-	(3,810,000)
At 31 August 2011		7,880,002	(1,380,000)	12,349,351	18,849,353	-	18,849,353
At 1 September 2011		7,880,002	(1,380,000)	12,349,351	18,849,353	-	18,849,353
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	4,707,516	4,707,516	-	4,707,516
At 31 August 2012		7,880,002	(1,380,000)	17,056,867	23,556,869	-	23,556,869
At 1 September 2012		7,880,002	(1,380,000)	17,056,867	23,556,869	-	23,556,869
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	5,264,986	5,264,986	-	5,264,986
At 31 August 2013		7,880,002	(1,380,000)	22,321,853	28,821,855	-	28,821,855

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.3 Financial Statements of SCH Corporation Group (Cont'd)

8.3.4 Statements of Cash Flows

	<----------FYE 31 August ---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Cash Flows from Operating Activities				
Profit before taxation	2,473,757	5,197,846	6,594,786	7,434,304
Adjustments for:				
Inventories written off	-	5,087	-	12,225
8ad debts written off	35,531	392,776	-	70,149
Deposit written off	-	8,368	-	-
Other investment written off	-	-	-	112,000
Depreciation of property, plant and equipment	778,829	843,958	766,962	810,084
Gain on disposal of other investments	(5,003)	(58,210)	(208,047)	-
Loss/(Gain) on disposal of property, plant and equipment	285,934	(4,635)	(108,570)	(255,986)
Impairment on trade receivables	192,228	-	55,587	46,224
Interest expenses	468,938	737,043	793,054	719,292
Interest income	-	(3,188)	(4,288)	(775)
Negative goodwill expensed	*(50,523)	-	-	
Property, plant and equipment written off	2,277	1,816	6,908	2,940
Reversal of impairment on trade receivables	(632,387)	(359,787)	(148,980)	(45,588)
Waiver of debts by director	-	(15,000)	-	-
Operating profit before working capital changes	3,549,581	6,746,074	7,747,412	8,904,869
(Increase)/Decrease in working capital				
Inventories	(3,721,229)	(1,622,477)	(3,359,902)	(3,237,768)
Trade receivables	1,855,483	(820,128)	(5,285,055)	1,535,805
Other receivables	(148,132)	155,651	(926,848)	(1,667,564)
Trade payables	2,568,861	1,866,453	13,137	434,673
Other payables	(178,103)	(47,484)	(91,111)	760,425
Amount owing (to)/by directors	(72,000)	88,917	216,001	(76,524)
	(99,748)	(379,068)	(9,433,778)	(2,250,953)
Cash generated from/(used in) operations	3,854,461	6,367,006	(1,686,366)	6,653,916

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.3 Financial Statements of SCH Corporation Group (Cont'd)

8.3.4 Statements of Cash Flows (Cont'd)

	<----------FYE 31 August ---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Interest received	-	3,188	4,288	775
Interest paid	(468,938)	(737,043)	(793,054)	(719,292)
Tax refund	3,672	475	7,186	61,022
Tax paid	(1,033,586)	(1,090,416)	(2,225,308)	(2,357,349)
	(1,498,852)	(1,823,796)	(3,006,888)	(3,014,844)
Net cash from/(used in) operating activities	2,355,609	4,543,210	(4,693,254)	3,639,072
Cash Flows From Investing Activities				
Purchase of property, plant and equipment	(968,017)	(93,450)	(204,364)	(439,381)
Capital work – in- progress incurred	-	-	-	(94,485)
Purchase of other investments	(1,900,000)	-	-	-
Proceeds from disposal of property, plant and equipment	316,000	91,000	463,236	433,249
Proceeds from disposal of other investments	1,605,003	658,210	1,268,047	-
Additional investment in subsidiary companies	(196,000)	-	-	-
Net cash (used in)/from investing activities	(1,143,014)	655,760	1,526,919	(100,617)
Cash Flows From Financing Activities				
Dividend paid	-	(3,810,000)	-	-
Drawdown of term loans	-	1,294,000	-	-
Repayment of term loans	(182,694)	(1,059,235)	(755,548)	(554,008)
Repayment of hire purchase and lease payables	(615,474)	(597,383)	(465,778)	(1,119,887)
(Decrease)/ increase in bankers' acceptance and trust receipt	(1,932,770)	2,321,468	2,804,532	(838,000)
Increase in fixed deposit pledged	-	(200,800)	-	
Net cash (used in)/from financing activities	(2,730,938)	(2,051,950)	1,583,206	(2,511,895)

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.3 Financial Statements of SCH Corporation Group (Cont'd)

8.3.4 Statements of Cash Flows (Cont'd)

	<----------FYE 31 August ---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Net (decrease)/increase in cash and cash equivalents	(1,518,343)	3,147,020	(1,583,129)	1,026,560
Cash and cash equivalents at beginning of the financial year	808,952	(709,391)	2,437,629	854,500
Cash and cash equivalents at end of the financial year	(709,391)	2,437,629	854,500	1,881,060
Cash and cash equivalents at end of the financial year comprises:				
Cash and bank balances	548,442	2,437,629	1,587,721	1,881,060
Fixed deposits with licensed banks	-	200,800	200,800	200,800
8ank overdrafts	(1,257,833)	-	(733,221)	-
	(709,391)	2,638,429	1,055,300	2,081,860
Less: Fixed deposits pledged to licensed banks	-	(200,800)	(200,800)	(200,800)
	(709,391)	2,437,629	854,500	1,881,060

Note:-

* *The negative goodwill arose from the acquisition of the minority interest of 6.67% and 10.0% from SCH Sabah and SCH Sarawak respectively on 6 May 2010. The negative goodwill is illustrate as below:-*

	SCH Sabah	***SCH Sarawak***	***Total***
	RM	***RM***	***RM***
Cost of Investment	*160,000*	*36,000*	*196,000*
Less			
Share Capital	*20,001*	*30,000*	*50,001*
Retained Earning	*165,775*	*30,747*	*196,522*
Negative Goodwill	***(25,776)***	***(24,747)***	***(50,523)***

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group

8.4.1 Revenue

	<----------FYE 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Sales of goods and services	32,742,555	45,051,385	55,016,490	60,370,256
	32,742,555	45,051,385	55,016,490	60,370,256

8.4.2 Finance Costs

	<----------FYE 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Interest expenses on:				
Bank overdrafts	63,672	66,186	72,931	38,022
Bankers' acceptances	192,100	236,039	373,684	317,805
Commitment fee	987	993	1,201	7,677
Finance lease	5,580	1,861	-	-
Hire purchases	72,331	65,533	73,774	129,180
Term loans	134,268	366,431	271,464	229,608
	468,938	737,043	793,054	719,292

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.3 Profit before Tax

Profit before taxation is derived after charging/(crediting):

	<----------FYE 31 August---------->			
	2010 RM	**2011 RM**	**2012 RM**	**2013 RM**
Auditors' remuneration				
-Current year	35,300	38,500	38,500	64,000
-Under provision in prior year	-	-	-	32,100
Bad debts recovered	(107,311)	-	-	-
Bad debts written off	35,531	392,776	-	70,149
Bank interest income	-	(3,188)	(4,288)	(775)
Deposit written off	-	8,368	-	-
Depreciation of property, plant and equipment	778,829	843,958	766,962	810,084
Directors' remuneration				
- Fees	36,000	36,000	-	-
- Salary & other emoluments	684,588	583,800	864,000	864,100
- EPF	75,744	67,872	164,160	164,160
Loss/(Gain) on disposal of property, plant and equipment	285,934	(4,635)	(108,570)	(255,986)
Loss/(Gain) on foreign exchange				
- realised	3,105	123	(2,771)	(399,943)
Gain on disposal of other investment	(5,003)	(58,210)	(208,047)	-
Inventories written off	-	5,087	-	12,225
Investment written off	-	-	-	112,000
Impairment on trade receivables	192,228	-	55,587	46,224
Negative goodwill expensed	(50,523)	-	-	-
Property, plant and equipment written off	2,277	1,816	6,908	2,940
Rental income				
- related parties	(72,000)	(72,000)	(72,000)	(72,000)
- third parties	(272,044)	(117,776)	(8,550)	(5,600)
Rental for staff accommodation	9,108	-	-	-
Rental of motor vehicles	-	-	6,465	25,860
Rental of premises	39,000	39,600	199,425	189,850
Reversal of impairment on trade receivables	(632,387)	(359,787)	(148,980)	(45,588)
Waiver of debts by Directors	-	(15,000)	-	-

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.4 Taxation

	<----------FYE 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Current income tax:				
Current year provision	844,133	1,548,059	1,994,294	2,091,800
(Over)/under provision in prior years	(1,598)	17,322	9,034	(86,373)
	842,535	1,565,381	2,003,328	2,005,427
Deferred tax:				
Relating to origination and reversal of temporary differences	75,177	(23,064)	(116,058)	43,500
(Over)/Under provision in prior years	-	(166,044)	-	120,391
	75,177	(189,108)	(116,058)	163,891
Tax expense for the financial year	917,712	1,376,273	1,887,270	2,169,318

Income tax is calculated at the statutory tax rate of 25% of the estimated assessable profit for the financial years under review. The effective tax rate of 37.1%, 26.48%, 28.62% and 29.18% for FYE 2010, FYE 2011, FYE 2012 and FYE 2013 respectively is higher than the statutory tax rate due to certain expenses not deductable for tax purposes.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of SCH Corporation Group is as follows:

	<----------FYE 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Profit before taxation	2,473,757	5,197,846	6,594,786	7,434,304
Taxation at statutory tax rate of 25%	618,439	1,299,462	1,648,697	1,858,576
Expenses not deductible for tax purposes	314,361	1,164,496	255,745	234,524
Income not subject to tax	(33,802)	(990,644)	(13,350)	-
Deferred tax assets not recognised	63,373	55,172	-	42,200
Utilisation of previously unrecognised tax losses and capital allowances	(43,061)	(3,491)	(12,856)	-
(Over)/Under provision of income tax in prior year	(1,598)	17,322	9,034	(86,373)
(Over)/Under provision for prior year deferred taxation	-	(166,044)	-	120,391
Tax expense for the financial year	917,712	1,376,273	1,887,270	2,169,318

SCH Corporation Group has elected to single tier company income tax system on 5 August 2011.

SHC Corporation Group has unutilised tax losses and unabsorbed capital allowances amounting to approximately RM351,000 (2012:RM252,400;2011:RM381,200,2010:RM236,837) and RM278,300 (2012:RM208,100;2011:RM164,200,2010:RM136,065) available for carry forward to set off against future taxable profits. The said amounts are subject to approval by the tax authorities.

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.5 Property, Plant and Equipment

	At cost									
	Freehold land and building RM	Freehold land and building RM	Leasehold land and building RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Plant and machinery RM	Renovation RM	Tools and equipment RM	Total RM
2013										
Cost										
At 1 September 2012	446,200	4,844,291	5,952,923	184,547	3,940,922	343,958	225,424	322,495	7,826	16,268,586
Additions	-	-	-	219	1,239,825	61,372	3,675	-	2,400	1,307,491
Disposals	-	-	(130,000)	-	(460,422)	-	(55,000)	-	-	(645,422)
Written off	-	-	-	(250)	(42,774)	(27,481)	-	-	-	70,505
At 31 August 2013	446,200	4,844,291	5,822,923	184,516	4,677,551	377,849	174,099	322,495	10,226	16,860,150
Accumulated Depreciation										
At 1 September 2012	68,724	717,056	430,055	136,434	2,424,562	217,372	213,375	301,187	6,373	4,515,138
Charge for the financial year	3,124	72,645	65,317	7,143	619,621	32,244	5,417	4,234	339	810,084
Disposals	-	-	(7,222)	-	(405,938)	-	(54,999)	-	-	(468,159)
Written off	-	-	-	(249)	(42,773)	(24,543)	-	-	-	(67,565)
At 31 August 2013	71,848	789,701	488,150	143,328	2,595,472	225,073	163,793	305,421	6,712	4,789,498
Carrying Amount										
At 31 August 2013	374,352	4,054,590	5,334,773	41,188	2,082,079	152,776	10,306	17,074	3,514	12,070,652

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.5 Property, Plant and Equipment

	At cost									
	Freehold land and building RM	Freehold land and building RM	Leasehold land and building RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Plant and machinery RM	Renovation RM	Tools and equipment RM	Total RM
2012										
Cost										
At 1 September 2011	446,200	4,844,291	5,952,923	183,417	4,069,247	327,905	861,733	322,495	7,826	17,016,037
Additions	-	-	-	2,970	761,330	57,564	2,200	-	-	824,064
Disposals	-	-	-	-	(889,655)	(880)	(569,077)	-	-	(1,459,612)
Written off	-	-	-	(1,840)	-	(40,631)	(69,432)	-	-	(111,903)
At 31 August 2012	446,200	4,844,291	5,952,923	184,547	3,940,922	343,958	225,424	322,495	7,826	16,268,586
Accumulated Depreciation										
At 1 September 2011	65,600	644,411	364,080	130,601	2,607,338	224,027	619,110	296,955	5,995	4,958,117
Charge for the financial year	3,124	72,645	65,975	7,513	579,845	28,109	5,141	4,232	378	766,962
Disposals	-	-	-	-	(762,621)	(879)	(341,446)	-	-	(1,104,946)
Written off	-	-	-	(1,680)	-	(33,885)	(69,430)	-	-	(104,995)
At 31 August 2012	68,724	717,056	430,055	136,434	2,424,562	217,372	213,375	301,187	6,373	4,515,138
Carrying Amount										
At 31 August 2012	377,476	4,127,235	5,522,868	48,113	1,516,360	126,586	12,049	21,308	1,453	11,753,448

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.5 Property, Plant and Equipment (Cont'd)

	At cost									
	Freehold land and building RM	Freehold land and building RM	Leasehold land and building RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Plant and machinery RM	Renovation RM	Tools and equipment RM	Total RM
2011										
Cost										
At 1 September 2010	446,200	4,863,291	6,023,923	188,785	3,491,816	334,613	927,968	319,042	8,184	16,603,822
Additions	-	-	-	1,035	652,033	11,182	-	-	-	664,250
Disposals	-	-	(90,000)	(500)	(74,602)	-	-	-	-	(165,102)
Written off	-	-	-	-	-	(20,868)	(66,065)	-	-	(86,933)
Reclassification	-	(19,000)	19,000	(5,903)	-	2,978	(170)	3,453	(358)	-
At 31 August 2011	446,200	4,844,291	5,952,923	183,417	4,069,247	327,905	861,733	322,495	7,826	17,016,037
Accumulated Depreciation										
At 1 September 2010	62,476	531,132	344,112	121,230	2,097,460	212,680	612,175	290,713	6,035	4,278,013
Charge for the financial year	3,124	72,645	65,984	8,099	586,876	27,423	73,167	6,245	395	843,958
Disposals	-	-	(3,636)	(500)	(74,601)	-	-	-	-	(78,737)
Written off	-	-	-	-	-	(19,053)	(66,064)	-	-	(85,117)
Reclassification	-	40,634	(42,380)	1,772	(2,397)	2,977	(168)	(3)	(435)	-
At 31 August 2011	65,600	644,411	364,080	130,601	2,607,338	224,027	619,110	296,955	5,995	4,958,117
Carrying Amount										
At 31 August 2011	380,600	4,199,880	5,588,843	52,816	1,461,909	103,878	242,623	25,540	1,831	12,057,920

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.5 Property, Plant and Equipment (Cont'd)

	At cost									
	Freehold land and building RM	Freehold land and building RM	Leasehold land and building RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Plant and machinery RM	Renovation RM	Tools and equipment RM	Total RM
2010										
Cost										
At 1 September 2009	446,200	5,037,291	1,900,890	185,609	2,822,815	324,954	1,545,818	300,072	7,534	12,571,183
Additions	-	-	4,392,192	3,176	704,841	22,488	5,700	18,970	650	5,148,017
Disposals	-	(174,000)	(269,159)	-	(35,840)	-	(621,550)	-	-	(1,100,549)
Written off	-	-	-	-	-	(12,829)	(2,000)	-	-	(14,829)
At 31 August 2010	446,200	4,863,291	6,023,923	188,785	3,491,816	334,613	927,968	319,042	8,184	16,603,822
Accumulated Depreciation										
At 1 September 2009	59,352	493,287	295,406	112,142	1,616,040	196,431	947,587	284,467	5,639	4,010,351
Charge for the financial year	3,124	72,645	66,202	9,088	517,259	28,061	75,808	6,246	396	778,829
Disposals	-	(34,800)	(17,496)	-	(35,839)	-	(410,480)	-	-	(498,615)
Written off	-	-	-	-	-	(11,812)	(740)	-	-	(12,552)
At 31 August 2010	62,476	531,132	344,112	121,230	2,097,460	212,680	612,175	290,713	6,035	4,278,013
Carrying amount										
At 31 August 2010	383,724	4,332,159	5,679,811	67,555	1,394,356	121,933	315,793	28,329	2,149	12,325,809

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.5 Property, Plant and Equipment (Cont'd)

(a) The carrying amount of property, plant and equipment acquired under hire purchase and lease arrangements are as follows: -

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Motor vehicles	1,282,432	1,398,921	1,411,237	1,416,651
Plant and machinery	295,920	-	-	-
	1,578,352	1,398,921	1,411,237	1.416,651

(b) The carrying amount of property, plant and equipment acquired under term loan is as follows: -

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Leasehold land and building	4,349,628	4,305,263	4,260,897	4,216,532
	4,349,628	4,305,263	4,260,897	4,216,532

(c) The carrying amount of property, plant and equipment of the SCH Corporation Group pledged to licensed banks as securities for credit facilities granted to the subsidiary companies as disclosed in Note 8.4.16 of this report are as follows: -

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Freehold land and building	4,341,649	4,272,800	3,826,475	3,760,751
Leasehold land and building	5,350,687	5,290,256	5,229,834	5,169,414
	9,692,336	9,563,056	9,056,309	8,930,165

(d) The aggregate additional cost for the property, plant and equipment of the SCH Corporation Group under hire purchase, term loan and cash payments are as follows: -

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Aggregate costs	5,148,017	664,250	824,064	1,307,491
Less: Hire purchase financing	(610,000)	(570,800)	(619,700)	(868,110)
Less: Term loan financing	(3,570,000)	-	-	-
Cash payments	968,017	93,450	204,364	439,381



8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.5 Property, Plant and Equipment (Cont'd)

(e) The freehold land and building of SCH Corporation Group with carrying amount of RM 374,352 (2012: RM377,476 ;2011: RM380,600; 2010: RM383,724) was revalued by the Directors based on open market value carried out by an independent firm of professional valuers on 10 September 1996.

Freehold land and building of SCH Corporation Group have not been revalued since they were first revolved in 1996. The Directors have not adopted a policy of regular revaluations of such assets and no later valuation has been recorded. As permitted under the transitional provisions of IAS16 (Revised). Property, plant and equipment, there assets continue to be stated at the 1996 valuation less accumulated depreciation.

(f) The remaining period of the leasehold land and buildings ranged from 62 to 910 years (2012: 63 to 911 years ;2011: 64 to 912 years; 2010: 65 to 913 years).

8.4.6 Capital Work-In-Progress

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
At 1 September	-	-	-	-
Additions	-	-	-	94,485
At 31 August	-	-	-	94,485

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

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.7 Other Investments

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
In Malaysia				
At cost				
Club membership				
At 1 September/31 August	112,000	112,000	112,000	112,000
Written off	-	-	-	(112,000)
	112,000	112,000	112,000	-
Unit trusts				
At 1 September	1,360,000	1,660,000	1,060,000	-
Additions	1,900,000	-	-	-
Disposals	(1,600,000)	(600,000)	(1,060,000)	-
At 31 August	1,660,000	1,060,000	-	-
	1,772,000	1,172,000	112,000	-
At market value				
Unit trusts				
At 31 August	1,749,627	1,239,689	-	-

8.4.8 Inventories

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
At cost:				
Finished goods	10,415,181	12,032,571	15,392,473	19,472,882

As at 31 August 2013, SCH Corporation Group had inventories written off amounted RM12,225 (2012:Nil, 2011:5,087 2010:Nil)

The cost of inventories of SCH Corporation Group recognised as an expense during the year was as follows:-

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Costs of Inventories	23,373,747	32,538,406	39,732,583	43,206,622

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.9 Trade Receivables

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Trade receivables				
- Related parties	5,230,847	4,902,718	3,723,400	1,398,447
- Third parties	8,549,658	9,305,139	15,769,512	16,488,511
	13,780,505	14,207,857	19,492,912	17,886,958
Less: Accumulated impairment	(629,620)	(269,833)	(176,440)	(177,076)
	13,150,885	13,938,024	19,316,472	17,709,882
Trade receivable turnover (days)*				
Third parties	122	89	102	112

Note:

* *Trade receivables turnover day is computed by dividing average trade receivables (third parties) over sales to third parties x 365 days*

Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

SCH Corporation Group's normal trade credit terms range from 150 days and 180 days for FYE 2010 to FYE 2013. Other credit terms are assessed and approved on a case by case basis.

Trade receivable turnover days for SCH Corporation Group reduced from 122 days in FYE 2010 to 89 days in FYE 2011 was mainly attributable to the increase in sales from the quarry machinery and quarry equipment and reconditioned quarry machinery where most of their customers utilised banking facilities to purchase.

Trade receivable turnover days for SCH Corporation Group increased from 89 days in FYE 2011 to 102 days in FYE 2012 was mainly due to higher billing issued toward the financial year end which also included two (2) units of brand new quarry machinery sold in July 2012 amounted to approximately RM1.73 million.

Trade receivable turnover days for SCH Corporation Group increased from 102 days in FYE 2012 to 112 days in FYE 2013 was mainly due to the sales of two (2) units of quarry machinery in FYE 2012 amounted to RM2.15 million to customer at a specific credit terms of two (2) to three (3) years. As at the 31 August 2013, approximately RM1.09 million of these specific trade receivables have been collected which represents 51% of the total sales of two (2) units of quarry machinery.

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.9 Trade Receivables (Cont'd)

Movements in impairment during the financial year are as follows: -

	<----------As at 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
At beginning of the year	1,069,779	629,620	269,833	176,440
Charge for the year	192,228	-	55,587	46,224
Reversal of impairment losses	(632,387)	(359,787)	(148,980)	(45,588)
At end of the year	629,620	269,833	176,440	177,076

Analysis of the trade receivables ageing are as follows:

	<----------As at 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Neither past due nor impaired	12,013,886	12,849,571	17,744,874	15,406,586
Past due less than 30 days not impaired	150,907	145,993	358,193	293,526
Past due for more than 31 to 60 days not impaired	226,398	158,122	138,136	224,086
Past due for more than 60 days not impaired	759,694	784,338	1,075,269	1,785,684
	13,150,885	13,938,024	19,316,472	17,709,882
Impaired	629,620	269,833	176,440	177,076
	13,780,505	14,207,857	19,492,912	17,886,958

As at 31 August 2013, trade receivables of RM17,709,882 (2012:RM19,316,472 2011:RM13,938,024, 2010:RM13,150,885) were past due but no impaired. Theses relate to a number of independent customers from whom there is no recent history of default.

The trade receivables of SCH Corporation Group that are individually assessed to be impaired amounting to RM177,076 (2012:RM176,440, 2011:RM269,833, 2010: RM629,620) respectively, related to customers that are in financial difficulties, have defaulted on payment and or have disputed on the billings. These balances are expected to be recovered through the debts recovery process.

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with SCH Corporation Group. None of SCH Corporation Group's trade receivables that neither past due nor impaired have been renegotiated during the financial year under review.

SCH Corporation Group has not made impairment on some of its past due receivables as the amount was mainly due from related parties within SCH Corporation Group and the Directors are of the view that the receivables are recoverable.



8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.10 Other Receivables

	<----------As at 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Other receivables				
- Related parties	332,799	726,230	1,199,670	1,937,402
- Third parties	679,324	49,008	74,130	932,021
	1,012,123	775,238	1,273,800	2,868,423
Deposits	111,166	254,004	141,038	127,038
Prepayments	79,591	9,619	550,871	637,812
	1,202,880	1,038,861	1,965,709	3,633,273

SCH Corporation Group has not recognised any impairment loss on receivables that are past due at the end of financial year, as there has not been significant change in credit quality and these amounts are still considered recoverable.

Other receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

Other receivables from related parties consisted of expenses paid on behalf of SCHWM, SCHME and Italiaworld.

Deposits mainly consisted of the deposits paid to acquire a vacant land amounting to RM4.39 million located at Lot No. 35 (PT No. 23677), Jalan 1/1, Kawasan Perusahaan Cheras Jaya, Balakong ("Land"). The acquisition of the Land was completed in April 2010.

Prepayment in FYE 2013 mainly consisted of the listing expense incurred in the year in relation to the Group's listing exercise.

8.4.11 Amount Owing by/ (to) Directors

These represent unsecured, interest free advances and repayment on demand. Subsequent to FYE 2013, there is no amount owing by directors as at Latest Practicable Date ("LPD").

8.4.12 Fixed Deposit with a Licensed Bank

The fixed deposit of SCH Corporation Group has been pledged with a licensed bank as security for credit facilities granted to the SCH Corporation Group as disclosed in Note 8.4.16 of this report.

The interest rate and maturity of the fixed deposit is 3.5% (2012: 3.15%; 2011: 3.15%; 2010: Nil) per annum and 365 days (2012: 365 days ;2011: 365 days; 2010: Nil) respectively.

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.13 Share Capital

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Ordinary shares of RM1.00 each				
Authorised	25,000,000	25,000,000	25,000,000	25,000,000
Issued and fully paid	7,880,002	7,880,002	7,880,002	7,880,002

The holder of ordinary shares is entitled to receive dividends as and when declared by SCH Corporation Group. All ordinary shares carry one vote per share without restrictions and rank equally with regard to SCH Corporation Group's residual asset.

8.4.14 Merger Deficit

The merger deficit arises from the difference between the nominal value of shares issued by SCH Corporation Group and the nominal value of shares of subsidiary companies acquired under the pooling of interests method of accounting.

8.4.15 Hire Purchase Payables

		<----------As at 31 August---------->			
		2010 RM	2011 RM	2012 RM	2013 RM
(a)	**Minimum hire purchase payments**				
	Within one year	586,174	418,417	455,770	674,695
	Between one and five years	781,836	1,017,450	1,145,151	1,614,102
	After five years	48,308	-	-	-
		1,416,318	1,435,867	1,600,921	2,288,797
	Less: Future finance charges	(126,949)	(137,958)	(149,090)	(233,877)
	Present value of hire purchase liabilities	1,289,369	1,297,909	1,451,831	2,054,920
(b)	**Present value of hire purchase liabilities**				
	Within one year	530,627	360,393	385,261	557,811
	8etween one and five years	711,076	937,516	1,066,570	1,497,109
	After five years	47,666	-	-	-
		1,289,369	1,297,909	1,451,831	2,054,920
	Analyse as:				
	Repayable within twelve months	530,627	360,393	385,261	557,811
	Repayable after twelve months	758,742	937,516	1,066,570	1,497,109
		1,289,369	1,297,909	1,451,831	2,054,920

The hire purchase liabilities interest is charged at rates ranging from 2.10% to 4.16% (2012: 2.40% to 3.90%; 2011: 2.33% to 3.90%; 2010: 4.40% to 7.80%) per annum.

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.16 Bank Borrowings

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Secured				
Bankers' acceptances	3,085,000	5,010,000	8,211,000	7,373,000
Bank overdrafts	1,257,833	-	733,221	-
Term loans	4,315,069	4,549,834	3,794,286	3,240,278
Trust receipts	-	396,468	-	-
	8,657,902	9,956,302	12,738,507	10,613,278
Analyse as:				
Repayable within twelve months				
Secured				
Bankers' acceptances	3,085,000	5,010,000	8,211,000	7,373,000
Bank overdrafts	1,257,833	-	733,221	-
Term loans	718,780	220,828	590,328	495,642
Trust receipts	-	396,468	-	-
	5,061,613	5,627,296	9,534,549	7,868,642
Repayable after twelve months				
Secured				
Term Loans	3,596,289	4,329,006	3,203,958	2,744,636
	8,657,902	9,956,302	12,738,507	10,613,278

The above credit facilities obtained from licensed banks are secured as follows: -

SCHSB

UOB Bank Berhad (Term Loan)

(a) First and second charges over land located at Lot No. 35, (PT 23677), Jalan 1/1, Kawasan Perusahaan Cheras Jaya, Balakong.

CIMB Bank Berhad (Multi-Option Line)

(a) General facility agreement for RM1 million;

(b) Fourth charge on PTD 44741, Mukim of Pulai, District of Johor Bahru;

(c) Upfront fixed deposits of RM200,000;

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.16 Bank Borrowings (Cont'd)

SCHSB (Cont'd)

CIMB Bank Berhad (Multi-Option Line)

(d) Joint and several guarantee for RM1 million by Mr. Lau Mong Ling, Mr. Wong Sin Chin and Mr. Yeen Yoon Hin; and

(e) Secured against existing fixed deposits.

Public Bank Berhad (Term Loan, Trade Lines)

(a) First party charge over 1 1/2 storey semi detached factory known as No. 3, Jalan Teras 3, Taman Industri Selesa Jaya, 43300 Seri Kembangan, Balakong, Selangor;

(b) First party charge over vacant land known as No. 5, Jalan Teras 3, Taman Industri Selesa Jaya, 43300 Seri Kembangan, Balakong, Selangor;

(c) First party charge over vacant land known as No. 7, Jalan Teras 3, Taman Industri Selesa Jaya, 43300 Seri Kembangan, Balakong, Selangor;

(d) Jointly and severally guaranteed by Mr. Lau Mong Ling, Mr. Wong Sin Chin and Mr. Yeen Yoon Hin; and

(e) Corporate guarantee by SCH Corporation.

SCH (Kuantan)

Standard Chartered Bank Malaysia Berhad (Term Loan)

(a) Joint and several guarantee for RM44S,000 by Mr. Lau Mong Ling, Mr. Wong Sin Chin and Mr. Yeen Yoon Hin;

(b) Corporate guarantee for RM44S,000 by SCH Corporation; and

(c) Guarantee cover by Credit Guarantee Corporation (M) Berhad is RM311,500.

Standard Chartered Bank Malaysia Berhad (Term Loan)

(a) Joint & several guarantee for RM349,000 by Mr. Lau Mong Ling and Mr. Wong Sin Chin;

(b) Corporate guarantee by SCH Corporation for RM349,000; and

Guarantee cover by Credit Guarantee Corporation (M) Berhad for RM244,300.

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.16 Bank Borrowings (Cont'd)

Maturity of bank borrowings is as follows: -

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Within one year	5,061,613	5,627,296	9,534,549	7,868,642
Between one and two years	101,769	245,799	482,829	427,691
Between two and three years	110,539	271,729	425,154	253,866
Between three and four years	120,079	274,805	235,412	240,818
Between four and five years	130,457	141,461	241,155	253,871
After five years	3,133,445	3,395,212	1,819,408	1,568,390
	8,657,902	9,956,302	12,738,507	10,613,278

Range of interest rates per annum during the financial year are as follows: -

	<----------As at 31 August---------->			
	2010 %	2011 %	2012 %	2013 %
Bankers' acceptances	3.70 - 5.05	3.60 - 4.69	3.60 - 4.69	3.62-4.42
Trust receipts	-	7.35- 7.60	-	-
Bank overdrafts	6.35	6.65	6.65	6.65
Term loans	8.30	4.60 - 8.60	4.60 - 8.60	4.60-8.60

8.4.17 Deferred Taxation

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
At beginning of the year	131,698	206,875	17,767	(98,291)
Recognised in statement of comprehensive income (Note 8.4.4)	75,177	(189,108)	(116,058)	163,891
At end of the year	206,875	17,767	(98,291)	65,600

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.17 Deferred Taxation (Cont'd)

The components and movements of deferred tax liability/ (assets) of SCH Corporation Group are as follows:-

	Accelerated capital allowances RM	Total RM
At 1 September 2009	131,698	131,698
Recognised in statement of comprehensive income	75,177	75,177
At 31 August 2010	206,875	206,875
At 1 September 2010	206,875	206,875
Recognised in statement of comprehensive income	(189,108)	(189,108)
At 31 August 2011	17,767	17,767
At 1 September 2011	17,767	17,767
Recognised in statement of comprehensive income	(116,058)	(116,058)
At 31 August 2012	(98,291)	(98,291)
At 1 September 2012	(98,291)	(98,291)
Recognised in statement of comprehensive income	163,891	163,891
At 31 August 2013	65,600	65,600

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

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Decelerated/(Accelerated) capital allowances	30,617	-	-	-
Unused tax losses	236,837	381,323	252,400	351,000
Unutilised capital allowances	136,065	164,246	208,100	278,300
	403,519	545,569	460,500	629,300

The unused tax losses and unutilised capital allowance are available indefinitely for offset against future taxable profits of SCH Corporation Group in which those items arose.

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.18 Trade Payables

	<----------As at 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Trade payables				
- Related parties	4,351,165	5,211,971	6,367,092	4,283,558
- Third parties	5,363,472	6,369,119	5,227,135	7,745,342
	9,714,637	11,581,090	11,594,227	12,028,900
Trade payables turnover (days)*				
- Third parties	116	91	80	77

Note:

* *Trade payables turnover day is computed by dividing average trade payables (third parties) over purchases from third parties x 365 days.*

SCH Corporation Group's turnover days for third parties are below SCH Corporation Group's normal trade credit terms granted ranging from 150 days and 180 days for FYE 2010 to FYE 2013. Other credit terms are assessed and approved on a case by case basis.

The trade payable turnover days for SCH Corporation Group reduced from 116 days in FYE 2010 to 77 days in FYE 2013 was mainly due to SCH Corporation Group utilised trade facilities from banks to purchase quarry machinery & quarry equipment.

8.4.19 Other Payables

	<----------As at 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Other payables	310,477	142,463	491,095	1,235,788
Accruals	349,554	361,895	175,929	171,661
Deposits	176,600	297,025	43,248	63,248
	836,631	801,383	710,272	1,470,697

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.20 Lease Payables

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
(a) Minimum lease payments				
Within one year	36,984	-	-	-
Between one and five years	-	-	-	-
	36,984	-	-	-
Less: Future finance charges	(1,861)	-	-	-
Present value of lease payables	35,123	-	-	-
(b) Present value of lease payables				
Within one year	35,123	-	-	-
Between one and five years	-	-	-	-
	35,123	-	-	-
Analyse as:				
Repayable within twelve months	35,123	-	-	-
Repayable after twelve months	-	-	-	-
	35,123	-	-	-

SCH Corporation Group's finance lease is fully settled in FYE 2011. The effective interest rate on the finance lease of SCH Corporation Group was ranging from 7.0% to 11.2% per annum for FYE 2010.

8.4.21 Dividend

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
A first interim single tier tax exempt dividend of 25.51 sen on 7,880,002 ordinary shares of RM1.00 each in respect of financial year ended 31 August 2011	-	2,010,000	-	-
A second interim single tier tax exempt dividend of 22.84 sen on 7,880,002 ordinary shares of RM1.00 each in respect of financial year ended 31 August 2011	-	1,800,000	-	-
	-	3,810,000	-	-

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.22 Staff Cost

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Staff costs (excluding Directors)	1,913,400	2,028,472	2,092,264	2,284,590

Included in the staff costs of SCH Corporation Group are contributions made to the Employees Provident Fund under a defined contribution plan for SCH Corporation Group amounting to RM 236,204 (2012: RM201,619; 2011: RM213,700; 2010: RM198,312).

8.4.23 Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the SCH Corporation Group if the SCH Corporation Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the SCH Corporation Group and the party are subject to common control or common significant influence. 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 SCH Corporation Group either directly or indirectly. The key management personnel include all the Directors of SCH Corporation Group.

SCH Corporation Group has related party relationships with its subsidiary companies, Directors' related companies and key management personnel.

(b) In addition to the transactions detailed elsewhere in the financial statements, SCH Corporation Group had the following transactions with related parties during the financial year:

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Purchases: -				
SCHME*	4,223,032	5,300,392	8,530,316	8,143,356
SCHWM*	3,001,468	3,513,404	4,604,900	4,222,079
Speed Volta Belt Sdn Bhd	2,749,849	1,742,746	-	-
	9,974,349	10,556,542	13,135,216	12,365,435

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.23 Related Party Disclosures (Cont'd)

(b) In addition to the transactions detailed elsewhere in the financial statements, SCH Corporation Group had the following transactions with related parties during the financial year (Cont'd):

	<----------As at 31 August---------->			
	2010 RM	**2011 RM**	**2012 RM**	**2013 RM**
Alteration charges: -				
SCHWM*	180,449	105,164	19,950	45,130
Sales: -				
SCHME*	5,665,052	7,359,215	8,679,087	6,021,090
SCHWM*	224,131	146,206	763,589	125,563
Italiaworld*	343,023	736,555	793,789	1,569,612
Speed Volta Belt Sdn Bhd	3,598,286	1,428,970	-	-
	9,830,492	9,670,946	10,236,465	7,716,265
Rental received/receivable: -				
SCHWM*	93,600	91,800	72,000	72,000

Note:
* *These companies are the subsidiaries of SCH under the acquisition in the Listing Scheme.*

(c) Information regarding outstanding balances arising from related party transactions as at FYE 2010, FYE 2011, FYE 2012 and FYE 2013 are disclosed in Notes 8.4.9, 8.4.10, 8.4.11 8.4.18 and 8.4.19 of this report.

(d) Information regarding compensation of key management personnel is as follows:

	<----------Years Ended 31 August ---------->			
	2010 RM	**2011 RM**	**2012 RM**	**2013 RM**
Fees	36,000	36,000	-	-
Salaries and other short term employee benefits	684,588	583,800	864,000	864,000
Defined contribution plan	75,744	67,872	164,160	164,160
	796,332	687,672	1,028,160	1,028,160



8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.23 Related Party Disclosures (Cont'd)

(d) Information regarding compensation of key management personnel is as follows (Cont'd):

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entity, including any Director of SCH Corporation Group.

8.4.24 Contingent Liabilities

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Unsecured				
Corporate guarantee for credit facilities granted to related parties				
- Limit of guarantee	5,000,000	5,000,000	5,800,000	4,800,000
- Amount utilised	971,706	783,228	1,033,522	1,239,000

8.4.25 Financial Instruments

Certain comparative figures have not been presented for FYE 2010 by virtue of the exemption given in paragraph 44AA of FRS 7, which is effective for annual periods beginning on and after 1 January 2010.

(a) Classification of financial instruments

Financial assets and financial liabilities are measure on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 6.1 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The analysis of the financial assets and financial liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis are as follows: -

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.25 Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Available-for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
2013				
Financial Assets				
Other investments	-	-	-	-
Trade receivables	-	17,709,882	-	17,709,882
Other receivables	-	3,633,273	-	3,633,273
Fixed deposit with a license bank	-	200,800	-	200,800
Cash and bank balances	-	1,881,060	-	1,881,060
Total financial assets	-	23,425,015	-	23,425,015
Financial Liabilities				
Trade payables	-	-	12,028,900	12,028,900
Other payables	-	-	1,470,697	1,470,697
Hire purchase payables	-	-	2,054,920	2,054,920
8ank borrowings	-	-	10,613,278	10,613,278
Total financial liabilities	-	-	26,167,795	26,167,795
2012				
Financial Assets				
Other investment	112,000	-	-	112,000
Trade receivables	-	19,316,472	-	19,316,472
Other receivables	-	1,965,709	-	1,965,709
Fixed deposit with a license bank	-	200,800	-	200,800
Cash and bank balances	-	1,587,721	-	1,587,721
Total financial assets	112,000	23,070,702	-	23,182,702
Financial Liabilities				
Trade payables	-	-	11,594,227	11,594,227
Other payables	-	-	710,272	710,272
Amount owing to Directors	-	-	76,524	76,524
Hire purchase payables	-	-	1,451,831	1,451,831
8ank borrowings	-	-	12,738,507	12,738,507
Total financial liabilities	-	-	26,571,361	26,571,361

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.25 Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Available-for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
2011				
Financial Assets				
Other investments	1,172,000	-	-	1,172,000
Trade receivables	-	13,938,024	-	13,938,024
Other receivables	-	1,038,861	-	1,038,861
Amount owing by Directors	-	279,394	-	279,394
Fixed deposit with a license bank	-	200,800	-	200,800
Cash and bank balances	-	2,437,629	-	2,437,629
Total financial assets	1,172,000	17,894,708	-	19,066,708
Financial Liabilities				
Trade payables	-	-	11,581,090	11,581,090
Other payables	-	-	801,383	801,383
Amount owing to Directors	-	-	139,917	139,917
Hire purchase payables	-	-	1,297,909	1,297,909
8ank borrowings	-	-	9,956,302	9,956,302
Total financial liabilities	-	-	23,776,601	23,776,601
2010				
Financial Assets				
Other investments	1,772,000	-	-	1,772,000
Trade receivables	-	13,150,885	-	13,150,885
Other receivables	-	1,202,880	-	1,202,880
Amount owing by Directors	-	279,394	-	279,394
Cash and bank balances	-	548,442	-	548,442
Total financial assets	1,772,000	15,181,601	-	16,953,601
Financial Liabilities				
Trade payables	-	-	9,729,637	9,729,637
Other payables	-	-	836,631	836,631
Amount owing to Directors	-	-	51,000	51,000
Hire purchase payables	-	-	1,289,369	1,289,369
Lease payables	-	-	35,123	35,123
Bank borrowings	-	-	8,657,902	8,657,902
Total financial liabilities	-	-	20,599,662	20,599,662

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.25 Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies

SCH Corporation Group's financial risk management policy is to ensure that adequate financial resources are available for the development of SCH Corporation Group"s operations whilst managing its financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity risk and cash flows risk. SCH Corporation Group' operates within clearly defined guidelines that are approved by the Board and SCH Corporation 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.

(i) Credit risk

Financial assets that are primarily exposed to credit risks are receivables, deposits and cash and bank balances.

Credit risk is the risk of a financial loss to SCH Corporation 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 the inability of its customers to make payments when due. SCH Corporation Group'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.

SCH Corporation Group has adopted a policy of only 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 via SCH Corporation Group's management reporting procedures and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statement of financial position at the end of the reporting period represents SCH Corporation Group's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk.

(ii) Liquidity risk

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

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.25 Financial Instruments (Cont'd)

(ii) Liquidity risk (Cont'd)

SCH Corporation Group s funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. SCH Corporation Group monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due

	Within 1 year or on demand RM	1 to 2 years RM	2 to 3 years RM	3 to 4 years RM	4 to 5 years RM	After 5 years RM	Total contractual cashflows RM	Total carrying amount RM
2013								
Financial liabilities								
Trade payables	12,028,900	-	-	-	-	-	12,028,900	12,028,900
Other payables	1,470,697	-	-	-	-	-	1,470,697	1,470,697
Hire purchases payables	609,766	580,473	566,200	267,979	79,903	-	2,104,321	2,054,920
8ank borrowings	8,033,785	562,522	561,295	350,846	344,172	1,798,600	11,651,220	10,613,278
Total financial liabilities	22,143,148	1,142,995	1,127,495	618,825	424,075	1,798,600	27,255,138	26,167,795
2012								
Financial liabilities								
Trade payables	11,594,227	-	-	-	-	-	11,594,227	11,594,227
Other payables	710,272	-	-	-	-	-	710,272	710,272
Amount owing to Directors	76,524	-	-	-	-	-	76,524	76,524
Hire purchase payables	455,770	417,811	389,972	276,423	60,945	-	1,600,921	1,451,831
Bank borrowings	9,730,663	646,069	561,295	350,846	344,172	2,138,054	13,771,099	12,738,507
Total financial liabilities	22,567,456	1,063,880	951,267	627,269	405,117	2,138,054	27,753,043	26,571,361

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.25 Financial Instruments (Cont'd)

(ii) Liquidity risk (Cont'd)

	Within 1 year or on demand RM	1 to 2 years RM	2 to 3 years RM	3 to 4 years RM	4 to 5 years RM	After 5 years RM	Total contractual cashflows RM	Total carrying amount RM
2011								
Financial liabilities								
Trade payables	11,581,090	-	-	-	-	-	11,581,090	11,581,090
Other payables	801,383	-	-	-	-	-	801,383	801,383
Amount owing to Directors	139,917	-	-	-	-	-	139,917	139,917
Hire purchase payables	418,417	337,283	294,039	249,824	136,304	-	1,435,867	1,297,909
8ank borrowings	6,433,580	786,442	646,069	538,775	384,674	2,482,226	11,271,766	9,956,302
Total financial liabilities	19,374,387	1,123,725	940,108	788,599	520,978	2,482,226	25,230,023	23,776,601
2010								
Financial liabilities								
Trade payables	9,714,637	-	-	-	-	-	9,714,637	9,714,637
Other payables	836,631	-	-	-	-	-	836,631	836,631
Amount owing to Directors	66,000	-	-	-	-	-	66,000	66,000
Hire purchase payables	586,175	287,728	208,438	165,270	120,399	48,308	1,416,318	1,289,369
Finance lease payable	36,984	-	-	-	-	-	36,984	36,984
8ank borrowings	5,116,861	381,492	381,492	381,492	381,492	5,169,330	11,812,159	8,612,902
Total financial liabilities	16,357,288	669,220	589,930	546,762	501,891	5,217,638	23,882,729	20,556,523

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.2S Financial Instruments (Cont'd)

(c) Market risks

(i) Foreign currency exchange risk

SCH Corporation Group's exposure to foreign currency exchange risk is minimal.

(ii) Interest rate risk

SCH Corporation Group is exposed to interest rate risk arising primarily from financing through interest bearing financial assets and financial liabilities. SCH Corporation Group's policy is to obtain the financing with the most favourable interest rates in the market.

SCH Corporation Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. SCH Corporation Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

SCH Corporation Group is exposed to interest rate risk arising from its short and long term debts obligations, and its fixed deposits.

The carrying amounts of SCH Corporation Group's financial instruments that are exposed to interest rate risk are as follows:

	<----------As at 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Financial asset				
Fixed deposit with a licensed bank	-	200,800	200,800	200,800
Financial Liability				
Bank borrowings	8,657,902	9,956,302	12,738,507	10,613,278

SCH Corporation Group is exposed to interest rate risk arising from its short and long term debts obligations, and its fixed deposits. Fixed deposits interest rate is insignificant and any fluctuations in the rate would have no material impact on the results of SCH Corporation Group.

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.25 Financial Instruments (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk sensitivity (Cont'd)

As at 31 August 2013, an increase in market interest rates by 1% on financial asset and financial liability of SCH Corporation Group which have variable interest rates at the end of the reporting period would decrease the profit before taxation by RM104,125 (2012:RM125,377;2011:RM97,555;2010:RM86,579). This analysis assumes that all other variables remain unchanged.

A decrease in market interest rates by 1% on financial assets and financial liabilities of SCH Corporation Group which have variable interest rates at the end of the reporting period would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain unchanged.

(d) Fair values of financial instruments

Financial instruments at fair value

As the financial assets and liabilities of SCH Corporation Group are not carried at fair value by any valuation method, the fair value hierarchy analysis is not presented.

Financial instrument other than those carried at fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of 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

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

	Carrying amount RM	Fair value RM
Financial liability		
Hire purchase payables (Non – current)		
2013	1,497,109	1,357,250
2012	1,066,570	1,086,216
2011	937,516	965,738
2010	758,742	703,435

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.25 Financial Instruments (Cont'd)

(d) Fair values of financial instruments (Cont'd)

Financial instrument other than those carried at fair value (Cont'd)

	Carrying amount RM	Fair value RM
Bank Borrowings (Non – current)		
2013	2,744,636	2,653,193
2012	3,203,958	3,036,174
2011	4,329,006	4,108,558
2010	3,596,289	3,533,745

8.4.26 Capital Commitments

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Capital expenditure				
Authorised but not contracted for				
Property, plant and equipment	-	-	-	14,000,000

8.4.27 Capital Management

The Group's management manages its capital to ensure that the Group is able to continue as a going concern and maintains an optimal capital structure, so as to maximise shareholder value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

The capital of the Group consists of shareholders' equity, cash and cash equivalents and bank borrowings.

The gearing ratio is as follows:-

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Term loans and borrowings	9,982,394	11,254,211	14,190,338	12,668,198
Less: Cash and cash equivalents	(548,442)	(2,437,629)	(854,500)	(1,881,060)
Net debts	9,433,952	8,816,582	13,335,838	10,787,138
Total equity	18,837,780	18,849,353	23,556,869	28,821,855
Debt-to-equity ratio (%)	50%	47%	57%	37%



8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.4 Notes to the Financial Statements of SCH Corporation Group (Cont'd)

8.4.26 Comparative Figures

Certain comparative figures have been reclassified where necessary to conform with the current financial year's presentation as follows: -

	As previously stated RM	Reclassification RM	As restated RM
2010			
Statements of Financial Position			
Current Liabilities			
Amount owing to Directors	51,000	15,000	66,000
Amount owing to related parties	15,000	(15,000)	-
Equity			
Reserves	10,957,778	(10,957,778)	-
Merger deficit	-	(1,380,000)	(1,380,000)
Retained profits	-	12,337,778	12,337,778
Statements of Cash Flows			
(Increase)/Decrease in working capital			
Amount owing to Directors	(87,000)	15,000	(72,000)
Amount owing to related parties	15,000	(15,000)	-
Cash flows from investing activities			
Purchase of property, plant and equipment	(4,538,017)	3,570,000	(968,017)
Cash flows from financing activities			
Repayment of hire purchase and lease payables	-	(615,474)	(615,474)
Repayment of hire purchase payables	(544,417)	544,417	-
Repayment of lease payables	(71,057)	71,057	-
Decrease in bankers' acceptance and trust receipts	-	(1,932,770)	(1,932,770)
Repayment from other bank borrowings	(1,932,770)	1,932,770	-
Proceeds from term loan	3,570,000	(3,570,000)	-

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.5 Financial Statements of Italiaworld

The audited financial statements of Italiaworld were presented in Singapore Dollar ("SGD"). For the purpose of this report, we have converted the figures stated in SGD to Ringgit Malaysia ("RM") for information purposes.

The exchange rates used for the purpose of this report as extracted from Bank Negara Malaysia are as follows:-

FYE/ As at	SGD		Average rate RM	Closing rate RM
31 August 2010	1.00	:	2.3835	2.3179
31 August 2011	1.00	:	2.4114	2.4684
31 August 2012	1.00	:	2.4490	2.4908
31 August 2013	1.00	:	2.4824	2.5806

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.5 Financial Statements of Italiaworld (Cont'd)

We set out below the financial statements of Italiaworld which includes its statement of comprehensive income, statement of financial position, statement for changes in equity and statement of cash flows for the four (4) FYE 2010 to FYE 2013.

8.5.1 Statements of Comprehensive Income

		<----------FYE 31 August---------->							
		2010		2011		2012		2013	
	Note	SGD	RM	SGD	RM	SGD	RM	SGD	RM
Revenue	*8.6.1*	923,845	2,201,985	1,241,281	2,993,225	978,255	2,395,746	1,227,403	3,046,905
Cost of sales		(781,180)	(1,861,943)	(1,019,019)	(2,457,262)	(798,169)	(1,954,716)	(973,737)	(2,417,205)
Gross profit		142,665	340,042	222,262	535,963	180,086	441,030	253,666	629,700
Other income		27,005	64,366	92,767	223,698	89,042	218,064	5,134	12,745
Administration expenses		(199,622)	(475,799)	(197,683)	(476,693)	(125,115)	(306,407)	(205,834)	(510,962)
Finance costs		(1,697)	(4,045)	(2,957)	(7,131)	(2,395)	(5,865)	(1,476)	(3,664)
(Loss)/Profit before income tax	*8.6.2*	(31,649)	(75,436)	114,389	275,837	141,618	346,822	51,490	127,819
Income tax	*8.6.3*	25,390	60,517	700	1,688	(6,994)	(17,128)	-	-
Net (loss)/profit for the year		(6,259)	(14,919)	115,089	277,525	134,624	329,694	51,490	127,819
Key financial ratio:									
Earnings before interest and taxation		(29,952)	(71,391)	117,346	282,968	144,013	352,687	52,966	131,483
Earnings before interest, taxation and depreciation		(28,771)	(68,576)	118,552	285,876	145,193	355,577	54,595	135,527
GP margin (%)	*(a)*	15.44	15.44	17.91	17.91	18.41	18.41	20.67	20.67
(LBT)/ PBT margin (%)		(3.43)	(3.43)	9.22	9.22	14.48	14.48	4.20	4.20
(LAT)/ PAT margin (%)		(0.68)	(0.68)	9.27	9.27	13.76	13.76	4.20	4.20
Effective tax rate (%)		80.22	80.22	(0.61)	(0.61)	4.94	4.94	-	-
Gross (losses)/earnings per share (RM)	*(b)*	(0.32)	(0.75)	1.14	2.76	1.42	3.47	0.51	1.28
Net (losses)/earnings per share (RM)	*(c)*	(0.06)	(0.15)	1.15	2.78	1.35	3.30	0.51	1.28
Weighted average number of ordinary shares		100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000

Notes:

(a) *The GP margin is computed by dividing the GP against the revenue earned in the respective financial years.*

(b) *The gross EPS is computed by dividing the (LBT)/ PBT against the weighted average number of ordinary shares.*

(c) *The net EPS is computed by dividing the (LAT)/ PAT against the weighted average number of ordinary shares.*

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.5 Financial Statements of Italiaworld (Cont'd)

8.5.2 Statements of Financial Position

		<---------- As at 31 August ---------->							
		2010		2011		2012		2013	
	Note	SGD	RM	SGD	RM	SGD	RM	SGD	RM
Non-Current Asset									
Property, plant and equipment	*8.6.4*	4,338	10,053	3,598	8,880	3,695	9,203	12,718	32,820
Current Assets									
Inventories	*8.6.5*	67,302	155,999	92,084	227,300	91,296	227,400	179,900	464,250
Trade receivables	*8.6.6*	351,284	814,241	289,500	714,602	348,639	868,390	549,569	1,418,218
Other receivables, deposits and prepayment	*8.6.7*	4,594	10,649	10,553	26,049	11,279	28,094	24,158	62,342
Cash and bank balances		95,122	220,483	87,993	217,202	24,909	62,043	50,921	131,407
		518,302	1,201,372	480,130	1,185,153	476,123	1,185,927	804,548	2,076,217
Total Assets		522,640	1,211,425	483,728	1,194,033	479,818	1,195,130	817,266	2,109,037
Equity									
Share capital	*8.6.8*	100,000	239,370	100,000	239,370	100,000	239,370	100,000	239,370
Retained profits		9,815	19,770	124,904	297,296	259,528	626,990	311,018	754,809
Foreign exchange reserves		-	(4,602)	-	18,486	-	29,151	-	66,494
Total Equity		109,815	254,538	224,904	555,152	359,528	895,511	411,018	1,060,673
Non-Current Liability									
Deferred taxation		700	1,622	-	-	-	-	-	-
Current Liabilities									
Trade and other payables	*8.6.9*	412,125	955,265	258,824	638,881	113,296	282,198	406,248	1,048,364
Taxation		-	-	-	-	6,994	17,421	-	-
		412,125	955,265	258,824	638,881	120,290	299,619	406,248	1,048,364
Total Liabilities		412,825	956,887	258,824	638,881	120,290	299,619	406,248	1,048,364
Total Equity and Liabilities		522,640	1,211,425	483,728	1,194,033	479,818	1,195,130	817,266	2,109,037

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.5 Financial Statements of Italiaworld (Cont'd)

8.5.3 Statements of Changes in Equity

	Share Capital		Retained Earnings		Foreign Exchange Reserves		Total	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM
At 1 September 2009	100,000	239,370	16,074	34,689	-	9,638	116,074	283,697
Total comprehensive loss for the year ended 31 August 2010	-	-	(6,259)	(14,919)	-	(14,240)	(6,259)	(29,159)
At 31 August 2010	100,000	239,370	9,815	19,770	-	(4,602)	109,815	254,538
At 1 September 2010	100,000	239,370	9,815	19,770	-	(4,602)	109,815	254,538
Total comprehensive income for the year ended 31 August 2011	-	-	115,089	277,526	-	23,088	115,089	300,614
At 31 August 2011	100,000	239,370	124,904	297,296	-	18,486	224,904	555,152
At 1 September 2011	100,000	239,370	124,904	297,295	-	18,486	224,904	555,152
Total comprehensive income for the year ended 31 August 2012	-	-	134,624	329,694	-	10,665	134,624	340,359
At 31 August 2012	100,000	239,370	259,528	626,990	-	29,151	359,528	895,511
At 1 September 2012	100,000	239,370	259,528	626,990	-	29,151	359,528	895,511
Total comprehensive income for the year ended 31 August 2013	-	-	51,490	127,819	-	37,343	51,490	165,162
At 31 August 2013	100,000	239,370	311,018	754,809	-	66,494	411,018	1,060,673

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.5 Financial Statements of Italiaworld (Cont'd)

8.5.4 Statements of Cash Flows

	<----------FYE 31 August---------->							
	2010		2011		2012		2013	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM
Cash Flows from Operating Activities								
(Loss)/ profit before income tax	(31,649)	(75,435)	114,389	275,838	141,618	346,822	51,490	127,819
Adjustments for:-								
Depreciation of property, plant and equipment	1,181	2,815	1,206	2,908	1,180	2,890	1,629	4,042
Unrealised gain in foreign exchange	-	-	(23,384)	(56,388)	-	-	-	-
Reversal of allowance for impairment	-	-	(5,000)	(12,057)	-	-	-	-
Bad debts written-off - trade	1,852	4,414	-	-	-	-	-	-
Waiver of debts by a Director	(21,408)	(51,026)	-	-	-	-	-	-
Operating (loss)/profit before working capital changes	(50,024)	(119,232)	87,211	210,301	142,798	349,712	53,119	131,861
Working capital changes:-								
Decrease/(Increase) in inventories	31,958	76,172	(24,782)	(59,759)	788	1,930	(88,604)	(219,951)
(Increase)/Decrease in trade receivables, other receivables, deposits and prepayments	(51,429)	(122,581)	60,825	146,673	(59,865)	(146,609)	(213,438)	(529,838)
Increase/(Decrease) in trade and other payables	56,863	135,533	(129,917)	(313,282)	(145,528)	(356,398)	292,952	727,225
Net cash used in operations	(12,632)	(30,108)	(6,663)	(16,067)	(61,807)	(151,365)	44,029	109,297
Income tax refund	20,357	48,521	-	-	-	-	-	-
Income tax paid	-	-	-	-	-	-	(7,365)	(18,283)
Net cash from/(used in) operating activities	7,725	18,413	(6,663)	(16,067)	(61,807)	(151,365)	36,664	91,014

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.5 Financial Statements of Italiaworld (Cont'd)

8.5.4 Statements of Cash Flows (Cont'd)

	<----------FYE 31 August---------->							
	2010		2011		2012		2013	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM
Cash Flow from Investing Activities								
Purchase of property, plant and equipment	-	-	(466)	(1,124)	(1,277)	(3,127)	(10,652)	(26,443)
Repayment of loan by a director	20,332	48,461	-	-	-	-	-	-
Net cash generated from/(used in) investing activities	20,332	48,461	(466)	(1,124)	(1,277)	(3,127)	(10,652)	(26,443)
Cash Flow from Financing Activities								
Loan from a director	21,408	51,026	-	-	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	49,465	117,900	(7,129)	(17,191)	(63,084)	(154,492)	26,012	64,571
Cash and cash equivalents at beginning of the financial year	45,657	111,590	95,122	220,483	87,993	217,202	24,909	62,043
Exchange fluctuation adjustment on opening balance	-	(9,007)	-	13,910	-	(667)	-	4,793
Cash and cash equivalents at end of the financial year	95,122	220,483	87,993	217,202	24,909	62,043	50,921	131,407

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.6 Notes to the Financial Statements of Italiaworld (Cont'd)

8.6.1 Revenue

This represents value of sales of electrical appliances and machinery equipment.

8.6.2 Profit/(Loss) before Taxation

Profit/(Loss) before taxation is derived after charging: -

	<----------FYE 31 August---------->							
	2010		2011		2012		2013	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM
Cost of inventories charged to expense during the year	781,180	1,861,943	1,019,019	2,457,262	798,169	1,954,716	973,737	2,417,205
Staff costs	106,988	255,006	105,135	253,523	41,065	100,568	62,381	154,855
Audit fee								
- Current year provision	3,500	8,342	3,850	9,284	6,000	14,694	6,000	14,894
- Under provision in prior year	500	1,192	-	-	-	-	-	-
Depreciation of property, plant and equipment	1,181	2,815	1,206	2,908	1,180	2,890	1,629	4,044
Bad debts written-off – trade	1,852	4,414	-	-	-	-	-	-

8.6.3 Taxation

	<----------FYE 31 August---------->							
	2010		2011		2012		2013	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM
Current income tax:								
Current year provision	-	-	-	-	6,994	17,128	-	-
Over provision in prior years	(25,190)	(60,040)	-	-	-	-	-	-
	(25,190)	(60,040)	-	-	6,994	17,128	-	-
Deferred tax:								
Relating to origination and reversal of temporary differences	(200)	(477)	-	-	-	-	-	-
Over provision in prior year	-	-	(700)	(1,688)	-	-	-	-
	(200)	(477)	(700)	(1,688)	-	-	-	-
	(25,390)	(60,517)	(700)	(1,688)	6,994	17,128	-	-

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.6 Notes to the Financial Statements of Italiaworld (Cont'd)

8.6.3 Taxation (Cont'd)

The income tax expense on the profits of Italiaworld differs from the amount of tax that would arise from the Singapore statutory income tax rates as follows:-

	<----------FYE 31 August---------->							
	2010		2011		2012		2013	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM
(Loss)/profit before taxation	(31,649)	(75,436)	114,389	275,837	141,618	346,822	51,490	127,819
Taxation at statutory tax rate of 17%	(5,380)	(12,823)	19,446	46,892	24,075	58,960	8,753	21,728
Expenses not deductible for tax purposes	1,620	3,861	1,517	3,658	360	882	2,516	6,246
Singapore statutory stepped income exemption	-	-	-	-	(11,351)	(27,799)	(5,148)	(12,779)
Utilisation of capital allowances and tax losses	-	-	-	-	(1,733)	(4,244)	(973)	(2,415)
Reversal of deferred tax assets not recognised in previous year	-	-	(20,937)	(50,487)	-	-	-	-
Origination of temporary difference not recognised	7,998	19,063	(26)	(63)	-	-	-	-
(Over)/Under provision of deferred tax in prior years	-	-	(700)	(1,688)	-	-	371	921
Income not subject to tax	(4,438)	(10,578)	-	-	(850)	(2,082)	(850)	(2,110)
30% rebate	-	-	-	-	-	-	(1,289)	(3,200)
Over provision of income tax in prior years	(25,190)	(60,040)	-	-	-	-	-	-
Other	-	-	-	-	(3,507)	(8,589)	(3,380)	(8,391)
	(25,390)	(60,517)	(700)	(1,688)	6,994	17,128	-	-

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.6 Notes to the Financial Statements of Italiaworld (Cont'd)

8.6.4 Property, Plant and Equipment

	<----------As at 31 August---------->									
	Furniture & Fittings		Electrical Installation		Office Equipment		Motor vehicle		Total	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM	SGD	RM
2013										
Cost										
At 1 September 2012	11,014	26,919	800	1,854	1,743	4,251	-	-	13,557	33,024
Additions	208	516	-	-	1,443	3,582	9,000	22,342	10,651	26,440
At 31 August 2013	11,222	27,435	800	1,854	3,186	7,833	9,000	22,342	24,208	59,464
Accumulated depreciation										
At 1 September 2012	8,940	21,753	800	1,865	122	297	-	-	9,862	23,915
Charge for the financial year	1,105	2,743	-	-	298	740	225	559	1,628	4,042
At 31 August 2013	10,045	24,496	800	1,865	420	1,037	225	559	11,490	27,957
Carrying amount										
Exchange fluctuation differences	-	98	-	11	-	342	-	862	-	1,313
At 31 August 2013	1,177	3,037	-	-	2,766	7,138	8,775	22,645	12,718	32,820

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.6 Notes to the Financial Statements of Italiaworld (Cont'd)

8.6.4 Property, Plant and Equipment

	<----------As at 31 August---------->							
	Furniture & Fittings		Electrical Installation		Office Equipment		Total	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM
2012								
Cost								
At 1 September 2011	11,014	26,919	800	1,854	466	1,124	12,280	29,897
Additions	-	-	-	-	1,277	3,127	1,277	3,127
At 31 August 2012	11,014	26,919	800	1,854	1,743	4,251	13,557	33,024
Accumulated depreciation								
At 1 September 2011	7,838	19,054	800	1,865	44	106	8,682	21,025
Charge for the financial year	1,102	2,699	-	-	78	191	1,180	2,890
At 31 August 2012	8,940	21,753	800	1,865	122	297	9,862	23,915
Carrying amount								
Exchange fluctuation differences	-	-	-	11		83	-	94
At 31 August 2012	2,074	5,166	-	-	1,621	4,037	3,695	9,203

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.6 Notes to the Financial Statements of Italiaworld (Cont'd)

8.6.4 Property, Plant and Equipment (Cont'd)

	<----------As at 31 August---------->							
	Furniture & Fittings		Electrical Installation		Office Equipment		Total	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM
2011								
Cost								
At 1 September 2010	11,014	26,919	800	1,854	-	-	11,814	28,773
Additions	-	-	-	-	466	1,124	466	1,124
At 31 August 2011	11,014	26,919	800	1,854	466	1,124	12,280	29,897
Accumulated depreciation								
At 1 September 2010	6,736	16,397	740	1,720	-	-	7,476	18,117
Charge for the financial year	1,102	2,657	60	145	44	106	1,206	2,908
At 31 August 2011	7,838	19,054	800	1,865	44	106	8,682	21,025
Carrying amount								
Exchange fluctuation differences	-	(26)	-	11	-	23	-	8
At 31 August 2011	3,176	7,839	-	-	422	1,041	3,598	8,880

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.6 Notes to the Financial Statements of Italiaworld (Cont'd)

8.6.4 Property, Plant and Equipment (Cont'd)

	<----------As at 31 August---------->							
	Furniture & Fittings		Electrical Installation		Office Equipment		Total	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM
2010								
Cost								
At 1 September 2009/ 31 August 2010	11,014	26,919	800	1,854	-	-	11,814	28,773
Accumulated depreciation								
At 1 September 2009	5,635	13,773	660	1,529	-	-	6,295	15,302
Charge for the financial year	1,101	2,624	80	191	-	-	1,181	2,815
At 31 August 2010	6,736	16,397	740	1,720	-	-	7,476	18,117
Carrying amount								
Exchange fluctuation differences	-	(608)	-	5	-	-	-	(603)
At 31 August 2010	4,278	9,914	60	139	-	-	4,338	10,053

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.6 Notes to the Financial Statements of Italiaworld (Cont'd)

8.6.5 Inventories

	<----------As at 31 August---------->							
	2010		2011		2012		2013	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM
At lower of cost and net realisable value	67,302	155,999	92,084	227,300	91,296	227,400	179,900	464,250

The cost of inventories of Italiaworld recognised as an expense during the year was as follows:-

	<----------As at 31 August---------->							
	2010		2011		2012		2013	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM
Costs of inventories	781,180	1,861,943	1,019,019	2,457,262	798,169	1,954,716	973,737	2,417,205

8.6.6 Trade Receivables

	<----------As at 31 August---------->							
	2010		2011		2012		2013	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM
Trade receivables	387,893	899,097	321,109	792,625	380,248	947,122	549,569	1,418,218
Less:								
Allowance for impairment								
Balance as at 1 September	36,609	84,856	36,609	90,366	31,609	78,732	31,609	81,570
Impairment loss reversed	-	-	(5,000)	(12,056)	-	-	-	-
Written off allowance for doubtful debts	-	-	-	-	-	-	(31,609)	(81,570)
Exchange fluctuation differences	-	-	-	(287)	-	-	-	-
Balance at 31 August	36,609	84,856	31,609	78,023	31,609	78,732	-	-
Net	351,284	814,241	289,500	714,602	348,639	868,390	549,569	1,418,218



8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.6 Notes to the Financial Statements of Italiaworld (Cont'd)

8.6.6 Trade Receivables (Cont'd)

The net carrying amounts of trade receivables approximate their fair values.

The ageing analysis of these trade receivables is as follows: -

	<----------As at 31 August---------->							
	2010		2011		2012		2013	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM
Neither past due nor impaired	326,522	756,845	287,194	708,910	347,516	865,593	83,240	214,809
Past due less than 30 days not impaired	29,762	68,985	-	-	1,123	2,772	77,816	200,812
Past due for more than 31 to 60 days not impaired	-	-	-	-	-	-	294,214	759,249
Past due for more than 61 to 90 days not impaired	-	-	-	-	-	-	80,640	208,100
Past due for more than 90 to 120 days not impaired	-	-	2,306	5,692	-	-	-	-
Past due for more than 120 days not impaired	31,609	73,267	31,609	78,023	31,609	78,732	13,659	35,248
	387,893	899,097	321,109	792,625	380,248	947,122	549,569	1,418,218
Impaired	(36,609)	(84,856)	(31,609)	(78,023)	(31,609)	(78,732)	-	-
	351,284	814,241	289,500	714,602	348,639	868,390	549,569	1,418,218
Trade receivables turnover (days)*	129		94		119		134	

Note:

* *Trade receivables turnover day is computed by dividing average trade receivables (third parties) over sales to third parties x 365 days*

The trade receivables are non-interest bearing and are generally on 60 days on FYE 2013 and 90 to 120 days terms from FYE 2010 to FYE 2012. Other credit terms are assessed and approved on a case by case basis.

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.6 Notes to the Financial Statements of Italiaworld (Cont'd)

8.6.6 Trade Receivables (Cont'd)

The trade receivables turnover period recorded 129 days which exceeded the normal credit term in FYE 2010 was mainly due to the high billing issued toward the financial year ended. The turnover days has then improved to 94 days in FYE 2011.

The trade receivable turnover period increased to 119 days in FYE 2012 and further increase to 134 days in FYE 2013 was mainly due to the high billing issued toward the financial year ended.

Italiaworld has not made impairment on some of its past due receivables as they are creditworthy debtors with good payment record and the Director are of the view that the receivables are recoverable.

8.6.7 Other Receivables, Deposits and Prepayment

	<----------As at 31 August---------->							
	2010		2011		2012		2013	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM
Deposits	3,758	8,711	2,539	6,267	6,700	16,688	15,750	40,645
Other – GST receivables	-	-	8,014	19,782	4,579	11,406	8,037	20,740
Prepayment	836	1,938	-	-	-	-	371	957
	4,594	10,649	10,553	26,049	11,279	28,094	24,158	62,342

The carrying amount of the above other receivable, deposits and prepayment approximate their fair values.

8.6.8 Share Capital

	<----------As at 31 August---------->							
	2010		2011		2012		2013	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM
Issued and fully paid	100,000	239,370	100,000	239,370	100,000	239,370	100,000	239,370

The holders of the ordinary share are entitled to dividend as and when declared. All ordinary shareholders are entitled to one vote for each share held in the meetings of the members. Each share is entitled to equal share on the distribution of residual assets in dissolution.

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.6 Notes to the Financial Statements of Italiaworld (Cont'd)

8.6.9 Trade and Other Payables

	<----------As at 31 August---------->							
	2010		2011		2012		2013	
	SGD	RM	SGD	RM	SGD	RM	SGO	RM
Trade payables:								
- related parties	337,100	781,364	190,748	470,842	101,887	253,799	398,817	1,005,962
- third parties	1,236	2,865	-	-	-	-	6,183	15,956
Accrued expenses	16,809	38,962	11,096	27,389	11,409	28,419	10,248	26,446
Other payables:								
- related party	56,980	132,074	56,980	140,650	-	-	-	-
- third parties	-	-	-	-	-	-	-	-
	412,125	955,265	258,824	638,881	113,296	282,198	406,248	1,048,364
Trade payables turnover (days)*								
- Third parties	5		0*		0*		0*	

Note:

* *Trade payables turnover day is computed by dividing average trade payables (third parties) over purchases from third parties x 365 days.*

Trade payables are non-interest bearing and generally on 30 to 150 (2010 to 2012: 30 to 150) days' terms.

Substantial portion of Italiaworld's trade and other payables are arising from purchases from related parties namely SCH Corporation Group, SCHWM and SCHME. In FYEs 2011 and 2012, there were no third parties' payables within the financial years.

Other payables represent unsecured and non-interest bearing advances received from related party namely SCHSB in which certain directors have significant financial interest. The advances are repayable on demand.

The carrying amount of trade and other payables approximates their fair value and are denominated in the following currencies:-

	<----------As at 31 August---------->							
	2010		2011		2012		2013	
	SGO	RM	SGO	RM	SGO	RM	SGO	RM
RM	394,240	913,809	190,748	470,842	101,887	253,799	9,008	23,246
Singapore Dollar	17,885	41,456	68,076	168,039	11,409	28,419	397,240	1,025,118
	412,125	955,265	258,824	638,881	113,296	282,218	406,248	1,048,364

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.6 Notes to the Financial Statements of Italiaworld (Cont'd)

8.6.10 Significant Related Party Transactions

During the financial year, material transactions with companies in which certain directors have significant financial interest are described below:-

	<----------As at 31 August---------->							
	2010		2011		2012		2013	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM
SCH Corporation Group*	143,916	343,023	305,447	736,555	358,877	793,789	669,903	1,569,612
SCHWM*	259,741	619,092	356,736	860,233	202,006	446,811	283,651	664,605
SCHME*	305,886	729,081	380,659	917,921	234,972	519,728	126,739	296,954
	709,543	1,691,196	1,042,842	2,514,709	795,856	1,760,328	1,080,293	2,531,171

Note:
* *These companies are the subsidiaries of SCH under the IPO.*

The Directors are of the opinion that the above transactions were transacted in the normal course of business and at prices and terms negotiated and agreed between the directors of the transacting companies.

The outstanding balance arising from the above transactions are shown under trade and other payable.

8.6.11 Operating Lease Commitments

At the balance sheet date, the future aggregate minimum lease payments under non-cancellable operating lease contracted at the reporting date in respect of the office rental but not recognised as liabilities are as follows:-

	<----------As at 31 August---------->							
	2010		2011		2012		2013	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM
Lease which expire:								
Within one year	10,032	23,253	836	2,064	16,600	41,347	34,800	89,805
After one year but within five years	836	1,938	-	-	3,000	7,472	55,100	142,191
	10,868	25,191	836	2,064	19,600	48,819	89,900	231,996

Rental expenses of the above operating lease for the year amounted to SGD 24,486 (2012:SGD10,598, 2011:SGD10,032, 2010: SGD10,019).



8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.6 Notes to the Financial Statements of Italiaworld (Cont'd)

8.6.12 Risk Management

Italiaworld in the normal course of business is exposed to a variety of financial risks, including credit risk and risk of changes in foreign currency exchange rates.

(a) Credit risk

Italiaworld's maximum exposure to credit risk in the event that counter parties fail to perform their obligations as of 31 August 2010 to 31 August 2013 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the balance sheet. It is the Italiaworld's policy to enter into financial transactions with credit-worthy counterparties and financial institutions. Italiaworld does not expect to incur material credit losses on its financial assets.

(b) Foreign currency risk

Italiaworld has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies arising from normal trading activities. Italiaworld does not enter into forward contract to hedge its exposure in foreign currency risk.

Italiaworld's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was: -

	<----------As at 31 August---------->							
	2010		2011		2012		2013	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM
Trade payables	337,260	781,735	190,748	470,842	101,887	253,780	9,008	23,246
Other payables	56,980	132,074	-	-	-	-	-	-
	394,240	913,809	190,748	470,842	101,887	253,780	9,008	23,246

Any significant fluctuation in the exchange rates of the abovementioned foreign currencies may give rise to significant gain or loss in exchange and impact the results of the operations.



8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.6 Notes to the Financial Statements of Italiaworld (Cont'd)

8.6.12 Risk Management (Cont'd)

(b) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis: -

The following table demonstrates the sensitivity of Italiaworld's profit for the financial year to a reasonably possible change in the RM exchange rates against the respective functional currencies of Italiaworld, with all other variables held constant.

	<----------FYE 31 August---------->							
	2010		2011		2012		2013	
	SGD	RM	SGD	RM	SGD	RM	SGD	RM
Profit for the year								
SGD strengthened against RM by 3% (2011: 3% 2010 : 10%)	39,424	93,967	5,722	13,798	3,057	7,372	-	-
SGD weakened against RM by 3% (2011: 3%; 2010 : 10%)	(39,424)	(93,967)	(5,722)	(13,798)	(3,057)	(7,372)	-	-

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of Italiaworld's exposures to foreign currency risk.

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.6 Notes to the Financial Statements of Italiaworld (Cont'd)

8.6.13 Capital Management

The primary objective of Italiaworld's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

Italiaworld manages its capital structure and makes adjustments to it, in the light of changes economic conditions. To maintain or adjust the capital structure, Italiaworld may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes from the year ended 31 August 2010 to 31 August 2013.

Italiaworld monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Italiaworld includes within net debt, trade and other payables less cash and bank balances. Capital includes equity holders.

	<----------As at 31 August---------->							
	2010		2011		2012		2013	
	SGO	RM	SGO	RM	SGD	RM	SGD	RM
Trade and other payables	412,125	955,265	258,824	638,881	113,296	282,198	406,248	1,048,364
Less: Cash and bank balances	(95,122)	(220,483)	(87,993)	(217,702)	(24,909)	(62,043)	(50,921)	(131,407)
Net debt	317,003	734,782	170,831	421,679	88,387	220,155	355,327	916,957
Equity attributable to the equity holders	109,815	254,538	224,904	555,152	359,528	895,511	411,018	1,060,673
Capital and net debt	426,818	989,320	395,735	976,831	447,915	1,115,666	766,345	1,977,630

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.7 Financial Statements of SCHWM

We set out below the financial statements of SCHWM which includes its statement of comprehensive income, statement of financial position, statement for changes in equity and statement of cash flows for the four (4) FYE 2010 to FYE 2013.

8.7.1 Statements of Comprehensive Income

		<---------- FYE 31 August ---------->			
	Note	**2010 RM**	**2011 RM**	**2012 RM**	**2013 RM**
Revenue	*8.8.1*	4,688,757	4,790,698	5,255,155	4,975,088
Cost of sales		(3,840,104)	(3,752,266)	(3,905,432)	(3,997,132)
Gross profit		848,653	1,038,432	1,349,723	977,956
Other income		33,271	211,173	123,200	62,329
Administration expenses		(665,809)	(806,073)	(464,603)	(483,224)
Finance costs	*8.8.2*	(203,670)	(228,440)	(137,418)	(108,818)
Profit before taxation	*8.8.3*	12,445	215,092	870,902	448,243
Taxation	*8.8.4*	(3,209)	(40,258)	(171,206)	(78,826)
Net profit for the financial year, representing total comprehensive income for the financial year		9,236	174,834	699,696	369,417
Key financial ratio:					
Earnings before interest and taxation		216,115	443,532	1,008,320	557,061
Earnings before interest, taxation and depreciation		609,642	874,742	1,427,847	1,040,763
GP margin (%)	*(a)*	18.10	21.68	25.68	19.66
PBT margin (%)		0.27	4.49	16.57	9.01
PAT margin (%)		0.20	3.65	13.31	7.43
Effective tax rate (%)		25.79	18.72	19.66	17.59
Gross EPS (RM)	*(b)*	0.02	0.43	1.74	0.90
Net EPS (RM)	*(c)*	0.02	0.35	1.40	0.74
Weighted average number of ordinary shares		500,000	500,000	500,000	500,000

Notes:

(a) *The GP margin is computed by dividing the GP against the revenue earned in the respective financial years.*

(b) *The gross EPS is computed by dividing the PBT against the weighted average number of ordinary shares.*

(c) *The net EPS is computed by dividing the PAT against the weighted average number of ordinary shares.*

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.7 Financial Statements of SCHWM (Cont'd)

8.7.2 Statements of Financial Position

	Note	<---------- As at 31 August ---------->			
		2010 RM	2011 RM	2012 RM	2013 RM
Non-Current Assets					
Property, plant and equipment	*8.8.5*	1,455,203	1,164,033	1,095,242	923,159
Other investments	*8.8.6*	240,000	-	-	-
		1,695,203	1,164,033	1,095,242	923,159
Current Assets					
Inventories	*8.8.7*	185,750	211,896	327,058	340,897
Trade receivables	*8.8.8*	2,489,629	2,337,548	2,726,271	2,601,052
Other receivables	*8.8.9*	335,036	283,377	280,607	277,440
Amount owing by Directors	*8.8.10*	580,070	-	-	-
Tax recoverable		28,103	24,415	-	8,300
Fixed deposits with licensed banks	*8.8.11*	406,669	194,084	204,891	210,750
Cash and bank balances		57,981	364,936	68,812	20,737
		4,083,238	3,416,256	3,607,639	3,459,176
Total Assets		5,778,441	4,580,289	4,702,881	4,382,335
Equity					
Share capital	*8.8.12*	500,000	500,000	500,000	500,000
Retained profits		1,645,664	870,498	1,570,194	1,939,611
Total Equity		2,145,664	1,370,498	2,070,194	2,439,611
Non-Current Liabilities					
Hire purchase payables	*8.8.13*	514,922	393,488	282,115	224,346
Bank borrowings	*8.8.14*	615,774	419,009	207,808	-
Deferred taxation	*8.8.15*	172,220	119,279	64,219	60,119
		1,302,916	931,776	554,142	284,465
Current Liabilities					
Trade payables	*8.8.16*	438,404	530,001	338,660	438,836
Other payables	*8.8.17*	111,465	95,199	77,495	71,320
Amount owing to Directors	*8.8.10*	-	19,000	19,000	19,000
Hire purchase payables	*8.8.13*	226,990	191,508	205,528	175,103
Bank borrowings	*8.8.14*	1,553,002	1,442,307	1,369,666	954,000
Tax payable		-	-	68,196	-
		2,329,861	2,278,015	2,078,545	1,658,259
Total Liabilities		3,632,777	3,209,791	2,632,687	1,942,724
Total Equity and Liabilities		5,778,441	4,580,289	4,702,881	4,382,335

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.7 Financial Statements of SCHWM (Cont'd)

8.7.3 Statements of Changes in Equity

	Note	Share Capital RM	Distributable Retained Profit RM	Total RM
At 1 September 2009		500,000	1,636,428	2,136,428
Net profit for the financial year, representing total comprehensive income for the financial year		-	9,236	9,236
At 31 August 2010		500,000	1,645,664	2,145,664
At 1 September 2010		500,000	1,645,664	2,145,664
Net profit for the financial year, representing total comprehensive income for the financial year		-	174,834	174,834
Dividend	*8.8.18*	-	(950,000)	(950,000)
At 31 August 2011		500,000	870,498	1,370,498
At 1 September 2011		500,000	870,498	1,370,498
Net profit for the financial year, representing total comprehensive income for the financial year		-	699,696	699,696
At 31 August 2012		500,000	1,570,194	2,070,194
At 1 September 2012		500,000	1,570,194	2,070,194
Net profit for the financial year, representing total comprehensive income for the financial year		-	369,417	369,417
At 31 August 2013		500,000	1,939,611	2,439,611

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.7 Financial Statements of SCHWM (Cont'd)

8.7.4 Statements of Cash Flows

	<----------FYE 31 August---------->			
	2010	2011	2012	2013
	RM	RM	RM	RM
Cash Flows from Operating Activities				
Profit before taxation	12,445	215,092	870,902	448,243
Adjustments for:				
Depreciation of property, plant and equipment	393,527	431,210	419,527	483,702
Property, plant and equipment written off	1,864	-	898	108,818
8ad debts written off	-	12,802	-	-
Waiver of debts by Director	-	(930)	-	-
Interest expense	203,670	228,440	137,418	-
Gain on disposal of other investment	(5,282)	(52,454)	-	-
Interest income	(9,756)	(5,952)	(10,807)	(5,859)
Gain on disposal of plant and equipment	-	-	(89,999)	(19,716)
Operating profit before working capital changes	596,468	828,208	1,327,939	1,015,188
(Increase)/Decrease in working capital				
Inventories	230,877	(26,146)	(115,162)	(13,839)
Trade receivables	261,786	144,410	(388,723)	125,219
Other receivables	(43,078)	46,528	2,770	3,167
Trade payables	(370,399)	91,597	(191,341)	100,176
Other payables	(7,392)	(16,266)	(17,704)	(6,175)
Amount owing (to)/by Directors	(600,000)	600,000	-	-
	(528,206)	840,123	(710,160)	208,548
Cash generated from operations	68,262	1,668,331	617,779	1,223,736
Interest paid	(203,670)	(228,440)	(137,418)	(108,818)
Tax paid	(94,999)	(89,511)	(170,000)	(159,422)
Tax Refund	-	-	36,345	-
Interest received	9,756	5,952	10,807	5,859
	(288,913)	(311,999)	(260,266)	(262,381)
Net cash (used in)/from operating activities	(220,651)	1,356,332	357,513	961,355

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.7 Financial Statements of SCHWM (Cont'd)

8.7.4 Statements of Cash Flows (Cont'd)

	<----------FYE 31 August---------->			
	2010	2011	2012	2013
	RM	RM	RM	RM
Cash Flows From Investing Activities				
Purchase of property, plant and equipment	(103,152)	(46,040)	(218,635)	(73,503)
Purchase of investment	(800,000)	(100,000)	-	-
Proceeds from disposal of other investment	1,305,282	392,454	-	-
Proceeds from disposal of plant and equipment	-	-	90,000	21,600
Net cash from /(used in) investing activities	402,130	246,414	(128,635)	(51,903)
Cash Flows From Financing Activities				
Increased/(decreased) in bankers' acceptance and trust receipts	153,010	(124,301)	(89,021)	(204,000)
(Increased)/decreased in fixed deposits pledged	(9,756)	212,585	(10,807)	(5,859)
Repayment of bank borrowings	(184,543)	(183,159)	(194,821)	(419,474)
Dividend paid	-	(950,000)	-	-
Repayment of hire purchase payables	(182,021)	(250,916)	(230,353)	(328,194)
Net cash used in financing activities	(223,310)	(1,295,791)	(525,002)	(957,527)
Net (decrease)/increase in cash and cash equivalents	(41,831)	306,955	(296,124)	(48,075)
Cash and cash equivalents at beginning of the financial year	99,812	57,981	364,936	68,812
Cash and cash equivalents at end of the financial year	57,981	364,936	68,812	20,737
Cash and cash equivalents at end of the financial year comprise:				
Fixed deposits with licensed banks	406,669	194,084	204,891	210,750
Cash and bank balances	57,981	364,936	68,812	20,737
	464,050	559,020	273,703	231,487
Less: Fixed deposits pledged with licensed banks	(406,669)	(194,084)	(204,891)	(210,750)
	57,981	364,936	68,812	20,737

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM

8.8.1 Revenue

This represents invoiced value of goods sold less trade discounts and returns.

8.8.2 Finance Cost

	<----------FYE 31 August---------->			
	2010 RM	**2011 RM**	**2012 RM**	**2013 RM**
Interest expenses on:				
8ank overdraft	962	891	719	1,781
Bankers' acceptance	-	15,115	47,373	53,897
Hire purchase	40,039	40,120	32,693	30,085
Trust receipts	99,323	117,573	15,532	-
Term loan	63,346	54,741	41,101	23,055
	203,670	228,440	137,418	108,818

8.8.3 Profit before Taxation

Profit before taxation is derived after charging/ (crediting):

	<----------FYE 31 August---------->			
	2010 RM	**2011 RM**	**2012 RM**	**2013 RM**
Auditors' remuneration				
-Current year	5,500	6,000	6,000	7,000
-Under provision in prior years	-	-	-	4,800
8ad debts written off	-	12,802	-	-
Depreciation of property, plant and equipment	393,527	431,210	419,527	483,702
Loss/(gain) on realised foreign exchange	808	3,084	(1,994)	(3,913)
Property, plant and equipment written off	1,864	-	898	-
Factory rental	72,000	72,000	72,000	72,000
Rental of premises	21,600	21,300	18,000	18,000
Gain on disposal of other investment	(5,282)	(52,454)	-	-
Fixed deposits interest income	(9,756)	(5,952)	(10,807)	(5,859)
Gain on disposal of property, plant and equipment	-	-	(89,999)	(19,716)
Waiver of debts by director	-	(930)	-	-

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.4 Taxation

	<----------FYE 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Current income tax:				
Current year provision	48,969	94,255	238,196	136,200
Over provision in prior years	-	(1,056)	(11,930)	(53,274)
	48,969	93,199	226,266	82,926
Deferred tax:				
Relating to origination and reversal of timing differences	(45,760)	(52,941)	(29,305)	(17,800)
(Over)/Under provision in prior year	-	-	(25,755)	13,700
Tax expense for the financial year	3,209	40,258	171,206	78,826

5CHWM being Malaysian resident company with paid-up capital of less than RM 2.5 million qualified for the preferential tax rates under Paragraph 2A, 5chedule 1 of the Income Tax Act 1967 as income tax is calculated at the statutory rate of 20% (2010 to 2012: 20%) on the first RM500,000 and 25% (2010 to 2012: 25%) on the balance of chargeable income of the estimated assessable profit for the financial year. The effective tax rate of 25.8% in FYE 2010 was higher than the statutory tax rate due to certain expenses not deductable for tax purposes. The effective tax rate of 18.7%, 19.7% and 17.6% in FYE 2011, FYE 2012 and FYE 2013 respectively were lower than the effective tax rate due to other income not subjected to tax such as gain from disposal of investment.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of SCHWM is as follows: -

	<----------FYE 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Profit before taxation	12,445	215,092	870,902	448,243
Taxation at statutory tax rate of 20% (2012:20% ;2011: 20%; 2010: 20%)	2,489	53,773	217,725	112,100
Expenses not deductible for tax purposes	2,671	8,973	35,461	36,200
Income not subject to tax	(1,951)	(10,677)	(19,295)	(4,900)
Over provision of current taxation in respect of prior years	-	(1,056)	(11,930)	(53,274)
(Over)/Under provision of deferred tax in prior years	-	-	(25,755)	13,700
Tax incentive obtained from differential tax rate of 20%	-	(10,755)	(25,000)	(25,000)
Tax expense for the financial year	3,209	40,258	171,206	78,826

SCHWM has elected to single tier company income tax system on 1 March 2011.

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.5 Property, Plant and Equipment

	Furniture and Fittings RM	Office Equipment RM	Motor Vehicles RM	Moulds and Blocks RM	Plant and Machinery RM	Signboard RM	Total RM
2013							
Cost							
At 1 September 2012	24,620	94,442	773,862	426,940	2,560,233	2,850	3,882,947
Additions	-	29,023	-	56,720	227,760	-	313,503
Disposals	-	-	-	-	(113,000)	-	(113,000)
At 31 August 2013	24,620	123,465	773,862	483,660	2,674,993	2,850	4,083,450
Accumulated depreciation							
At 1 September 2012	12,311	42,229	422,922	212,836	2,096,119	1,288	2,787,705
Charge for the financial year	1,844	10,697	136,098	63,327	271,576	160	483,702
Disposals	-	-	-	-	(111,116)	-	(111,116)
At 31 August 2013	14,155	52,926	559,020	276,163	2,256,579	1,448	3,160,291
Carrying amount							
At 31 August 2013	10,465	70,539	214,842	207,497	418,414	1,402	923,159
2012							
Cost							
At 1 September 2011	24,620	103,565	924,596	227,555	2,543,783	1,250	3,865,369
Additions	-	21,170	153,030	159,385	16,450	1,600	351,635
Disposals	-	-	(303,764)	-	-	-	(303,764)
Written off	-	(30,293)	-	-	-	-	(30,293)
At 31 August 2012	24,620	94,442	773,862	426,940	2,560,233	2,850	3,882,947
Accumulated depreciation							
At 1 September 2011	10,375	63,101	597,311	178,954	1,850,347	1,248	2,701,336
Charge for the financial year	1,936	8,523	129,374	33,882	245,772	40	419,527
Disposals	-	-	(303,763)	-	-	-	(303,763)
Written off	-	(29,395)	-	-	-	-	(29,395)
At 31 August 2012	12,311	42,229	422,922	212,836	2,096,119	1,288	2,787,705
Carrying amount							
At 31 August 2012	12,309	52,213	350,940	214,104	464,114	1,562	1,095,242

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.5 Property, Plant and Equipment (Cont'd)

	Furniture and fittings RM	Office equipment RM	Motor vehicles RM	Moulds and blocks RM	Plant and machinery RM	Signboard RM	Total RM
2011							
Cost							
At 1 September 2010	24,620	99,265	924,596	226,025	2,449,573	1,250	3,725,329
Additions	-	4,300	-	41,530	94,210	-	140,040
At 31 August 2011	24,620	103,565	924,596	267,555	2,543,783	1,250	3,865,369
Accumulated depreciation							
At 1 September 2010	8,406	52,650	430,100	160,119	1,617,603	1,248	2,270,126
Charge for the financial year	1,969	10,451	167,211	18,835	232,744	-	431,210
At 31 August 2011	10,375	63,101	597,311	178,954	1,850,347	1,248	2,701,336
Carrying amount							
At 31 August 2011	14,245	40,464	327,285	88,601	693,436	2	1,164,033
2010							
Cost							
At 1 September 2009	24,620	93,535	563,304	169,005	2,449,083	1,250	3,300,797
Additions	-	14,350	361,292	57,020	490	-	433,152
Written off	-	(8,620)	-	-	-	-	(8,620)
At 31 August 2010	24,620	99,265	924,596	226,025	2,449,573	1,250	3,725,329
Accumulated depreciation							
At 1 September 2009	6,045	50,203	291,641	143,060	1,391,203	1,203	1,883,355
Charge for the financial year	2,361	9,203	138,459	17,059	226,400	45	393,527
Written off	-	(6,756)	-	-	-	-	(6,756)
At 31 August 2010	8,406	52,650	430,100	160,119	1,617,603	1,248	2,270,126
Carrying amount							
At 31 August 2010	16,214	46,615	494,496	65,906	831,970	2	1,455,203

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.5 Property, Plant and Equipment (Cont'd)

(a) The carrying amount of property, plant and equipment acquired under hire purchase are as follows: -

	<----------As at 31 August---------->			
	2010 RM	**2011 RM**	**2012 RM**	**2013 RM**
Motor vehicles	494,496	299,988	340,307	172,800
Plant and machinery	240,501	254,233	161,433	212,958
	734,997	554,221	501,740	385,758

(b) The aggregate additional cost for the property, plant and equipment of SCHWM during the financial year are as follows: -

	<----------As at 31 August---------->			
	2010 RM	**2011 RM**	**2012 RM**	**2013 RM**
Aggregate costs	433,152	140,040	351,635	313,503
Less: Hire purchase financing	(330,000)	(94,000)	(133,000)	(240,000)
Cash payments	103,152	46,040	218,635	73,503

8.8.6 Other Investments

	<----------As at 31 August---------->			
	2010 RM	**2011 RM**	**2012 RM**	**2013 RM**
In Malaysia				
At cost				
Unit trusts				
At 1 September	740,000	240,000	-	-
Addition during the financial year	800,000	100,000	-	-
Disposal during the financial year	(1,300,000)	(340,000)	-	-
At 31 August	240,000	-	-	-
At market value				
At 31 August	262,449	-	-	-

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.7 Inventories

	<----------As at 31 August---------->			
	2010 RM	**2011 RM**	**2012 RM**	**2013 RM**
At cost:				
Raw materials	185,574	211,896	327,058	307,443
Finished goods	176	-	-	33,454
	185,750	211,896	327,058	340,897

The cost of inventories of SCHWM recognised as an expense during the year was as follows: -

	<----------As at 31 August---------->			
	2010 RM	**2011 RM**	**2012 RM**	**2013 RM**
Cost of inventories	2,861,335	2,577,690	2,647,539	2,551,303

8.8.8 Trade Receivables

	<----------As at 31 August---------->			
	2010 RM	**2011 RM**	**2012 RM**	**2013 RM**
Trade receivables				
- Related parties	2,458,894	2,323,885	2,726,271	2,601,052
- Third parties	30,735	13,663	-	-
	2,489,629	2,337,548	2,726,271	2,601,052
Trade receivables turnover (days)				
- Third parties*	43	210	-*	-*

Note:

* *Trade receivables turnover day is computed by dividing average trade receivables (third parties) over sales to third parties x 365 days*

Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

SCHWM's normal trade credit terms are 150 to 180 days (2010 to 2012: 150 to 180 days). Other credit terms are assessed and approved on a case by case basis.

The amount owing by related parties represent unsecured, interest free and repayable on demand.

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.8 Trade Receivables (Cont'd)

Substantial portion of SCHWM's trade receivable were arising from sales to related parties namely, SCH Corporation, SCHME and Italiaworld. Sales to third parties consist only of a few customers and the fluctuation in the turnover days was mainly due to the payment pattern of these customers.

The trade receivables turnover days increased from 43 days in FYE 2010 to 210 days in FYE 2011 due to higher billing issued in April and May 2011 to a single customer which was still within the normal credit terms.

In FYE 2012 and FYE 2013, there were no third parties trade receivables, all debts have been collected within the financial year.

Analysis of the trade receivables ageing is as follows:

	<----------As at 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Neither past due nor impaired	2,015,423	1,717,327	1,839,908	1,609,125
Past due less than 30 days not impaired	199,581	171,541	159,968	48,120
Past due for more than 31 to 60 days not impaired	106,657	219,003	115,454	122,413
Past due for more than 60 days not impaired	167,968	229,677	610,941	821,394
	2,489,629	2,337,548	2,726,271	2,601,052

As at 31 August 2013, trade receivables of RM 991,927(2012:RM886,363; 2011:RM620,221 and 2010: RM474,206) were past but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

SCHWM has not made any impairment on its past due receivables as the amount was mainly due from related parties within SCH Group. The Directors are of the view that the receivables are recoverable.

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.9 Other Receivables

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Other receivables	322,706	268,455	267,655	271,740
Deposits	1,200	5,700	5,700	5,700
Prepayments	11,130	9,222	7,252	-
	335,036	283,377	280,607	277,440

SCHWM has not recognised any impairment on receivables that are past due at the end of financial year, as there has not been significant change in credit quality and these amounts are still considered recoverable.

Other receivables mainly consisted of insurance premium paid to an insurance SCHWM for Corporate Guarantee Loan ("CGC Loan") financed by CIMB Bank Berhad. It is recoverable upon the withdrawal of the CGC Loan.

8.8.10 Amount Owing by/ (to) Directors

These represent unsecured, interest free advances and repayment on demand.

8.8.11 Fixed Deposits with Licensed Banks

The fixed deposits are pledged to licensed banks for credit facilities granted to SCHWM as disclosed in Note 8.8.14 of this report.

The interest rate of deposits during the year range from 3.05% (2012: 3.05% 2011: 2.75% to 3.70%; 2010: 2.75% to 3.70%) per annum and the maturities of deposits are 365 days (2010 to 2012: 365 days) respectively.

8.8.12 Share Capital

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Ordinary shares of RM1.00 each				
Authorised	500,000	500,000	500,000	500,000
Issued and fully paid	500,000	500,000	500,000	500,000

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

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B. AUDITED FINANCIAL STATEMENTS (CONT'D)

B.B Notes to the Financial Statements of SCHWM (Cont'd)

B.B.13 Hire Purchase Payables

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
(a) Minimum hire purchase payments				
Within one year	263,948	220,620	226,607	193,656
8etween one and five years	559,869	416,555	296,062	234,369
	823,817	637,175	522,669	428,025
Less: Future finance charges	(81,905)	(52,179)	(35,026)	(28,576)
Present value of hire purchase liabilities	741,912	584,996	487,643	399,449
(b) Present value of hire purchase liabilities				
Within one year	226,990	191,508	205,528	175,103
8etween one and five years	514,922	393,488	282,115	224,346
	741,912	584,996	487,643	399,449
Analyse as:				
Repayable within twelve months	226,990	191,508	205,528	175,103
Repayable after twelve months	514,922	393,488	282,115	224,346
	741,912	584,996	487,643	399,449

The hire purchase liabilities interest is charged at rates ranging from 2.47% to 3.70% (2012: 2.47% to 3.70%; 2011: 2.22% to 3.52%; 2010: 2.69% to 3.52%) per annum.

B.B.14 Bank Borrowings

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Secured				
Term loan – floating rate	797,454	614,295	419,474	-
8ankers' acceptance	-	588,000	1,158,000	954,000
Trust receipts	1,371,322	659,021	-	-
	2,168,776	1,861,316	1,577,474	954,000
Analysed as:				
Repayable within twelve months				
Secured				
Term loan – floating rate	181,680	195,286	211,666	-
8ankers' acceptance	-	588,000	1,158,000	954,000
Trust receipts	1,371,322	659,021	-	-
	1,553,002	1,442,307	1,369,666	954,000

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.14 Bank Borrowings (Cont'd)

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Repayable after twelve months				
Secured				
Term loan	615,774	419,009	207,808	-
Total borrowings	2,168,776	1,861,316	1,577,474	954,000

The above credit facilities obtained from licensed banks are secured on the followings:

CIMB Bank Berhad (Multi-Option Line)

(a) Pledged of fixed deposits of SCHWM as disclosed in Note 8.8.11 of this report;

(b) Upfront fixed deposits of RM200,000 from Mr. Lau Mong Ling, Mr. Wong Sin Chin and Mr. Yeen Yoon Hin; and

(c) Joint and several guarantee for RMSS0,000 by the Directors of SCHWM namely Mr. Lau Mong Ling, Mr. Wong Sin Chin and Mr. Yeen Yoon Hin.

United Overseas Bank (Malaysia) Berhad (Bankers' Acceptance)

(a) Third legal charge for RM1.5 million over industrial land together with factory located @ Lot 3S (No PT 23677), Jalan 1/1, Kawasan Perusahaan Cheras Jaya, Balakong; and

(b) A corporate guarantee for RM1,250,000 by SCHWM.

Public Bank Berhad (Multi-Option Line)

(a) Joint and several guarantee by the Directors of SCHWM namely Mr. Lau Mong Ling, Mr. Wong Sin Chin and Mr. Yeen Yoon Hin; and

(b) Corporate guarantee by SCH Corporation Sdn Bhd

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.14 Bank Borrowings (Cont'd)

Maturity of bank borrowings is as follows: -

	<----------As at 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Within one year	1,553,002	1,442,307	1,369,666	954,000
8etween one and two years	198,407	211,705	207,808	-
8etween two and three years	212,846	207,304	-	-
Between three and four years	204,521	-	-	-
	2,168,776	1,861,316	1,577,474	954,000

Range of interest rates per annum during the financial year as follows: -

	<----------FYE 31 August---------->			
	2010	**2011**	**2012**	**2013**
	%	**%**	**%**	**%**
Term loan	7.80	7.80	8.10	-
Bankers' acceptance	-	5.28 - 5.39	5.28 - 5.39	3.62 - 3.70
Trust receipts	7.55 - 8.30	7.55 - 8.30	-	-

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.15 Deferred Tax Liabilities

	<----------As at 31 August---------->			
	2010 RM	**2011 RM**	**2012 RM**	**2013 RM**
At 1 September	217,980	172,220	119,279	64,219
Recognised in statement of comprehensive income	(45,760)	(52,941)	(55,060)	(4,100)
At 31 August	172,220	119,279	64,219	60,119

The components and movements of deferred tax liabilities are as follows: -

	Accelerated capital allowances RM	**Total RM**
At 1 September 2012	64,219	64,219
Recognised in statement of comprehensive income	(4,100)	(4,100)
At 31 August 2013	60,119	60,119
At 1 September 2011	119,279	119,279
Recognised in statement of comprehensive income	(SS,060)	(SS,060)
At 31 August 2012	64,219	64,219
At 1 September 2010	172,220	172,220
Recognised in statement of comprehensive income	(S2,941)	(52,941)
At 31 August 2011	119,279	119,279
At 1 September 2009	217,980	217,980
Recognised in statement of comprehensive income	(45,760)	(45,760)
At 31 August 2010	172,220	172,220

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.16 Trade Payables

	<----------As at 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Trade payables				
- Related parties	14,389	10,366	3,518	-
- Third parties	424,015	519,635	335,142	438,836
	438,404	530,001	338,660	438,836
Trade payables turnover (days)				
- Third parties	85	71	83	58

Note:

* *Trade payables turnover day is computed by dividing average trade payables (third parties) over purchases from third parties x 365 days.*

SCHWM's trade credit terms given by suppliers are ranging from 150 days and 180 days (2010 to 2012: 150 to 180 days). Other credit terms are assessed and approved on a case by case basis. The turnover period was lower than the credit terms due to prompt payment made by SCHWM to suppliers.

8.8.17 Other Payables

	<----------As at 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Other payables				
- Related party	36,000	-	-	-
- Third parties	61,079	62,980	63,880	64,320
	97,079	62,980	63,880	64,320
Accruals	14,386	32,219	13,615	7,000
	111,465	95,199	77,495	71,320

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.18 Dividend

	<----------As at 31 August---------->			
	2010 RM	**2011 RM**	**2012 RM**	**2013 RM**
A first interim single tier tax exempt dividend of Nil (2011:50 sen; 2010: Nil) on 500,000 ordinary shares of RM1.00 each in respect of financial year ended 31 August 2011	-	250,000	-	-
A second interim single tier tax exempt dividend of Nil (2011:80 sen; 2010: Nil) on 500,000 ordinary shares of RM1.00 each in respect of financial year ended 31 August 2011	-	400,000	-	-
A third interim single tier tax exempt dividend of Nil (2011:60 sen; 2010: Nil) on 500,000 ordinary shares of RM1.00 each in respect of financial year ended 31 August 2011	-	300,000	-	-
	-	950,000	-	-

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.19 Staff Costs

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Staff costs (excluding Directors)				
- Administrative expenses	221,609	284,862	188,387	207,376
- Cost of goods sold	168,624	126,203	145,615	192,563
	390,233	411,065	334,002	399,939

Included in the total staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan for SCHWM amounting to RM 33,048 (2012:RM26,544 ;2011: RM32,454; 2010: RM32,750).

Cost of goods sold mainly consists of direct labour costs such as salaries, bonuses, social insurance and other benefits provided to our staff which are directly involved in our manufacturing activities.

8.8.20 Related Party Disclosures

(a) Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the SCHWM if the SCHWM has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the SCHWM and the party are subject to common control or common significant influence. 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 SCHWM either directly or indirectly. The key management personnel include all the Directors of the SCHWM and certain members of senior management of the SCHWM.

SCHWM has related party relationship with the Directors' related companies.

(b) In addition to the transactions detailed elsewhere in the financial statements, SCHWM had the following transactions with related parties during the financial years.

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.20 Related Party Disclosures (Cont'd)

	<----------As at 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Sales: -				
5CH Corporation Group*	3,001,46B	3,513,404	4,604,900	4,222,079
Italiaworld*	619,092	860,233	446,811	664,605
5peed Volta 8elt 5dn 8hd	534,765	378,462	-	-
	4,155,325	4,752,099	5,051,711	4,886,684
Alteration, hooking and other workmanship charged:-				
5CH Corporation Group*	180,449	105,164	19,950	45,130
Speed Volta Belt Sdn Bhd	25,660	9,600	-	-
	206,109	114,764	19,950	45,130
Purchases: -				
5CH Corporation Group*	224,131	146,206	763,589	125,563
5CHME*	-	450	-	3,117
5peed Volta 8elt 5dn 8hd	1,098	-	-	-
	225,229	146,656	763,589	128,680
Rental paid to: -				
5CH Corporation Group*	72,000	72,000	72,000	72,000
Edisi Kiara 5dn 8hd	11,700	9,900	-	-
Lau Mong Ling	9,900	9,900	-	-
	93,600	91,800	72,000	72,000

(c) Information regarding outstanding balances arising from related party transactions as at 31 August 2013 is disclosed in Notes 8.8.8, 8.8.10 and 8.8.16 of this report.

(d) SCHWM does not have any key management personnel compensation from FYE 2010 to FYE 2013.



8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.21 Financial Instruments

Certain comparative figures have not been presented for 31 August 2010 by virtue of the exemption given in paragraph 44AA of FRS 7, which is effective for annual periods beginning on and after 1 January 2010.

(a) Classification of financial instruments

Financial assets and financial liabilities are measure on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 6.1 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The analysis of the financial assets and financial liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis are as follows: -

	Available-for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
2013				
Financial Assets				
Trade receivables	-	2,601,052	-	2,601,052
Other receivables	-	277,440	-	277,440
Fixed deposits with a licensed bank	-	210,750	-	210,750
Cash and bank balances	-	20,737	-	20,737
Total financial assets	-	3,109,979	-	3,109,979
Financial Liabilities				
Trade payables	-	-	438,836	438,836
Other payables	-	-	71,320	71,320
Amounts owing to Directors	-	-	19,000	19,000
Hire purchase payables	-	-	399,449	399,449
Bank borrowings	-	-	954,000	954,000
Total financial liabilities	-	-	1,882,605	1,882,605



8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.21 Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Available-for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
2012				
Financial Assets				
Trade receivables	-	2,726,271	-	2,726,271
Other receivables	-	280,607	-	280,607
Fixed deposits with a licensed bank	-	204,891	-	204,891
Cash and bank balances	-	68,812	-	68,812
Total financial assets	-	3,280,581	-	3,280,581
Financial Liabilities				
Trade payables	-	-	338,660	338,660
Other payables	-	-	77,495	77,495
Amount owing to Directors	-	-	19,000	19,000
Hire purchase payables	-	-	487,643	487,643
8ank borrowings	-	-	1,577,474	1,577,474
Total financial liabilities	-	-	2,500,272	2,500,272

	Available-for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
2011				
Financial Assets				
Trade receivables	-	2,337,548	-	2,337,548
Other receivables	-	283,377	-	283,377
Fixed deposits with licensed banks	-	94,084	-	94,084
Cash and bank balances	-	364,936	-	364,936
Total financial assets	-	3,179,945	-	3,179,945
Financial Liabilities				
Trade payables	-	-	530,001	530,001
Other payables	-	-	95,199	95,199
Amount owing to Directors	-	-	19,000	19,000
Hire purchase payables	-	-	584,996	584,996
8ank borrowings	-	-	1,861,316	1,861,316
Total financial liabilities	-	-	3,090,512	3,090,512

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.21 Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Available-for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
2010				
Financial Assets				
Other investment	240,000	-	-	240,000
Trade receivables	-	2,489,629	-	2,489,629
Other receivables	-	335,036	-	335,036
Amount owing by Directors	-	580,070	-	580,070
Fixed deposits with a licensed bank	-	406,669	-	406,669
Cash and bank balances	-	57,981	-	57,981
Total financial assets	240,000	3,869,385	-	4,109,385
Financial Liabilities				
Trade payables	-	-	438,404	43B,404
Other payables	-	-	111,465	111,465
Hire purchase payables	-	-	741,912	741,912
Bank borrowings	-	-	2,168,776	2,168,776
Total financial liabilities	-	-	3,460,557	3,460,557

(b) Financial risk management objectives and policies

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

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

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.21 Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk

Financial assets that are primarily exposed to credit risks are receivables, deposits and cash and bank balances.

Credit risk is the risk of a financial loss to SCHWM if a customer or counterparty to a financial instrument fails to meet its contractual obligations. SCHWM's exposure to credit risk arises principally from the inability of its customers to make payments when due.

SCHWM has adopted a policy of only 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 via SCHWM's management reporting procedures and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statement of financial position at the end of the reporting period represents SCHWM's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk.

(ii) Liquidity risk

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

SCHWM's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. SCHWM monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due.

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which SCHWM can be required to pay.

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.21 Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which SCHWM can be required to pay.

	Within 1 year or on demand RM	1 to 2 years RM	2 to 3 years RM	3 to 4 years RM	4 to 5 years RM	Total contractual cashflows RM	Total carrying amount RM
2013							
Financial liabilities							
Trade payables	438,836	-	-	-	-	438,836	438,836
Other payables	71,320	-	-	-	-	71,320	71,320
Amount owing to Directors	19,000	-	-	-	-	19,000	19,000
Hire purchase payables	193,656	162,441	59,508	12,421	-	428,026	399,449
8ank borrowings	954,000	-	-	-	-	954,000	954,000
Total financial liabilities	1,676,812	162,441	59,508	12,421	-	1,911,182	1,882,605
2012							
Financial liabilities							
Trade payables	338,660	-	-	-	-	338,660	338,660
Other payables	77,495	-	-	-	-	77,495	77,495
Amount owing to Directors	19,000	-	-	-	-	19,000	19,000
Hire purchase payables	226,607	180,192	73,557	29,892	12,421	522,669	487,643
8ank borrowings	1,395,900	216,258	-	-	-	1,612,158	1,577,474
Total financial liabilities	2,057,662	396,450	73,557	29,892	12,421	2,569,982	2,500,272

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.21 Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	Within 1 year or on demand RM	1 to 2 years RM	2 to 3 years RM	3 to 4 years RM	4 to 5 years RM	Total contractual cashflows RM	Total carrying amount RM
2011							
Financial liabilities							
Trade payables	530,001	-	-	-	-	530,001	530,001
Other payables	95,199	-	-	-	-	95,199	95,199
Amount owing to Directors	19,000	-	-	-	-	19,000	19,000
Hire purchase payables	220,620	220,620	152,270	43,665	-	637,175	584,996
8ank borrowings	1,484,921	237,900	216,258	-	-	1,939,079	1,861,316
Total financial liabilities	2,349,741	458,520	368,528	43,665	-	3,220,454	3,090,512
2010							
Financial liabilities							
Trade payables	438,404	-	-	-	-	438,404	438,404
Other payables	111,465	-	-	-	-	111,465	111,465
Hire purchase payables	263,948	195,530	185,808	134,866	43,665	823,817	741,912
8ank borrowings	1,609,222	237,900	237,900	216,258	-	2,301,280	2,168,776
Total financial liabilities	2,423,039	433,430	423,708	351,124	43,665	3,674,966	3,460,557

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.21 Financial Instruments (Cont'd)

(c) Market risks

(i) Foreign currency exchange risk

SCHWM's exposure to foreign currency exchange risk is minimal.

(ii) Interest rate risk

SCHWM obtains financing through other financial liabilities. SCHWM's policy is to obtain the financing with the most favourable interest rates in the market.

SCHWM constantly monitors its interest rate risk and does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes. At the end of the reporting period, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The carrying amounts of SCHWM's financial instruments that are exposed to interest rate risk are as follows:

	<----------As at 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Financial Assets				
Fixed deposits with licensed banks	406,669	194,084	204,891	210,750
Financial Liability				
Bank borrowings	2,168,776	1,861,316	1,577,474	954,000

SCHWM is exposed to interest rate risk arising from its short and long term debts obligations, and its fixed deposits. Fixed deposits interest rate is insignificant and any fluctuations in the rate would have no material impact on the results of SCHWM.

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.21 Financial Instruments (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk sensitivity

As at 31 August 2013, an increase in market interest rates by 1% on financial asset and financial liability of SCHWM which have variable interest rates at the end of the reporting period would decrease the profit before taxation by RM 7,433 (2012:RM13,726; 2011:RM13,834;2010:RM17,621). This analysis assumes that all other variables remain unchanged.

As at 31 August 2013, a decrease in market interest rates by 1% on financial asset and financial liability of SCHWM which have variable interest rates at the end of the reporting period would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain unchanged.

(d) Fair values of financial instruments

Financial instruments at fair value

As the financial assets and liabilities of the SCHWM are not carried at fair value by any valuation method, the fair value hierarchy analysis is not presented.

Financial instrument other than those carried at fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

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.

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.21 Financial Instruments (Cont'd)

(d) Fair values of financial instruments (Cont'd)

	Carrying amount RM	Fair value RM
Financial liabilities		
Hire purchase payables (Non – current)		
2013	224,346	208,762
2012	282,115	259,232
2011	393,488	355,880
2010	514,922	467,570
Bank Borrowing (Non – current)		
2013	-	*
2012	207,808	*
2011	419,009	*
2010	615,774	*

Note:

* *The carrying amount of the non-current term loan are reasonable approximation of fair value as they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.*

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.22 Capital Management

SCHWM's management manages its capital to ensure that SCHWM is able to continue as a going concern and maintains an optimal capital structure, so as to maximise shareholder value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

The capital of SCHWM consists of shareholders' equity, cash and cash equivalents and bank borrowings.

The gearing ratio is as follows:

	<----------As at 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Total loans and borrowings	2,910,688	2,446,312	2,065,117	1,353,449
Less: Cash and cash equivalents	(57,981)	(364,936)	(68,812)	(20,737)
Net debts	2,852,707	2,081,376	1,996,305	1,332,712
Total equity	2,145,664	1,370,498	2,070,194	2,439,611
Debt-to-equity ratio (%)	133%	152%	96%	55%

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

SCHWM is not subject to any externally imposed capital requirements.

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.8 Notes to the Financial Statements of SCHWM (Cont'd)

8.8.23 Comparative Figures

Certain comparative figures have been reclassified where necessary to conform with the current financial year's presentation as follows:

	As previously stated	Reclassification	As restated
	RM	RM	RM
2010			
Statement of cash flows			
Cash flows from operating activities			
Adjustment for:			
Gain on disposal of other investment	-	(5,282)	(5,282)
Cash flows from investing activities			
Proceeds from disposal of other investment	1,300,000	5,282	1,305,282
Cash flows from financing activities			
Increased in fixed deposits pledged	-	(9,756)	(9,756)
Net increase on cash and cash equivalents	(32,075)	(9,756)	(41,831)
Cash and cash equivalents at beginning of the financial year	496,725	(396,913)	99,812
Cash and cash equivalents at end of the financial year			
Less: Fixed deposits pledged with licensed banks	-	(406,669)	(406,669)

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.9 Financial Statements of SCHME

We set out below the consolidated financial statements of SCHME which includes its statement of comprehensive income, statement of financial position, statement for changes in equity and statement of cash flows for the four (4) FYE 2010 to FYE 2013.

8.9.1 Statements of Comprehensive Income

		<---------- FYE 31 August ---------->			
	Note	**2010 RM**	**2011 RM**	**2012 RM**	**2013 RM**
Revenue	*8.10.1*	15,395,767	10,266,479	15,910,919	13,905,568
Cost of sales		(11,486,089)	(7,244,337)	(11,645,459)	(9,715,728)
Gross profit		3,909,678	3,022,142	4,265,460	4,189,840
Other income		25,223	81,092	422,305	48,858
Administration expenses		(1,840,359)	(1,597,056)	(1,826,676)	(2,029,293)
Finance costs	*8.10.2*	(90,610)	(94,823)	(154,320)	(110,272)
Profit before taxation	*8.10.3*	2,003,932	1,411,355	2,706,769	2,099,133
Taxation	*8.10.4*	(500,485)	(354,703)	(709,924)	(544,133)
Net profit for the financial year, representing total comprehensive income for the financial year		1,503,447	1,056,652	1,996,845	1,555,000
Key financial ratio:					
Earnings before interest and taxation		2,094,542	1,506,178	2,861,089	2,209,405
Earnings before interest, taxation and depreciation		2,182,085	1,759,845	3,347,285	2,882,270
GP margin (%)	*(a)*	25.39	29.44	26.81	30.13
P8T margin (%)		13.02	13.75	17.01	15.10
PAT margin (%)		9.77	10.29	12.55	11.86
Effective tax rate (%)		24.98	25.13	26.23	25.92
Gross EP5 (RM)	*(b)*	5.01	3.53	6.77	5.24
Net EP5 (RM)	*(c)*	3.76	2.64	4.99	3.89
Weighted average number of ordinary shares		400,000	400,000	400,000	400,000

Notes:

(a) The GP margin is computed by dividing the GP against the revenue earned in the respective financial years.

(b) The gross EPS is computed by dividing the PBT against the weighted average number of ordinary shares.

(c) The net EPS is computed by dividing the PAT against the weighted average number of ordinary shares.

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.9 Financial Statements of SCHME (Cont'd)

8.9.2 Statements of Financial Position

		<---------- As at 31 August ---------->			
	Note	2010	2011	2012	2013
		RM	RM	RM	RM
Non-Current Assets					
Property, plant and equipment	*8.10.5*	474,317	984,302	1,780,243	1,127,290
Other investments	*8.10.6*	1,020,000	-	-	-
Deferred tax assets	*8.10.14*	-	-	25,480	-
		1,494,317	984,302	1,805,723	1,127,290
Current Assets					
Inventories	*8.10.7*	3,295,331	5,846,983	5,787,233	4,509,837
Trade receivables	*8.10.8*	2,981,479	3,570,524	4,585,215	4,763,095
Other receivables	*8.10.9*	14,513	300	320,400	414,481
Tax Recoverable		-	-	230,999	276,230
Amount owing by Directors	*8.10.10*	290,400	-	-	-
Fixed deposits with licensed banks	*8.10.11*	1,025,052	1,053,163	1,081,267	1,114,956
Cash and bank balances		1,018,337	328,161	56,073	182,657
		8,625,112	10,799,131	12,061,187	11,261,256
Total Assets		10,119,429	11,783,433	13,866,910	12,388,546
Equity					
Share capital	*8.10.12*	400,000	400,000	400,000	400,000
Retained profits		3,377,961	3,234,613	5,231,458	6,786,458
Total Equity		3,777,961	3,634,613	5,631,458	7,186,458
Non-Current Liabilities					
Hire purchase payables	*8.10.13*	624,985	602,160	1,007,758	480,387
Deferred taxation	*8.10.14*	6,989	-	-	14,220
		631,974	602,160	1,007,758	494,607
Current Liabilities					
Trade payables	*8.10.15*	3,839,432	4,894,895	3,793,299	1,539,373
Other payables	*8.10.16*	655,694	1,955,545	2,229,198	2,470,377
Amount owing to Directors		-	30,430	-	-
Finance lease payables	*8.10.17*	35,122	-	-	-
Hire purchase payables	*8.10.13*	853,532	431,704	591,149	412,731
8ank borrowings	*8.10.18*	174,252	177,434	614,048	285,000
Tax payable		151,462	56,652	-	-
		5,709,494	7,546,660	7,227,694	4,707,481
Total Liabilities		6,341,468	8,148,820	8,235,452	5,202,088
Total Equity and Liabilities		10,119,429	11,783,433	13,866,910	12,388,546



8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.9 Financial Statements of SCHME (Cont'd)

8.9.3 Statements of Changes in Equity

	Note	Share Capital RM	Distributable Retained Profits RM	Total RM
At 1 September 2009		400,000	1,874,514	2,274,514
Net profit for the financial year, representing total comprehensive income during the financial year		-	1,503,447	1,503,447
At 31 August 2010		400,000	3,377,961	3,777,961
At 1 September 2010		400,000	3,377,961	3,777,961
Net profit for the financial year, representing total comprehensive income during the financial year		-	1,056,652	1,056,652
Dividends	*8.10.19*	-	(1,200,000)	(1,200,000)
At 31 August 2011		400,000	3,234,613	3,634,613
At 1 September 2011		400,000	3,234,613	3,634,613
Net profit for the financial year, representing total comprehensive income during the financial year		-	1,996,845	1,996,845
At 31 August 2012		400,000	5,231,458	5,631,458
At 1 September 2012		400,000	5,231,458	5,631,458
Net profit for the financial year, representing total comprehensive income during the financial year		-	1,555,000	1,555,000
At 31 August 2013		400,000	6,786,458	7,186,458

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.9 Financial Statements of SCHME (Cont'd)

8.9.4 Statements of Cash Flows

	<---------- FYE 31 August ---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Cash Flows from Operating Activities				
Profit before taxation	2,003,932	1,411,355	2,706,769	2,099,133
Adjustments for:				
Depreciation of property, plant and equipment	87,543	253,667	486,196	672,865
Deposit written off	-	200	-	-
Interest expense	90,610	94,823	154,320	110,272
Interest income	(21,707)	(28,111)	(93,985)	(46,842)
Gain on disposal of other investment	(1,280)	(52,558)	-	-
Property, plant and equipment written off	-	707	660	-
Reversal of impairment on trade receivables	-	-	(328,000)	-
Operating profit before working capital changes	2,159,098	1,680,083	2,925,960	2,835,428
(Increase)/Decrease in working capital				
Inventories	1,011,452	(2,551,652)	59,750	1,277,396
Trade receivables	431,315	(589,045)	(686,691)	(177,880)
Other receivables	(1,989)	14,013	(29,700)	(94,081)
Trade payables	(1,321,456)	1,055,464	(1,101,596)	(2,253,926)
Other payables	371,193	99,851	1,473,653	241,179
Amount owing to/(by) Directors	-	320,830	(320,830)	-
	490,515	(1,650,539)	(605,414)	(1,007,312)
Cash generated from operations	2,649,613	29,544	2,320,546	1,828,116
Interest paid	(90,610)	(94,823)	(154,320)	(110,272)
Interest received	21,707	28,111	93,985	46,842
Tax paid	(425,039)	(456,503)	(1,023,055)	(549,664)
	(493,942)	(523,215)	(1,083,390)	(613,094)
Net cash from/(used in) operating activities	2,155,671	(493,671)	1,237,156	1,215,022

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.9 Financial Statements of SCHME (Cont'd)

8.9.4 Statements of Cash Flows (Cont'd)

	<---------- FYE 31 August ---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Cash Flows From Investing Activities				
Purchase of property, plant and equipment	(52,770)	(80,359)	(14,538)	(19,912)
Purchase of other investments	(2,880,000)	-	-	-
Proceed from disposal of investment	1,901,280	1,072,558	-	-
Net cash (used in)/from investing activities	(1,031,490)	992,199	(14,538)	(19,912)
Cash Flows From Financing Activities				
Dividend paid	-	-	(1,200,000)	-
Addition/(repayment) of hire purchase and finance lease payables	399,100	(1,163,775)	(703,216)	(705,789)
(Decreased)/increased in bankers' acceptance	(514,000)	28,000	211,000	(72,000)
(Increased)/ decreased in fixed deposit pledged	(21,707)	(28,111)	(28,104)	(33,689)
Net cash used in financing activities	(136,607)	(1,163,886)	(1,720,320)	(811,478)
Net increase/(decrease) in cash and cash equivalents	987,574	(665,358)	(497,702)	383,632
Cash and cash equivalents at beginning of the financial year	(25,489)	962,085	296,727	(200,975)
Cash and cash equivalents at end of the financial year	962,085	296,727	(200,975)	182,657
Cash and cash equivalents at end of the financial year comprise: -				
Fixed deposits with licensed banks	1,025,052	1,053,163	1,081,267	1,114,956
Cash and bank balances	1,018,337	328,161	56,073	182,657
8ank overdraft	(56,252)	(31,434)	(257,048)	-
	1,987,137	1,349,890	880,292	1,297,613
Less: Fixed deposits pledged with a licensed bank	(1,025,052)	(1,053,163)	(1,081,267)	(1,114,956)
	962,085	296,727	(200,975)	182,657

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME

8.10.1 Revenue

This represents invoiced value of goods sold less trade discounts and returns.

8.10.2 Finance Costs

	<---------- FYE 31 August ---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Interest expenses on:				
Bank overdraft	523	1,857	2,366	2,408
Bankers' acceptance	2,843	3,634	19,114	21,941
Finance lease and hire purchase	86,540	89,332	130,680	85,813
Letter of credit	704	-	2,160	110
	90,610	94,823	154,320	110,272

8.10.3 Profit before Taxation

Profit is derived after charging/(crediting):

	<---------- FYE 31 August ---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Auditors' remuneration				
-Current year	4,000	6,000	6,000	10,000
-Under provision in prior year	-	-	-	4,800
Deposit written off	-	200	-	-
Depreciation of property, plant and equipment	87,543	253,667	486,196	672,865
Director's allowances	144,000	144,000	-	-
Reversal of impairment on trade receivables	-	-	(328,000)	-
Fixed deposit interest income	(21,707)	(28,111)	(28,105)	(33,689)
Other interest income	-	-	(65,880)	(13,153)
Gain on disposal of other investment	(1,280)	(52,558)	-	-
Property, plant and equipment written off	-	707	660	-
Realised gain on foreign exchange	(2,236)	(423)	(320)	(2,016)
Rental of premises	96,000	108,000	-	2,250

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.4 Taxation

	<---------- FYE 31 August ---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Current income tax:				
Current year provision	493,796	361,692	739,000	604,300
Over provision in prior year	-	-	(3,596)	(99,867)
	493,796	361,692	735,404	504,433
Deferred tax:				
Relating to origination and reversal of temporary differences	6,689	(6,989)	(17,914)	(13,800)
(Over)/Under provision in prior year	-	-	(8,286)	53,500
	500,485	354,703	709,924	544,133

SCHME being Malaysian resident company with paid-up capital of less than RM2.S million qualified for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act 1967 as income tax is calculated at the statutory tax rate of 20% (2010 and 2012: 20%) on the first RMS00,000 and 2S% (2010 and 2012: 25%) on balance of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of SCHME is as follows: -

	<---------- FYE 31 August ---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Profit before taxation	2,003,932	1,411,355	2,706,769	2,099,133
Taxation at statutory tax rate of 25%	500,984	352,839	676,692	524,800
Expenses not deductible for tax purposes	24,821	21,192	70,114	90,700
Income not subject to tax	(320)	(13,140)	-	-
Overprovision of taxation in prior year	-	-	(3,596)	(99,867)
Deferred tax assets not recognised		18,812	-	-
(Over)/Under provision of deferred tax in prior years	-	-	(8,286)	53,500
Tax incentive obtained from differential tax rate of 20%	(25,000)	(25,000)	(25,000)	(25,000)
Tax expense for the financial year	500,485	354,703	709,924	544,133

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.4 Taxation (Cont'd)

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

SCHME did not elect for the irrecoverable option to disregard the 108 balance. Accordingly, during the transitional period, SCHME may utilise the credit 108 balance as at 31 August 2013 and 2012 to distribute cash dividend payments to ordinary shareholdings as defined under Finance Act 2007. As at 31 August 2013 and 2012, SCHME has sufficient credit in the 108 balance to pay franked dividends amounting to RM105,000 (2012: RM105,000) out of its retained earnings. If the balance of the retained earnings of RM6,681,500 (2012:RM5,126,500) were to be distributed as dividends, SCHME may distribute such dividends under the single tier system.

8.10.5 Property, Plant and Equipment

	Machinery RM	Motor Vehicles RM	Office Equipment RM	Total RM
2013				
Cost				
At 1 September 2012	2,028,259	606,443	62,324	2,697,026
Additions	-	-	19,912	19,912
At 31 August 2013	2,028,259	606,443	82,236	2,716,938
Accumulated depreciation				
At 1 September 2012	512,107	381,693	22,983	916,783
Charge for the year	570,396	93,000	9,469	672,865
At 31 August 2013	1,082,503	474,693	32,452	1,589,648
Carrying amount				
At 31 August 2013	945,756	131,750	49,784	1,127,290

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.5 Property, Plant and Equipment (Cont'd)

	Machinery RM	Motor Vehicles RM	Office Equipment RM	Total RM
2012				
Cost				
At 1 September 2011	760,000	606,443	48,834	1,415,277
Additions	1,268,259	-	14,538	1,282,797
Written off	-	-	(1,048)	(1,048)
At 31 August 2012	2,028,259	606,443	62,324	2,697,026
Accumulated depreciation				
At 1 September 2011	126,666	287,719	16,590	430,975
Charge for the year	385,441	93,974	6,781	486,196
Written off	-	-	(388)	(388)
At 31 August 2012	512,107	381,693	22,983	916,783
Carrying amount				
At 31 August 2012	1,516,152	224,750	39,341	1,780,243

	Machinery RM	Motor Vehicles RM	Office Equipment RM	Total RM
2011				
Cost				
At 1 September 2010	-	606,443	45,546	651,989
Additions	760,000	-	4,359	764,359
Written off	-	-	(1,071)	(1,071)
At 31 August 2011	760,000	606,443	48,834	1,415,277
Accumulated depreciation				
At 1 September 2010	-	166,431	11,241	177,672
Charge for the financial year	126,666	121,288	5,713	253,667
Written off	-	-	(364)	(364)
At 31 August 2011	126,666	287,719	16,590	430,975
Carrying amount				
At 31 August 2011	633,334	318,724	32,244	984,302

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.5 Property, Plant and Equipment (Cont'd)

	Machinery RM	Motor Vehicles RM	Office Equipment RM	Total RM
2010				
Cost				
At 1 September 2009	-	141,443	39,776	181,219
Additions	-	465,000	5,770	470,770
At 31 August 2010	-	606,443	45,546	651,989
Accumulated depreciation				
At 1 September 2009	-	83,892	6,237	90,129
Charge for the financial year	-	82,539	5,004	87,543
At 31 August 2010	-	166,431	11,241	177,672
Carrying amount				
At 31 August 2010	-	440,012	34,305	474,317

(a) The carrying amount of property, plant and equipment acquired under lease and hire purchase arrangement are as follows:

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Machinery	-	633,334	1,516,152	945,756
Motor vehicles	440,012	317,750	224,750	131,750
	440,012	951,084	1,740,902	1,077,506

During FYE 2012, SCHME acquired new quarry machinery (Dyteco DJC-4840 Jaw Crusher) under hire purchase which amounted to RM1.28 million. SCHME is leasing this machine to Syarikat Gembilang Sdn Bhd for 48 months which generated a monthly rental income of RM30,544.

(b) The aggregate additional cost for the property, plant and equipment of SCHME during the financial year under hire purchase arrangement and cash payments are as follows:

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Aggregate costs	470,770	764,359	1,282,797	19,912
Less: Hire purchase financing	(418,000)	(684,000)	(1,268,259)	-
Cash payments	52,770	80,359	14,538	19,912

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.6 Other Investments

	←As at 31 August→			
	2010 RM	2011 RM	2012 RM	2013 RM
In Malaysia				
Marketable securities				
At cost				
At 1 September	40,000	1,020,000	-	-
Addition	2,880,000	-	-	-
Disposal	(1,900,000)	(1,020,000)	-	-
At 31 August	1,020,000	-	-	-
At market value				
At 31 August	1,045,980	-	-	-

8.10.7 Inventories

	<As at 31 August>			
	2010 RM	2011 RM	2012 RM	2013 RM
At cost:				
Finished goods	3,295,331	5,846,983	5,787,233	4,509,837

The cost of inventories of SCHME recognised as an expense during the year was as follows: -

	<As at 31 August>			
	2010 RM	2011 RM	2012 RM	2013 RM
Cost of inventories	10,987,971	6,947,759	11,200,581	9,412,616

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.8 Trade Receivables

	<----------As at 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Trade receivables				
- Third parties	1,239,561	935,312	801,157	1,325,180
- Related parties	2,069,918	2,963,212	3,784,058	3,437,915
	3,309,479	3,898,524	4,585,215	4,763,095
Less: Accumulated impairment	(328,000)	(328,000)	-	-
	2,981,479	3,570,524	4,585,215	4,763,095
Trade receivables turnover (days)				
- Third parties	43	68	41	75

Note:

* *Trade receivables turnover day is computed by dividing average trade receivables (third parties) over sales to third parties x 365 days*

Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition. The amounts owing by related parties represent unsecured, interest-free and repayable on demand.

SCHME's normal trade credit terms ranging from 150 days and 180 days (2010 to 2012: 150 to 180 days). Other credit terms are assessed and approved on a case by case basis.

In FYE2010, the trade receivables turnover days was relatively low which attributable to the increase in sales of quarry machinery and quarry equipments where most of their customers utilised banking facilities to purchase these quarry machinery and quarry equipments.

The trade receivables turnover days increased from 43 days in FYE 2010 to 68 days in FYE 2011 and increased from 41 days in FYE 2012 to 75 days in FYE 2013 was mainly due to higher billing issued toward the financial year end for sales of spare parts for quarry machinery, quarry equipments and reconditioned quarry machinery.

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.8 Trade Receivables (Cont'd)

Movements in impairment during the financial years are as follows:

	<----------As at 31 August---------->			
	2010 RM	**2011 RM**	**2012 RM**	**2013 RM**
At beginning of the financial year	328,000	328,000	328,000	-
Reversal of impairment	-	-	(328,000)	-
At end of the financial year	328,000	328,000	-	-

Analysis of the trade receivables ageing is as follows:

	<----------As at 31 August---------->			
	2010 RM	**2011 RM**	**2012 RM**	**2013 RM**
Neither past due nor impaired	2,540,028	3,000,279	3,547,111	3,050,631
Past due less than 30 days not impaired	24,294	126,169	404,304	530,557
Past due for more than 31 to 60 days not impaired	90,982	26,130	31,809	143,801
Past due for more than 60 days not impaired	326,175	417,946	601,991	1,038,106
	2,981,479	3,570,524	4,585,215	4,763,095
Impaired	328,000	328,000	-	-
	3,309,479	3,898,524	4,585,215	4,763,095

As at 31 August 2013, trade receivables of RM1,712,464 (2012: RM1,038,104; 2011: RMS70,245; 2010:RM441,4S1) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

In the previous financial years, the trade receivables of the SCHME was individually assessed to be impaired amounted to RM328,000 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.

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with SCHME. None of SCHME's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.9 Other Receivables

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Other receivables				
-Third parties	-	-	3,000	79,524
-Related parties	-	-	290,400	303,876
Deposits	500	300	27,000	1,000
Prepayments	14,013	-	-	30,081
	14,513	300	320,400	414,481

Other receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

Related party refers to a company in which certain Directors of 5CHME have substantial financial interests.

8.10.10 Amount Owing by Directors

These represent unsecured, non-interest bearing advances and repayable on demand.

8.10.11Fixed Deposit with Licensed Banks

The fixed deposit amounting to RM 1,114,956 (2012: RM1,081,267; 2011: RM1,053,163; 2010: RM1,025,052) have been pledged to a licensed bank as security for credit facilities granted to 5CHME as disclosed in Note 8.10.18 of this report.

The interest rate of the fixed deposit during the financial year is 2.85% (2012: 2.85%; 2011:2.95%; 2010: 2.95%) per annum and the maturity of the deposit is 365 days (2010 to 2012: 365 days).

8.10.12Share Capital

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Ordinary share of RM1.00 each				
Authorised	500,000	500,000	500,000	500,000
Issued and fully paid	400,000	400,000	400,000	400,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the 5CHME. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the 5CHME's residual assets.

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.13 Hire Purchase Payables

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
(a) Minimum hire purchase payments				
Within one year	918,416	499,346	679,462	456,276
8etween one and five years	668,454	638,053	1,073,105	499,147
	1,586,870	1,137,399	1,752,567	955,423
Less: Future finance charges	(108,353)	(103,535)	(153,660)	(62,305)
Present value of hire purchase liabilities	1,478,517	1,033,864	1,598,907	893,118
(b) Present value of hire purchase liabilities				
Within one year	853,532	431,704	591,149	412,731
8etween one and five years	624,985	602,160	1,007,758	480,387
	1,478,517	1,033,864	1,598,907	893,118
Analyse as:				
Repayable within twelve months	853,532	431,704	591,149	412,731
Repayable after twelve months	624,985	602,160	1,007,758	480,387
	1,478,517	1,033,864	1,598,907	893,118

The hire purchase liabilities interest is charged at rates ranging from 2.68% to 3.50% (2012: 2.68% to 3.70%; 2011: 2.68% to 3.80%; 2010: 5.07% to 7.15%;) per annum.

8.10.14 Deferred Tax Liabilities/(Assets)

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
At beginning of the year	300	6,989	-	(25,480)
Recognised in statement of comprehensive income	6,689	(6,989)	(25,480)	39,700
At the end of the year	6,989	-	(25,480)	14,220

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.14 Deferred Tax Liabilities (Cont'd)

The components and movements of deferred tax liabilities are as follows: -

	Accelerated capital allowances RM	Total RM
At 1 September 2012	(25,480)	(25,480)
Recognised in statement of comprehensive income	39,700	39,700
At 31 August 2013	14,220	14,220
At 1 September 2011	-	-
Recognised in statement of comprehensive income	(25,480)	(25,480)
A1 31 August 2012	(25,480)	(25,480)
At 1 September 2010	6,989	6,989
Recognised in statement of comprehensive income	(6,989)	(6,989)
A1 31 August 2011	-	-
At 1 September 2009	300	300
Recognised in statement of comprehensive income	6,689	6,689
A1 31 August 2010	6,989	6,989

8.10.1S Trade Payables

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Trade payables				
- Third parties	320,064	182,340	215,286	153,785
- Related parties	3,519,368	4,712,555	3,578,013	1,385,588
	3,839,432	4,894,895	3,793,299	1,539,373
Trade payable turnover (days)				
- Third parties	24	43	19	31

Note:

* *Trade payables turnover day is computed by dividing average trade payables (third parties) over purchases from third parties x 365 days.*

SCHME's normal trade credit terms granted ranging from 150 days and 180 days(2010 to 2012: 150 to 180 days). Other credit terms are assessed and approved on a case by case basis.

The trade payable turnover day was relatively low as most of the quarry machinery and quarry equipments are purchased and paid via banking facilities.



8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.16 Other Payables

	<----------As at 31 August---------->			
	2010 RM	**2011 RM**	**2012 RM**	**2013 RM**
Other payables				
- Third parties	6,867	104,771	929,965	466,140
- Related parties	614,738	614,738	1,225,900	1,933,154
	621,605	719,509	2,155,865	2,399,294
Accruals	34,089	36,036	12,248	10,000
Dividend payable	-	1,200,000	-	-
Prepayment	-	-	61,085	61,083
	655,694	1,955,545	2,229,198	2,470,377

Related parties refer to companies in which certain Directors have substantial financial interests.

The amounts owing to related parties represent unsecured interest free and repayable on demand

8.10.17 Finance Lease Payables

	<----------As at 31 August---------->			
	2010 RM	**2011 RM**	**2012 RM**	**2013 RM**
(a) Minimum finance lease payments				
Within one year	36,984	-	-	-
Between one and five years	-	-	-	-
Less: Future finance charges	(1,862)	-	-	-
Present value of finance lease liabilities	35,122	-	-	-
(b) Present value of finance lease liabilities				
Within one year	35,122	-	-	-
Between one and five years	-	-	-	-
	35,122	-	-	-
Analyse as:				
Repayable within twelve months	35,122	-	-	-
Repayable after twelve months	-	-	-	-
	35,122	-	-	-

The finance lease interest rate is charged at rates of Nil (2012:Nil; 2011: Nil; 2010: 6.18%) per annum.

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.18 Bank Borrowings

	<----------As at 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Secured				
Bank overdraft	56,252	31,434	257,048	-
Banker's acceptance	118,000	146,000	357,000	2B5,000
	174,252	177,434	614,048	2B5,000
Analysed as:				
Repayable within twelve months				
Secured				
Bank overdraft	56,252	31,434	257,048	-
Bankers' acceptance	118,000	146,000	357,000	285,000
	174,252	177,434	614,048	285,000

The above credit facilities obtained from Standard Chartered Bank Malaysia Berhad are secured on the followings:

(a) Pledged of fixed deposit of SCHME as disclosed in Note B.10.11 of this report;

(b) Joint and several guarantee for RM3.5 million by the Directors of SCHME, namely Mr. Lau Mong Ling, Mr. Wong Sin Chin and Mr. Yeen Yoon Hin; and

(c) Corporate guarantee for RM3.5 million by SCH Corporation.

Ranges of interest rates per annum are as follows:

	<----------FYE 31 August---------->			
	2010	**2011**	**2012**	**2013**
	%	**%**	**%**	**%**
Bank overdraft	7.80	8.10	8.10	-
Bankers' acceptance	4.78	5.00-5.22	5.00-5.22	5.0B-5.19

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.19 Dividends

	<----------As at 31 August---------->			
	2010 RM	**2011 RM**	**2012 RM**	**2013 RM**
A interim dividend of 24.00 sen less 25% taxation on 400,000 ordinary shares of RM1.00 each in respect of financial year ended 31 August 2011	-	96,006	-	-
A second interim single tier tax exempt dividend of RM2.76 on 400,000 ordinary shares of RM1.00 each in respect of financial year ended 31 August 2011	-	1,103,994	-	-
	-	1,200,000	-	-

8.10.20 Staff Costs

	<----------As at 31 August---------->			
	2010 RM	**2011 RM**	**2012 RM**	**2013 RM**
Staff costs (excluding Directors)	299,772	525,062	582,542	721,456

Included in the total staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan for 5CHME amounting to RM71,955 (2012: RM55,911; 2011: RM44,272; 2010: RM19,957).

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.21 Related Party Disclosures

(a) Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the SCHME if the SCHME has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the SCHME and the party are subject to common control or common significant influence. 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 SCHME either directly or indirectly. The key management personnel include all the Directors of the SCHME and certain members of senior management of the SCHME.

The SCHME has related party relationship with the Directors' related companies.

(b) In addition to the transactions detailed elsewhere in the financial statements, SCHME had the following transactions with related parties during the financial year.

	<----------As at 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Sales: -				
5CH Corporation Group*	4,223,032	5,300,392	8,530,316	8,143,356
5CHWM*	-	450	-	3,117
Italiaworld*	729,081	917,921	519,728	296,954
5peed Volta 8elt 5dn 8hd	395,041	337,125	-	-
	5,347,154	6,555,888	9,050,444	8,443,427
Purchases: -				
SCH Corporation Group*	5,665,052	6,599,215	7,410,828	6,021,090
5peed Volta 8elt 5dn 8hd	1,045	72,469	-	-
	5,666,097	6,671,684	7,410,828	6,021,090
Purchases of PPE: -				
5CH Corporation Group*	-	760,000	1,268,259	-

(c) Information regarding outstanding balances arising from related party transactions as at 31 August 2013 is disclosed in Notes 8.10.8, 8.10.9, 8.10.10, 8.10.15 and 8.10.16 of this report.

(d) Information regarding the compensation of key management personnel is as follows:



8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.21 Related Party Disclosures (Cont'd)

	<----------As at 31 August---------->			
	2010 RM	2011 RM	2012 RM	2013 RM
Short-term employee benefits				
Director's allowances	144,000	144,000	-	-

Key management personnel include personnel having authority and responsibility for planning, directing and controlling activities of entity, including any Director of SCHME.

8.10.22 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 6 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 financial liabilities in the statement of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Available for sale RM	Loan and receivables RM	Other financial liabilities RM	Total RM
2013				
Financial assets				
Trade receivables	-	4,763,095	-	4,763,095
Other receivables	-	414,481	-	414,481
Fixed deposit with a licensed bank	-	1,114,956	-	1,114,956
Cash and bank balances	-	182,657	-	182,657
Total financial assets	-	6,475,189	-	6,475,189
Financial liabilities				
Trade payables	-	-	1,539,373	1,539,373
Other payables	-	-	2,470,377	2,470,377
Hire purchase payables	-	-	893,118	893,118
Bank borrowings	-	-	285,000	285,000
Total financial liabilities	-	-	5,187,868	5,187,868

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.22 Financial Instruments (Cont'd)

(b) Classification of financial instruments (Cont'd)

	Available for sale RM	Loan and receivables RM	Other financial liabilities RM	Total RM
2012				
Financial assets				
Trade receivables	-	4,585,215	-	4,585,215
Other receivables	-	320,400	-	320,400
Fixed deposit with a licensed bank	-	1,081,267	-	1,081,267
Cash and bank balances	-	56,073	-	56,073
Total financial assets	-	6,042,955	-	6,042,955
Financial liabilities				
Trade payables	-	-	3,793,299	3,793,299
Other payables	-	-	2,229,198	2,229,198
Hire purchase payables	-	-	1,598,907	1,598,907
8ank borrowings	-	-	614,048	614,048
Total financial liabilities	-	-	8,235,452	8,235,452
2011				
Financial assets				
Trade receivables	-	3,570,524	-	3,570,524
Other receivables	-	300	-	300
Fixed deposit with a licensed bank	-	1,053,163	-	1,053,163
Cash and bank balances	-	328,161	-	328,161
Total financial assets	-	4,952,148	-	4,952,148
Financial liabilities				
Trade payables	-	-	4,894,895	4,894,895
Other payables	-	-	1,955,545	1,955,545
Amount owing to Directors	-	-	30,430	30,430
Hire purchase payables	-	-	1,033,864	1,033,864
8ank borrowings	-	-	177,434	177,434
Total financial liabilities	-	-	8,092,168	8,092,168



8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.22 Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Available for sale RM	Loan and receivables RM	Other financial liabilities RM	Total RM
2010				
Financial assets				
Other investment	1,020,000	-	-	1,020,000
Trade receivables	-	2,981,479	-	2,981,479
Other receivables	-	14,513	-	14,513
Amount owing by Directors	-	290,400	-	290,400
Fixed deposit with licensed bank	-	1,025,052	-	1,025,052
Cash and bank balances	-	1,018,337	-	1,018,337
Total financial assets	1,020,000	5,329,781	-	6,349,781
Financial liabilities				
Trade payables	-	-	3,839,432	3,839,432
Other payables	-	-	655,694	655,694
Finance lease payables	-	-	35,122	35,122
Hire purchase payables	-	-	1,478,517	1,478,517
8ank borrowings	-	-	174,252	174,252
Total financial liabilities	-	-	6,183,017	6,183,017

(b) Financial risk management objectives and policies

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

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.22 Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk

Financial assets that are primarily exposed to credit risks are receivables, deposit and cash and bank balances.

Credit risk is the risk of a financial loss to the SCHME if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The SCHME's exposure to credit risk arises principally from the inability of its customers to make payments when due.

The SCHME has adopted a policy of only 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 via SCHME's management reporting procedures and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statement of financial position at the end of the reporting period represents the SCHME's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk

(ii) Liquidity risk

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

SCHME's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. SCHME monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due.

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.22 Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which SCHME can be required to pay.

	Within 1 year or on demand RM	1 to 2 years RM	2 to 3 years RM	3 to 4 years RM	4 to 5 years RM	Total RM	Total carrying amount RM
2013							
Financial liabilities							
Trade payables	1,539,373	-	-	-	-	1,539,373	1,539,373
Other payables	2,470,377	-	-	-	-	2,470,377	2,470,377
Hire purchase payables	456,276	408,822	90,325	-	-	955,423	893,118
8ank borrowings	285,000	-	-	-	-	285,000	285,000
Total financial liabilities	4,751,026	408,822	90,325	-	-	5,250,173	5,187,868
2012							
Financial liabilities							
Trade payables	3,793,299	-	-	-	-	3,793,299	3,793,299
Other payables	2,229,199	-	-	-	-	2,229,199	2,229,199
Hire purchase payables	679,462	604,039	408,822	60,244	-	1,752,567	1,598,907
Bank borrowings	614,048		-	-	-	614,048	614,048
Total financial liabilities	7,316,008	604,039	408,822	60,244	-	8,389,113	8,235,452

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.22 Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	Within 1 year or on demand RM	1 to 2 years RM	2 to 3 years RM	3 to 4 years RM	4 to 5 years RM	Total RM	Total carrying amount RM
2011							
Financial liabilities							
Trade payables	4,894,895	-	-	-	-	4,894,895	4,894,895
Other payables	1,955,545	-	-	-	-	1,955,545	1,955,545
Amount owing to Directors	30,430	-	-	-	-	30,430	30,430
Hire purchase payables	499,346	348,120	242,575	47,358	-	1,137,399	1,033,864
Bank borrowings	177,434	-	-	-	-	177,434	177,434
Total financial liabilities	7,557,650	348,120	242,575	47,358	-	8,195,703	8,092,168
2010							
Financial liabilities							
Trade payables	3,839,432	-	-	-	-	3,839,432	3,839,432
Other payables	655,694	-	-	-	-	655,694	655,694
Finance lease payables	35,122	-	-	-	-	35,122	35,122
Hire purchase payables	918,414	347,330	178,957	94,812	47,357	1,586,870	1,478,517
Bank borrowings	174,252	-	-	-	-	174,252	174,252
Total financial liabilities	5,622,914	347,330	178,957	94,812	47,357	6,291,370	6,183,017

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.22 Financial Instruments (Cont'd)

(c) Market risks

(i) Foreign currency risk

SCHME's exposure to foreign currency exchange risk is minimal.

(ii) Interest rate risk

SCHME is exposed to interest rate risk arising primarily from financing through interest bearing financial assets and financial liabilities. SCHME's policy is to obtain the financing with the most favourable interest rates in the market.

SCHME constantly monitors its interest rate risk and does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes. At the end of the reporting period, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The carrying amounts of SCHME's financial instruments that are exposed to interest rate risk are as follows:

	<----------As at 31 August---------->			
	2010	**2011**	**2012**	**2013**
	RM	**RM**	**RM**	**RM**
Financial Asset				
Fixed deposits with licensed banks	1,025,052	1,053,163	1,081,267	1,114,956
Financial Liability				
Bank borrowings	174,252	177,434	614,048	285,000

SCHME are exposed to interest rate risk arising from its short and long term debts obligations and its fixed deposits. Fixed deposits interest rate is insignificant and any fluctuations in the rate would have no material impact on the results of SCHME.

(iii) Interest rate risk sensitivity

As at 31 August 2013, an increase in market interest rates by 1% on financial asset and financial liability of SCHME which have variable interest rates at the end of the reporting period would increase the profit before taxation by RM 8,300 (2012:RM4,672; 2011:RM8,757; 2010:RM8,508). This analysis assumes that all other variables remain unchanged.

As at 31 August 2013, a decrease in market interest rates by 1% on financial asset and financial liability of SCHME which have variable interest rates at the end of the reporting period would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain unchanged.

UHY

8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.22 Financial Instruments (Cont'd)

(d) Fair value of financial instrument

Financial instruments at fair value

As the financial assets and liabilities of the SCHME are not carried at fair value by any valuation method, the fair value hierarchy analysis is not presented.

Financial instrument other than those carried at fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

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.

	Carrying amount RM	Fair value RM
Financial Liabilities		
Hire purchase payables (Non-current)		
FYE 2013	480,387	446,322
FYE 2012	1,007,758	948,699
FYE 2011	602,160	588,170
FYE 2010	624,985	613,896

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8. AUDITED FINANCIAL STATEMENTS (CONT'D)

8.10 Notes to Financial Statements of SCHME (Cont'd)

8.10.23 Comparative Figure

Certain comparative figures have been reclassified where necessary to conform with the current financial year's presentation as follows:

	As previously stated RM	Reclassification RM	As restated RM
2010			
Statement of cash flows			
Cash flows from financing activities			
Addition of finance lease payables	3,436	395,664	399,100
Decreased in bankers' acceptance	-	(514,000)	(514,000)
Net proceeds for bank borrowings and hire purchase financing	(118,336)	118,336	-
Increased in fixed deposits pledged	-	(21,707)	(21,707)
Net increase in cash and cash equivalents	1,009,281	(21,707)	987,574
Cash and cash equivalents at beginning of the financial year	977,856	(1,003,345)	(25,489)
Cash and cash equivalents at end of the financial year	1,987,137	(1,025,052)	962,085
Less: Fixed deposits pledged with licensed banks	-	(1,025,052)	(1,025,052)

UHY

9. SUBSEQUENT EVENTS

There were no significant subsequent events between the date of the latest financial statements used in the preparation of this report and the date of this report which will affect materially the contents of this report except for the Acquisitions and listing scheme mentioned in Section 2.

Yours faithfully,

UHY
Firm Number: AF 1411
Chartered Accountants

STEPHEN WAN YENG LEONG
Approved Number: 2963/07/15(J)
Chartered Accountant

KUALA LUMPUR, MALAYSIA
20 DEC 2013

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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 statement of financial position as at 31 August 2013 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 10 to 28.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to 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 are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH GROUP BERHAD (CONT'D)
(Company No.: 972700-P)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 August 2013 and of its 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(a) to the financial statements. The Company incurred a net loss of RM4,516 during the financial year ended 31 August 2013. As at 31 August 2013, the Company's current liabilities exceeded its current assets by RM14,651 and it had deficit in its shareholder's equity of RM14,651. These conditions, indicate the existence of an uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The validity of the going concern assumption depends on the continuing financial support from its shareholders and payables.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

1. As stated in Note 2(a) to the financial statements, SCH GROUP BERHAD adopted Malaysian Financial Reporting Standards on 1 September 2012 with a transition date of 1 September 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statement of financial position as at 31 August 2012 and 1 September 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 August 2012 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 August 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 September 2012 do not contain misstatements that materially affect the financial position as of 31 August 2013 and financial performance and cash flows for the financial year then ended.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH GROUP BERHAD
(Company No.: 972700-P)
(Incorporated in Malaysia)

Other Matters (Cont'd)

2. 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

STEPHEN WAN YENG LEONG
Approved Number: 2963/07/15(J)
Chartered Accountant

KUALA LUMPUR
25 NOV 2013

Appendix II

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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 statement of financial position as at 31 August 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 27.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH GROUP BERHAD (CONT'D)
(Company No.: 972700-P)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2012 and of its financial performance and cash flows for the financial period then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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

LO KUAN CHE
Approved Number: 3016/11/14 (J)
Chartered Accountant

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH CORPORATION SDN. BHD.
(Company No.: 256212-K)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of SCH CORPORATION SDN. BHD., which comprise the statement of financial position as at 31 August 2013 of the Group and of the Company, and statement of comprehensive income, statement of changes in equity and statement 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 10 to 66.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH CORPORATION SDN. BHD. (CONT'D)
(Company No.: 256212-K)
(Incorporated in Malaysia)

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 2013 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.

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 subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiaries 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.

(c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

1. As stated in Note 2(a) to the financial statements, SCH CORPORATION SDN. BHD. adopted Malaysian Financial Reporting Standards on 1 September 2012 with a transition date of 1 September 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statement of financial position as at 31 August 2012 and 1 September 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 August 2012 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 August 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 September 2012 do not contain misstatements that materially affect the financial position as of 31 August 2013 and financial performance and cash flows for the financial year then ended.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH CORPORATION SDN. BHD. (CONT'D)
(Company No.: 256212-K)
(Incorporated in Malaysia)

Other Matters (Cont'd)

2. 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

STEPHEN WAN YENG LEONG
Approved Number: 2963/07/15 (J)
Chartered Accountant

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG SDN. BHD.
(Company No.: 106431-A)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of SIN CHEE HENG SDN BHD., which comprise statement of financial position as at 31 August 2013 of the Company, and statement of comprehensive income, statement of changes in equity and statement of cash flows 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 10 to 60.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG SDN. BHD. (CONT'D)
(Company No.: 106431-A)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 August 2013 and of its 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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

1. As stated in Note 2(a) to the financial statements, SIN CHEE HENG SDN. BHD. adopted Malaysian Financial Reporting Standards on 1 September 2012 with a transition date of 1 September 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statement of financial position as at 31 August 2012 and 1 September 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 August 2012 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 August 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 September 2012 do not contain misstatements that materially affect the financial position as of 31 August 2013 and financial performance and cash flows for the financial year then ended.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG SDN. BHD. (CONT'D)
(Company No.: 106431-A)
(Incorporated in Malaysia)

Other Matters (Cont'd)

2. This report is made solely to the member 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

STEPHEN WAN YENG LEONG
Approved Number: 2963/07/15 (J)
Chartered Accountant

KUALA LUMPUR

25 November 2013

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (SABAH) SDN. BHD.
(Company No.: 228955-T)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of SIN CHEE HENG (SABAH) SDN. BHD., which comprise the statement of financial position as at 31 August 2013 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 10 to 46.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to 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 are 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 risk 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (SABAH) SDN. BHD. (CONT'D)
(Company No.: 228955-T)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 August 2013 and of its 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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, tbe accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

1. As stated in Note 2(a) to the financial statements, SIN CHEE HENG (SABAH) SDN. BHD. adopted Malaysian Financial Reporting Standards on 1 September 2012 with a transition date of 1 September 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statement of financial position as at 31 August 2012 and 1 September 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 August 2012 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 August 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 September 2012 do not contain misstatements that materially affect the financial position as of 31 August 2013 and financial performance and cash flows for the financial year then ended.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (SABAH) SDN. BHD. (CONT'D)
(Company No.: 228955-T)
(Incorporated in Malaysia)

Other Matters (cont'd)

2. This report is made solely to the member 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

STEPHEN WAN YENG LEONG
Approved Number: 2963/07/15 (J)
Chartered Accountant

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (SARAWAK) SDN. BHD.
(Company No.: 430948-P)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Sin Chee Heng (Sarawak) Sdn. Bhd., which comprise the statement of financial position as at 31 August 2013 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 10 to 47.

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 re uirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such ntemal control as the Directors determine are necessary to enable the preparation of financia statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtaii audit evidence about the amounts and disclosures in the financial statements. The proced ıres 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (SARAWAK) SDN. BHD. (CONT'D)
(Company No.: 430948-P)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 August 2013 and of its 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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

(i) As stated in Note 2(a) to the financial statements, Sin Chee Heng (Sarawak) Sdn. Bhd. adopted Malaysia Financial Reporting Standards on 1 September 2012 with a transition date of 1 September 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statement of financial position as at 31 August 2012 and 1 September 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 August 2012 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 August 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 September 2012 do not contain misstatements that materially affect the financial position as of 31 August 2013 and financial performance and cash flows for the financial year then ended.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (SARAWAK) SDN. BHD. (CONT'D)
(Company No.: 430948-P)
(Incorporated in Malaysia)

Other Matters (Cont'd)

(ii) This report is made solely to the member 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

STEPHEN WAN YENG LEONG
Approved Number: 2963/07/15 (J/PH)
Chartered Accountant

KUALA LUMPUR

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (BUTTERWORTH) SDN. BHD.
(Company No.: 104593-U)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Sin Chee Heng (Butterworth) Sdn. Bhd., which comprise the statement of financial position as at 31 August 2013 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 10 to 52.

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 are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (BUTTERWORTH) SDN. BHD. (CONT'D)
(Company No.: 104593-U)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 August 2013 and of its 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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

(i) As stated in Note 2(a) to the financial statements, Sin Chee Heng (Butterworth) Sdn. Bhd. adopted Malaysia Financial Reporting Standards on 1 September 2012 with a transition date of 1 September 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statement of financial position as at 31 August 2012 and 1 September 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 August 2012 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 August 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 September 2012 do not contain misstatements that materially affect the financial position as of 31 August 2013 and financial performance and cash flows for the financial year then ended.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (BUTTERWORTH) SDN. BHD. (CONT'D)
(Company No.: 104593-U)
(Incorporated in Malaysia)

Other Matters (Cont'd)

(ii) This report is made solely to the member 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
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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (KUANTAN) SDN. BHD.
(Company No.: 282295-D)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of SIN CHEE HENG (KUANTAN) SDN. BHD., which comprise the statement of financial position as at 31 August 2013 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 10 to 50.

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 are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (KUANTAN) SDN. BHD. (CONT'D)
(Company No.: 282295-D)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 August 2013 and of its 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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

(i) As stated in Note 2(a) to the financial statements, SIN CHEE HENG (KUANTAN) SDN. BHD. adopted Malaysia Financial Reporting Standards on 1 September 2012 with a transition date of 1 September 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statement of financial position as at 31 August 2012 and 1 September 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 August 2012 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 August 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 September 2012 do not contain misstatements that materially affect the financial position as of 31 August 2013 and financial performance and cash flows for the financial year then ended.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (KUANTAN) SDN. BHD. (CONT'D)
(Company No.: 282295-D)
(Incorporated in Malaysia)

Other Matters (Cont'd)

(ii) This report is made solely to the member 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
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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (JOHORE) SDN. BHD.
(Company No.: 252825-U)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of SIN CHEE HENG (JOHORE) SDN. BHD., which comprise statement of financial position as at 31 August 2013 of the Company, and statement of comprehensive income, statement of changes in equity and statement of cash flows 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 10 to 48.

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 are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (JOHORE) SDN. BHD. (CONT'D)
(Company No.: 252825-U)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 August 2013 and of its 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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

(i) As stated in Note 2(a) to the financial statements, SIN CHEE HENG (JOHORE) SDN. BHD. adopted Malaysia Financial Reporting Standards on 1 September 2012 with a transition date of 1 September 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statement of financial position as at 31 August 2012 and 1 September 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 August 2012 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 August 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 September 2012 do not contain misstatements that materially affect the financial position as of 31 August 2013 and financial performance and cash flows for the financial year then ended.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (JOHORE) SDN. BHD. (CONT'D)
(Company No.: 252825-U)
(Incorporated in Malaysia)

Other Matters (Cont'd)

(ii) This report is made solely to the member 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.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH CORPORATION SDN. BHD.
(Company No.: 256212-K)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of SCH Corporation Sdn. Bhd., which comprise the statements of financial position as at 31 August 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 59.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH CORPORATION SDN. BHD. (CONT'D)
(Company No.: 256212-K)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and 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 2012 and of their financial performance and cash flows for the financial year then ended.

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 subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiaries 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.

(c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH CORPORATION SDN. BHD. (CONT'D)
(Company No.: 256212-K)
(Incorporated in Malaysia)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Seetion 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
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LO KUAN CHE
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Chartered Accountant

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG SDN. BHD.

(Company No.: 106431-A)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Sin Chee Heng Sdn. Bhd., which comprise the statement of financial position as at 31 August 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 9 to 52.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG SDN. BHD. (CONT'D)
(Company No.: 106431-A)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2012 and of its financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member 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.

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Chartered Accountants

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (SABAH) SDN. BHD.
(Company No.: 228955-T)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Sin Chee Heng (Sabah) Sdn. Bhd., which comprise the statement of financial position as at 31 August 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 9 to 44.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (SABAH) SDN. BHD. (CONT'D)
(Company No.: 228955-T)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2012 and of its financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member 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
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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (SARAWAK) SDN. BHD.
(Company No.: 430948-P)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Sin Chee Heng (Sarawak) Sdn. Bhd., which comprise the statement of financial position as at 31 August 2012 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 9 to 39.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (SARAWAK) SDN. BHD. (CONT'D)
(Company No.: 430948-P)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2012 and of its financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member 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.

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LO KUAN CHE
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13 DEC 2012

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (BUTTERWORTH) SDN. BHD.
(Company No.: 104593-U)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Sin Chee Heng (Butterworth) Sdn. Bhd., which comprise the statement of financial position as at 31 August 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 9 to 42.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (BUTTERWORTH) SDN. BHD. (CONT'D)
(Company No.: 104593-U)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2012 and of its financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member 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
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KUALA LUMPUR

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (KUANTAN) SDN. BHD.
(Company No.: 282295-D)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Sin Chee Heng (Kuantan) Sdn. Bhd., which comprise the statement of financial position as at 31 August 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 9 to 44.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (KUANTAN) SDN. BHD. (CONT'D)
(Company No.: 282295-D)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2012 and of its financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member 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

LO KUAN CHE
Approved Number: 3016/11/14 (J)
Chartered Accountant

KUALA LUMPUR
13 DEC 2012

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIN CHEE HENG (JOHORE) SDN. BHD.
(Company No.: 252825-U)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Sin Chee Heng (Johore) Sdn. Bhd., which comprise the statement of financial position as at 31 August 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 9 to 44.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIN CHEE HENG (JOHORE) SDN. BHD. (CONT'D)
(Company No.: 252825-U)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2012 and of its financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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

LO KUAN CHE
Approved Number: 3016/11/14 (J)
Chartered Accountant

KUALA LUMPUR
13 DEC 2012

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH CORPORATION SDN. BHD.
(Company No.: 256212-K)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of SCH Corporation Sdn. Bhd., which comprise the statements of financial position as at 31 August 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 65.

The financial statements of the Group and of the Company as at 31 August 2010 were audited by another auditors whose report dated 10 December 2010, expressed an unqualified opinion on the financial statements.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH CORPORATION SDN. BHD. (CONT'D)
(Company No.: 256212-K)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and 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 2011 and of their financial performance and cash flows for the financial year then ended.

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 are satisfied that the accounts 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.

(c) Our audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH CORPORATION SDN. BHD. (CONT'D)
(Company No.: 256212-K)
(Incorporated in Malaysia)

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

TEE GUAN PIAN
Approved Number: 1886/05/12 (J/PH)
Chartered Accountant

KUALA LUMPUR
01 NOV 2011

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG SDN. BHD.
(Company No.: 106431-A)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Sin Chee Heng Sdn. Bhd., which comprise the statement of financial position as at 31 August 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 9 to 55.

The financial statements of the Company as at 31 August 2010 were audited by another auditors whose report dated 10 December 2010, expressed an unqualified opinion on the financial statements.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

A member of Urbach Hacker Young International Limited,
an international network of independent accounting and consulting firms

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG SDN. BHD. (CONT'D)
(Company No.: 106431-A)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2011 and of its financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member 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
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TEE GUAN PIAN
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01 NOV 2011

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (SABAH) SDN. BHD.
(Company No.: 228955-T)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Sin Chee Heng (Sabah) Sdn. Bhd., which comprise the statement of financial position as at 31 August 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 9 to 43.

The financial statements of the Company as at 31 August 2010 were audited by another auditors whose report dated 3 December 2010, expressed an unqualified opinion on the financial statements.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (SABAH) SDN. BHD. (CONT'D)
(Company No.: 228955-T)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2011 and of its financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member 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
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TEE GUAN PIAN
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KUALA LUMPUR
01 NOV 2011

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (SARAWAK) SDN. BHD.
(Company No.: 430948-P)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Sin Chee Heng (Sarawak) Sdn. Bhd., which comprise the statement of financial position as at 31 August 2011 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 9 to 42.

The financial statements of the Company as at 31 August 2010 were audited by another auditors whose report dated 3 December 2010, expressed an unqualified opinion on the financial statements.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia and for such internal control as the Directors determine are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (SARAWAK) SDN. BHD. (CONT'D)
(Company No.: 430948-P)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2011 and of its financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member 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

TEE GUAN PIAN
Approved Number: 1886/05/12 (J/PH)
Chartered Accountant

KUALA LUMPUR

01 NOV 2011

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (BUTTERWORTH) SDN. BHD.
(Company No.: 104593-U)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Sin Chee Heng (Butterworth) Sdn. Bhd., which comprise the statement of financial position as at 31 August 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 9 to 49.

The financial statements of the Company as at 31 August 2010 were audited by another auditors whose report dated 3 December 2010, expressed an unqualified opinion on the financial statements.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

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an international network of independent accounting and consulting firms

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (BUTTERWORTH) SDN. BHD. (CONT'D)
(Company No.: 104593-U)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2011 and of its financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member 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

TEE GUAN PIAN
Approved Number: 1886/05/12 (J/PH)
Chartered Accountant

KUALA LUMPUR
01 NOV 2011

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (KUANTAN) SDN. BHD.
(Company No.: 282295-D)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Sin Chee Heng (Kuantan) Sdn. Bhd., which comprise the statement of financial position as at 31 August 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 9 to 47.

The financial statements of the Company as at 31 August 2010 were audited by another auditors whose report dated 3 December 2010, expressed an unqualified opinion on the financial statements.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SIN CHEE HENG (KUANTAN) SDN. BHD. (CONT'D)
(Company No.: 282295-D)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2011 and of its financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member 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

TEE GUAN PIAN
Approved Number: 1886/05/12 (J/PH)
Chartered Accountant

KUALA LUMPUR
01 NOV 2011

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIN CHEE HENG (JOHORE) SDN. BHD.
(Company No.: 252825-U)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Sin Chee Heng (Johore) Sdn. Bhd., which comprise the statement of financial position as at 31 August 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 9 to 45.

The financial statements of the Company as at 31 August 2010 were audited by another auditors whose report dated 3 December 2010, expressed an unqualified opinion on the financial statements.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIN CHEE HENG (JOHORE) SDN. BHD. (CONT'D)
(Company No.: 252825-U)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2011 and of its financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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

TEE GUAN PIAN
Approved Number: 1886/05/12 (J/PH)
Chartered Accountant

KUALA LUMPUR
01 NOV 2011

Company No. : 256212 K

Appendix VI

RW WILLIAM AF 1490
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCH CORPORATION SDN. BHD.

Report nn the Financial Statements

We have audited the financial statements of SCH CORPORATION SDN BHD, which comprise the balance sheet as at 31 August 2010 of the Group and the Company, and the income statement, statement of changes in equity and cash flow statement for the year ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 33.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the 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 have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2010 and of its financial performance and cash flows for the year ended.

9-3A, Mayang Plaza, Jalan SS 26/4, Taman Mayang Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.
Tel: 03-7805 3659 Fax: 03-7805 3871 E-mail: richard@rwwilliam.com.my Website: www.rwwilliam.com.my

Company No. : 256212 K

Appendix VI (Cont'd)

RW WILLIAM AF 1490
CHARTERED ACCOUNTANTS

Independent Auditors Report to the Members of SCH Corporation Sdn. Bhd. (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 following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the accounts of the subsidiaries 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.

c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

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.

RW WILLIAM
No. A. F. 1490
Chartered Accountants

RICHARD WILLIAM A/L WILFRED
No. 2413 / 04 / 11 (J)
Chartered Accountant

Dated :- 10 DEC 2010

Petaling Jaya

9-3A, Mayang Plaza, Jalan SS 26/4, Taman Mayang Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.
Tel: 03-7805 3859 Fax: 03-7805 3871 E-mail: richard@rwwilliam.com.my Website: www.rwwilliam.com.my

Company No. : 106431 A

Appendix VI (Cont'd)

RW WILLIAM AF 1490
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIN CHEE HENG SDN. BHD.

Report on the Financial Statements

We have audited the financial statements of SIN CHEE HENG SDN BHD, which comprise the balance sheet as at 31 August 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 35.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the 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 have been properly drawn up in accordance with Private Entity Reporting Standards and 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 2010 and of its financial performance and cash flows for the year then ended.

9-3A, Mayang Plaza, Jalan SS 26/4, Taman Mayang Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.
Tel: 03-7805 3859 Fax: 03-7805 3871 E-mail: richard@rwwilliam.com.my Website: www.rwwilliam.com.my

Company No. : 106431 A

Appendix VI (Cont'd)

RW WILLIAM AF 1490
CHARTERED ACCOUNTANTS

Independent Auditors Report to the Members of Sin Chee Heng Sdn. Bhd. (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 following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the accounts of the subsidiaries 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.

c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

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.

RW WILLIAM
No. A. F. 1490
Chartered Accountants

RICHARD WILLIAM A/L WILFRED
No. 2413 / 04 / 11 (J)
Chartered Accountant

Dated :- 10 DEC 2010

Petaling Jaya

9-3A, Mayang Plaza, Jalan SS 26/4, Taman Mayang Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.
Tel: 03-7805 3859 Fax: 03-7805 3871 E-mail: richard@rwwilliam.com.my Website: www.rwwilliam.com.my

RW WILLIAM AF 1490
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIN CHEE HENG (SABAH) SDN. BHD.

Report on the Financial Statements

We have audited the financial statements of SIN CHEE HENG (SABAH) SDN BHD, which comprise the balance sheet as at 31 August 2010, and the income statement, statement of changes in equity and cash flow statement for the year ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 8-23.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted out 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 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 Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the 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 have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2010 and of its financial performance and cash flows for the year ended.

9-3A, Mayang Plaza, Jalan SS 26/4, Taman Mayang Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.
Tel: 03-7805 3859 Fax: 03-7805 3871 E-mail: richard@rwwilliam.com.my Website: www.rwwilliam.com.my

Company No. : 228955 T

Appendix VI (Cont'd)

RW WILLIAM AF 1490
CHARTERED ACCOUNTANTS

Independent Auditor's Report To The Members Of Sin Chee Heng (Sabah) Sdn Bhd (Cont'd)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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.

RW WILLIAM
No. A. F. 1490
Chartered Accountants

RICHARD WILLIAM A/L WILFRED
No. 2413/ 04 / 11 (J)
Chartered Accountant

Dated :- 0 3 DEC 2010

Petaling Jaya

9-3A, Mayang Plaza, Jalan SS 26/4, Taman Mayang Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.
Tel: 03-7805 3859 Fax: 03-7805 3871 E-mail: richard@rwwilliam.com.my Website: www.rwwilliam.com.my

RW WILLIAM AF 1490
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIN CHEE HENG (SARAWAK) SDN. BHD.

Report on the Financial Statements

We have audited the financial statements of SIN CHEE HENG (SARAWAK) SDN BHD, which comprise the balance sheet as at 31 August 2010, and the income statement, statement of changes in equity and cash flow statement for the year ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 22.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 reqnirements and plan and perform the audit to obtain reasonable assurance 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 Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the 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 have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2010 and of its financial performance and cash flows for the year ended.

Company No: 430948 P

Appendix VI (Cont'd)

RW WILLIAM AF 1490
CHARTERED ACCOUNTANTS

Independent Auditor's Report To The Members Of Sin Chee Heng (Sarawak) Sdn Bhd

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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.

RW WILLIAM
No. A. F. 1490
Chartered Accountants

RICHARD WILLIAM A/L WILFRED
No. 2413 / 04 / 11 (J)
Chartered Accountant

Dated :- 0 3 DEC 2010

Petaling Jaya

RW WILLIAM AF 1490
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIN CHEE HENG (BUTTERWORTH) SDN. BHD.

Report on the Financial Statements

We have audited the financial statements of SIN CHEE HENG (BUTTERWORTH) SDN BHD, which comprise the balance sheet as at 31 August 2010, and the income statement, statement of changes in equity and cash flow statement for the year ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 -22.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted out 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 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 Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the 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 have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2010 and of its financial performance and cash flows for the year ended.

9-3A, Mayang Plaza, Jalan SS 26/4, Taman Mayang Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.
Tel: 03-7805 3859 Fax: 03-7805 3871 E-mail: richard@rwwilliam.com.my Website: www.rwwilliam.com.my

Company No: 104593 U

Appendix VI (Cont'd)

RW WILLIAM AF 1490
CHARTERED ACCOUNTANTS

Independent Auditors Report to the Members of Sin Chee Heng (Butterworth) Sdn. Bhd. (Cont'd)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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.

RW WILLIAM
No. A. F. 1490
Chartered Accountants

RICHARD WILLIAM A/L WILFRED
No. 2413/ 04 / 11 (J)
Chartered Accountant

Dated :- 0 3 DEC 2010

Petaling Jaya

Company No: 282295 D

Appendix VI (Cont'd)

RW WILLIAM AF 1490
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIN CHEE HENG (KUANTAN) SDN. BHD.

Report on the Financial Statements

We have audited the financial statements of SIN CHEE HENG (KUANTAN) SDN BHD, which comprise the balance sheet as at 31 August 2010, and the income statement, statement of changes in equity and cash flow statement for the year ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 - 21.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the 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 have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2010 and of its financial performance and cash flows for the year ended.

9-3A, Mayang Plaza, Jalan SS 26/4, Taman Meyang Jaya, 47301 Petaling Jeya, Selangor Darul Ehsan.
Tel: 03-7805 3859 Fax: 03-7805 3871 E-mail: richard@rwwilliam.com.my Website: www.rwwilliam.com.my

Company No: 282295 D

Appendix VI (Cont'd)

RW WILLIAM AF 1490
CHARTERED ACCOUNTANTS

Independent Auditors Report to the Members of Sin Chee Heng (Kuantan) Sdn. Bhd. (Cont'd)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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.

RW WILLIAM
No. A. F. 1490
Chartered Accountants

RICHARD WILLIAM A/L WILFRED
No. 2413 / 04 / 11 (J)
Chartered Accountant

Dated :- 0 3 DEC 2010

Petaling Jaya

Company No. : 252825 U

Appendix VI (Cont'd)

RW WILLIAM AF 1490
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIN CHEE HENG (JOHORE) SDN. BHD.

Report on the Financial Statements

We have audited the financial statements of SIN CHEE HENG (JOHORE) SDN BHD, which comprise the balance sheet as at 31 August 2010, and the income statement, statement of changes in equity and cash flow statement for the year ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 22.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the 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 have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2010 and of its financial performance and cash flows for the year ended.

9-3A, Mayang Plaza, Jalan SS 26/4, Taman Mayang Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.
Tel: 03-7805 3859 Fax: 03-7805 3871 E-mail: richard@rwwilliam.com.my Website: www.rwwilliam.com.my

Company No. : 252825 U

Appendix VI (Cont'd)

RW WILLIAM AF 1490
CHARTERED ACCOUNTANTS

Independent Auditors Report to the Members of Sin Chee Heng (Johore) Sdn. Bhd. (Cont'd)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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.

RW WILLIAM
No. A. F. 1490
Chartered Accountants

RICHARD WILLIAM A/L WILFRED
No. 2413 / 04 / 11 (J)
Chartered Accountant

Dated :- 03 DEC 2010

Petaling Jaya

9-3A, Mayang Plaza, Jalan SS 26/4, Taman Mayang Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.
Tel: 03-7805 3859 Fax: 03-7805 3871 E-mail: richard@rwwilliam.com.my Website: www.rwwilliam.com.my

UHY DIONG
Chartered Accountants of Singapore

亿泽华
會計師事務所

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

ITALIAWORLD PTE LTD
(Company registration no. 200003725H)
(Incorporated in the Republic of Singapore)

We have audited the accompanying financial statements of ITALIAWORLD PTE LTD set out on pages 6 to 23, which comprise the balance sheet as at August 31, 2013, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair income statement and balance sheet and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

60 Robinson Road, #12-01 BEA Building, Singapore 068892. Tel: 065-6235 1633 Fax: 065-6333 1633
Email: dtp@uhydiong.com.sg Website: www.uhydiong.com
Associated Offices: Kuala Lumpur & Johor Bahru, Malaysia

INDEPENDENT AUDITORS' REPORT (CONT'D)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, 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,

(a) the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at August 31, 2013 and the results, changes in equity and cash flows of the Company for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

UHY DIONG
Public Accountants and
Chartered Accountants
Singapore
05 NOV 2013



UHY DIONG
Certified Public Accountants

亿泽华
會計師事務所

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

ITALIAWORLD PTE LTD
(Company registration no. 200003725H)
(Incorporated in the Republic of Singapore)

We have audited the accompanying financial statements of ITALIAWORLD PTE LTD set out on pages 6 to 24, which comprise the balance sheet as at August 31, 2012, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair income statement and balance sheet and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

60 Robinson Road, #12-01 BEA Building, Singapore 068892. Tel: 065-6235 1633 Fax: 065-6333 1633
Email: dtp@uhydiong.com.sg Website: www.uhydiong.com
Associated Offices: Kuala Lumpur, Johor Bahru & Penang, Malaysia

INDEPENDENT AUDITORS' REPORT (CONT'D)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, 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.

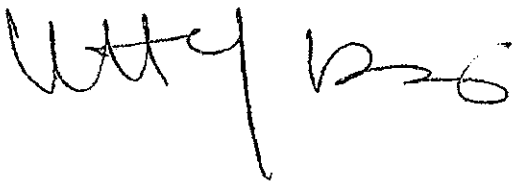
Opinion

In our opinion,

(a) the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at August 31, 2012 and the results, changes in equity and cash flows of the Company for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

UHY DIONG
Public Accountants and
Certified Public Accountants
Singapore



DATE: 12 NOV 2012

UHY DIONG
Certified Public Accountants

亿泽华
會計師事務所

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

ITALIAWORLD PTE LTD
(Company registration no. 200003725H)
(Incorporated in the Republic of Singapore)

We have audited the accompanying financial statements of ITALIAWORLD PTE LTD set out on pages 6 to 24, which comprise the balance sheet as at August 31, 2011, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair income statement and balance sheet and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

CERTIFIED TRUE COPY

C:\Audit\ItaliaWorld11

60 Robinson Road, #12-01 BEA Building, Singapore 068892. Tel: 065-6235 1633 Fax: 065-6333 1633
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Associated Offices: Kuala Lumpur, Johor Bahru & Penang, Malaysia

Diong Tai Pew FCPA
Approved Company Auditor

20 FEB 2012

INDEPENDENT AUDITORS' REPORT (CONT'D)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, 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,

(a) the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at August 31, 2011 and the results, changes in equity and cash flows of the Company for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

UHY DIONG
Public Accountants and
Certified Public Accountants
Singapore

DATE : November 10, 2011

C:\Audit\IlaliaWorld11

CERTIFIED TRUE COPY

Diong Tai Pew FCPA
Approved Company Auditor 20 FEB 2012

Appendix X

PATRICK KAN & CO
Certified Public Accountants, Singapore

80 Marine Parade Road #16-09,
Parkway Parade, Singapore 449269

Email: patkan@patkan.com.sg
Telephone: (65) 6345-2333 Fax: (65) 6345-4554

INDEPENDENT AUDITORS' REPORT

REPORT OF THE AUDITORS TO THE MEMBERS OF

ITALIAWORLD PTE LTD

(Incorporated in Singapore)

Report on the Financial Statements

We have audited the accompanying financial statements of **Italiaworld Pte Ltd** set out on pages 6 to 25, which comprise the balance sheet as at 31 August 2010, and the statement of comprehensive income, statement of changee in equity and cash flow statement for the year then ended, end a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financiel Stetements

Management is responsible for the preparation of financial statements that giva a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets ara safeguerded against loss from unauthorised use or disposition; and trensactions are properly authorised end that they ere recorded es necessary to permit the preparation of true and fair statement of comprehensive income and balance sheet and to maintain accountability of essets.

Auditors' Responsibility

Our responsibility is to express en opinion on these financial statements based on our audit. We conducted our audit in accordence with Singapore Standerds on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reesonable assurance ebout whether the financial statements are free from meterial misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 estimetes made by management, as well as evaluating the overall presentation of the financial statements.

We believe thet 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 are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standerds so as to give a true and fair view of the state of affairs of the company as at 31 August 2010 and the results, changes in equity and cash flows of the company for the year ended on that date.

PATRICK KAN & CO
Certified Public Accountants, Singapore

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Telephone: (65) 6345-2333 Fax: (65) 6345-4554

INDEPENDENT AUDITORS' REPORT

REPORT OF THE AUDITORS TO THE MEMBERS OF

ITALIAWORLD PTE LTD
(Incorporated in Singapore)

Report on Other Legal and Regulatory Requirements
In our opinion, the accounting and other records required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.

Patrick Kan & Co
Certified Public Accountants

Singapore, 31 December 2010

Certified Public Accountants
FOR REGISTRATION PURPOSES ONLY
Patrick Kan & Co

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH WIRE-MESH MANUFACTURING SDN. BHD.
(Company No.: 478312-X)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of SCH Wire-Mesh Manufacturing Sdn. Bhd., which comprise the statement of financial position as at 31 August 2013 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 10 to 53.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to 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 are 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 thc 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH WIRE-MESH MANUFACTURING SDN. BHD. (CONT'D)
(Company No.: 478312-X)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 August 2013 and of its 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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

1. As stated in Note 2(a) to the financial statements, SCH Wire-Mesh Manufacturing Sdn. Bhd. adopted Malaysian Financial Reporting Standards on 1 September 2012 with a transition date of 1 September 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statement of financial position as at 31 August 2012 and 1 September 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 August 2012 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 August 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 September 2012 do not contain misstatements that materially affect the financial position as of 31 August 2013 and financial performance and cash flows for the financial year then ended.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH WIRE-MESH MANUFACTURING SDN. BHD. (CONT'D)
(Company No.: 478312-X)
(Incorporated in Malaysia)

Other Matters (Cont'd)

2. 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

STEPHEN WAN YENG LEONG
Approved Number: 2963/07/15 (J)
Chartered Accountant

KUALA LUMPUR
25 NOV 2013

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Web www.uhy.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH WIRE-MESH MANUFACTURING SDN. BHD.
(Company No.: 478312-X)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of SCH Wire-Mesh Manufacturing Sdn. Bhd., which comprise the statement of financial position as at 31 August 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 9 to 45.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH WIRE-MESH MANUFACTURING SDN. BHD. (CONT'D)
(Company No.: 478312-X)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2012 and of its financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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

LO KUAN CHE
Approved Number: 3016/11/14 (J)
Chartered Accountant

KUALA LUMPUR

13 DEC 2012

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Web www.uhy.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH WIRE-MESH MANUFACTURING SDN. BHD.
(Company No.: 478312-X)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of SCH Wire-Mesh Manufacturing Sdn. Bhd., which comprise the statement of financial position as at 31 August 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 9 to 50.

The financial statements of the Company as at 31 August 2010 were audited by another auditors whose report dated 3 December 2010, expressed an unqualified opinion on the financial statements.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH WIRE-MESH MANUFACTURING SDN. BHD. (CONT'D)
(Company No.: 478312-X)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2011 and of its financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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

TEE GUAN PIAN
Approved Number: 1886/05/12 (J/PH)
Chartered Accountant

KUALA LUMPUR
01 NOV 2011

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an international network of independent accounting and consulting firms

Company No: 478312 X

Appendix XIV

RW WILLIAM AF 1490
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCH WIRE-MESH MANUFACTURING SDN. BHD.

Report on the Financial Statements

We have audited the financial statements of SCH WIRE-MESH MANUFACTURING SDN BHD, which comprise the balance sheet as at 31 August 2010, and the income statement, statement of changes in equity and cash flow statement for the year ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 23.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted out 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 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 Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the 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 have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2010 and of its financial performance and cash flows for the year ended.

9-3A, Mayang Plaza, Jalan SS 26/4, Taman Mayang Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.
Tel: 03-7805 3859 Fax: 03-7805 3871 E-mail: richard@rwwilliam.com.my Website: www.rwwilliam.com.my

Company No: 478312 X

Appendix XIV (Cont'd)

RW WILLIAM AF 1490
CHARTERED ACCOUNTANTS

Independent Auditors Report to the Members of SCH Wire-Mesh Manufacturing Sdn. Bhd. (Cont'd)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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.

RW WILLIAM
No. A. F. 1490
Chartered Accountants

RICHARD WILLIAM A/L WILFRED
No. 2413/ 04 / 11 (J)
Chartered Accountant

Dated :- 3 December 2010

Petaling Jaya

9-3A, Mayang Plaza, Jalan SS 26/4, Taman Mayang Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.
Tel: 03-7805 3859 Fax: 03-7805 3871 E-mail: richard@rwwilliam.com.my Website: www.rwwilliam.com.my

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH MACHINERY & EQUIPMENT SDN. BHD.
(Company No.: 744568-H)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of SCH Machinery & Equipment Sdn. Bhd., which comprise the statement of financial position as at 31 August 2013 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 10 to 52.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to 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 are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH MACHINERY & EQUIPMENT SDN. BHD. (CONT'D)
(Company No.: 744568-H)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 August 2013 and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Rcporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

1. As stated in Note 2(a) to the financial statements, SCH Machinery & Equipment Sdn. Bhd. adopted Malaysian Financial Reporting Standards on 1 September 2012 with a transition date of 1 September 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statement of financial position as at 31 August 2012 and 1 September 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial ycar endcd 31 August 2012 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 August 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 September 2012 do not contain misstatements that materially affect the financial position as of 31 August 2013 and financial performance and cash flows for the financial year then ended.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH MACHINERY & EQUIPMENT SDN. BHD. (CONT'D)
(Company No.: 744568-H)
(Incorporated in Malaysia)

Other Matters (Cont'd)

2. 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

STEPHEN WAN YENG LEONG
Approved Number: 2963/07/15 (J)
Chartered Accountant

KUALA LUMPUR
25 NOV 2013

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Email uhykl@uhy.com.my
Web www.uhy.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH MACHINERY & EQUIPMENT SDN. BHD.
(Company No.: 744568-H)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of SCH Machinery & Equipment Sdn. Bhd., which comprise the statement of financial position as at 31 August 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 9 to 46.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH MACHINERY & EQUIPMENT SDN. BHD. (CONT'D)
(Company No.: 744568-H)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2012 and of its financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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

LO KUAN CHE
Approved Number: 3016/11/14 (J)
Chartered Accountant

KUALA LUMPUR

13 DEC 2012

UHY (AF1411)
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH MACHINERY & EQUIPMENT SDN. BHD.
(Company No.: 744568-H)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of SCH Machinery & Equipment Sdn. Bhd., which comprise the statement of financial position as at 31 August 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 9 to 50.

The financial statements of the Company as at 31 August 2010 were audited by another auditors whose report dated 3 December 2010, expressed an unqualified opinion on the financial statements.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCH MACHINERY & EQUIPMENT SDN. BHD. (CONT'D)
(Company No.: 744568-H)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2011 and of its financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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

TEE GUAN PIAN
Approved Number: 1886/05/12 (J/PH)
Chartered Accountant

KUALA LUMPUR
20 JAN 2012

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an international network of independent accounting and consulting firms

Company No. : 744568 H

Appendix XVIII

RW WILLIAM AF 1490
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCH MACHINERY & EQUIPMENT SDN BHD

Report on the Financial Statements

We have audited the financial statements of SCH MACHINERY & EQUIPMENT SDN BHD, which comprise the balance sheet as at 31 August 2010, and the income statement, statement of changes in equity and cash flow statement for the year ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 20.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the 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 have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2010 and of its financial performance and cash flows for the year ended.

9-3A, Mayang Plaza, Jalan SS 26/4, Taman Mayang Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.
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13. ACCOUNTANTS' REPORT *(Cont'd)*

Company No. : 744568 H

Appendix XVIII (Cont'd)

RW WILLIAM AF 1490
CHARTERED ACCOUNTANTS

Independent Auditors Report to the Members of SCH Machinery & Equipment Sdn. Bhd. (Cont'd)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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.

RW WILLIAM
No. A. F. 1490
Chartered Accountants

RICHARD WILLIAM A/L WILFRED
No. 2413 / 04 / 11 (J)
Chartered Accountant

Dated :- 0 3 DEC 2010

Petaling Jaya

9-3A, Mayang Plaza, Jalan SS 26/4, Taman Mayang Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.
Tel: 03-7805 3859 Fax: 03-7805 3871 E-mail: richard@rwwilliam.com.my Website: www.rwwilliam.com.my