SCH GROUP BERHAD

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

REPORT AND FINANCIAL STATEMENTS

31 AUGUST 2016

Registered office:
Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Principal place of business:
No. 3, Jalan Teras 3
Taman Perindustrian Teras Balakong
Taman Industri Selesa Jaya
43300 Balakong
Selangor Darul Ehsan

Company No. | 972700 | P |

SCH GROUP BERHAD

(Incorporated in Malaysia)

REPORT AND FINANCIAL STATEMENTS

31 AUGUST 2016

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SCH GROUP BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 August 2016.

Principal Activities

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Financial Results

	Group RM	Company RM
Profit for the financial year, attributable to owners of the parent	1,632,983	211,024

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

Dividends

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

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

Issue of Shares and Debentures

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

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Directors

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

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

Directors' Interests

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

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

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

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Other Statutory Information

(a) Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or

(iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

Other Statutory Information (Cont'd)

(c) At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Company.

(d) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due;

(ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature;

(iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Subsequent Events

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

Auditors

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

LAU MONG LING	WONG SIN CHIN

KUALA LUMPUR

SCH GROUP BERHAD
(Incorporated in Malaysia)

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 11 to 76 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 August 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 36 to the financial statements on page 77 have been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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

LAU MONG LING

WONG SIN CHIN

KUALA LUMPUR

SCH GROUP BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION
Pursuant To Section 169(16) of the Companies Act, 1965

I, LAU MONG LING, being the Director primarily responsible for the financial management of SCH GROUP BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 11 to 77 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at KUALA LUMPUR in the Federal Territory on 20 December 2016)

LAU MONG LING

Before me,

MOHAN A.S. MANIAM
NO. W710

COMMISSIONER FOR OATHS

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

Report on the Financial Statements

We have audited the financial statements of SCH Group Berhad, which comprise the statements of financial position as at 31 August 2016 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 76.

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 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 Group and of the Company as of 31 August 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the followings:

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

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

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

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

Other Reporting Responsibilities

The supplementary information set out in Note 36 on page 77 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

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

KUALA LUMPUR
20 December 2016

SCH GROUP BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2016

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

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(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2016 (CONT'D)

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

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

SCH GROUP BERHAD
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

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

SCH GROUP BERHAD
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STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONT'D)

		Group	
		2016	**2015**
	Note	**RM**	**RM**
Profit for the financial year attributable to:			
Owners of the parent		1,632,983	6,459,887
Total comprehensive income for the financial year attributable to:			
Owners of the parent		1,632,941	6,616,056
Earnings per share attributable to owners of the parent (sen):			
Basic	28	0.40	1.57

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

SCH GROUP BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

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

SCH GROUP BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONT'D)

		Attributable to owners of the parent					
		Non-Distributable				Distributable	
	Note	Share Capital RM	Share Premium RM	Merger Deficit Reserve RM	Foreign Currency Translation Reserve RM	Retained Earnings RM	Total Equity RM
Group							
At 1 September 2015		41,223,402	10,905,549	(24,514,828)	204,753	36,631,603	64,450,479
Profit for the financial year		-	-	-	-	1,632,983	1,632,983
Other comprehensive income for the financial year		-	-	-	(42)	-	(42)
Total comprehensive income for the financial year		-	-	-	(42)	1,632,983	1,632,941
Transaction with owners :							
Dividends to owners of the Company	26	-	-	-	-	(3,503,989)	(3,503,989)
At 31 August 2016		41,223,402	10,905,549	(24,514,828)	204,711	34,760,597	62,579,431

SCH GROUP BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONT'D)

		Attributable to owners of the parent			
		Non-Distributable		Distributable	
	Note	Share Capital RM	Share Premium RM	Retained Earnings/ (Accumulated Losses) RM	Total Equity RM
Company					
At 1 September 2014		41,223,402	10,905,549	53,388	52,182,339
Profit for the financial year, representing total comprehensive income for the financial year		-	-	6,855,967	6,855,967
Transactions with owners:					
Dividends to owners of the Company	26	-	-	(4,122,340)	(4,122,340)
At 31 August 2015		41,223,402	10,905,549	2,787,015	54,915,966
At 1 September 2015		41,223,402	10,905,549	2,787,015	54,915,966
Profit for the financial year, representing total comprehensive income for the financial year		-	-	211,024	211,024
Transactions with owners:					
Dividends to owners of the Company	26	-	-	(3,503,989)	(3,503,989)
At 31 August 2016		41,223,402	10,905,549	(505,950)	51,623,001

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

SCH GROUP BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

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

SCH GROUP BERHAD
(Incorporated In Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONT'D)

		Group		Company	
		2016	**2015**	**2016**	**2015**
	Note	**RM**	**RM**	**RM**	**RM**
Cash Flows From Operating Activities (Cont'd)					
Balance brought down		5,714,139	15,744,421	(676,640)	(3,163,724)
Interest received		335,902	599,931	138,400	379,883
Interest paid		(321,556)	(764,488)	-	-
Tax refund		49,629	149,102	-	-
Tax paid		(2,249,637)	(3,367,759)	(78,840)	-
Exchange differences		179	149,744	-	(114,094)
		(2,185,483)	(3,233,470)	59,560	265,789
Net cash from/(used in) operating activities		3,528,656	12,510,951	(617,080)	(2,897,935)
Cash flow from investing activities					
Investment in subsidiary company		-	-	(19,890)	-
Dividend received		-	-	1,500,000	-
Purchase of property, plant and equipment	4(c)	(190,033)	(452,323)	-	-
Proceeds from disposal of property, plant and equipment		66,619	10,000	-	-
Payment for capital work-in-progress		(4,868,902)	(4,689,598)	-	-
Net cash (used in)/from investing activities activities		(4,992,316)	(5,131,921)	1,480,110	-
Cash flow from financing activities					
Changes on bankers' acceptances and trust receipts		(6,950,000)	(3,682,708)	-	-
Dividend paid	26	(2,061,170)	(4,122,340)	(2,061,170)	(4,122,340)
Decrease/(Increase) in fixed deposits pledged		1,105,462	(2,178,174)	-	-

SCH GROUP BERHAD
(Incorporated In Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONT'D)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Cash flow from financing activities (Cont'd)				
Drawdown of foreign currency trade loan	4,662,120	-	-	-
Net repayment of hire purchase payables	(1,185,695)	(443,238)	-	-
Repayment of term loans	-	(2,020,325)	-	-
Net cash used in financing activities	(4,429,283)	(12,446,785)	(2,061,170)	(4,122,340)
Net (decrease) in cash and cash equivalents	(5,892,943)	(5,067,755)	(1,198,140)	(7,020,275)
Cash and cash equivalents at beginning of the financial year	11,908,150	16,975,905	5,275,211	12,295,486
Cash and cash equivalents at end of the financial year	6,015,207	11,908,150	4,077,071	5,275,211
Cash and cash equivalents at the end of the financial year comprises:				
Fixed deposits with licensed banks	7,887,850	12,112,525	2,400,000	5,000,000
Cash and bank balances	2,918,641	3,378,416	1,677,071	275,211
Bank overdraft	(2,352,238)	(38,282)	-	-
	8,454,253	15,452,659	4,077,071	5,275,211
Less: Fixed deposits pledged with licensed banks	(2,439,046)	(3,544,509)	-	-
	6,015,207	11,908,150	4,077,071	5,275,211

SCH GROUP BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016

1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of the Bursa Malaysia Securities Berhad.

The principal place of business of the Company is located at No. 3, Jalan Teras 3, Taman Perindustrian Teras Balakong, Taman Industri Selesa Jaya, 43300 Balakong, Selangor Darul Ehsan.

The registered office of the Company is located at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are disclosed in Note 6. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

2. Basis of Preparation

(a) Statement of Compliance

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

2. **Basis of Preparation (Cont'd)**

(a) Statement of Compliance (Cont'd)

Standards issued but not yet effective

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

		Effective dates for financial periods beginning on or after
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11	Accounting for Acquisition of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101	Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MRFS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012-2014 Cycle		1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 107	Disclosure Initiative	1 January 2017
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 15	Clarification to MFRS 15	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be announced

2. **Basis of Preparation (Cont'd)**

(a) Statement of compliance (Cont'd)

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

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

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

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

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

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

2. **Basis of Preparation (Cont'd)**

(a) Statement of Compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

MFRS 15 *Revenue from Contracts with Customers*

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

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

(b) Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Group's and the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

There are no significant areas of critical judgement in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

2. **Basis of Preparation (Cont'd)**

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

<u>Useful lives of property, plant and equipment</u> (Note 4)

The Group regularly review the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

<u>Impairment of investment in subsidiary companies</u>

The Company review its investments in subsidiary companies when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

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

<u>Deferred tax assets</u>

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of the carrying value of recognised and unrecognized deferred tax assets are disclosed in Note 17.

2. **Basis of Preparation (Cont'd)**

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

Key sources of estimation uncertainty (Cont'd)

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 7.

Impairment of loans and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 8, 9 and 10 respectively.

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 August 2016, the Group has tax recoverable and payable of RM1,760,433 (2015: RM536,504) and RM14,729 (2015:RM324,073) respectively.

3. **Significant Accounting Policies**

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of Consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Under the merger method of accounting, the results of subsidiary companies are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Under the acquisition method of accounting, subsidiary companies are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceased. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by- acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

3. **Significant Accounting Policies (Cont'd)**

(a) Basis of Consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

Acquisition-related costs are expensed off in profit or loss as incurred.

If the business combination is achieved in stages, previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(j) to the financial statements on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3. **Significant Accounting Policies (Cont'd)**

(a) Basis of Consolidation (Cont'd)

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(b) Foreign currency translation

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

3. **Significant Accounting Policies (Cont'd)**

(b) Foreign currency translation (Cont'd)

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, are translated to RM at the rate of exchange prevailing at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(j).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

3. **Significant Accounting Policies (Cont’d)**

(c) Property, Plant and Equipment (Cont’d)

(i) Recognition and measurement (Cont’d)

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

Capital work-in-progress consists of buildings and plant and machinery under construction / installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction/installation until the property, plant and equipment are ready for their intended use.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

3. **Significant Accounting Policies (Cont'd)**

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

(iii) Depreciation (Cont'd)

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Leasehold land	remaining lease period
Buildings	50 years
Furniture and fittings	8 - 12 years
Motor vehicles	5 years
Office equipment	8 - 9 years
Plant and machinery	8 - 9 years
Renovation	10 years
Tools and equipment	8 - 9 years
Mould and blocks	5 years

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

(d) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or asset and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

As lessee

(i) Finance lease

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

3. **Significant Accounting Policies (Cont'd)**

(d) Leases (Cont'd)

As lessee (Cont'd)

(i) Finance lease (Cont'd)

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

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

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

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

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3. **Significant Accounting Policies (Cont'd)**

(e) Financial assets

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

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

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into loans and receivables.

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

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

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

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

3. **Significant Accounting Policies (Cont'd)**

(f) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

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

The Group's and the Company's other financial liabilities comprise trade and other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(g) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. **Significant Accounting Policies (Cont'd)**

(h) Inventories

Raw materials and finished goods are stated at the lower of cost and net realisable value.

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

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

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(j) Impairment of Assets

(i) Non-financial assets

The carrying amounts of non-financial assets except for inventories and are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

3. **Significant Accounting Policies (Cont'd)**

(j) Impairment of Assets (Cont'd)

(i) Non-financial assets (Cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

All financial assets, other than those categorised at fair value through profit or loss, investments in subsidiary companies, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

3. **Significant Accounting Policies (Cont’d)**

(j) Impairment of Assets (Cont’d)

(ii) Financial assets (Cont’d)

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets’ carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(k) Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the nominal value of shares issued. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(l) Employee benefits

(i) Short term employee benefits

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

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

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(m) Revenue

(i) Sale of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

3. **Significant Accounting Policies (Cont'd)**

(m) Revenue (Cont'd)

(ii) Rendering of services

Revenue from services rendered is recognised in the profit or loss based on the value of services performed and invoiced to customers during the period.

(iii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(iv) Dividend income

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

(v) Interest income

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

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for theirs intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3. **Significant Accounting Policies (Cont'd)**

(o) Income Taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill or the initial recognition of assets and liabilities in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. **Significant Accounting Policies (Cont'd)**

(p) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

(q) Earnings Per Share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period. Diluted EPS is determined by adjusting the profit or loss attributable to owners of the parent and the weighted average number of ordinary shares in issue adjusted for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(r) Segments Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

4. Property, Plant and Equipment

	Freehold land and buildings RM	Leasehold land and buildings RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Plant and machinery RM	Renovation RM	Tools and equipment RM	Moulds and blocks RM	Total RM
Group										
2016										
Cost										
At 1 September 2015	5,290,491	5,822,923	242,874	5,054,130	599,500	7,666,093	325,345	7,826	855,427	25,864,609
Additions	-	-	3,734	141,817	34,604	-	-	-	69,878	250,033
Exchange differences	-	-	(357)	(135)	(161)	-	-	-	-	(653)
Disposals	-	-	-	(375,687)	-	(2,669,442)	-	-	(1,350)	(3,046,479)
Written off	-	-	-	-	(13,500)	(1,268,259)	-	-	-	(1,281,759)
Transferred from capital work-in progress	-	10,544,660	-	-	-	-	-	-	-	10,544,660
At 31 August 2016	5,290,491	16,367,583	246,251	4,820,125	620,443	3,728,392	325,345	7,826	923,955	32,330,411
Accumulated depreciation										
At 1 September 2015	1,013,086	617,469	210,300	3,727,149	350,709	6,696,625	314,227	7,392	477,312	13,414,269
Charge for the financial year	75,769	96,809	9,205	563,089	51,400	95,476	2,848	268	132,534	1,027,398
Exchange differences	-	-	(354)	(44)	(100)					(498)
Disposals	-	-	-	(356,496)	-	(2,088,486)	-	-	(1,350)	(2,446,332)
Written off	-	-	-	-	(7,560)	(1,109,726)	-	-	-	(1,117,286)
At 31 August 2016	1,088,855	714,278	219,151	3,933,698	394,449	3,593,889	317,075	7,660	608,496	10,877,551
Carrying amount										
At 31 August 2016	4,201,636	15,653,305	27,100	886,427	225,994	134,503	8,270	166	315,459	21,452,860

4. Property, Plant and Equipment (Cont'd)

	Freehold land and buildings RM	Leasehold land and buildings RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Plant and machinery RM	Renovation RM	Tools and equipment RM	Moulds and blocks RM	Total RM
Group										
Cost										
2015										
At 1 September 2014	5,290,491	5,822,923	237,529	4,914,235	593,586	6,460,263	325,345	7,826	682,335	24,334,533
Additions	-	-	-	197,608	69,893	1,205,830	-	-	173,092	1,646,423
Exchange differences	-	-	5,345	4,287	2,401	-	-	-	-	12,033
Disposals	-	-	-	(62,000)	-	-	-	-	-	(62,000)
Written off	-	-	-	-	(66,380)	-	-	-	-	(66,380)
At 31 August 2015	5,290,491	5,822,923	242,874	5,054,130	599,500	7,666,093	325,345	7,826	855,427	25,864,609
Accumulated depreciation										
At 1 September 2014	937,317	552,809	195,685	3,135,842	337,439	6,292,245	311,259	7,052	361,554	12,131,202
Charge for the financial year	75,769	64,660	9,351	652,496	56,659	404,380	2,968	340	115,758	1,382,381
Exchange differences	-	-	5,264	810	907	-	-	-	-	6,981
Disposals	-	-	-	(61,999)	-	-	-	-	-	(61,999)
Written off	-	-	-	-	(44,296)	-	-	-	-	(44,296)
At 31 August 2015	1,013,086	617,469	210,300	3,727,149	350,709	6,696,625	314,227	7,392	477,312	13,414,269
Carrying amount										
At 31 August 2015	4,277,405	5,205,454	32,574	1,326,981	248,791	969,468	11,118	434	378,115	12,450,340

4. **Property, Plant and Equipment (Cont'd)**

(a) Assets held under finance leases

The carrying amount of property, plant and equipment acquired under finance lease are as follows:

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

(b) Assets pledged as securities to financial institutions

The carrying amount of property, plant and equipment of the Group and the Company pledged as securities for bank borrowings as disclosed in Note 21 to the financial statements are:

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

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

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

4. **Property, Plant and Equipment (Cont'd)**

(d) Revaluation of freehold land and buildings

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

(e) Remaining lease period

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

5. **Capital Work-In-Progress**

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

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

6. **Investment in Subsidiary Companies**

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

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

6. **Investment in Subsidiary Companies (Cont'd)**

Details of the subsidiary companies are as follows:

Name of company	**Country of incorporation**	**Effective interest 2016 %**	**2015 %**	**Principal activities**
Direct interest:				
SCH Corporation Sdn. Bhd.	Malaysia	100	100	Investment holding
SCH Wire-Mesh Manufacturing Sdn. Bhd.	Malaysia	100	100	Manufacturing, distributing and supplying of quarry grill
SCH Machinery & Equipment Sdn. Bhd.	Malaysia	100	100	Supplying and distributing quarry machinery, quarry equipment and reconditioned quarry machinery as well as spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery to the quarry industry
Italiaworld Pte Ltd*	Singapore	100	100	Importing and exporting wholesale and trading of heavy industrial machinery, mechanical and electrical appliances and for quarries
Sin Chee Heng (Cambodia) Co., Ltd*	Cambodia	100	-	Supplying and distributing quarry machinery, quarry equipment and reconditioned quarry machinery as well as spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery to quarry industry

**Subsidiary companies not audited by UHY.*

6. **Investment in Subsidiary Companies (Cont'd)**

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

Name of company	Country of incorporation	Effective interest 2016 %	Effective interest 2015 %	Principal activities
Indirect interest: Held through SCH Corporation Sdn Bhd				
Sin Chee Heng Sdn. Bhd.	Malaysia	100	100	Supply and distributing of all kinds of quarry industrial products and quarry machinery
Sin Chee Heng (Butterworth) Sdn. Bhd.	Malaysia	100	100	Distributing of all kinds of quarry products to the quarry industry
Sin Chee Heng (Kuantan) Sdn. Bhd.	Malaysia	100	100	Distributing of all kinds of quarry products to the quarry industry
Sin Chee Heng (Johore) Sdn. Bhd.	Malaysia	100	100	Distributing of all kinds of quarry products to the quarry industry
Indirect interest: Held through Sin Chee Heng Sdn. Bhd.				
- Sin Chee Heng (Sabah) Sdn. Bhd.	Malaysia	100	100	Distributing of all kinds of quarry products to the quarry industry
- Sin Chee Heng (Sarawak) Sdn. Bhd.	Malaysia	100	100	Distributing of all kinds of quarry products to the quarry industry

The merger method of accounting was adopted for consolidation in which the result of the subsidiary companies are presented as if the merger had been effected throughout the current year and previous financial years. The assets and liabilities combined are accounted for based on the carrying amount from the perspective of the common control shareholders at the date of transfer.

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

6. Investment in Subsidiary Companies (Cont'd)

(a) Acquisition of subsidiary companies

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

7. Inventories

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

8. Trade Receivables

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

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

8. **Trade Receivables (Cont'd)**

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

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

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

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

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

As at 31 August 2016, trade receivables of RM3,533,579 (2015: RM3,198,551) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM201,220 (2015: RM233,645), related to customers that are in financial difficulties, have defaulted on payments and/or have disputed on the billings. These balances are expected to be recovered through the debts recovery process.

9. **Other Receivables**

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

10. **Amount Due from/(to) Subsidiary Companies**

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

11. **Fixed Deposits with Licensed Banks**

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

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

12. **Share Capital**

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

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

13. **Share Premium**

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

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

14. **Merger Deficit Reserve**

The merger deficit arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of subsidiaries acquired under the merger method of accounting.

15. **Foreign Currency Translation Reserve**

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

16. **Finance Lease Payables**

	Group	
	2016	**2015**
	RM	**RM**
Minimum lease payments		
Within one year	97,104	566,677
Later than one year and not later than two years	93,025	476,352
Later than two year and not later than five years	78,816	456,039
	268,945	1,499,068
Less: Future finance charges	(29,593)	(134,020)
Present value of minimum lease payments	239,352	1,365,048

16. **Finance Lease Payables (Cont'd)**

	Group	
	2016	**2015**
	RM	**RM**
Present value of minimum lease payments		
Within one year	81,751	494,502
Later than one year and not later than two years	84,081	433,264
Later than two year and not later than five years	73,520	437,282
	239,352	1,365,048
Analysed as:		
Repayable within twelve months	81,751	494,502
Repayable after twelve months	157,601	870,546
	239,352	1,365,048

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

17. **Deferred Tax Liabilities**

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

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

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

17. **Deferred Tax Liabilities (Cont'd)**

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

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

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

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

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

18. **Trade Payables**

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

19. Other Payables

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

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

20. Amount Due to Directors

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

21. Bank Borrowings

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

The bank borrowings are secured by the following:

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

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

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

21. **Bank Borrowings (Cont'd)**

Maturity of bank borrowings is as follows:

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

The average effective interest rates per annum are as follows:

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

22. **Revenue**

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

23. Finance Costs

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

24. Profit Before Tax

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Auditors' remuneration				
- Statutory				
- Current year	146,275	126,371	25,000	25,000
- Over provision in prior years	-	(12,720)	-	-
- Non Statutory	3,000	-	3,000	-
Bad debts written off	10,242	97,501	-	-
Depreciation of property, plant and equipment	1,027,398	1,382,381	-	-
Executive Directors' remuneration:				
- Fees	-	-	-	-
- Salary and other emoluments	1,409,500	1,159,500	7,500	7,500
- Contribution to defined plan	164,160	164,160	-	-
Non-executive Directors' remuneration:				
- Fees	132,000	132,000	132,000	132,000
- Salary and other emoluments	9,500	10,500	9,500	10,500

24. Profit Before Tax (Cont'd)

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Foreign exchange loss/(gain)				
- realised	(155,589)	(9,147)	-	-
- unrealised	119,138	150,641	-	-
Impairment on trade receivables	188,329	184,284	-	-
Inventories written down	386,461	430,000	-	-
Property, plant and equipment written off	164,473	22,084	-	-
Rental of factory	209,664	189,072		
Rental of premises	125,457	227,069	-	-
Fixed deposit interest income	(335,902)	(599,931)	(138,400)	(379,883)
Gain on disposal of property, plant and equipment	(610,838)	(9,433)	-	-
Reversal of impairment on trade receivables	(10,000)	(9,540)	-	-
Rental income	(240,413)	(152,800)	-	-

25. Taxation

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

25. **Taxation (Cont'd)**

Malaysian income tax is calculated at the statutory tax rate of 24% (2015:25%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expenses applicable to profit before tax at the statutory tax rate to income tax expenses at the effective income tax of the Group and the Company are as follows:

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

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

26. Dividends

	Group/Company	
	2016	2015
	RM	RM
Dividends recognised as distribution to ordinary shareholders of the Company:		
Interim dividend paid in respect of the financial year ended:		
- 31 August 2015 (single tier dividend of RM0.01 per ordinary share)	-	4,122,340
Final dividend paid in respect of the financial year ended:		
- 31 August 2015 (single tier dividend of RM0.005 per ordinary share)	2,061,170	-
Interim dividend declared in respect of the financial year ended:		
- 31 August 2016 (single tier dividend of RM0.0035 per ordinary share)	1,442,819	-
	3,503,989	4,122,340

27. Employee Benefits

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

28. **Earnings per Share**

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

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

29. **Capital Commitment**

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

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

30. **Related Party Disclosures**

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

30. **Related Party Disclosures (Cont'd)**

(a) Identifying related parties (Cont'd)

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group and certain members of senior management and chief executive officers of major subsidiary companies of the Group.

The Group has related party relationships with its subsidiary companies and key management personnel.

(b) Compensation of key management personnel

Remuneration of key management personnel are as follows:

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

(c) Significant related party transactions

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

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

31. Segment Information

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

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

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

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

32. Financial Instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

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

32. **Financial Instruments (Cont'd)**

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

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
Group			
2016			
Financial assets			
Trade receivables	13,140,474	-	13,140,474
Other receivables	509,132	-	509,132
Fixed deposits with licensed banks	7,887,850	-	7,887,850
Cash and bank balances	2,918,641	-	2,918,641
	24,456,097	-	24,456,097
Financial liabilities			
Trade payables	-	2,244,294	2,244,294
Other payables	-	2,619,289	2,619,289
Amount due to Directors	-	19,000	19,000
Finance lease payables	-	239,352	239,352
Bank borrowings	-	8,176,358	8,176,358
	-	13,298,293	13,298,293
Group			
2015			
Financial assets			
Trade receivables	17,950,491	-	17,950,491
Other receivables	517,433	-	517,433
Fixed deposits with licensed banks	12,112,525	-	12,112,525
Cash and bank balances	3,378,416	-	3,378,416
	33,958,865	-	33,958,865
Financial liabilities			
Trade payables	-	2,309,790	2,309,790
Other payables	-	1,973,010	1,973,010
Amount due to Directors	-	19,000	19,000
Finance lease payables	-	1,365,048	1,365,048
Bank borrowings	-	8,150,282	8,150,282
	-	13,817,130	13,817,130

32. **Financial Instruments (Cont'd)**

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

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

32. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies

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

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

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured loans and advances to subsidiary companies. It also provides unsecured financial guarantees to banks for banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk.

The Group has no significant concentration of credit risk as its exposure spread over a large number of customers. The Company has no significant concentration of credits risks except for loans to its subsidiary companies where risks of default have been assessed to be low.

32. **Financial Instruments (Cont'd)**

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

(ii) Liquidity risk

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

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

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

32. **Financial Instruments (Cont'd)**

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

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group						
2016						
Financial liabilities						
Trade payables	2,244,294	-	-	-	2,244,294	2,244,294
Other payables	2,619,289	-	-	-	2,619,289	2,619,289
Amount due to Directors	19,000	-	-	-	19,000	19,000
Finance lease payables	97,104	93,025	78,816	-	268,945	239,352
Bank borrowings	8,176,358	-	-	-	8,176,358	8,176,358
	13,156,045	93,025	78,816	-	13,327,886	13,298,293

32. **Financial Instruments (Cont'd)**

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

(ii) Liquidity risk (Cont'd)

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

32. **Financial Instruments (Cont'd)**

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

(iii) Market risks

a) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Singapore Dollar (SGD), United States Dollar (USD) and Japanese Yen (JPY).

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

Group	**Denominated in**			
	USD	**SGD**	**JPY**	**Total**
2016	**RM**	**RM**	**RM**	**RM**
Deposits, cash and bank balances	194,238	223,949	-	418,187
Trade receivables	177,724	326,058	-	503,782
Other receivables	1,093,255	5,958	-	1,099,213
Trade payables	-	(49,200)	(709,104)	(758,304)
Loans and borrowings	(3,952,181)	(709,938)	-	(4,662,119)
	(2,486,964)	(203,173)	(709,104)	(3,399,241)
2015				
Deposits, cash and bank balances	25,576	196,625	-	222,201
Trade receivables	-	416,338	-	416,338
Other receivables	75,855	32,704	-	108,559
Trade payables	(1,198,526)	(49,407)	-	(1,247,933)
Loans and borrowings	(5,944,000)	(258,000)	-	(6,202,000)
	(7,041,095)	338,260	-	(6,702,835)

<u>Foreign currency sensitivity analysis</u>
Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

32. **Financial Instruments (Cont'd)**

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

(iii) Market risks (Cont'd)

a) Foreign currency risk (Cont'd)

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

b) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The carrying amounts of the Group's and of the Company's financial instruments that are exposed to interest rate risk are as follows:

32. **Financial Instruments (Cont'd)**

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

(iii) Market risks (Cont'd)

b) Interest rate risk (Cont'd)

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

32. **Financial Instruments (Cont'd)**

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

(iii) Market risks (Cont'd)

b) Interest rate risk (Cont'd)

Interest rate sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Group' profit before tax by RM81,764 (2015: RM81,503) respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair value of financial instruments

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

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

32. **Financial Instruments (Cont'd)**

(c) Fair value of financial instruments (Cont'd)

	Fair value of financial instruments not carried at fair value			Carrying
	Level 1	**Level 2**	**Level 3**	**amount**
	RM	**RM**	**RM**	**RM**
Group				
2016				
Finance lease payables	-	153,312	-	157,601
Group				
2015				
Finance lease payables	-	768,353	-	870,546

(i) Policy on transfer between levels

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

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

(ii) Level 1 fair value

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

(iii) Level 2 fair value

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

Non-derivative financial instruments

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

(iv) Level 3 fair value

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

33. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants. The gearing ratios at end of the reporting period are as follows:

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

\# The gearing ratio is not applicable as the cash and bank balances as at 31 August 2015 is sufficient to cover the entire borrowing obligation.

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

The Group and the Company are not subject to any externally imposed capital requirement.

34. **Subsequent Event**

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

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

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

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

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

35. **Date of Authorisation for Issue**

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

36. Supplementary Information on the Disclosure of Realised and Unrealised Profits or Losses

The following analysis of realised and unrealised retained earnings/(accumulated losses) of the Group and of the Company as at the reporting date is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

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

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.