



SCH Group Berhad
(201101044580) (972700-P)

SOLUTIONS FOR A DYNAMIC WORLD

Annual Report **2020**





2	Corporate Information
3	Corporate Structure
4	Financial Highlights
6	Profile of Directors
10	Key Management Profiles
11	Chairman's Statement
15	Sustainability Statement 2020
29	Management Discussion and Analysis
41	Corporate Governance Overview Statement
64	Audit Committee Report
68	Statement on Risk Management and Internal Control
72	Other Disclosure Requirements
73	Directors' Responsibility Statement
74	Financial Statements
172	List of Properties
175	Statistics of Shareholdings
178	Analysis of Warrant Holdings
181	Notice of Annual General Meeting
	Proxy Form

TABLE OF

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Chan Choun Sien
*Independent Non-Executive
Chairman*

De Souza Michael Lawrence
*Executive Director and Group
Chief Executive Officer*

Ang Sui Aik, Benny
Group Managing Director

Wong Kin Seng
Executive Director

Dato' Ong Choo Meng
*Non-Independent
Non-Executive Director*

Gan Khong Aik
*Independent
Non-Executive Director*

Sim Yee Fuan
*Independent
Non-Executive Director*

Ong Tzu Chuen
*Non-Independent
Non-Executive Director*

AUDIT COMMITTEE

Sim Yee Fuan (*Chairman*)
Dato' Chan Choun Sien
(*Member*)
Gan Khong Aik (*Member*)

RISK MANAGEMENT COMMITTEE

Gan Khong Aik (*Chairman*)
Dato' Chan Choun Sien
(*Member*)
Wong Kin Seng (*Member*)

REMUNERATION COMMITTEE

Dato' Chan Choun Sien
(*Chairman*)
Sim Yee Fuan (*Member*)
Gan Khong Aik (*Member*)

NOMINATION COMMITTEE

Gan Khong Aik (*Chairman*)
Sim Yee Fuan (*Member*)
Dato' Chan Choun Sien
(*Member*)

COMPANY SECRETARIES

Tan Tong Lang
(MAICSA 7045482 / SSM PC No.
201908002253)
Vimalraj A/L Shanmugam
(MAICSA 7068140 / SSM PC No.
202008000925)
Lee Kok Ping
(MIA 44986 / SSM PC No.
202008004407)

REGISTERED OFFICE

Suite 10.02, Level 10
The Gardens South Tower
Mid Valley City
Lingkar Syed Putra
59200 Kuala Lumpur
Wilayah Persekutuan
Tel No. : +603-2298 0263
Fax No. : +603-2298 0268

HEAD OFFICE/ PRINCIPAL PLACE OF BUSINESS

Lot 35, Jalan CJ 1/1,
Kawasan Perusahaan Cheras
Jaya, 43200 Cheras,
Selangor Darul Ehsan.
Tel No. : +603-9082 2681/
2781/2881/2981
Fax No. : +603-9082 9697

AUDITORS

Messrs Ecovis Malaysia PLT
(AF 1825)
No 9-3, Jalan 109F
Plaza Danau 2
Taman Danau Desa
58100 Kuala Lumpur
Tel No. : +603-7981 1799
Fax No. : +603-7980 4796

PRINCIPAL BANKERS

AmBank (M) Berhad
CIMB Bank Berhad
Public Bank Berhad
HSBC Bank Malaysia Berhad

SHARE REGISTRAR

Tricor Investor & Issuing House
Services Sdn Bhd
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel No. : +603-2783 9299
Fax No. : +603-2783 9222

STOCK EXCHANGE LISTING

Ace Market of Bursa Malaysia
Securities Berhad

Ordinary Shares

Stock Name : SCH
Stock Code : 0161

Warrants

Stock Name : SCH-WA
Stock Code : 0161WA

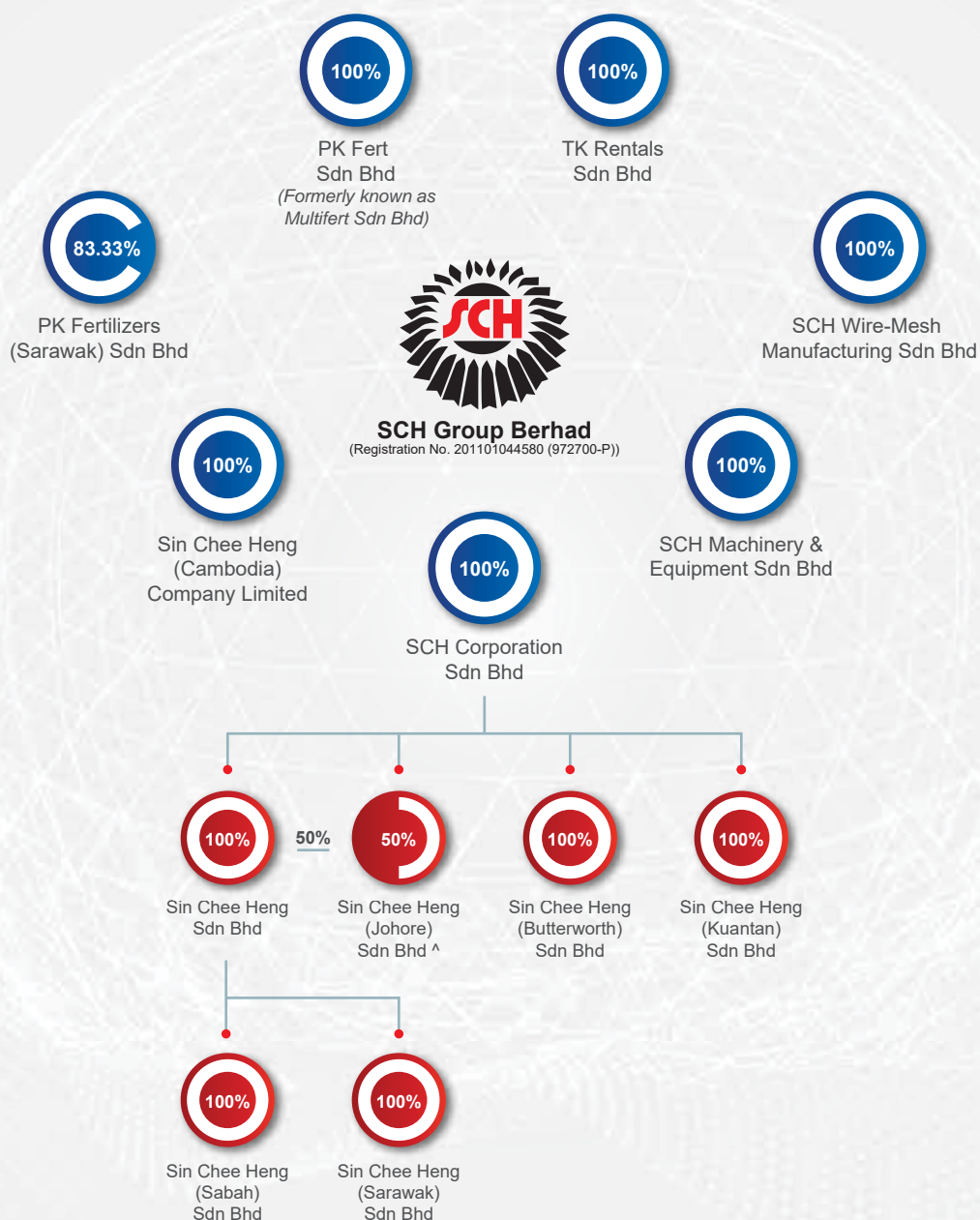
WEBSITE

www.schgroup.com.my

INVESTOR RELATIONS

Email : finance@schgroup.com.my
Tel No. : +603-9082 2681/2781/
2881/2981
Fax No. : +603-9082 9697

CORPORATE STRUCTURE

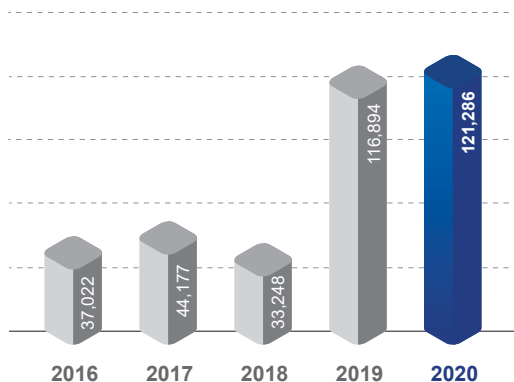
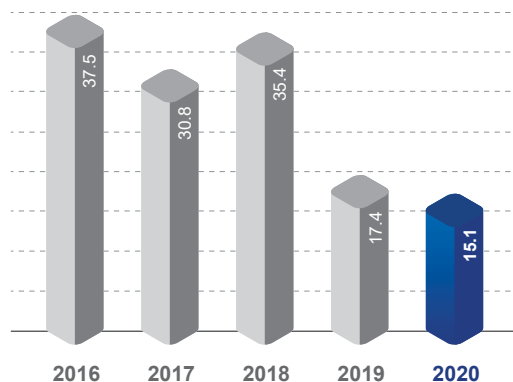
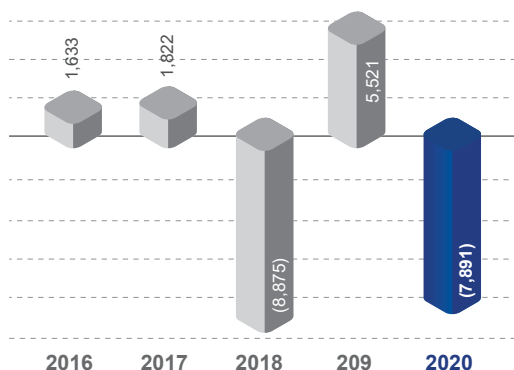
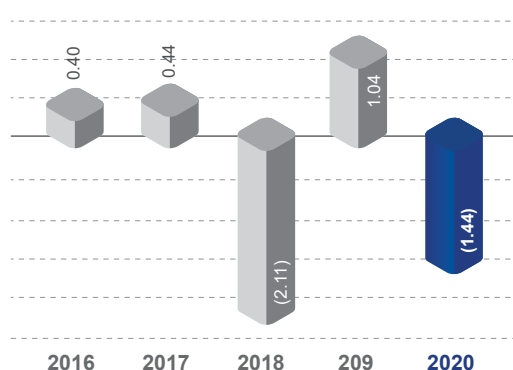
**Note:-**

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

FINANCIAL HIGHLIGHTS

Financial Year Ended 31 August		2016	2017	2018 Restated	2019	2020
KEY FINANCIALS						
Revenue	RM'000	37,022	44,177	33,248	116,894	121,286
Gross Profit (GP)	RM'000	13,891	13,589	11,756	20,359	18,361
GP Margin	%	37.5	30.8	35.4	17.4	15.1
Profit/(Loss) Before Tax (PBT)/(LBT)	RM'000	2,282	2,734	(8,308)	7,219	(7,620)
PBT/(LBT) Margin	%	6.2	6.2	25.0	6.2	(6.3)
Profit/(Loss) After Tax (PAT)/(LAT)	RM'000	1,633	1,822	(8,875)	5,521	(7,891)
PAT/(LAT) Margin	%	4.4	4.1	(26.7)	4.7	(6.5)
Basic Earnings/ (Loss) Per Share (Basic EPS)	sen	0.40	0.44	(2.11)	1.04	(1.44)

Table 1 : 5 years Financial Highlights

REVENUE
(RM'000)

GP MARGIN
(%)

**PROFIT/(LOSS) AFTER TAX
(PAT) (RM'000)**

**BASIC EARNINGS/(LOSS) PER SHARE
(BASIC EPS) (sen)**


PASSION



INTEGRITY



EXPERIENCE

PROFILE OF DIRECTORS

DATO' CHAN CHOUN SIEN

50 years of age, Malaysian, Male

Independent Non-Executive Chairman, Chairman of Remuneration Committee

Member of Audit Committee, Risk Management Committee and Nomination Committee

Dato' Chan Choun Sien was appointed to the Board as an Independent Non-Executive Director of the Company on 1 August 2018. On 22 October 2018, he was re-designated as Independent Non-Executive Chairman.

He graduated from the University of Melbourne with a Bachelor of Laws (Honours) and Bachelor of Commerce. He is a member of CPA Australia. He was previously a Managing Director of a leading investment bank with over 22 years of experience in corporate finance, investment banking and private banking covering Southeast Asia.

Currently, he is also an Independent Non-Executive Director for Esthetics International Group Berhad, Rubberex Corporation (M) Berhad and Selangor Dredging Berhad.

He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 August 2020.

DE SOUZA MICHAEL LAWRENCE

42 years of age, Singaporean, Male

Executive Director & Group Chief Executive Officer

(Resigned on 31 December 2020)

Michael de Souza was appointed as the Group Chief Executive Officer of the Company on 7 January 2019. On 19 December 2019, he was appointed to the Board as the Executive Director of the Company.

He graduated from the University of New South Wales, Australia with First Class Honours in Bachelor of Engineering in Mechanical Engineering.

He started his career with Johnson Controls in where he held various sales and management positions in Singapore and Indonesia. His last position was Regional Sales Manager for South East Asia (SEA) and South Asia regions. He left Johnson Controls and joined Aggreko where he managed sales and operational roles. His last position was General Manager for SEA region. He has accumulated sales and operations management experience of more than 16 years and held senior regional sales and operations position in multinational companies.

He does not hold directorship in any other public listed companies. He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 August 2020.

PROFILE OF DIRECTORS

cont'd

ANG SUI AIK, BENNY

62 years of age, Malaysian, Male
Group Managing Director

Benny is to be appointed as the Group Managing Director with effect from 1 January 2021.

He graduated from the University of Western Australia with Bachelor of Science Honours in Agriculture, majoring in soil science and plant nutrition.

He has been in agriculture industry since his graduation in 1982. He commenced his career with Behn Meyer (M) Sdn Bhd in where he has extensive experience in business development, agronomy advisory services to plantations, fertilisers and agrochemicals for more than 17 years. Thereafter, he joined Taiko Fertilizer Marketing Sdn Bhd ("Taiko") for more than 13 years to expand Taiko fertiliser business to East Malaysia and Indonesia. The last position he held in Taiko was the Managing Director. In 2013, he joined Hextar Fertilizers Group of Companies ("Hextar Fertilizers") as Managing Director, managed to enlarge the production capacity of compaction compound fertilisers for more than 10 times and expanded the customer base in Malaysia as well as overseas market. The last position he held in Hextar Fertilizers was Group Managing Director ended December 2020.

He does not hold directorship in any other public listed companies. He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 August 2020.

WONG KIN SENG

50 years of age, Malaysian, Male
Executive Director
Member of Risk Management Committee

Wong Kin Seng was appointed to the Board as the Executive Director of the Company on 9 May 2017.

Mr. Wong joined the team in 1988. He has accumulated extensive experience through various operations and sales roles within the organization. Coupled with his market knowledge, he has effectively lead the group's heavy machinery and equipment business to be a market leader in the quarry industry in Malaysia.

He does not hold directorships in any other public listed companies. He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 August 2020.

PROFILE OF DIRECTORS

cont'd

DATO' ONG CHOO MENG

42 years of age, Malaysian, Male

Non-Independent Non-Executive Director

Dato' Ong Choo Meng was appointed to the Board as the Non-Independent Non-Executive Director of the Company on 1 August 2018.

He graduated from Royal Melbourne Institute of Australia in Bachelor Degree in Business, majoring in Business Finance and Investment.

He is highly competent and professional business leader with more than 15 years of valuable experience in the senior management position. Work experience includes business management of a group of companies, familiar with strategizing and driving business plans with commendable track record in directing business growth for the group. He is responsible for the overall finance, business, corporate development, and expansion strategies for the Hextar Group of Companies.

He has been in the agriculture industry for more than 15 years specializing in finance and investment activities. He was experienced in Denko Industrial Corporation Berhad where he contributed in providing independent review to ensure corporate accountability in the board decision. In addition, he was one of the personnel that ensure strategies proposed by the management were fully deliberated and examined in the long-term interest of the company. Presently, he is conversant in directing Hextar Group growth, business expansion, finance and operational affairs.

Currently, he is also the Non-Independent Executive Director of Hextar Global Berhad, Group CEO of Hextar Group of Companies and Non-Independent Non-Executive Director of Rubberex Corporation (M) Berhad. He is the major shareholder of the Company and the brother of Ms Ong Tzu Chuen (Non-Independent Non-Executive Director). He has no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 August 2020.

GAN KHONG AIK

51 years of age, Malaysian, Male

Independent Non-Executive Director

Chairman of Nomination Committee and Risk Management Committee

Member of Audit Committee and Remuneration Committee

Gan Khong Aik was appointed to the Board as an Independent Non-Executive Director of the Company on 13 March 2012.

After completing his Sijil Pelajaran Malaysia from St. Francis Institution, Malacca in 1987, Mr Gan went on to pursue his Sijil Tinggi Persekolahan Malaysia at Malacca High School in 1989. He graduated from University of Malaya, Malaysia with a Second Class Honours (Upper Division) in Bachelor of Law in 1994 and was admitted and enrolled as an advocate and solicitor of the High Court of Malaya in 1995.

He commenced his legal career with Messrs Lee Hishammuddin Allen Gledhill in 1994 and in 2001, he became a partner of Messrs Lee Hishammuddin Allen Gledhill until 2008 where he set up his own law practice. Presently, he is a partner of Messrs Gan Partnership. He is a Fellow Member of the Chartered Institute of Arbitrators, United Kingdom and is a Mediator of the Malaysian Mediation Centre.

He does not hold directorship in other public listed companies. He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 August 2020.

PROFILE OF DIRECTORS

cont'd

SIM YEE FUAN

54 years of age, Malaysian, Male

Independent Non-Executive Director

Chairman of Audit Committee

Member of Remuneration Committee and Nomination Committee

Sim Yee Fuan was appointed to the Board as an Independent Non-Executive Director of the Company on 13 March 2012.

He graduated from University of Malaya with Bachelor of Accounting (Honour) and obtained his professional qualification from Malaysian Institute of Certified Public Accountants (MICPA). He holds a Master Degree in Business Administration from Northern University of Malaysia. He is a Chartered Accountant registered with the Malaysia Institute of Accountants (MIA).

He started his career with Bank Negara Malaysia ("BNM") from 1991 to 1995 and had gained the banking experience in Balance of Payment Department (now known as Foreign Exchange Administration Department) and Bank Examination 1 Department (now known as Banking Supervision Department). During 1995 to 2006, he was attached to public listed companies on the Bursa Securities where his job responsibilities were in the areas of accounting, finance and corporate management.

Currently, he is also an Executive Director of Unimech Group Berhad, a Senior Independent Non-Executive Director of Saudee Group Berhad and an Independent Non-Executive Director of Eurospan Holdings Berhad. He is also the Commissioner of PT Arita Prima Indonesia TBK, a company listed on Indonesia Stock Exchange. He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 August 2020.

ONG TZU CHUEN

37 years of age, Malaysian, Female

Non-Independent Non-Executive Director

Ong Tzu Chuen was appointed to the Board as a Non-Independent Non-Executive Director of the Company on 27 July 2020.

She graduated from Macquarie University, Australia in 2003 with a Bachelor of Accounting. Upon completing her undergraduate education, she obtained her professional CPA Australia in 2004.

She spent two years servicing audit and tax services in Sydney, Australia. She then started her career in Malaysia where she held various finance and management positions. She has accumulated corporate management experiences of more than 10 years including identifying, evaluating and developing investment opportunities to invest, as well as directing the set-up and expansion of various companies across many industries in South East Asia.

She does not hold directorship in other public listed companies. She is the sister of Dato' Ong Choo Meng, a Non-Independent Non-Executive Director of the Company. She has no conflict of interest with the Company.

She has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 August 2020.

KEY MANAGEMENT PROFILES

The Management team is headed by the Group Managing Director, Benny Ang assisted by the Executive Director, Wong Kin Seng and the following Key Senior Management:

LEONG HIN KIEAT

53 years of age, Malaysian, Male

Executive Director of PK Fertilizers (Sarawak) Sdn. Bhd.

Date of appointment: 14 September 2005

Qualification:

- Bachelor's Degree (Hons) in Agricultural Science, University Pertanian Malaysia

Working experience:

- Almost 30 years of experience in the fertilisers industry, specialising in the sales, marketing and operation;
- Currently, he is also the Chairman of Fertiliser Industry Association of Malaysia (FIAM) and Honorary Exco Member for Chemical Industry Council of Malaysia (CICM).

He does not hold directorship in other public listed companies. He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 August 2020.

SEAN, LEE KOK PING

37 years of age, Malaysian, Male

Financial Controller/Company Secretary

Date of appointment: April 2020

Qualifications:

- Professional qualification from Association of Chartered Certified Accountant (ACCA)
- Chartered Accountant – Malaysian Institute of Accountant (MIA)

Working experience:

- More than 10 years working experience specializing in corporate reporting, fundraising, treasury and taxation;
- He has been the Head of Department for more than 5 years, leading the finance team of public listed companies;
- He joined the Company as Financial Controller and subsequently appointed as Company Secretary in December 2020.

He does not hold directorship in other public listed companies. He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 August 2020.

CHAIRMAN'S STATEMENT

Dear Shareholders, Customers and Suppliers,

On behalf of the Board of Directors ("Board") and all of us at SCH Group, I am pleased to present the Company's Annual Report and Audited Financial Statements for the financial year ended 31 August 2020 ("FY2020").

SCH Group did well in the Fertilisers, Equipment Rental and Heavy Equipment businesses in the first half of FY2020. However, the outbreak of the Coronavirus Disease 2019 ("COVID-19") pandemic impacted the businesses negatively and affected our second half and full year performance. Despite the tremendous challenges in the global and Malaysian economy, I am proud that the team had continued to persevere by expanding our market reach into batteries for the renewable energy and industrial sectors. We have also responded to the pandemic by providing our temporary structures, temperature control and power solutions to medical facilities to support the fight against COVID-19.



BOARD AND LEADERSHIP UPDATES

Mr. Michael de Souza, our Group CEO and Executive Director, has decided to pursue his personal interest and will leave the team on 31 December 2020. Michael has infused much professionalism and passion as he led the team over the past two years. During his tenure, he has expanded and diversified the group's product offerings and enhanced operational efficiency. On behalf of the Board and the team, I would like to express my appreciation to Michael for his excellent service rendered and we wish him all the best in his future undertakings.

We are pleased to announce that Mr. Benny Ang will join our Company as the new Group Managing Director on 1 January 2021. We are confident that Benny's experience will propel the SCH Group onto new heights.

Also, we welcome Ms. Ong Tzu Chuen as a new Non-Independent, Non-Executive Director who joined us on 27 July 2020. Ms. Ong enhances our Board diversity and she brings a fresh perspective and innovative ideas to Board discussions.

CHAIRMAN'S STATEMENT

cont'd

BUSINESS ENVIRONMENT

The Government of Malaysia ("Government") imposed a Movement Control Order ("MCO") commencing on 18 March 2020 by imposing international and domestic travel restrictions, closure of non-essential services, reduction of operating hours and work force, limitation on the headcount permitted in social gatherings and other measures that had affected our businesses. The Government has since extended the MCO to 31 December 2020 under the Recovery MCO ("RMCO").

Fertilisers

Our Fertilisers division had been the bright spot and a pillar to the Company during this trying time. Agricultural activities form an integral part of the food supply chain and were considered as essential services. Therefore, we were able to operate, albeit under strict Standard Operating Procedures ("SOP") imposed by the Government to supply fertilisers to our customers.

The demand for fertilisers is expected to remain healthy as Crude Palm Oil ("CPO") prices have shown improvement in the near term due to the resumption and implementation of the national B20 Biodiesel programme (B20 Biodiesel is a blend of 20% palm methyl esters and 80% petroleum diesel). This will spur the demand of CPO, which is expected to benefit small holders and individual planters, thus driving an increase in the application of fertilisers.

The Fertilisers division will remain a key focus of the SCH Group in financial year ending 31 August 2021 ("FY2021"). The Company will collaborate with Hextar Global Berhad ("HGB") in a synergistic and complementary manner by leveraging on HGB's core competencies in agrochemicals. The collaboration will help us to further penetrate the fertilisers market with a more robust and complete products offerings.

Heavy Equipment

The quarry, mining and construction activities were affected by the COVID-19 pandemic due to the disruptions arising from the imposition of MCO. Consequently, it has negatively impacted the demand for heavy equipment in the short term.

However, the Budget 2021 announced on 6 November 2020 had allocated approximately RM15 billion to fund key transport infrastructure projects such as the Pan Borneo Highway, Gemas-Johor Bahru Electrified Double-Tracking, Phase 1 of the Klang Valley Double-Tracking, Rapid Transit System Link from Johor Bahru to Woodlands, Singapore and Mass Rapid Transit 3 ("MRT3") in Klang Valley. The continuation and commitment of the Government to implement these key projects are encouraging news for the construction industry and it will spur the demand for our heavy machinery and equipment business.

Equipment Rental

The MCO imposed by the Government involved the closure of event venues, and the prohibitions of large-scale events and gatherings. These had led to the temporary postponement and/or cancellation of events during the financial year under review.

Due to these restrictions, the Company had broadened this business segment to include the trading of industrial products. Our wholly-owned subsidiary, TK Rentals Sdn Bhd, has been appointed as an authorised distributor of industrial batteries for the storage of renewable energy. We will focus on the rural areas where the supply of energy is lacking, and data centres and telecommunication companies that require uninterrupted power supply. We have also widened our product offerings to include forklifts, inverters and solar panels. The Equipment Rental division also did well to diversify outside its traditional events sector into building services and oil and gas sectors.

CHAIRMAN'S STATEMENT

cont'd

CORPORATE ACTIVITIES

Subsequent to the year end, our Company announced a few corporate exercises to take our Company to the next level.

Firstly, the Company has proposed a share consolidation of every 3 ordinary shares in SCH shares into 1 consolidated SCH share together with a proposed rights issue of new SCH shares to raise gross proceeds of up to RM155 million. The Board believes the proposals will strengthen the financial position of the Company and give shareholders an opportunity to increase their equity participation in the equity and the growth prospects of the SCH Group.

Secondly, it is proposed that the name of SCH Group Berhad be changed to Hextar Industries Berhad. "Hextar" is a long and well-established brand name with more than 30 years of history in the agrochemical industry. The Board is of the opinion that the renaming exercise will allow the Group to better position and market its products and services under the Hextar brand in our largest and fastest growing core business of fertilisers.

CORPORATE GOVERNANCE

The SCH Group is committed to a high standard of ethical conduct and integrity in its business activities. Every individual acting on behalf the Company is responsible for maintaining our reputation by conducting business honestly and professionally. Integrity is an integral part of our values. The Board reaffirms zero-tolerance to bribery and corruption. The Company is committed to acting professionally, impartially and with integrity in all our business dealings and relationships wherever we operate.

On 1 June 2020, the Company established and implemented our Anti-Bribery and Corruption policy ("Policy"). The Policy is designed to provide guidance on practices that are appropriate for employees. The SCH Group will continue to behave with integrity and in accordance with the new Corporate Liability Provisions under Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009 (Amendment 2018).

The Company has also implemented a Business Continuity Plan ("BCP") in 2020 to provide for any natural or accidental incident that could potentially cause disruption to our business operations. Installing a BCP will allow the management and our businesses to recover in the quickest possible time. This will mitigate or reduce human and material losses, including the loss of business to the competition and in the worst case, the loss of life and the business in its entirety.

LOOKING AHEAD TOGETHER

The Company's values of integrity, loyalty, hard work, passion, experience, ingenuity and teamwork will continue to guide our growth ambitions within the three core businesses. The teams in each of our core businesses are committed to deliver value to our customers, suppliers and shareholders despite the volatile and challenging environment.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to convey my heartfelt gratitude to all parties who have helped us to navigate past a very challenging year. We wish to appreciate the hard work and dedication of our management team and staff during these uncertain times.

Each Board member played a pivotal role in sharing his/her insights, advice and experience in decisions made throughout the year and I wish to share my gratitude to my fellow Board members for their commitment, wisdom and guidance during the financial year.

To our shareholders, I wish to express my earnest appreciation for your continued support and trust. I am confident that the seed we have planted will bear fruit with the hard work of the management team, as we journey with them together with you.

Kind regards

Dato' Chan Choun Sien

Independent Non-Executive Chairman



TEAMWORK

LOYALTY

INGENUITY

HARD WORK

SUSTAINABILITY

STATEMENT 2020

At SCH, sustainability is the core value in operating our business, serving our customers and local community while preserving the environment.



INTRODUCTION

SCH Group Berhad ("SCH") and its subsidiaries ("the Group" or "SCH Group") acknowledges that sustainability is a key factor towards long term success of the Group as well as to create values to our various stakeholders in long run. In line with Bursa Malaysia Securities Berhad ("Bursa Securities") Sustainability Reporting Guide, we are committed to embed the economic, environmental and social considerations into our governance framework and business operations. The Board is pleased to present this Sustainability Statement for the financial year ended 31 August 2020 ("FYE 2020") to illustrate our strategic approaches in addressing sustainability challenges and opportunities within Economic, Environmental and Social contexts.

OUR SUSTAINABILITY GOVERNANCE



Table 2 : Sustainability Governance Structure

The Group has an integrated sustainability governance structure to plan and implement sustainability initiatives effectively. Our Board acts as a key role in overseeing the planning and implementation of all sustainability initiatives and strategies across the Group. The Board has been supported by various committees to look after the internal controls, risk management, board effectiveness and sustainability matters of the Group.

SUSTAINABILITY STATEMENT 2020

cont'd

BASIS OF THIS STATEMENT

This statement was prepared based on all available internal information and in a manner as prescribed by Bursa Securities, in accordance with the ACE Market Listing Requirements and Sustainability Reporting Guide and Toolkits issued by Bursa Securities.

FEEDBACK

In order to increase our sustainability measuring and reporting standards, we welcome stakeholders' feedback on this Statement and any of the matters covered. Relevant comments and queries can be directed to finance@schgroup.com.my.

SCOPE OF THIS STATEMENT

This Statement covers SCH Group's activities for the FYE 2020, including the business of manufacturing and distributing fertilisers products, supplying and distributing quarry related products and rental of machinery and equipment.

Fertilisers



Compacted Compound Fertilisers



Mix NK



Kal-Mag Blend OP Series

Heavy Equipment



Hydraulic Rock Drill



Hydraulic Rock Breaker

Equipment Rental



Temperature Control Rental Solutions



Structure and Power Equipment Rental Solutions

SUSTAINABILITY STATEMENT 2020

cont'd

OUR SUSTAINABILITY COMMITMENT

SCH aware and appreciates the synergetic relationship amongst the stakeholders, communities and the surrounding environment. The Group is committed to create sustainable value to our customers, employees, investors and other stakeholders. Our commitment to sustainability has been embodied to our formulation of sustainability strategies across the Economic, Environment and Social contexts with the aims as follows: -

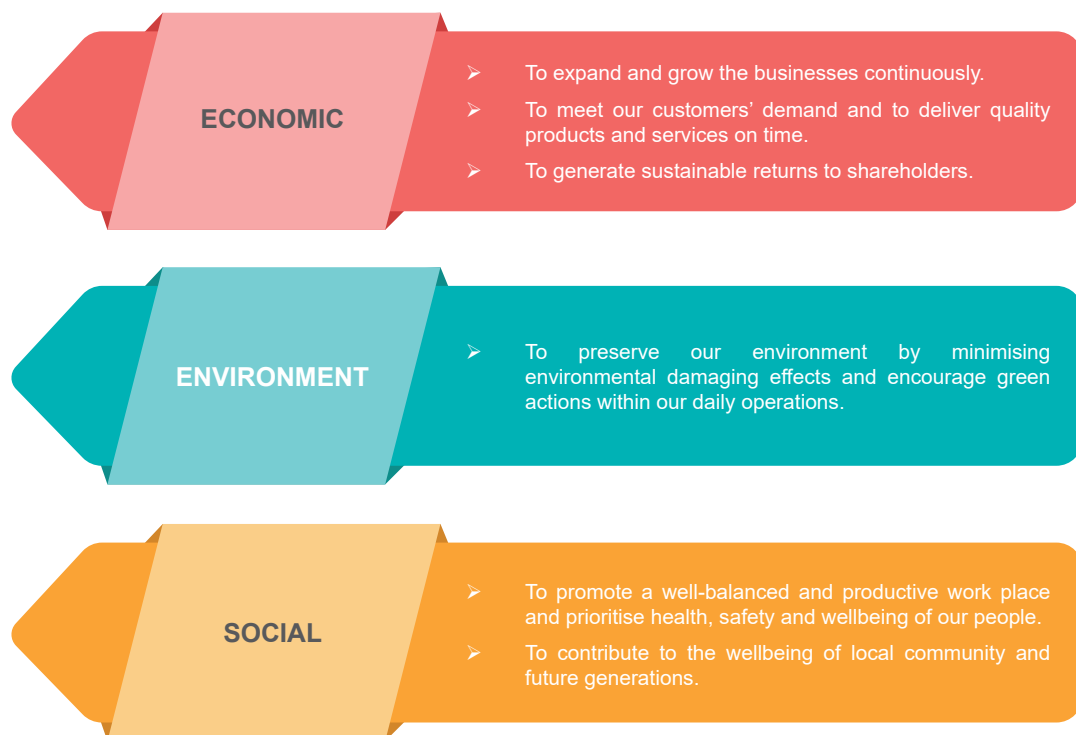


Table 3 : Sustainability Principles

OUR BUSINESS ETHICS IN ENSURING SUSTAINABILITY

As a responsible business entity, SCH emphasises on the commitment towards good governance and sound business ethics across all business units so as to ensure the sustainability of our businesses and to protect our various stakeholders' interests. Several policies are implemented as a guidance to promote ethical business conducts amongst the Group.

SUSTAINABILITY STATEMENT 2020

cont'd

Code of Conduct and Ethics (“Code”)

The Code is established to ensure that SCH's business transactions should not be tainted by malpractices, including but not limited to: -

- The Group's professionalism, honesty and integrity must be upheld at all times;
- Decision on vendors or business partners shall be weighted objectively and impartially;
- All applicable laws and regulations shall be adhered to accordingly;
- Money laundering and insider trading are strictly prohibited;
- Discrimination and harassment are prohibited;
- Employees must never engage in any fraudulent or dishonest conduct;
- Directors and employees must disclose immediately all contractual interest and shall avoid conflicts of interest whenever possible; and
- Employees must not disclose confidential information or allow such disclosure.

Whistle Blowing Policy

For any suspected and/or known misconduct, wrongdoings, corruption, fraud, waste, and/or abuse involving the resources of the Group, employees are encouraged to make a report either to the immediate supervisor, the Group CEO or the Chairman. Upon receipt of report, an investigation shall be carried out by independent party and appropriate actions shall be carried out thereafter.

Stakeholders are also encouraged to make reports via email for any suspected fraud, misconduct or integrity concerns to the Audit Committee Chairman.

The Code, Whistle Blowing Policy and ABCP are made available on SCH's website at <http://sch.irplc.com/investor-relations.html>.

Anti-Bribery and Corruption Policy (“ABCP”)







The Group has zero-tolerance against any form of bribery and corruption and we attempt to conduct business with integrity, honesty and respect. ABCP has been implemented effective from 1 June 2020, including but not limited to the following policies: -

- Corruption risk assessment shall be conducted whenever there is a change in business circumstance;
- Due diligence shall be conducted prior to entering into any formalised relationships;
- Regular audits and assessments shall be carried out to ensure compliance with the ABCP;
- Training and awareness programs shall be provided to educate and promote the anti-bribery and corruption principles;
- “No-Gift” policy is adopted, with exception subject to approval from Group CEO;
- Any facilitation payment request shall be declined and reported to the Group CEO or Senior Management immediately;
- Proper background and assessment checks shall be conducted occasionally for recruitments;
- Business associates, where the Group retains controlling interest, are required to adhere and comply to the ABCP;
- All employees are obligated to abide to the Group's ABCP;
- Any conflict of interest must be declared immediately; and
- Any actual or suspected violations of the ABCP must be reported in accordance to the Whistle Blowing Policy.

SUSTAINABILITY STATEMENT 2020

cont'd

STAKEHOLDERS ENGAGEMENT

Stakeholders	Areas of Interest/Material Matters	Engagement Approaches
 Shareholders/ Investor	<ul style="list-style-type: none"> ❖ Business profitability ❖ Business management ❖ Corporate governance management ❖ Investment return and associated risks ❖ Share price performance 	<ul style="list-style-type: none"> ❖ Quarterly financial results ❖ Annual report ❖ Bursa Securities announcements ❖ Annual general meeting ("AGM") and extraordinary general meetings ("EGM") ❖ Press releases and interview sessions ❖ Company website
 Board of Directors	<ul style="list-style-type: none"> ❖ Continuous business growth and operational improvements ❖ Financial and operational performances ❖ Corporate strategies and business risks management ❖ Interest of various stakeholders 	<ul style="list-style-type: none"> ❖ Board meetings ❖ AGM and EGM ❖ Company events
 Employees	<ul style="list-style-type: none"> ❖ Career growth and opportunities ❖ Training and development ❖ Talent and performance management ❖ Occupational health and safety ❖ Competitive compensation and benefit packages 	<ul style="list-style-type: none"> ❖ Learning and development program ❖ Regular engagement with senior management ❖ Performance appraisals ❖ Company social events
 Customers	<ul style="list-style-type: none"> ❖ Quality assurance on products and services ❖ Customers satisfaction ❖ Technological and operational innovation ❖ Competitive pricing and on-time delivery 	<ul style="list-style-type: none"> ❖ Face-to-face interaction ❖ Email communications ❖ Customers satisfaction survey ❖ Company website and social media ❖ Company events ❖ Advertisement and marketing events
 Suppliers	<ul style="list-style-type: none"> ❖ Sustainable business relationships ❖ Procurement process ❖ Suppliers selection and credit terms 	<ul style="list-style-type: none"> ❖ Face-to-face interaction ❖ Email communications ❖ Supplier assessment
 Community	<ul style="list-style-type: none"> ❖ Job creation for local communities ❖ Operational impact towards the environment ❖ Local economic support ❖ Community wellbeing 	<ul style="list-style-type: none"> ❖ Company website and social media ❖ Corporate social responsibility program

SUSTAINABILITY STATEMENT 2020

cont'd




Stakeholders	Areas of Interest/Material Matters	Engagement Approaches
 <p>Regulators/ Law Enforcers</p>	<ul style="list-style-type: none"> ❖ Adherence to all applicable laws and regulations ❖ Permits and licenses ❖ Corporate governance and compliances ❖ Occupational health and safety 	<ul style="list-style-type: none"> ❖ Meetings/visits ❖ Verification/inspection ❖ Bursa Securities announcements ❖ Ad-hoc report submission as and when needed by regulators/law enforcers
 <p>Banker/Financier</p>	<ul style="list-style-type: none"> ❖ Financial and operational performance ❖ Ability of repayment 	<ul style="list-style-type: none"> ❖ Periodic meetings/visits ❖ Bursa Securities announcements ❖ Media release
 <p>Analyst/Media</p>	<ul style="list-style-type: none"> ❖ Financial and operational performance ❖ Business strategies and plans ❖ Latest development and announcement of the Group 	<ul style="list-style-type: none"> ❖ AGM & EGM ❖ Press conference and media interviews ❖ Media release

Table 4 : Stakeholders Engagement

ASSESSMENT OF MATERIAL MATTERS

Materiality assessment is critical for our Group to identify and prioritise any sustainability matters which are significant to our business operations and the interest of our various stakeholders. Our materiality assessment process is depicted as follows: -



Table 5 : Process of Materiality Assessment

SUSTAINABILITY STATEMENT 2020

cont'd

According to our assessment, we have identified and ranked thirteen (13) key areas which matter the most to the Group and various stakeholders, scaling from “Important” to “Most Important” as shown in the following **Material Matters Matrix**:

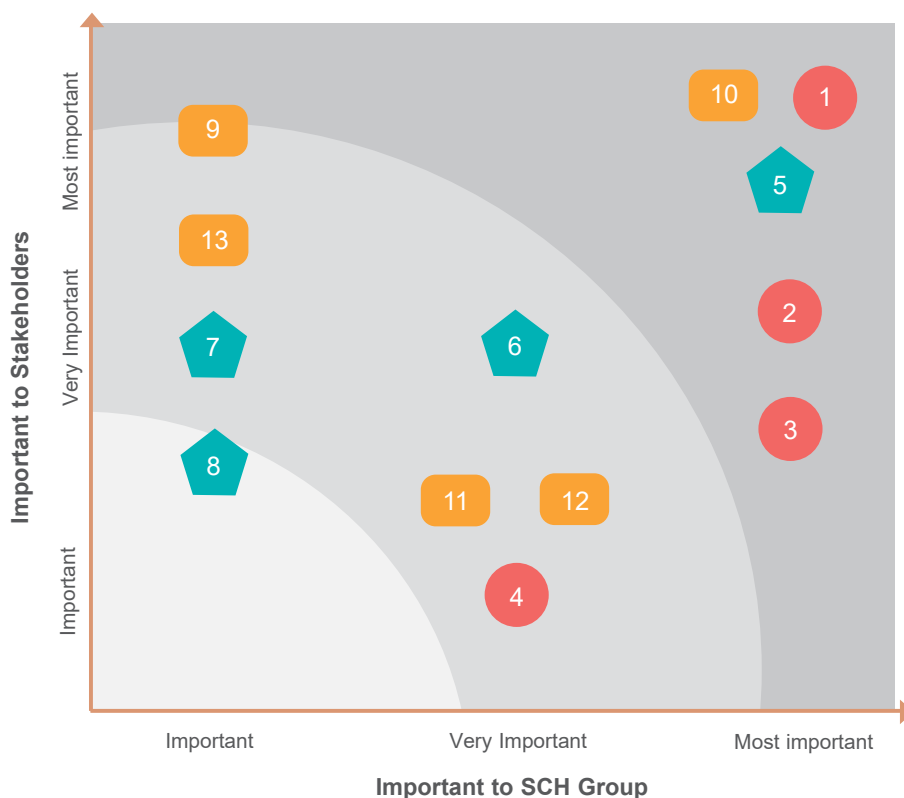


Chart 1 : Scatter Plot Matrix of Material Matters




Economic 	Environment 	Social 
<p>1 Business Profitability and Continuity</p> <p>2 Products and Services Quality Assurance</p> <p>3 Customer Satisfaction</p> <p>4 Supply Chain Management</p>	<p>5 Environmental Compliances</p> <p>6 Material Management</p> <p>7 Energy Efficiency</p> <p>8 Go Green in Our Workplace</p>	<p>9 Employee Diversity and Equal Opportunity</p> <p>10 Occupational Safety and Health</p> <p>11 Employee Welfare</p> <p>12 Motivational Culture and Employee Development</p> <p>13 Corporate Social Responsibilities</p>

Table 6 : List of Material Matters

SUSTAINABILITY STATEMENT 2020

cont'd



ECONOMIC

Within the Economic context, the Group is striving to improve and sustain the economic conditions of our various stakeholders which shall ultimately improve the economic systems at local and national levels.

Business Profitability and Continuity

Business profitability and continuity is our utmost priority within the economic context as the corporate success of our Group shall contribute to the economic growth and thereby beneficial to the society as a whole.

FYE 2020 was definitely a challenging year not only to our Group but to the global economy due to the Covid-19 pandemic. As our various businesses were adversely affected, we have adopted various cost cutting measures and improve our business operating efficiency to weather through the crisis. We believe that we are able to recover progressively with our continuous commitment in various business segments coupled with the economy recovery.

In view of the Covid-19 pandemic, our Group has formulated and implemented a business continuity plan ("BCP") which allows the team and business to recover from any incident in the quickest possible time. BCP Management Team has been formed as follows: -

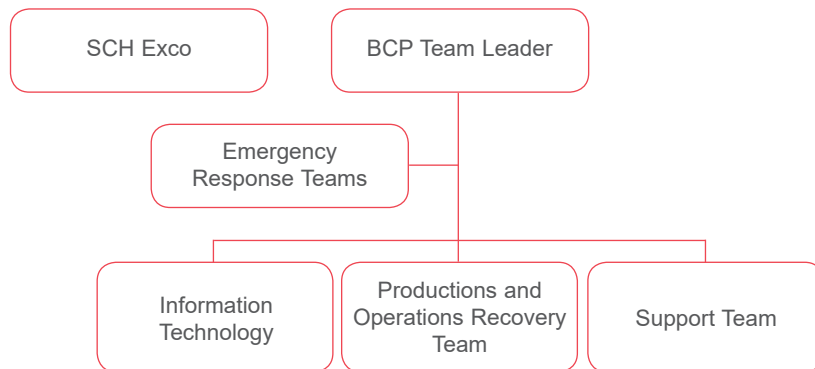


Chart 2 : Structure of BCP

The objectives of the BCP are as follows: -

- ✓ Analyse business requirements which are essential to keep our business running and ensure processes are in place to mitigate or reduce disruption to customers, team and materials.
- ✓ Assess risk, crisis, disaster and incident that could affect our Group and to develop the relevant mitigation and/or management strategies and plans.
- ✓ Rehearse plans to ensure relevant team members understand their respective roles and responsibilities to respond timely during incidents.

SUSTAINABILITY STATEMENT 2020

cont'd

<p>Products and Services Quality Assurance</p>	<p>We strive to meet or exceed our customers' expectation by delivering quality products and services.</p> <p>For our fertilisers division, we are currently having more than 80 products. High quality products have been our reputation over 15 years in the fertilisers business. We are strictly adhere to the philosophy that in the long term there is no substitute for quality. Tested and proven by our customers, our product quality and reliability over years has enabled us to establish ourselves in the market..</p> <p>For our Heavy Equipment division, with over 35 years of industry experience, we have established a reputation for delivering highest quality services in the specialist fields of quarry equipment and machinery supplying, drilling and blasting stages to various crushing stages and to quarrying screening activities.</p> <div data-bbox="395 722 605 1027"> </div> <p>Whereas for the Equipment Rental division, our high-quality products and services to customers are assured as our Quality Management System has been accredited with the ISO 9001:2015 certification, under the scope of "Provision of Sales & Rental, Installation & Dismantling of Machineries including Air-Conditioning, Generator Set and Chiller".</p> <p>Moving forward, we aim to improve and maintain our products and services quality continuously in an effort to achieve our sustainable business goals in long run.</p>
<p>Customer Satisfaction</p>	<p>In order to maintain and enhance our competitiveness in the relevant industry, we put heavy emphasis and great attention to our customers satisfaction. We take all feedbacks whether good or bad positively as customers' expectations and needs motivate us to improve further. All queries or complaints raised by our customers are handled carefully and reverted promptly.</p> <p>For our fertilisers division, customers are allowed to claim compensation for any shortage on quantum of fertilisers delivered. Any deviation of nutrient specification from customers' requirement shall also be compensated accordingly.</p> <p>For our Heavy Equipment division, we offer warranty for new quarry machinery to build customers' confidence and save their hassles within warranty period. In addition, we have launched our E-commerce platform where customers are able to purchase products within the platform at their convenience and we have in place a live chat customer support feature to better serve our customers.</p> <p>For our Equipment Rental division, we appreciate customers' feedback in respect of their satisfaction level towards the performance of our service rendered by rewarding them with freebies such as umbrella and pen drive.</p>

SUSTAINABILITY STATEMENT 2020

cont'd

Supply Chain Management

Effective supply chain management is important to ensure consistent delivery of quality products and services to our customers. We engage in ethical procurement procedures where our procurement team is responsible to evaluate and select qualified suppliers on fair and unbiased basis.

An annual supplier assessment is conducted for all suppliers listed on the approved supplier listing. Assessment covers pricing, quality and technical, on-time delivery as well as cooperativeness. Decision shall be made on whether to continue or terminate the business relationship with respective suppliers using rating method. We are also actively sourcing for new suppliers with better credit term and/or better quality of products or services in order to expand our supply chain.



ENVIRONMENTAL

Within the Environmental context, the Group is striving to minimise any harmful impact to the living and non-living natural systems, including land, air, water and ecosystems.

Environmental Compliances

As we care about the health of surrounding environment, we constantly ensure that our daily operations are carried out by adhering to all applicable environmental rules and regulations in Malaysia. We are glad to announce that there was no penalty or fine imposed by relevant regulatory authorities in relation to environmental compliance in FYE 2020.

Our fertilisers division apply environmental friendly raw materials in the production of fertilisers. In addition, our high quality fertilisers are able to provide effective fertilisation and pest control with minimal soil pollution.

Ambient dust is unavoidably generated at production sites during grinding process. In this regard, we always monitor and control the dust volume generated at an acceptable level which do not detriment to the surrounding environment.

Material Management

All wastage of materials are being managed properly. Carbon wire wastage generated from the production of wire mesh is gathered properly and subsequently disposed to scrap metal trader periodically. All recyclable and reusable materials shall be gathered and sent for recycling.

Energy Efficiency

We aim to achieve energy efficiency by using environmental friendly equipment that can reduce energy usage.

We have procured eco-friendly chillers from an established suppliers, which has zero Ozone Depletion Potential and no phase out date as per the Montreal Protocol. This chiller also introduces a new microchannel coil where the microchannel design is able to maximise the condenser heat transfer, and resulting in a reduction of refrigerant charge by as much as 50%.

SUSTAINABILITY STATEMENT 2020

cont'd

Energy Efficiency <i>(cont'd)</i>	<p>In addition, with the use of Variable Frequency Drive technology, the chiller is able to have a soft start with lesser input current than full load current. In other words, this smooth acceleration greatly reduces the stress on motor and driveline, which increases energy efficiency and lifespan of the chiller.</p> <p>The usage of this chiller shall also contribute to the reduction of greenhouse gases emission as compared to other chillers.</p>
Go Green in Our Workplace	<p>SCH Group has implemented several eco-friendly initiatives at our workplaces to promote and support the awareness of preserving surrounding environment. We truly believe that every little contribution counts in making a better world.</p> <p><u>Energy Consumption</u></p> <p>We consistently carry out proper maintenance on our machineries to ensure optimal level of operations that lead to energy efficiency. We also encourage our people to reduce the usage of air-conditioner during operation hours in order to reduce the greenhouse gas emission which cause global warming.</p> <p>Furthermore, we promote a practice of “Climb Your Way To Better Health”, where employees are encouraged to use stairways instead of office elevator. This shall create win-win situation where employees get healthier while reducing energy consumption.</p> <p>In addition, we encourage our people to travel with car pool and to conduct virtual meetings whenever possible to reduce energy consumption and air pollution caused by carbon emission.</p> <p><u>Save Paper, Save Trees</u></p> <p>The Group is promoting 3R initiatives in our workplace to minimise the usage of papers and/or papers wastage.</p> <p>Reduce - We encourage paperless transaction with the adoption of electronic documents and reduction in the duplication of hard copy documents.</p> <p>Reuse - We make good use of paper in our daily operation where documents are printed on both sides for internal documents and waste papers are collected for drafting whenever possible.</p> <p>Recycle - We recycle any non-reusable waste paper and paper products by delivering to recycling centers.</p>

SUSTAINABILITY STATEMENT 2020

cont'd



SOCIAL

Within the Social context, the Group is prioritising the health and safety, career development and wellbeing of our workforce. We are dedicated to promote and maintain a healthy and positive social system in SCH Group.

Occupational Safety and Health ("OSH")

Injury-free Working Environment

Our employees are the key resources in supporting our daily business operations. Therefore, health and safety are given top priority in SCH Group. We have in place general Health and Safety Policy as well as Personal Protective Equipment Policy across the Group to safeguard the health and safety of our employees, customers and the communities.

Within our fertilisers division, we have established a specific OSH Operational Control Procedure to ensure the daily operations associated with any identified hazards are controlled and operated in a way that prevent/minimise any potential incidents. Any incident or accident shall be reported immediately. Our manager and OSH committee shall then conduct investigation to determine the root cause and propose preventive measures promptly to circumvent any future similar accidents.

Preventive Measures for Covid-19

The Covid-19 pandemic has posted healthy risk to our workforce. To safeguard our working environment, we have in place a Standard Operating Policy and Procedures ("SOPP") in accordance with the guideline advocated by local authorities for the prevention of Covid-19 outspread. We have also carried out medical surveillance and Covid-19 testing for our employees who are required to perform their duties overseas to ensure their health and safety before and after working abroad. Meanwhile, we also carry out Covid-19 swab test for selected employees upon request from clients. None of our employees were tested positive for the Covid-19.

The Group has adopted the policy of alternate working days for non-operation team to minimise the physical movement of our employees and reduce the risk of infection by Covid-19. Temperature checks are compulsory for every employee and visitor before entering the workplace while free masks and hand sanitisers are provided to all employees to ensure sufficient protection at workplace.

In addition, we consistently create/promote awareness related to Covid-19 symptom identification, prevention procedures and measures to enhance immunity system by displaying the relevant information within the offices and warehouses. Gentle reminders are also sent regularly to all employees via WhatsApp group to remind on the compliance with Covid-19 SOPP.

SUSTAINABILITY STATEMENT 2020

cont'd

Employee Welfare	<p>We promote a healthy and well-balanced workplace by emphasising the wellbeing and development of our employees. The following benefits are provided to our employees according to their respective job grade and/ or years of service: -</p> <ul style="list-style-type: none"> ✓ Annual leave ✓ Medical leave and benefit ✓ Maternity leave ✓ Marriage leave ✓ Paternity leave ✓ Compassionate leave ✓ Prolonged illness leave ✓ Travelling claims ✓ Personal Accident Insurance Policies ✓ Group Medical Card Policy <p>Apart from annual increment and bonuses, we also extend our appreciation to our employees with free gifts and lucky draw event during Chinese New Year Open House on 20 January 2020.</p>																		
Motivational Culture and Employee Development	<p>We strive to uphold the Group's values, including integrity, loyalty, hard work, teamwork, passion, experience and ingenuity. Apart from monetary rewards, we emphasis on mental motivation as we believe that productivity of workplace has positive correlation to employee motivation. Hence, we display several motivational quotes within the office areas to inspire our employees to achieve their Key Performance Indicators and stay motivated.</p> <p>SCH is committed to provide continuous development and training to our employees who contribute to the Group's business growth and success. During FYE 2020, our employees have attended the following training programs to sharpen their skills and knowledge: -</p> <table border="1" data-bbox="381 1031 1212 1670"> <thead> <tr> <th>Training Program Conducted</th><th>Date</th></tr> </thead> <tbody> <tr> <td>Understanding & Updates on Employers D&O Under Employment Laws</td><td rowspan="2">January 2020</td></tr> <tr> <td>Hands Excel Training for Selected MFRS</td></tr> <tr> <td>Practical Accounting Principles and Practices Series</td><td>January 2020 February 2020</td></tr> <tr> <td>Strategic Training Need Analysis Seminar</td><td rowspan="2">March 2020</td></tr> <tr> <td>Asia Salary Guide</td></tr> <tr> <td>Human Resource Activities & Compliances due to MCO 2020</td><td rowspan="4">April 2020</td></tr> <tr> <td>HR's Role in Dealing with Uncertainties in The Workplace</td></tr> <tr> <td>Mandatory Accreditation Program</td></tr> <tr> <td>How to Track KPI's, How to Manage Non-Performing Employees</td></tr> <tr> <td>Variable Frequency Drive (VFD) Applications in Chiller</td><td rowspan="2">May 2020</td></tr> <tr> <td>Termination Employment Contract, MSS, VSS</td></tr> </tbody> </table> <p style="text-align: center;">Table 7 : List of Training Programs Attended</p>	Training Program Conducted	Date	Understanding & Updates on Employers D&O Under Employment Laws	January 2020	Hands Excel Training for Selected MFRS	Practical Accounting Principles and Practices Series	January 2020 February 2020	Strategic Training Need Analysis Seminar	March 2020	Asia Salary Guide	Human Resource Activities & Compliances due to MCO 2020	April 2020	HR's Role in Dealing with Uncertainties in The Workplace	Mandatory Accreditation Program	How to Track KPI's, How to Manage Non-Performing Employees	Variable Frequency Drive (VFD) Applications in Chiller	May 2020	Termination Employment Contract, MSS, VSS
Training Program Conducted	Date																		
Understanding & Updates on Employers D&O Under Employment Laws	January 2020																		
Hands Excel Training for Selected MFRS																			
Practical Accounting Principles and Practices Series	January 2020 February 2020																		
Strategic Training Need Analysis Seminar	March 2020																		
Asia Salary Guide																			
Human Resource Activities & Compliances due to MCO 2020	April 2020																		
HR's Role in Dealing with Uncertainties in The Workplace																			
Mandatory Accreditation Program																			
How to Track KPI's, How to Manage Non-Performing Employees																			
Variable Frequency Drive (VFD) Applications in Chiller	May 2020																		
Termination Employment Contract, MSS, VSS																			

SUSTAINABILITY STATEMENT 2020

cont'd

Employee Diversity and Equal Opportunity

SCH recognises the importance of a diverse workforce with mixture of various cultural background, experiences, gender, age group and religion in contributing to creativity, productivity and growth. As at 31 August 2020, we have a total of 188 employees, as summarised as follows: -

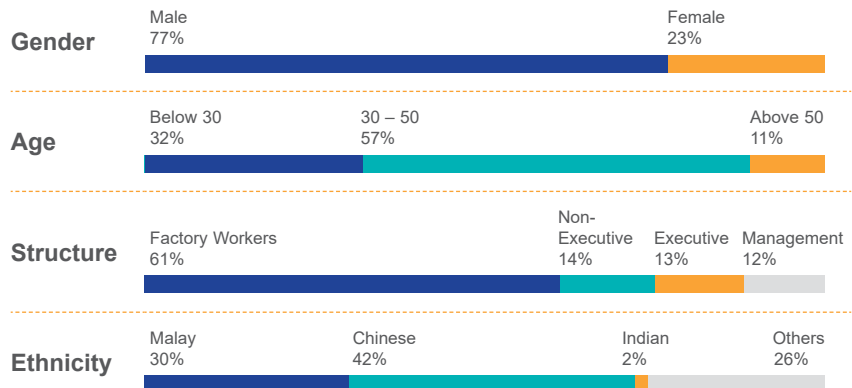


Chart 3 : Diversity of Workforce

We have recruited five (5) interns during FYE 2020 where students are given opportunity to gain exposure to real-life industry with some working experience.

Corporate Social Responsibilities

We believe that we are part of the community and we shall strive our best by taking one step further to care for the society, especially the less fortunate. We have put in efforts in contributing to the development and well being of our local community such as sponsored the charity event for Good Samaritan Home ("GSH"). GSH is a non-profit entity, provide home for the children who had lost their parent or being abandoned. GSH seek not only to provide the children physical and material needs, but also to minister to their emotional and psychological needs.



MANAGEMENT DISCUSSION AND ANALYSIS



1. OVERVIEW OF THE SCH GROUP'S BUSINESS

SCH Group Berhad was incorporated in Malaysia as a public company on 22 December 2011, was later listed on the ACE Market of Bursa Securities on 13 February 2014. The principal activity of the Company is that of investment holding. Through its subsidiaries ("the Group"), the Group was initially involved in quarry equipment business for the last 37 years, as a distributor and supplier of general industrial products and slowly transitioned to focus on quarry industrial products to meet industry demands and now is a leading quarry specialist in Malaysia and the region.

In FY 2018, we diversified our business via the acquisition of 83.33% equity shares in PK Fertilizers (Sarawak) Sdn Bhd ("PKFS") and 100% equity shares in TK Rentals Sdn Bhd ("TK Rentals") as part of our strategy to increase the shareholder value. The acquisition of PKFS enables the Group to diversify into the fertilisers market which provides another steady stream of income whilst the acquisition of TK Rentals allows the Group to achieve the economies of scale by pooling and sharing of resources. This includes utilising excess man power and facilities of the Group and sharing of technical knowledge and expertise to undertake maintenance of the equipment used in quarry equipment business.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

Currently we are focusing on three core business segments which are Fertilisers, Heavy Equipment and Equipment Rental as follows: -

	Fertilisers	Heavy Equipment	Equipment Rental
Principal activities	<ul style="list-style-type: none"> - Manufacturing, trading, distribution and wholesale warehouseman of fertilisers. 	<ul style="list-style-type: none"> - Supplying and distributing quarry machinery, quarry equipment, reconditioned quarry machinery as well as spare parts for quarry machinery to the quarry industry; and - Manufacturing, distributing and supply of quarry crusher screens. 	<ul style="list-style-type: none"> - Provision of temporary temperature control, power, structure solutions; - Trading of industrial products that includes forklifts, industrial batteries and/or its accessories/parts.

Table 8 : Principal Activities of Segments

Our Group's objective is to create long term value for our shareholders and stakeholders in a sustainable way by leveraging on our core competences and expertise in order to maintain a sustainable leadership position in the key areas in which our Group is focused in.

2. FINANCIAL PERFORMANCE REVIEW

2.1 Revenue, Gross Profit ("GP") and GP Margin ("GPM")

Revenue

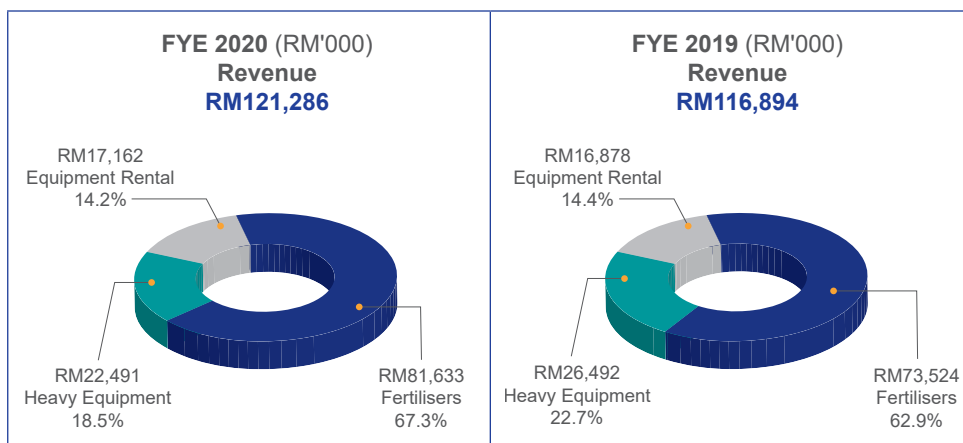


Chart 4 : Revenue by Segments

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

Despite the disruption caused by the outbreak of the COVID-19 virus since of early 2020, our Group's overall revenue increase by RM4.4 million in revenue from RM116.9 million in FY 2019 to RM121.3 million in FY 2020. For FY 2020, our Fertilisers division was our largest revenue contributor with a revenue of RM81.6 million or 67.3% of our total revenue, followed by Heavy Equipment division of RM22.5 million or 18.5% of our total revenue and Equipment Rental division of RM17.2 million or 14.2% of our total revenue.

The breakdown of the revenue by business division is as follows:

	FY 2020	FY 2019	Variance	
	RM'000	RM'000	RM'000	%
Fertilisers	81,633	73,524	8,109	11.0
Heavy Equipment	22,491	26,492	(4,001)	(15.1)
Equipment Rental	17,162	16,878	284	1.7
Total revenue	121,286	116,894	4,392	3.8

Table 9 : Revenue by Segments

(a) Fertilisers

Revenue from our fertilisers division increased by RM8.1 million or 11.0% from RM73.5 million in FY 2019 to RM81.6 million in FY 2020.

Despite the imposition of MCO by the Government, our Fertilisers division had experienced minimal disruption as fertilisers and agriculture activities form part of the food supply chain which were deemed as essential services. The businesses in the fertilisers industry and agricultural activities could operate during the MCO period. The increase was mainly driven by the increase in the sales volume by approximately 4,000 tonnes due to the contribution from our new customer and recovery and stabilisation of the CPO prices (due to the increase in the export of CPO) which had driven the demand for the application of fertilisers.

(b) Heavy Equipment

Revenue from our Heavy Equipment division decreased by RM4.0 million or 15.1% from RM26.5 million in FY 2019 to RM22.5 million in FY 2020.

The drop was mainly attributed to the MCO imposed by the government which led to a temporary halt of existing projects or operations, and/or delays or cancellation of new projects or business expansions and consequently affecting the demand of the parts, resulting in the drop of revenue by RM9.0 million. Despite the challenging environment in FY 2020, our Group managed to record a higher sale of machinery by RM5.0 million and thus mitigating the drop. Whilst the Heavy Equipment division was affected during the MCO period, the business activities are gradually recovering with the easing of operations during the RMCO period.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

(c) Equipment Rental

Revenue from our Equipment Rental division increased marginally RM0.3 million or 1.7% from RM16.9 million in FY 2019 to RM17.2 million in FY 2020.

The MCO had led to closure of event venues, prohibitions of large-scale events and gatherings and these had led to temporary postponement and/or cancellation of events during the financial year under review and resulting in a drop in demand of the temporary rental solutions by RM5.8 million. However, the drop in revenue was recovered by the Company's decision to expand and further broaden its service to include trading of industrial battery and other related products such as solar panel, inverter etc. The new revenue stream contributed additional RM6.2 million for the Equipment Rental division in the FY 2020.

Our wholly owned subsidiary, TK Rentals Sdn Bhd being appointed as an authorised distributor to supply industrial battery for storing renewable energy. Focusing on the remote and rural areas, the Group had since secured projects locally in Sarawak and regionally in Indonesia and Thailand. Besides that, the Group increased the focus of rental solutions outside the events sector, namely building services and have also have supported hospitals and temporary COVID-19 facilities during the pandemic.

Gross Profit ("GP") and GP Margin ("GPM")

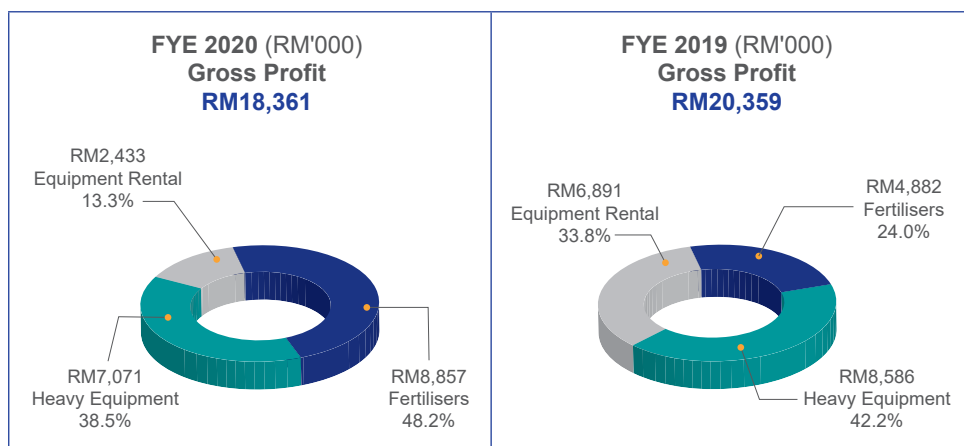


Chart 5 : GP by Segments

Our Group's overall GP decreased by RM2.0 million from RM20.4 million in FY 2019 to RM18.4 million in FY 2020. For FY 2020, our Fertilisers division is the largest GP contributor with a GP of RM8.9 million or 48.2% of our total GP, followed by Heavy Equipment division of RM7.1 million or 38.5% of our total GP and Equipment Rental division of RM2.4 million or 13.3% of our total GP.

Our Group's overall GPM dropped by 2.3% from 17.4% in FY 2019 to 15.1% in FY 2020. The drop in the GPM principally due to our higher GPM's business in providing temporary rental solutions to event sector that has been significantly affected by COVID-19. As a result, the GPM of Equipment Rental division had been substantially reduced by 26.6% from 40.8% in FY 2019 to 14.2% in FY 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

The breakdown of the GP and GPM by business division are as follows:

	GP		GPM	
	FY 2020	FY 2019	FY 2020	FY 2019
	RM'000	RM'000	%	%
Fertilisers	8,857	4,882	10.8%	6.6%
Heavy Equipment	7,071	8,586	31.4%	32.4%
Equipment Rental	2,433	6,891	14.2%	40.8%
Total GP and GPM	18,361	20,359	15.1%	17.4%

Table 10 : GP and GPM by Segments

(a) Fertilisers

GP from our Fertilisers division increased by RM4 million or 81.4% from RM4.9 million in FY 2019 to RM8.9 million in FY 2020. The increase was mainly attributed to an increase in the sales volume and increase in the average selling price.

The GPM increased by 4.2% from 6.6% in FY 2019 to 10.8% in FY 2020. The increase in the GPM was mainly driven by the increase in the average selling price per tonne as well as cost management initiatives in the year.

(b) Heavy Equipment

GP from our Heavy Equipment division decreased by RM1.5 million or 17.6% from RM8.6 million in FY 2019 to RM7.1 million in FY 2020. The decrease was mainly attributed to decreased in sales volume which the sales affected by MCO.

Despite the drop in the GP, the GPM dropped marginally by 1% from 32.4% in FY 2019 to 31.4% in FY 2020.

(c) Equipment Rental

GP from our Equipment Rental division decreased by RM4.5 million or 64.7% from RM6.9 million in FY 2019 to RM2.4 million in FY 2020 mainly due to the business of higher profit margin, in providing temporary rental solutions to event sector has been significantly affected by COVID-19.

Despite the drop in GP due to COVID-19 have been softened by the trading of industrial products, the GPM had decreased by 26.6% from 40.8% in FY 2019 to 14.2% in FY 2020, due to the GPM of trading products like forklifts and batteries being lower compared to provision of rental solutions to event sector.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

2.2 Financial Result Analysis

	FY 2020	FY 2019	Variance	
	RM'000	RM'000	RM'000	%
Gross profit	18,361	20,359	(1,998)	(9.8)
Other income	12,203	8,699	3,504	40.3
Net impairment loss on financial assets	(1,928)	(310)	(1,618)	(>100.0)
Administrative expenses	(11,309)	(11,784)	475	4.0
Selling and distribution expenses	(8,684)	(5,373)	(3,311)	(61.6)
Other operating expenses	(12,885)	(327)	(12,558)	(>100.0)
Finance cost	(3,378)	(4,045)	667	16.5
(Loss)/Profit before tax	(7,620)	7,219	(14,839)	(>100.0)
Taxation	(271)	(1,698)	1,427	84.0
(Loss)/Profit after tax	(7,891)	5,521	(13,412)	(>100.0)

Table 11 : Financial Performance for FY 2020 and FY 2019

Other income

The Group's other income increased by RM3.5 million from RM8.7 million in FY 2019 to RM12.2 million in FY 2020. The increase was mainly driven by the gain of RM10.2 million arising from the shortfall of profit guarantee payable by the vendor of TK Rentals Sdn Bhd ("TK Rentals") as compared to one-off gains from disposal of properties (RM7.7 million) in FY2019.

Selling and distribution

With the improvement of operational efficiencies and multi-prong market approach, the profit margin of Fertilisers division improved by 4.2% in current year under review. However, the improved profit margin has been partially offset by higher selling and distribution expense incurred in FY 2020.

Impairment loss on financial asset

The impairment loss on financial asset amounted RM1.9 million principally attributable to specific provision of doubtful debt and general provision of RM1.7 mil and RM0.2 million respectively. The COVID-19 has affected the financial stability of certain customers particularly for quarry and event sector. To maintain the recoverability of our trade receivable at the prudent level, we decided to increase the impairment on trade receivables in the current year under review.

Other operating expenses

Despite the Group recorded gain on profit guarantee of RM10.2 million, the financial impact has been offset by the impairment of goodwill and inventory written down amounting to RM9.5 million and RM2.6 million respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

Loss after tax

FY 2020 was a challenging year due to the emerging impact of COVID-19. The Group reported loss after tax of RM7.9 million as compared to profit after tax of RM5.5 million reported in FY 2019. This is mainly due our high profit margin business of providing temporary rental solutions to event sector has been significantly affected by COVID-19. In addition, the Group have incurred exceptional expenses which included provision of doubtful debt (RM1.9 million), impairment loss of goodwill (RM9.5 million), inventory written down (RM2.6 million), in the absence of gain of disposal of RM7.7 million (FY 2019).

3. FINANCIAL POSITION REVIEW

3.1 Statements of Financial Position

	2020	2019	Variance	
	RM'000	RM'000	RM'000	%
Statements of Financial Position				
Non-current assets	79,516	90,815	(11,299)	(12.4)
Current assets	98,916	87,768	11,148	12.7
Total assets	178,432	178,583	(151)	(0.3)
Current liabilities	(72,163)	(31,973)	(40,190)	(>100.0)
Non-current liabilities	(24,543)	(56,990)	32,447	56.9
Total liabilities	(96,706)	(88,963)	(7,743)	(8.7)
Net Assets ("NA")	81,726	89,620	(7,894)	(8.8)
Current ratio (times)	1.4	2.7		

Table 12 : Financial Position for FY 2020 and FY 2019

Our Group's non-current assets decreased by RM11.3 million or 12.4%, from RM90.8 million as at FY 2019 to RM79.5 million as at FY 2020 mainly due to the impairment of goodwill on consolidation of TK Rentals amounted RM9.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

The details breakdown of the capital expenditure is as follows:

Capital Expenditure ("Capex")	Breakdown of Capex
	RM
Plant, machinery and equipment	3,518,367
Motor vehicles	902,020
Leasehold land, building and renovation	278,100
Office equipment, furniture and fittings	69,907
Total	4,768,394

Table 14 : Capital Expenditure for FY 2020

In FY2020, the Group invested RM3.8 million or equivalent to 79% of the total capex above to provide wider range of services to customer. Whereas the remaining 21% of the capex above were spent for the purchase of motor vehicle and upgrade of existing facilities.

Our Group's current assets increased by RM11.1 million or 12.7%, from RM87.8 million as at FY 2019 to RM98.9 million as at FY 2020 mainly attributable by increase in other receivables, deposits and prepayments by RM8.9 million, mainly derived from the profit guarantee receivable amounted to RM10.2mil.

Our Group's total liabilities increased by RM7.7 million from RM89.0 million as at FY 2019 to RM96.7 million as at FY 2020 mainly due to the increase in trade payables that arise from the increase in the purchase of fertilisers to cater higher revenue.

As at 31 August 2020, the Company unable to meet the financial covenant of maintaining the debt service cover ratio not less than 1.5 times due to the loss incurred. Consequently, the entire term loan, includes the amount payable more than twelve (12) months has been reclassified and deemed as "current liabilities" in accordance to paragraph 74 of MFRS 101 Presentation of Financial Statements. The increase in the current bank borrowings by RM31.7 million, from RM8.7 million as at FY 2019 to RM40.4 million as at FY 2020 mainly due to the reclassification of the term loan from non-current liabilities.

On 25 November 2020, the Company has obtained the approval from the bank, granted the indulgence (waiver) for not meeting the debt service cover ratio. Therefore, the "current liabilities" payable more than twelve (12) months will be reclassified back to non-current liabilities after the indulgence granted.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

3.2 Statements of Cash Flow

	2020	2019	Variance	
	RM'000	RM'000	RM'000	%
Statements of Cash Flow				
Net cashflow from operating activities	6,920	4,859	2,061	42.4
Net cashflow (used in)/from investing activities	(2,961)	8,879	(11,840)	(>100.0)
Net cashflow from/(used in) financing activities	79	(9,851)	9,930	>100.0
Net change in cash and cash equivalents ("CCE")	4,038	3,887	151	3.9
Effect of foreign exchange rate	(2)	369	(371)	>100.0
CCE at the beginning of the financial year	12,859	8,603	4,256	49.5
CCE at the end of the financial year	16,895	12,859	4,036	31.4

Table 13 : Statements of Cash Flows for FY 2020 and FY 2019

Overall, the Group generated a net cash of RM4.0 million as at FY 2020. The marginally higher net cash generated mainly due to:

- Despite the disruption brought by the COVID-19 pandemic, the Group is able to generate a positive net cash from operating activities amounting to RM6.9 million in FY 2020.
- Net cash used in investing activities decreased by RM11.8 million mainly due to the capital expenditure incurred (RM3.3 million), as compared to proceed from the disposal of fixed assets amounting to RM11.7 million in FY 2019; and
- Net cash from financing activities increased by RM 9.9 million mainly due to the upliftment of fixed deposits (RM3.5 million), lower repayment of borrowings due to the moratorium granted (RM1.5 million) and utilisation of banking facilities (RM1.65 million).

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

3.3 Liquidity and capital reserves

SCH Group's overall financial position remains fundamentally solid with continuously net cashflow from operating activities and net increase in cash and cash equivalents throughout the financial years.

As at 31 August 2020, SCH Group is at the net current asset position with higher current assets balance of RM98.9 million as compared to the current liabilities balance of RM72.2 million, indicated the ability of SCH Group to pay short-term obligations.

3.4 Capital Commitment

There were no authorised and contracted for capital commitments incurred or known to be incurred by SCH Group as at 31 August 2020.

4. OPERATION REVIEW

Fertilisers

The COVID-19 pandemic had affected the economic and supply chain globally and locally. During the financial year under review, our Fertilisers division had been the bright spot and a pillar to the Group as the COVID-19 pandemic had minimal impact on the usage and consumption of fertilisers. The Fertilisers will remain a key focus and SCH Group will collaborate with HGB in the future in a synergistic and complimentary approach by leveraging on Hextar Global Bhd's core competencies in agrochemicals to further expand and penetrate clienteles in the agriculture industry with a more robust and complete product offerings.

Heavy Equipment

Our Heavy Equipment division was moderately affected by the COVID-19 pandemic as the MCO imposed by the Government with strict order such as closure of non-essential services, reduction of operating hours and work force, limitation on the headcount permitted in social gatherings and such measures had affected the operation of our heavy machinery and equipment division during that period. The Government had announced and allocated RM15 billion to fund key transport infrastructure projects and this will spur the demand of machinery and heavy equipment.

Equipment Rental

The MCO imposed by the Government which involved closure of event venues, prohibitions of large-scale events and gatherings and these had led to temporary postponement and/or cancellation of events during this pandemic period had affected our Equipment Rental division. During the financial year under review, we have been appointed as authorised distributor for industrial battery. Therefore, in addition to forklift, the Group has decided to widen the products offerings, to include industrial battery and its accessories and parts, such as inverters and solar panels.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

5. RISK RELATING TO OUR BUSINESS

5.1 Impacts of COVID-19 pandemic

While COVID-19 is still spreading and its final implications are difficult to estimate at this stage, it is possible that it will have substantial negative effect on the global and Malaysia economy. Any negative effect on the economies and markets where we operate in may decrease the demand for our goods and services and have a material adverse effect on SCH Group.

In addition, the current pandemic outbreaks may affect our ability to carry out business if a spread of such diseases amongst our employees, as well any quarantines affecting our employees or our offices and project sites.

5.2 Dependency on the agriculture industry

SCH Group is dependent on the agriculture industry since a major contribution of our revenue is generated through the manufacturing and distribution of fertilisers to agriculture industry. Our main customers are farmers who are farming on various types of agriculture, largely palm oil plantations. Risks to our business could arise if the demand for agriculture products drops, downward fluctuation of Crude Palm Oil (CPO) prices, higher tax rate imposed and adverse bad weather seasons

5.3 Dependency on the quarry and mining industry

SCH Group is dependent on the quarry and mining industry since part of our revenue is generated from the supply of heavy machinery and equipment and quarry related products within these industries. Our operations and financial performance will be affected if slowdown in growth of construction sector and infrastructure development and resulted a lower demand on heavy machinery and equipment and quarry related products.

5.4 Exposure to credit Risk

SCH Group's exposure to credit risk arises primarily from trade and other receivables, deposits places with licensed banks for facilities granted to the Group and financial guarantees given to financial institutions for credit facilities granted to subsidiary companies.

5.5 Foreign currency exchange fluctuation

SCH Group's financial performance may be affected by fluctuation in foreign currency exchange rates as some of our purchases are transacted in United States Dollar ("USD"), Singapore Dollar ("SGD"), Japanese Yen ("JPY") and Euro Dollar ("EUR"). A depreciation of the Ringgit Malaysia ("RM") against these currencies may affect the cost. In order to minimise the exposure of foreign currency fluctuations, SCH Group continues to monitor the exposure to foreign currency movement on a regular basis.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

6. DIVIDEND POLICY

The Group do not have any formal dividend policy. Distribution of dividends to shareholders in future is our intention. Nevertheless, there are some factors that will impact our Board's decision on dividend pay-out, including financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant to our Board.

However, no dividend was proposed or declared in the FY 2020.

7. FUTURE PROSPECT AND OUTLOOK

Fertilisers

Notwithstanding the temporary disruptions caused by the COVID-19 pandemic and imposition of the nationwide movement restrictions, the fertilisers industry will continue to growth, given the fact that application of fertilisers is essential to support the agriculture industry, which is an important segment in the food supply chain.

Furthermore, with the price of crude palm oil has surpassed market expectation after depressed to the lowest in May 2020 and the initiatives of Malaysia government in promoting domestic food production by introducing several subsidiary schemes to food crop producers, the outlook of fertilisers industry is expected to be positive.

Heavy Equipment

As part of the economic stimulus package, the Malaysia government had on 27 March 2020 announced that several mega infrastructure projects such as Mass Rapid Transit Line 2 ("MRT 2") and East Coast Rail Link ("ECRL") will be continued in 2020 to ensure sustainable economic growth of the country as well as to cushion the negative economic impact caused by the COVID-19 pandemic. SCH Group believes that the resumption of infrastructure development is expected to continue to support the demand for quarry related products once the impact of COVID-19 subsidies or when economic conditions recover.

Equipment Rental

SCH Group has started to involve in trading of industrial batteries as a contingency plan for prohibitions of large-scale events and gatherings during movement restrictions period. The demand for the industrial batteries could be optimistic as it is useful in ensuring continuous power supply in the event of power outages and the increasing demand for data centres for current and future trend. With the relative positive result contributed from the trading of industrial batteries, SCH Group will continue on the effort of trading of industrial batteries.

SCH Group Bhd/ The Group

SCH Group acknowledges the challenges posed by COVID-19 pandemic outbreaks. Barring unforeseen circumstance, SCH Group believes that with its strategy to focus on its fertilisers business as well as trading of industrial products, it should bode well on the future prospects of SCH in the long-term, underpinned by growing demand for fertilisers and trading businesses.

Michael de Souza

Group Chief Executive Officer and Executive Director

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of SCH Group Berhad ("SCH" or "the Company") is committed to ensuring that good corporate governance is practiced throughout the Group as a fundamental part of discharging its responsibilities and for the purpose of safeguarding the interest of its shareholders and stakeholders as well as the assets of the Company and its subsidiaries ("the Group").

Following the introduction of the Malaysian Code on Corporate Governance ("MCCG") by the Securities Commission in 2017, the Board recognises the growing level of expectation by regulators and stakeholders for increased corporate governance and, accordingly has taken necessary steps to ensure strong governance practices are adopted throughout the Group.

The ensuing paragraphs in this Corporate Governance Overview Statement ("Overview Statement") describing the extent of how the Group has applied and complied with the Principles and Practices of the Code for the financial year ended 31 August 2020 ("FY2020") and up to the date of this Overview Statement. This Overview Statement is made pursuant to Rule 15.25 of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") with guidance drawn from Guidance Note 11 of Listing Requirement.

The detailed application for each Practice as set out in the Code is disclosed in the Corporate Governance Report ("CG Report") which is available on the corporate website: www.schgroup.com.my and through an announcement on the website of Bursa Securities.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Part I - Board Responsibilities

1. Board's Leadership on Objectives and Goals

1.1 Strategic Aims, Values and Standards

The Board is responsible for overseeing and managing the Group. As a collective body, the Board has a formal schedule of matters reserved to itself for the decision including determining strategic direction, overseeing the proper conduct of the Group's business, performance monitoring and measurement, identifying principal risks and ensuring the implementation of systems to manage risks, succession planning, developing investor relations programme, and reviewing the adequacy and integrity of the Group's internal control systems.

As part of the initiative to ensure effective discharge of its leadership role, specific powers are delegated by the Board to the Board Committees, the Chief Executives Officers and the management as outlined in the Board Charter.

The Board Committees refer to the Audit Committee ("AC"), Risk Management Committee ("RMC"), Remuneration Committee ("RC") and Nomination Committee ("NC"). These Committees are entrusted with the responsibility to oversee specific aspects of the Group's affairs in accordance with their respective terms of reference ("TOR") as approved by the Board, with the aim of improvement in operational and general management efficiencies. The decision on whether to act on recommendations by Board Committees lies with the Board. The TOR of the Board Committees are published on the corporate website at www.schgroup.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part I - Board Responsibilities (cont'd)

1. Board's Leadership on Objectives and Goals (cont'd)

1.1 Strategic Aims, Values and Standards (cont'd)

Notwithstanding the delegation of specific powers, the Board retains full responsibility for the direction and control of the Company and the Group. The ultimate responsibility for decision-making on all matters lies with the Board. The roles and responsibilities of the Board are clearly set out in the Board Charter and is available on the Company's website at www.schgroup.com.my.

1.2 The Chairman of the Board

The Chairman of the Company leads and manages the Board with a keen focus on strategy, governance and compliance and act as facilitator at Board meetings to ensure the effective contributions by Non-Executive Directors are forthcoming on matters being deliberated and that the Board are constructively challenge and contributes to the development of strategy.

The Board is chaired by an Independent Non-Executive Chairman and is responsible to ensure the Board decisions taken are in the Company's best interests and fairly reflect the Board's consensus. The Chairman being an Independent Non-Executive Chairman, is not involved in the day-to-day management of the Group's business and has no relationship that could materially interfere with his judgement. He chairs the meetings of the Board and the shareholders, and thus ensuring effective communication with the shareholders and relevant stakeholders.

1.3 Separation of the positions of the Chairman and Executive Director

There is a clear separation of duties and responsibilities of the Chairman and Executive Director to ensure a balance of power and authority so that no one individual has unfettered powers of decision making. The difference in the roles of the Chairman and Executive Director provides a clear segregation of responsibility and accountability. These are enshrined in the Board Charter, which has been reviewed and updated to be in line with the practices of MCCG and the Companies Act, 2016 ("the Act") which is made available in the Company's website www.schgroup.com.my.

The Chairman is not related to the Executive Director, and is responsible for leading the Board to oversee and supervise the Group's management; whilst the Executive Director is responsible for the day-to-day operations of the Group, making strategic business decisions and implement the Board's policies and decisions. There is clear separation of powers between the Chairman, who is an independent director and the Executive Director, and this further enhances the independence of the Board.

The Board therefore believe that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part I - Board Responsibilities (cont'd)

1. Board's Leadership on Objectives and Goals (cont'd)

1.4 Qualified and Competent Company Secretaries

In compliance with MCCG, the Board is supported by three (3) Company Secretaries. The Company Secretaries of the Company are qualified to act as Company Secretary under Section 235 of the Companies Act, 2016 ("the Act"). The Company Secretary provides the required support to the Board in carrying out its duties and stewardship role, providing the necessary advisory role with regard to the Company's Constitution, Board's policies and procedures as well as compliance with all regulatory requirements, MCCG, guidance and legislation.

In performing their duties, the Board has unrestricted access to the advice and services of the Company Secretaries. The Company Secretaries keep the Board abreast with the latest regulatory updates and also ensure that deliberations at Board and Board Committee meetings are well documented.

The Board is satisfied with the performance and support rendered by the three (3) qualified and experienced Company Secretaries to the Board in discharge of its functions.

The Company Secretaries are accountable to the Board on all matters connected with the proper functioning of the Board and responsibility includes:

- assisting the Chairman of the Board and the Chairmen of the Board Committees in developing the agendas for the meetings;
- administering, attending and preparing the minutes of meetings of the Board, Board Committees and shareholders and maintaining proper records of proceedings and resolutions passed;
- acting as liaison to ensure good information flow within the Board, between the Board and its Committees as well as between management and the Board;
- advising on statutory and regulatory requirements and the resultant implication of any changes that have bearing on the Company and the Board;
- advising on matters of corporate governance and ensuring Board policies and procedures are adhered to;
- monitoring compliance with the Act, Listing Requirements and the Constitution of the Company;
- facilitating orientation of new director;
- disseminating suitable training courses and arranging for Board to attend such courses when requested.

1.5 Access to information and advice

The Board meets at least, quarterly, to consider all matters relating to the overall control, business performance, and strategy of the Company. Additional meeting will be called when and if necessary.

A full year meeting schedule which sets out the meeting dates is prepared and circulated to the Board before the commencement of each calendar year to allow the Board to plan ahead to attend such meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part I - Board Responsibilities (cont'd)

1. Board's Leadership on Objectives and Goals (cont'd)

1.5 Access to information and advice (cont'd)

Notices are sent to the Board at least seven (7) days in advance of Board meetings, followed by the Board papers in order for the Board to have sufficient time to prepare for the meetings. Board members are provided with sufficient and timely information prior to all Board and Board Committee meetings through Board papers and related materials, or explanatory information relating to matters to enable the Board to make informed decisions.

The Board has unrestricted access to all information within the Company as a full Board to enable them to discharge their duties and responsibilities and is supplied on a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

In addition, all Board have direct access to the advice and services of the Company Secretaries who are responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulatory are complied with. External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Senior management team from different business units are also invited to participate at the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. The Chairmen of the Board Committees, namely, the AC, RMC, NC and RC brief the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committees meetings.

When necessary, the Board may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable them to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairman of the Board, and depending on the quantum of the fees involved.

2. Demarcation of Responsibilities

2.1 Board Charter

The Board Charter is reviewed regularly to ensure that it complies with the best practices and regulations and the Board Charter was last reviewed on 19 December 2019 and no amendment is required.

In discharging its duties, the Board is constantly mindful of the need to safeguard the interests of the Group's stakeholders. In order to facilitate the effective discharge of its duties, the Board is guided by the Board Charter, a copy of which is available on the Company's website www.schgroup.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part I - Board Responsibilities (cont'd)

2. Demarcation of Responsibilities (cont'd)

2.1 Board Charter (cont'd)

The Board Charter serves to ensure that all Board members acting on behalf of the Group are aware of their expanding roles and responsibilities. It sets out the strategic intents and specific responsibilities to be discharged by the Board members collectively and individually. It also regulates on how the Board conducts business in accordance with sound Corporate Governance ("CG") principles.

The Board Charter will be reviewed when necessary and updated in accordance with the needs of the Company and any new regulations that may have impact on the discharge of the Board's responsibilities.

3. Good Business Conduct and Corporate Culture

3.1 Code of Conduct and Ethics

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

The Code of Conduct and Ethics provides guidance for Directors and every employee of the Group regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment.

The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. A copy of the Code of Conduct and Ethics is available at the Company's website at www.schgroup.com.my.

3.2 Whistle Blowing Policy and Procedures

The Board has adopted a whistleblowing policy for the Group as a measure to promote the highest standard of corporate governance. The whistleblowing policy outlines the avenues for Directors, employees and stakeholders to raise concerns or disclose in good faith any improper conduct within the Group and to enable prompt corrective actions and measures to resolve them effectively.

Any employee or stakeholders who have reasonable belief that there is serious malpractice relating to the matter disclosed, may direct such complaint and report to the Chairman of the AC in writing. Individuals are able to raise concerns about illegal, unethical or questionable practices in confidence and without the risk of reprisal and Management will ensure that any employee of the Company who raises a genuine complaint in good faith shall not be penalised for such disclosure and the identity of such complainant shall be kept confidential.

The details of the Whistle-blowing Policy are available for reference at the Company's website at www.schgroup.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part II - Board Composition

4. Board's objectivity

4.1 Composition of the Board

The Board presently comprised seven (7) members as follows:-

Names	Designation
Dato' Chan Choun Sien	Independent Non-Executive Chairman
Ang Sui Aik, Benny (appointed w.e.f 1 January 2021)	Group Managing Director
Wong Kin Seng	Executive Director
Dato' Ong Choo Meng	Non-Independent Non-Executive Director
Ong Tzu Chuen	Non-Independent Non-Executive Director
Gan Khong Aik	Independent Non-Executive Director
Sim Yee Fuan	Independent Non-Executive Director
De Souza Michael Lawrence (resigned w.e.f 31 December 2020)	Executive Director/Group Chief Executive Officer

Table 15 : Composition of the Board

Brief profile of each Director is detailed under Profile of Directors in this Annual Report.

The current Board consists of individuals of high calibre, experienced and are professionals in their respective fields. Together, this brings a wide range of industry specific knowledge, broad based business and commercial experience that are vital to the Board's success.

The roles and responsibilities of the Non-Executive Directors and Executive Directors are clearly defined and properly segregated. All the Independent Non-Executive Directors ("INED") are independent of the Executive Directors, management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers checks and balances on the Board's deliberations.

The Executive Directors are responsible for the overall performance and operations as well as the corporate affairs and administrations of the Group. They are assisted by the senior management personnel of the Group in managing the business activities of the Group in the manner that is consistent with the policies, standards, guidelines, procedures and/or practices of the Group and in accordance with the specific plans, instructions and directions set by the Board.

The INED of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision making process. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the INED are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have considered the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part II - Board Composition (cont'd)

4. Board's objectivity (cont'd)

4.2 Re-election of Directors

The procedure on the re-election of directors by rotation is set out in the Company's Constitution. All Directors who are appointed by the Board during the year are subject to re-election by shareholders at the first meeting after their appointment. Constitution provides at least one-third (1/3) of the remaining Directors are subject to re-election by rotation at each Annual General Meeting ("AGM") and retiring directors may offer themselves for re-election. All Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election.

4.3 Tenure of Independent Directors

As at the date of this statement, none of the independent directors have served the Company for a cumulative period exceeding nine (9) years.

4.4 Policy of Tenure of Independent Director

The Company's Board Charter provides a limit of a cumulative term of nine (9) years on the tenure of an INED. Upon completion of nine (9) years, an INED may continue to serve on the Board subject to the directors' re-designation as a Non-Independent Non-Executive Director. In the event, the Board intends to retain the INED who has served the Company exceeding a cumulative term of nine (9) years, it must justify and seek annual shareholders' approval.

4.5 Diverse Board and Senior Management Team

Appointment of Board and Senior Management are based on objective criteria, merit and besides gender diversity, due regard are placed for diversity in skills, experience, age and cultural background.

4.6 Gender Diversity

The Board acknowledges the importance of boardroom diversity and takes cognisance of the recommendation of the MCCG to have female directors. The Board had established a Boardroom Diversity Policy as set out in the Board Charter of the Company, which is available on the corporate website.

One (1) out of the seven (7) Directors is a female, which testifies to the Company's commitment on gender diversity.

Whilst acknowledging the recommendation of the MCCG on gender diversity, the Board believes that the evaluation of suitability of candidates should be based on the candidates' competency, character, time availability, integrity and experience in meeting the Company's needs. The Board constantly advocates fair and equal participation and opportunity for all individuals of the right calibre without any specific discrimination as to the age, ethnicity or gender of the candidates concerned.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part II - Board Composition (cont'd)

4. Board's objectivity (cont'd)

4.6 Gender Diversity (cont'd)

The NC and the Board will consider gender diversity as part of its future selection process and will look into increasing female board representation going forward.

4.7 New Candidates for Board Appointment

The proposed appointment of a new member to the Board will be deliberated on by the Board based upon the recommendation of the NC. Before any recommendation made to the Board, the NC will ensure that an appropriate review is undertaken to ensure the requirement and qualification of the candidate nominated based on a prescribed set of criteria comprising but not limited to the following:

- (a) Skills, knowledge, expertise and experience;
- (b) Professionalism;
- (c) Integrity;
- (d) Existing number of directorships held;
- (e) Confirmation of not being an undischarged bankrupt or involved in any court proceedings in connection with the promotion, formation or management of a corporation or involving fraud or dishonesty punishable on conviction with imprisonment or subject to any investigation by any regulatory authority under any legislation; and
- (f) In the case of candidates being considered for the position of independent director, such potential candidates have the ability to discharge such responsibilities/functions as expected from INED. Amongst others, the potential candidates must fulfil the criteria used in the definition of "independent directors" prescribed by the Listing Requirements of Bursa Securities and being able to bring independent and objective judgement to the Board. Where required, the members of the Committee would meet up with potential candidates for the position of director to assess the suitability.

The appointment of new Directors are the responsibility of the Board after considering the recommendations of the NC. As a whole, the Company maintains a very lean number of Board members. The Board appoints its members through a formal and transparent selection process which is consistent with the Constitution of the Company. This process has been reviewed, approved and adopted by the Board. The Company Secretaries are tasked to ensure all appointments are properly made and all necessary information is obtained from the Directors, for the Company's records and for the purposes of meeting statutory obligations as well as obligations arising from the Listing Requirements.

Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The NC will help assess and recommend to the Board, the candidature of directors, the appointment of directors to board committees, review of Board's succession plans and training programmes for the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part II - Board Composition (cont'd)

4. Board's objectivity (cont'd)

4.7 New Candidates for Board Appointment (cont'd)

In general, the process for the appointment of a director to the Board is as follows:

- (i) The NC reviews the Board's composition through Board assessment/evaluation;
- (ii) The NC determines skills matrix;
- (iii) The NC evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate;
- (iv) The NC recommends to the Board for appointment; and
- (v) The Board approves the appointment of the candidates.

4.8 Nomination Committee

The Board has established a NC which comprised exclusively INED, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by considering his skills and expertise for contribution to the Company on an ongoing basis.

The Terms of Reference of the NC can be viewed at the Company's website at www.schgroup.com.my.

The present members of the NC of the Company are:

Names	Designation
Gan Khong Aik (Chairman)	Independent Non-Executive Director
Dato' Chan Choun Sien	Independent Non-Executive Chairman
Sim Yee Fuan	Independent Non-Executive Director

Table 16 : Members of Nomination Committee

The functions of the NC are summarised as follows:

- (i) to undertake an annual review of the Board's succession plans, taking into consideration, the present size, structure and composition of the Board and Board Committees as well as the required mix of skills, experience and competency required and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- (ii) to facilitate the evaluation on the effectiveness of the Board as a whole, the various Committees and each individual Director's contribution to the effectiveness on the decision making process of the Board;
- (iii) to consider succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future;
- (iv) responsible for identifying and make the recommendation to the Board on new candidates for election/appointment to the Board or to fill board vacancies as and when they arise;

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part II - Board Composition (cont'd)

4. Board's objectivity (cont'd)

4.8 Nomination Committee (cont'd)

The functions of the NC are summarised as follows: (cont'd)

- (v) to ensure that orientation and education programmes are provided for new members of the Board;
- (vi) to recommend to the Board concerning the re-election/re-appointment of Director to the Board pursuant to the provisions in the Company's Constitution;
- (vii) to undertake an annual review of the training programmes attended by the Directors for each financial year as well as the training programmes required to aid the Directors in the discharge of their duties as Directors and to keep abreast with industry developments and trends; and
- (viii) to provide a report summarising its activities for the year in compliance with the MCGG, Listing Requirements and any relevant regulations. The report can be incorporated into the corporate governance statement in the annual report or included in as a separate report.

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

- (i) reviewed the size and composition of the Board and made recommendation to the Board as regards any changes that may, in their view, be beneficial to the Company and Group;
- (ii) reviewed and assessed the independence of INED;
- (iii) reviewed the effectiveness of the Board as a whole, committees of the Board and the contribution of individual directors;
- (iv) reviewed and recommended to the Board directors who are retiring by rotation to be put forward for re-election; and
- (v) reviewed and recommended the appointment of Group Chief Executive Officer.

5. Overall Board Effectiveness

5.1 Annual Evaluation of Effectiveness of the Board, Board Committees and Directors

For FY2020, an annual self-assessment of the Board, its Committees and contribution of each individual Director is carried out by the NC, with the assistance of the Company Secretaries, taking the form of comprehensive evaluation questionnaires which provide all Directors with an opportunity to score their opinion on a series of questions in relation to inter alia the execution and performance of the Board as a whole and the Board Committees, and to comment on procedures or any relevant matters.

The evaluation of the Board covers factors such as mix and composition of the Board, quality of decision making, timeliness of Board papers, internal controls, conduct of Board meetings, interactions with the Management and stakeholders and effectiveness of the Chairman.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part II - Board Composition (cont'd)

5. Overall Board Effectiveness (cont'd)

5.1 Annual Evaluation of Effectiveness of the Board, Board Committees and Directors (cont'd)

The Board Committees are assessed based on efficiency and effectiveness of each Committee and its members continuous contribution to the Board and commitment to their roles and responsibilities in discharging their duties. Likewise, the NC is able to assess the contribution of each individual Director to the effectiveness of the Board.

The completed evaluation forms were submitted to Company Secretaries for collation and consolidated responses were presented to the NC for review before being shared with the Board for discussion and are taken into accounts when the NC assesses the Board effectiveness.

The Board also assesses the independence of the Independent Directors annually, taking into account the individual Director's ability to exercise its independent judgement at all times and to contribute to the effective functioning of the Board.

Based on the assessment carried out during the financial year review, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company during the financial year under review, and that each of them continues to fulfill the definition of independence as set out in the Listing Requirement.

5.2 Board Commitment

5.2.1 Time Commitment and Directorship in Other Public Listed Companies

Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would include an indication of the time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointments in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies as prescribed in Rule 15.06 of the Listing Requirements.

Each Board member is expected to achieve at least 50% attendance of total Board Meetings in any applicable financial year with appropriate leave of absence to be notified to the Chairman and/or Company Secretaries, where applicable.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part II - Board Composition (cont'd)

5. Overall Board Effectiveness (cont'd)

5.2 Board Commitment (cont'd)

5.2.1 Time Commitment and Directorship in Other Public Listed Companies (cont'd)

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out in the section below.

5.2.2 Board Meetings and Attendance

During FY2020, the Board conducted five (5) Board meetings and each Board member fulfilled the required attendance of Board meetings as required under Rule 15.05 of Listing Requirement. The summary of attendance at the Board meetings is as follows:

Name of Directors	Meeting Attendance	Percentage of Attendance
Dato' Chan Choun Sien	5/5	100%
Wong Kin Seng	5/5	100%
De Souza Michael Lawrence	5/5	100%
Dato' Ong Choo Meng	4/5	80%
Ong Tzu Chuen (<i>appointed 27.07.2020</i>)	2/2	100%
Sim Yee Fuan	5/5	100%
Gan Khong Aik	4/5	80%

Table 17 : Meeting Attendance of Board Members

The Board is satisfied with the level of time commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out herein above.

The Board meets on a quarterly basis, with amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings maybe convened by the Company Secretaries, after consultation with the Chairman.

The Board meetings were held to review and deliberate on the key activities and strategy of the Group, such as financial performance and to endorse the release of the quarterly financial results. All Board and Board Committees' meetings for FY2020 have been scheduled well in advance in consultation with the Directors to ensure maximum attendance. In addition to holding meetings, important matters regarding the Group are also put to the Board for decision making by way of circular resolutions. The resolutions passed by way of such circular resolutions are then noted in the next Board Meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part II - Board Composition (cont'd)

5. Overall Board Effectiveness (cont'd)

5.2 Board Commitment (cont'd)

5.2.2 Board Meetings and Attendance (cont'd)

As a mean to facilitate Directors' planning and time management, an annual meeting calendar is prepared and given to Directors before the beginning of each new financial year.

5.2.3 Continuing Education Programs

All Directors appointed to the Board have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities. Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, the Directors are encouraged to attend continuous education programmes/seminars/conferences and shall as such receive further training from time to time to keep themselves abreast of the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and enhance their business acumen and professionalism in discharging their duties to the Group.

The Board has undertaken an assessment of the training needs of each Director and ensured that all the Directors undergo the necessary training programme to enable them to effectively discharge their duties.

Details of seminars/conferences/training programmes attended by the Board members during the financial year as listed below:

Name of Director	Seminars/Conferences/Training Programmes Attended
Dato' Chan Choun Sien	<ul style="list-style-type: none"> Malaysian Global Innovation & Creativity Centre (MaGIC) Southeast Asia Webinar, "Rise Above Covid-19" Transformational Business Network Asia Virtual Conference, "Survive to Thrive" Asia Venture Philanthropy Network Virtual Conference, "The Power of Networks" AJT Webinar, "Wellness, The New Norm - Creating Sustainable Wellness Real Estate Developments" Associated Chinese Chambers of Commerce and Industries Young Entrepreneurs Conference 2020 Kuala Lumpur and Selangor Chinese Chamber of Commerce and Industry Webinar, "Are there still opportunities in the Tech sector?"

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part II - Board Composition (cont'd)

5. Overall Board Effectiveness (cont'd)

5.2 Board Commitment (cont'd)

5.2.3 Continuing Education Programs

Details of seminars/conferences/training programmes attended by the Board members during the financial year as listed below: (cont'd)

Name of Director	Seminars/Conferences/Training Programmes Attended
De Souza Michael Lawrence	<ul style="list-style-type: none"> Strategies To Build Business Resilience During Crisis Mandatory Accreditation Program
Wong Kin Seng	<ul style="list-style-type: none"> Anti - bribery and corruption policy and procedures
Dato' Ong Choo Meng	<ul style="list-style-type: none"> Transfer Pricing on Intra-Group Services Tax Budget 2021 : A budget for the new normal
Ong Tzu Chuen (appointed 27.07.2020)	<ul style="list-style-type: none"> Mandatory Accreditation Program MIA Induction Course
Gan Khong Aik	<ul style="list-style-type: none"> Advanced Masterclass on Preparing for Corporate Liability for Corruption Offences — Adequate Procedures and ISO 37001 Anti-Bribery Management Systems International Bar Association Virtually Together Conference
Sim Yee Fuan	<ul style="list-style-type: none"> Tax Budget 2020 Seminar on 20th Nov 2019 by SH Tax Services Sdn Bhd Opportunities in Crisis - Where are global markets heading on 19 September 2020 by CGS CIMB

Table 18 : Training Programmes attended by Board Members

In addition, the Board would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal auditors and the Company Secretaries during the Committee and/or Board meetings and suitable training and education programmes were identified for their participation from time to time.

The Board will on continuing basis evaluate and determine the training needs of each Director, particularly on relevant new law and regulations and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part III - Remuneration

6. Level and Composition of Remuneration

6.1 Remuneration Policies and Procedures

The objective of the Company's Remuneration Policy is to attract and retain the Directors required to lead and control the Group effectively. In the case of the Executive Director, the components of the remuneration package are linked to individual and corporate performance. As for Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities and the onerous challenges in discharging their fiduciary duties.

The Remuneration Committee met once in FY2020 to consider the remuneration package for the Executive Director as well as Directors' fees and benefits payable for the Non-Executive Directors.

The Directors' fees and benefits payable to the Non-Executive Directors are reviewed annually. The Executive Directors played no part in deciding their own remuneration and the respective Board members abstained from all discussion and decisions pertaining to their remuneration.

6.2 Remuneration Committee

The Remuneration Committee ("RC") is populated solely by INEDs in order to assist the Board for determining the Director's remuneration.

The Terms of Reference of the RC can be viewed at the Company's website at www.schgroup.com.my.

The present members of the RC are as follow:

Names	Designation
Dato' Chan Choun Sien (Chairman)	Independent Non-Executive Chairman
Sim Yee Fuan	Independent Non-Executive Director
Gan Khong Aik	Independent Non-Executive Director

Table 19 : Members of Remuneration Committee

The functions of the RC are summarised as following:

- (i) to review and recommend to the Board the framework of remuneration of the Executive Directors and Principal Officers;
- (ii) to review and determine the annual salary increment, performance bonus, and short term/long term incentives (including share grant and bonus) for Executive Directors and Principal Officers depending on various performance measurements of the Group;
- (iii) to review and determine the other benefits in kind for the Executive Directors and Principal Officers;
- (iv) to review the Group's compensation policy and ensure alignment of compensation to corporate performance, and compensation offered in line with market practice;

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part III - Remuneration (cont'd)

6. Level and Composition of Remuneration (cont'd)

6.2 Remuneration Committee (cont'd)

The functions of the RC are summarised as following: (cont'd)

- (v) to review and recommend the remuneration for Non-Executive Directors taking into consideration the fee levels and trends for similar positions in the market, time commitment required from the director and any additional responsibilities undertaken by the particular Non-Executive Directors concerned; and
- (vi) to recommend the engagement of external professional advisors to assist and/or advise the Committee and the Board, on remuneration matters, where necessary.

In FY2020, the RC reviewed and recommended the payment of Directors' fees and other benefits payable to Directors.

7. Remuneration of Directors

7.1 Details of Directors' Remuneration

Details of the Directors' remuneration (including benefits-in-kind) in respect of FY2020 as follows:-

Directors	Fees	Salaries and * other emoluments	Total
	(RM)	(RM)	(RM)
Dato' Chan Choun Sien	42,000	3,000	45,000
Wong Kin Seng	-	511,939	511,939
De Souza Michael Lawrence	-	655,653	655,653
Dato' Ong Choo Meng	30,000	2,500	32,500
Ong Tzu Chuen (appointed 27.07.2020)	2,500	-	2,500
Sim Yee Fuan	30,000	3,000	33,000
Gan Khong Aik	30,000	2,500	32,500

Table 20 : Details of Directors' Remuneration

Note:

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part III - Remuneration (cont'd)

7. Remuneration of Directors (cont'd)

7.2 Remuneration of Top Five Senior Management

The total remuneration received by senior management of the Group including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000, in respect of FY2020, is tabulated below:

Range of Remuneration	Number of Senior Management
Below RM50,000	-
RM50,001 – RM100,000	1
RM100,001 – RM150,000	1
RM150,001 – RM200,000	-
RM200,001 – RM250,000	2
RM250,001 – RM300,000	1
RM300,001 – RM350,000	-
Above RM350,001	-

Table 21 : Remuneration Range of Top 5 Senior Management

Details of total remuneration received by the senior management are not disclosed in this report as the Board is of the view that the above remuneration disclosure by band satisfies the accountability and transparency aspects of the MCCG.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I - Audit Committee

8.1 Chairman of Audit Committee (“AC”)

The AC is chaired by an Independent Director who is not the Chairman of the Board, therefore observed the recommendation of Practice 8.1 of MCCG which stipulates that the Chairman of the AC shall not be the Chairman of the Board. The Chairman of AC is a member of Malaysian Institute of Accountants.

8.2 Policy requiring former key audit partner to observe 2-year cooling off period

None of the members of the Board were former key audit partners. Therefore, no former key audit partner is appointed to the AC. The AC has adopted a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC, and the said policy has been incorporated in the terms of reference of the AC, a copy which is available on the corporate website.

The Board will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the AC is a former key audit partner.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Part I - Audit Committee (cont'd)

8.3 Assessment of Suitability and Independence of External Auditors

The Company has established a transparent and appropriate relationship with the Company's External Auditors. The Auditors will highlight to the AC and the Board on matters that require the Board's attention.

The AC is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The AC has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the AC prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the AC.

To assess or determine the suitability and independence of the External Auditors, the AC has taken into consideration of the following:

- (i) the adequacy of the experience and resources of the External Auditors;
- (ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- (iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and
- (iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the AGM on the recommendation of the Board. The External Auditors are invited to attend the AGM of the Company to respond to any enquiry on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

Where necessary, the AC will meet with the External Auditors without the presence of Executive Director and members of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the AC are duly recorded by the Company Secretaries.

In presenting the Audit Planning Memorandum to the AC, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by them. The External Auditors have also provided the required independence declaration to the AC and the Board for the FY2020.

The AC is satisfied with the competence and independence of the External Auditors. Having regard to the outcome of the annual assessment of the External Auditors, the Board approved the AC's recommendation to seek shareholders' approval on the re-appointment of Messrs ECOVIS AHL PLT as the External Auditors of the Company for the financial year ending 31 August 2021.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Part I - Audit Committee (cont'd)

8.4 Composition of the AC

The AC comprised solely of INEDs. The present members of the AC are:

Names	Designation
Sim Yee Fuan (Chairman)	Independent Non-Executive Director
Dato' Chan Choun Sien	Independent Non-Executive Chairman
Gan Khong Aik	Independent Non-Executive Director

Table 22 : Members of Audit Committee

The terms of reference and summary of activities of the AC are set out in the Audit Committee Report of this Annual Report 2020.

Part II - Risk Management and Internal Control Framework

9. Effective Risk Management and Internal Control Framework

The Board oversees, reviews and monitors the operation, adequacy and effectiveness of the Group's system of internal controls. The Board defines the level of risk appetite, approves and oversees the operation of the Group's Risk Management Framework, and assesses its effectiveness and reviews any major/ significant risk facing the Group. The risk framework also includes pertinent risk management policies and guidelines to provide structured guidance to personnel across the Group in addressing risk management. The risk appetite of the Group is articulated via the use of risk parameters in the framework, covering financial and non-financial metrics, to assess the likelihood or risks occurring and the impact thereof should the risks crystallise.

The RMC oversees the risk management framework of the Group, reviews the risk assessment and management policies formulated by Management regularly together with the Internal Auditors and makes relevant recommendations to Management to update the Group Risk Profile. The RMC also discusses with the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation, and makes relevant recommendations to the Board to manage residual risks.

The Board has been integrating the risk issues into their decision making process whilst maintaining the flexibility to lead the business of the Group through the ever-changing internal and external environments.

The RMC comprises the following three (3) members:

Name	Designation
Gan Khong Aik (Chairman)	Independent Non-Executive Director
Dato' Chan Choun Sien	Independent Non-Executive Chairman
Wong Kin Seng	Executive Director

Table 23 : Members of Risk Management Committee

The information on the Group's internal control is further elaborated in the Statement on Risk Management and Internal Control set out in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Part II - Risk Management and Internal Control Framework (cont'd)

10. Internal Audit Function

The Board has engaged a professional service provider to assume the Internal Audit Function of the Group. The Internal Auditors conduct regular audit reviews and assess the effectiveness and adequacy of the governance, risk management and internal controls in the Group. These reviews are reported to the AC directly by the Internal Auditors.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Part I - Communication with Stakeholders

11. Continuous Communication between Company and Stakeholders

11.1 Effective and transparent and regular communication with stakeholders

The Group recognises the value of transparent, consistent and coherent communications with the investment community consistent with commercial confidentiality and regulatory considerations. The Group aims to build long-term relationships with shareholders and potential investors through appropriate channels for disclosure of information.

The annual reports, press releases, quarterly results and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance.

Investors are provided with sufficient business, operational and financial information on the Group to enable them to make informed investment decisions. Besides, the Company's Annual Report and financial results are dispatched on an annual basis to the shareholders to provide an overview of the Group's business activities and performances. The Share Registrar is available to attend to administrative matters relating to shareholders' interests.

All announcements are reviewed and endorsed by the Board prior to release to the public through Bursa Securities. In addition, all financial related announcements are submitted to the AC and Board for approval before released it to the public.

In order to maintain its commitment to effective communication with shareholders, the Group embraces the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public. The Company strives to provide a high level of transparency reporting in order to provide value for users.

11.2 Leverage on Information Technology for Effective Dissemination of Information

The Company's website at www.schgroup.com.my incorporates an Investor Relations section which provides all relevant information on the Company accessible to the public. This section enhances the investor relations function by including all the corporate information and profile of the Group business activities, financial information, stock information, annual report, quarterly reports, company announcements, corporate governance including the Board Charter, Code of Conduct and Ethics for Directors and terms of reference of Board Committees.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

Part I - Communication with Stakeholders (cont'd)

11. Continuous Communication between Company and Stakeholders (cont'd)

11.2 Leverage on Information Technology for Effective Dissemination of Information (cont'd)

The quarterly financial results are announced to Bursa Securities after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

Shareholders and investors may also forward their queries to the Company via email to finance@schgroup.com.my

11.3 Dialogue with Shareholders

In addition to the dissemination of information to shareholders and other interested parties via announcements to Bursa Securities, its website, circulars and press releases, the Board in views that the annual and any extraordinary general meetings as ideal opportunities to communicate with shareholders.

The Chairman or the Executive Director of the Company will brief shareholders on the Company's projects and elaborate further on proposals for which the approval of shareholders is being sought at the general meeting.

Whilst the Company aims to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

11.4 Financial Reporting

The Board strives to provide shareholders with a balanced and meaningful evaluation of the Group's financial performance, financial position and prospects through the annual audited financial statements, interim financial reports, annual report and announcements to Bursa Securities.

The interim financial reports, annual audited financial statements and annual report of the Group for the financial year ended 31 August 2020 are prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), Listing Requirements and the Companies Act 2016. The Board is assisted by the AC in overseeing the financial reporting processes and ensuring the quality of its financial reporting.

11.5 Statement of Directors' Responsibility In Relation to the Financial Statements

The Directors are required by the Companies Act, 2016 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards so as to give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

Part I - Communication with Stakeholders (cont'd)

11. Continuous Communication between Company and Stakeholders (cont'd)

11.5 Statement of Directors' Responsibility In Relation to the Financial Statements (cont'd)

The Directors are satisfied that in preparing the financial statements of the Group for the FY2020, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company keeps proper accounting records with reasonable accuracy of the financial position of the Company. The Directors are to ensure that the financial statements comply with mandatory provisions of the Companies Act 2016, the MFRS and the Listing Requirements of Bursa Securities. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

Part II - Conduct of General Meetings

12.1 Shareholder Participation at General Meeting

The AGM is the principal forum for dialogue with the shareholders, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification.

The Annual Report together with the Notice of AGM is sent to registered shareholders at least twenty-one (28) days before the meeting. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. Where special business items appear in the Notice of AGM, an explanatory note will be included as a footnote to enlighten shareholders on the significance and impact when shareholders deliberate on a resolution.

At the AGM, shareholders are encouraged to participate, speak, vote and to demand a poll vote. Shareholders are given the opportunity to seek clarification on any matters pertaining to the business activities and financial performance of the Group. Shareholders are also encouraged to make their views known to the Board and to raise directly any matters of concern.

Members of the Board as well as management are present to answer questions raised at these meetings. Apart from contacts at general meetings, currently there is no other formal program or schedule of meetings with investors, shareholders, stakeholders and the public generally. However, the management has the option of calling for meetings with investors/analysts if it deems necessary. Thus far, the management is of the opinion that the existing arrangement has been satisfactory.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

Part II - Conduct of General Meetings (cont'd)

12.2 Attendance of Directors at General Meetings (cont'd)

The tentative dates of the AGM will be discussed and fixed by the Board in advance to ensure that each of the Directors is able to make necessary arrangement to attend the planned AGM.

At the Eighth (8th) AGM of the Company held on 14 February 2020, all the Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company.

12.3 Effective Communication and Proactive Engagement

The Group maintains its effective communication with shareholders by adopting timely, comprehensive, and continuing disclosures of information to its shareholders as well as the general investing public and adopts the best practices recommended by the MCCG with regards to strengthening engagement and communication with shareholders.

To this end, the Group relies on the following channels for effective communication with the shareholders and stakeholders:

- (i) Interim financial reports to provide updates on the Group's operations and business developments on a quarterly basis;
- (ii) Annual audited financial statements and annual report to provide an overview of the Group's state of governance, state of affairs, financial performance and cash flows for the relevant financial year;
- (iii) Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by the Listing Requirements; and
- (iv) Annual General Meeting.

Shareholders and stakeholders may raise their concerns and queries by contacting the Registered Office of the Group, the details of which as provided under the "Corporate Information" section of this Annual Report. The Share Registrar is also available to attend to administrative matters relating to shareholder interests.

COMPLIANCE STATEMENT

The Board will continue to strive for sound standards of corporate governance throughout the Group. Presently, the Board is of the view that the Company has in all material aspects satisfactorily complied with the principles and practices set out in the MCCG, except for the departures set out in the CG Report.

The Corporate Governance Overview Statement was approved by Board of Directors on 11 December 2020.

AUDIT COMMITTEE REPORT

The primary objective of the Audit Committee ("AC"), as a Committee of the Board of Directors ("Board") of SCH Group Berhad ("SCH" or "the Company") is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control. The key responsibilities of the AC, include, among others, the following:

- (a) Oversee the Group's financial reporting process and the integrity of the Group's financial statements;
- (b) Assess the Group's processes in relation to its risks, governance and control environment;
- (c) Review conflict of interest situations and related party transactions; and
- (d) Evaluate the internal and external audit processes and performance.

COMPOSITION, MEETING AND ATTENDANCE

The present AC comprised solely of Independent Non-Executive Directors, in compliance with Rule 15.09 of the Ace Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirement") ("Bursa Securities") and Practice 8.4 of the Malaysian Code on Corporate Governance ("Code").

The present members of the AC are as follows:

Name	Designation	Directorship
Sim Yee Fuan	Chairman	Independent Non-Executive Director
Dato' Chan Choun Sien	Member	Independent Non-Executive Chairman
Gan Khong Aik	Member	Independent Non-Executive Director

Table 24 : Members of Audit Committee

The members of the AC and their attendance at the five (5) meetings held during the financial year ended 31 August 2020 are as tabulated:

Members	Designation	Attendance
Sim Yee Fuan	Chairman	5/5
Dato' Chan Choun Sien	Member	5/5
Gan Khong Aik	Member	4/5

Table 25 : Meeting Attendance of Audit Committee

The minutes of each AC meeting were recorded and tabled for confirmation at the following AC meeting. The AC Chairman reported to the Board on the activities undertaken and the key recommendations for the Board's consideration and decision.

During the financial year ended 31 August 2020 ("FY2020"), the AC met five (5) times to discuss matters, among others, in relation to the accounting and reporting practices, related party transactions as well as internal and external audits of the Company and its subsidiaries.

The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification. The Company Secretaries or the representatives were present at all the meetings. The executive Board members, members of management as well as representatives of the external auditors and internal auditors were also invited to attend the meetings as and when the need arose.

AUDIT COMMITTEE REPORT

cont'd

COMPOSITION, MEETING AND ATTENDANCE *(cont'd)*

The AC also made arrangements to meet and discuss with the external and internal auditors on any matters relating to the Group and its audit activities. The AC had a private session with the external auditors without the presence of the executive Board members and management during the financial year under review.

TERMS OF REFERENCE

The terms of reference of the AC which laid down its duties and responsibilities are accessible via the Company's website at www.schgroup.com.my.

FINANCIAL LITERACY OF THE MEMBERS OF AC

All members of the AC are financially literate and are able to analyse and interpret financial statements in order to effectively discharge their duties and responsibilities as members of the AC. The Chairman of the AC is a member of the Malaysian Institute of Accountants. The qualification and experience of the individual AC members are disclosed in the Profile of Directors in the Annual Report.

All members of AC have also undertaken and will continue to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules as and when required.

SUMMARY ACTIVITIES OF THE AC DURING THE YEAR

In line with the term of reference of the AC, the following activities were carried out by the AC in the discharge of its functions and duties during the financial year:

- (i) Reviewed the quarterly unaudited financial results and audited financial statements of the Group and the Company including the announcements pertaining thereto, before recommending to the Board for their approval and release of the Group's unaudited financial results and audited financial statements to Bursa Securities;
- (ii) Reviewed with external auditors of their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 August 2020;
- (iii) Reviewed and discussed with the external auditors of their audit findings inclusive of system evaluation, audit fees, issues raised, audit recommendations and management's response to these recommendations;
- (iv) Reviewed and assessed the adequacy of the scope and functions of the Internal Audit plan;
- (v) Reviewed the effectiveness of the Group's system of internal controls;
- (vi) Reviewed the proposed final audit fees for the External Auditors and Internal Auditors in respect of their audit of the Company and the Group;

AUDIT COMMITTEE REPORT

cont'd

SUMMARY ACTIVITIES OF THE AC DURING THE YEAR *(cont'd)*

In line with the term of reference of the AC, the following activities were carried out by the AC in the discharge of its functions and duties during the financial year: *(cont'd)*

- (vii) Evaluated the performance of the External Auditors for the financial year ended 31 August 2020 covering areas such as calibre, quality processes, audit team, audit cope, audit communication, audit governance and independence as well as the audit fees of the External Auditors and considered and recommended the re-appointment of the External Auditors;
- (viii) Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;
- (ix) Reviewed the Company's compliance, in particular, the quarterly and year-end financial statements, with the Listing Requirements of Bursa Securities, applicable approved accounting standards of the Malaysian Accounting Standards Board and other relevant legal and statutory requirements;
- (x) Report to the Board on its activities and significant findings and results; and
- (xi) Reviewed and recommended to the Board for approval, the Audit Committee Report, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control for inclusion in the 2020 Annual Report.

INTERNAL AUDIT FUNCTIONS AND ACTIVITIES

The Group's internal audit function which reports directly to the AC, is outsourced to a professional services firm namely ECO Asia Advisory Sdn. Bhd., headed by Mr Woon Soon Fai, Fellow Members of the Association of Chartered Certified Accountants (FCCA) and Associate Member of the Institute of Internal Auditors Malaysia ("IIA"). He has vast experience and exposure in the Internal Audit field. He was assisted by three (3) other Internal Auditor professional staff in this assignment during the financial year under review. The Internal Audit firm appointed by the Company is independent of activities related to business operations and performs its duties in accordance with standards set by relevant professional bodies. The Internal Auditors provide the AC with an independent assessment on the adequacy and effectiveness of the Group's risk management and system of internal control.

The Internal Auditors assist the AC in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives. With the internal audit function being put in place, remedial actions can be taken in relation to weaknesses identified and noted in the systems and controls of the respective operating units. The setting up of the internal audit function is geared towards increasing efficiency and better management of resources in all aspects of the Group's operations.

The costs incurred for the internal audit function in respect of the financial year ended 31 August 2020 is approximately RM20,000.00.

AUDIT COMMITTEE REPORT
cont'd**INTERNAL AUDIT FUNCTIONS AND ACTIVITIES** *(cont'd)*

The functions of the outsourced Internal Auditors are to:

- (i) Perform audit work in accordance with the pre-approved internal audit plan, which covers reviews of the internal control system, risk management and follow up audits to address observations reported in preceding internal audit visits;
- (ii) Carry out reviews on the systems of internal control of the Group;
- (iii) Review and comment on the effectiveness and adequacy of the existing internal control policies and procedures; and
- (iv) Provide recommendations, if any, for the improvement of the internal control policies and procedures.

During the financial year ended 31 August 2020, the following activities were carried out by the internal auditors:-

- i. To review the purchase and payment control management for Sin Chee Heng Sdn. Bhd.
- ii. To review the human resource management of SCH Group.

The AC and the Board are satisfied with the performance of the outsourced Internal Auditors and have in the interest of greater independence and continuity in the internal audit function, taken the decision to continue with the outsourcing of the Internal Audit function.

For further details on the risk management and internal control, please refer to the Statement on the Risk Management and Internal Control set out in this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors of SCH is pleased to provide the following Statement on Risk Management and Internal Control pursuant to Rule 15.26(b) of the Listing Requirements and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

BOARD'S RESPONSIBILITIES

The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity. In addition, the Board has also received assurance from the Group Chief Executive Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

Due to inherent limitations in any risk management and internal control system, such system put into effect by management is designed to manage rather than eliminate risks that may impede the achievement of the Group's business objectives. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatements or errors.

The Board through its Risk Management Committee has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board and the Audit Committee on a periodic basis.

Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the Group, and in the design and operation of suitable internal controls to mitigate these risks identified.

The Board is of the view that the risk management and internal control system is in place for the year under review and up to the date of issuance of the annual report is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators, employees and the Group's assets.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Key elements that have been established in the Group's risk management and internal control system are described below:

1. Risk Management System

Risk management is firmly embedded in the Group's management system as the Board firmly believes that risk management is critical for the Group's sustainability and the enhancement of shareholder value.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (cont'd)

1. Risk Management System (cont'd)

The Risk Management Committee ("RMC") with the assistance of the Group's management has facilitated the Board in implementing the process for identifying, evaluating, communicating, monitoring and continuous reviewing of risk encountered by the Group and the effectiveness of action plans developed for risk reduction purpose. The process is designed to adapt to the changes in regulatory requirement, business and external environment.

Key risks for respective business divisions are identified and proper control measures are in place to minimize the impact of the risks to the Group. Risk register is maintained in assessing the level of risks identified and the appropriate strategies and actions are created to mitigate the risks identified to an acceptable low level. The risk register is updated from time to time in responsive to prevailing business operation.

During the financial year, the Group's management has assessed the potential risks of corruption within the organisation in conjunction with the introduction of corporate liability provision for bribery and corruption under Section 17A, which has come into effect on 1st June 2020. Hence, the Anti Bribery and Corruption Policy ("ABCP") is established and implemented across the Group. The employees of the Group have signified acceptance of the ABCP. Meantime, the Group's management has attended training courses to build up the awareness on the enforcement of the ABCP.

The global Covid-19 pandemic has significantly impacted the business environment and thus, the Group's management has developed and implemented Business Continuity Plan ("BCP") within the Group under the leading of Group Chief Executive Officer. The objective of the BCP is aimed at mitigating risk impacts that would impose the barriers to the sustainability of the Group.

2. Internal Control System

- i) A well-defined organisational structure with clear lines of accountability and responsibilities provide a sound framework within the organisation in facilitating check and balance for proper decision making at the appropriate authority levels of management including matters that require the Board's approval.
- ii) A documented delegation of authority that sets out decisions that need to be taken and the appropriate levels of management involved including matters that require the Board's approval.
- iii) The Board of Directors and Audit Committee meet at least once on a quarterly basis to review and deliberate on financial reports, annual financial statements and internal audit reports. Discussions with management were held to deliberate on the actions that are required to be taken to address internal control issues identified.
- iv) Internal policies and procedures had been established for key business units within the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

(cont'd)

2. Internal Control System (cont'd)

- v) The Internal Audit function reports directly to the Audit Committee. Findings are communicated to Management and the Audit Committee with recommendations for improvements and follow-up to confirm all agreed recommendations are implemented. The Internal Audit plan is reviewed and approved by the Audit Committee;
- vi) Scheduled operational and management meetings are held internally from time to time to discuss and review the business plans, budgets, financial and operational performances of the Group. The quarterly financial statements are presented to the Audit Committee and Board for their review and approval. The Board also plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group; and
- vii) Provision of training and development to enhance the competitiveness and capability of our staff members.

3. Internal Audit Function

The Group's internal audit function is outsourced to an independent professional firm, to assist the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

During the financial year ended 31 August 2020, internal audit visits were carried out based on the approved audit plan to review the purchase and payment control management review and human resource management review for Sin Chee Heng Sdn. Bhd. The findings of the internal audit, including the recommended corrective actions, were presented directly to the Audit Committee.

In addition, follow up review will be conducted to ensure that corrective actions have been implemented on a timely manner. Based on the internal audit review conducted, certain weaknesses surrounding the assessment of procurement process and human resource management for companies under review was highlighted to the management.

In FYE 2020, the Group had reviewed the Standard Operating Policy and Procedures to address the issues highlighted.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Group for the financial year ended 31 August 2020 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the Group's risk management and internal control system.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

MANAGEMENT'S ASSURANCE

The Group Chief Executive Officer, representing the management, has given reasonable assurance to the Board that the Group's risk management and internal control systems are adequate and effective, in all material aspects, based on the risk management and internal controls adopted by the Group and similar assurance given by the respective heads of operations.

CONCLUSION

For the financial year under review, there were no significant internal control deficiencies or material weaknesses resulting in material losses or contingencies requiring disclosure in the Annual Report. The Board is of the view that the existing Group's system of risk management and internal control is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognisant of the fact that the Group's system of risk management and internal control practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of internal control and risk management framework.

OTHER DISCLOSURE REQUIREMENTS

Pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad

1. AUDIT AND NON-AUDIT FEE PAID TO EXTERNAL AUDITORS

The audit fees and non-audit fees payable to the external auditors during the financial year ended 31 August 2020 ("FY2020") were as follows:

	Company	Group
	(RM)	(RM)
Audit Services Rendered	39,000	181,000
Non-Audit Services Rendered	2,000	2,000
TOTAL	41,000	183,000

Table 26 : Audit and Non-Audit Fee

2. MATERIAL CONTRACTS

- (a) On 18 September 2020, Sin Chee Heng (Butterworth) Sdn Bhd, an indirect wholly-owned subsidiary of SCH had entered into a sale and purchase agreement with Excel Spirit Sdn Bhd to dispose a piece of freehold land held under Geran 149604, Lot 3653 Mukim 06, Daerah Seberang Perai Tengah, Negeri Pulau Pinang approximately 377 square metre together with a unit of terrace factory erected thereon bearing postal address at No.1, Lorong Nagasari 23, Taman Nagasari, 13600 Seberang Perai, Pulau Pinang for a total consideration of RM770,000.00; and
- (b) On 6 November 2020, Sin Chee Heng (Sabah) Sdn Bhd, an indirect wholly-owned subsidiary of SCH had entered into a sale and purchase agreement with L 2 Logistics Sdn Bhd to dispose a piece of freehold land held under individual title no. CL015548482, in the locality of KM 9 KK-Tuaran Road, District of Kota Kinabalu, Sabah together with one (1) Double Storey Light Industrial Warehouse cum office erected thereon and known as Lot 33 (MPKK 6), Lorong Makat 3, Estate Perindustrian Makat, 88450 Kolombong, Kota Kinabalu Sabah for a total consideration of RM1,540,000.00.

3. MATERIAL CONTRACTS RELATING TO LOANS

During the financial year, there were no material contracts relating to loans entered into by the Company and its subsidiaries involving Directors', chief executive's and/or major shareholders' interests.

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE ("RRPT")

The Company is seeking approval from the shareholders for the proposed new and renewal of shareholders' mandate for SCH Group to enter into RRPT(s) of a revenue or trading nature pursuant to Rule 10.09 and Guidance Note 8 of the Listing Requirements at the forthcoming Annual General Meeting to be convened on Friday, 26 February 2021.

DIRECTORS' RESPONSIBILITY STATEMENT

In respect of audited financial statements for the financial year ended 31 August 2020

The Directors are required by the Companies Act 2016 ("the Act") and the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad to prepare the financial statements for each financial year in accordance with applicable Malaysian Financial Reporting Standards, the International Financial Reporting Standards and requirements of the Act in Malaysia.

The Directors are responsible to ensure that the audited financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group and the Company for the financial period from 1 September 2019 to 31 August 2020. Where there are new accounting standards or policies that become effective during the period, the impact of these new treatments would be stated in the notes to the financial statements, accordingly.

In preparing the financial statements, the Directors have:

- adopted appropriate and relevant accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensure that all applicable accounting standards have been followed; and
- prepared financial statements on a "going concern" basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue operations for the foreseeable future.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

The Directors have overall responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

This Statement is made in accordance with a resolution of the Board dated 11 December 2020.



75	Directors' Report
80	Statement by Directors
80	Statutory Declaration
81	Independent Auditors' Report
87	Statements of Financial Position
89	Statements of Profit or Loss and Other Comprehensive Income
91	Statements of Changes in Equity
94	Statements of Cash Flows
99	Notes to the Financial Statements

FINANCIAL **STATEMENTS**

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 August 2020.

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
Net loss for the financial year	(7,891,469)	(2,913,812)
Attributable to:		
owners of the Company	(7,995,036)	(2,913,812)
non-controlling interests	103,567	-
	(7,891,469)	(2,913,812)

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

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend for the financial year ended 31 August 2020.

ISSUE OF SHARES AND DEBENTURES

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

The total number of unexercised Warrants as at 31 August 2020 amounted to 205,839,310.

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' REPORT

cont'd

DIRECTORS

The Directors who held in the office during the financial year until the date of this report are:

Dato' Chan Choun Sien
 Dato' Ong Choo Meng
 Gan Khong Aik
 Sim Yee Fuan
 Wong Kin Seng
 De Souza Michael Lawrence (Appointed on 19 December 2019)
 Ong Tzu Chuen (Appointed on 27 July 2020)

DIRECTORS OF SUBSIDIARIES

The following is a list of Directors of the subsidiaries (excluding Directors who are also Directors of the Company) in office during the financial year until the date of this report:

Leong Hin Kieat
 Wu XiaoSheng
 Teh Li King
 Ong Soon Hooi
 Ong Soon Lim
 Ooi Youk Lan

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholding required to be kept under Section 59 of the Companies Act, 2016, the interests and deemed interests of Directors in office at the end of the financial year in the shares of the Company or its subsidiaries during the financial year (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) are as follows:

	← Number of ordinary shares in the Company →			
	At 01.09.2019	Acquired	Disposed	At 31.08.2020
Direct interest				
Sim Yee Fuan	50,000	-	-	50,000
Gan Khong Aik	420,000	-	-	420,000
Wong Kin Seng	20,450,083	-	-	20,450,083
Dato' Chan Choun Sien	400,000	-	-	400,000
Deemed interest				
Dato' Ong Choo Meng #	171,733,900	-	-	171,733,900
Dato' Chan Choun Sien *	200,000	-	-	200,000

DIRECTORS' REPORT

cont'd

DIRECTORS' INTERESTS IN SHARES (cont'd)

	← Number of warrant 2016/2021 in the Company →			
	At 01.09.2019	Acquired	Disposed	At 31.08.2020
Gan Khong Aik	210,000	-	-	210,000
Sim Yee Fuan	25,000	-	-	25,000
Wong Kin Seng	75,000	-	75,000	-

Deemed interest for the shares held by Hextar Holdings Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.

* Deemed interest for the shares held by parents pursuant to Section 8 of the Companies Act, 2016.

By virtue of their interests in the shares of the Company, the above Directors are also deemed interested in the shares of all the subsidiary companies during the financial year to the extent that the Company has interest.

Other than as disclosed above, there is no other Director who is in office at the end of the financial year held any interest in the shares of the Company.

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 the aggregate amount of Directors' remuneration due and receivable by Directors as shown in Note 29(b) to 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 other than certain Directors who have substantial financial interests in companies which traded with the Company in ordinary course of business as disclosed in Note 29(c) to the financial statements.

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.

DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in Note 25 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

No indemnity has been given to or insurance effected for the Directors or officers of the Company pursuant to Section 289 of the Companies Act, 2016 ("the Act").

To the extent permitted by the Act, the Company has agreed to indemnify its auditors as part of the terms of their engagement against claims by third parties arising from the audit. No payment has been made to indemnify the auditors during or since the financial year.

DIRECTORS' REPORT

cont'd

OTHER STATUTORY INFORMATION

- (a) Before the financial statements 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 be realised in the accounting records in the ordinary course of business including the value of current assets as shown in the accounting records of the Company 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;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading;
 - (iii) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading; and
 - (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
 - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (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 their 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.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

AUDITORS' REMUNERATION

The details of auditors' remuneration are disclosed in Note 24 to the financial statements.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 33 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

Significant events subsequent to the financial year is disclosed in Note 34 to the financial statements.

AUDITORS

The auditors, ECOVIS MALAYSIA PLT, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors on 11 December 2020.

De Souza Michael Lawrence
Director

Wong Kin Seng
Director

Kuala Lumpur
11 December 2020

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, **De Souza Michael Lawrence** and **Wong Kin Seng**, being two of the Directors of **SCH Group Berhad**, state that, in the opinion of the Directors, the accompanying financial statements set out on pages 87 to 171 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2020 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors on 11 December 2020.

De Souza Michael Lawrence

Director

Wong Kin Seng

Director

Kuala Lumpur
11 December 2020

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act, 2016

I, **Lee Kok Ping**, being the officer 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 87 to 171 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 11 December 2020)

Lee Kok Ping (44986)

Before me,

COMMISSIONER FOR OATHS
YM TENGKU FARIDDUDIN BIN TENGKU SULAIMAN
No. W533

INDEPENDENT AUDITORS' REPORT

To the Members of SCH Group Berhad
(Registration No. 201101044580 (972700-P)) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **SCH Group Berhad**. ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position as at 31 August 2020 of the Group and of the Company, and the statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 87 to 171.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 August 2020, and of their financial performance and their cash flows for the year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) issued by the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

To the Members of SCH Group Berhad
(Registration No. 201101044580 (972700-P)) (Incorporated in Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Key Audit Matters (cont'd)

Key audit matters

How our audit addressed the key audit matters

Impairment review on goodwill

Refer to Note 7 to the financial statements.

The Group is required to perform annual impairment test of cash generating unit (CGU) to which goodwill has been allocated. The Group estimated the recoverable amount of its CGU allocated based on value in use of the CGU. Estimating the value in use of the CGU involves estimating the future cash inflows and outflows that will derived from the CGU, and discounting them at an appropriate rate.

As at 31 August 2020, the Group's goodwill amounted to RM19,214,476 and representing 10.7% of total assets of the Group.

We considered the impairment assessment of goodwill an area of focus for our audit as the amount involved is significant, the assessment process is complex and involves significant management's judgements about future market and economic conditions and changes in key assumptions may lead to a significant change in the recoverable amount of the CGU.

Our audit procedures included, among others, the following:

- Agreed the cash flow projection to the financial budgets approved by the Directors;
- Discussed with management the key assumptions used in the cash flows forecast;
- Assessed and discussed with management on the reasonableness of the discount rate and growth rates;
- Analysed the sensitivity of key assumption by assessing the impact of changes to key assumption to recoverable amount of CGU.

Based on the procedure performed, no material exceptions were noted.

INDEPENDENT AUDITORS' REPORT

To the Members of SCH Group Berhad
(Registration No. 201101044580 (972700-P)) (Incorporated in Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Key Audit Matters (cont'd)

Key audit matters

How our audit addressed the key audit matters

Impairment review on inventories

Refer to Note 10 to the financial statements.

As at 31 August 2020, the Group's inventories amounted to RM19,672,013 and is representing 11% of total assets of the Group.

The Group's inventories are measured at the lower of cost or net realisable value. Valuation of inventories is a key audit matter due to the demand and ability of the Group to sell the inventories in the future may be adversely affected by changes in customer demand and construction industry. There is judgement involved in assessing the level of inventory provision required in respect of slow moving inventories.

Our audit procedures included, among others, the following:

- obtaining an understanding of :
 - the Group's inventory management process; and
 - how the Group identified and assessed slow-moving or obsolete inventories;
- reviewing the stock movement report and stock aging report to identify slow moving aged items;
- attending year end physical inventory count to observe physical existence and condition of raw material and finished goods; and
- reviewing the net realisable value on selected samples of inventory items to test management's evaluation and ensuring that the inventories have been written down.

Based on the procedure performed, no material exceptions were noted.

Impairment of trade receivables

Refer to Note 8 to the financial statements

As at 31 August 2020, the Group's trade receivables' carrying amounting to RM48,595,161, net of impairment losses of RM1,927,638, representing 27.2% of total assets of the Group.

The impairment of trade receivables involved judgement in the assessment of the trade receivables in determining the probability of default by trade receivables and appropriate forward looking information.

Our audit procedures included, among others, the following:

- reviewing the ageing analysis of trade receivables and testing the accuracy of the ageing;
- reviewing the probability of default using historical data and forward looking information applied by the Group;
- reviewing subsequent collection from overdue trade receivables; and
- evaluating the reasonableness and adequacy of the impairment of trade receivables.

Based on the procedure performed, no material exceptions were noted.

INDEPENDENT AUDITORS' REPORT

To the Members of SCH Group Berhad
(Registration No. 201101044580 (972700-P)) (Incorporated in Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report 2020, which is expected to be made available to us after the date of auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company 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, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group and of the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole that free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

To the Members of SCH Group Berhad
(Registration No. 201101044580 (972700-P)) (Incorporated in Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit 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 Group and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguard applied.

INDEPENDENT AUDITORS' REPORT

To the Members of SCH Group Berhad
(Registration No. 201101044580 (972700-P)) (Incorporated in Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ECOVIS MALAYSIA PLT

AF 001825

Chartered Accountants

Kuala Lumpur

11 December 2020

CHUA KAH CHUN

02696/09/2021 J

Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

As at 31 August 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Non-current assets					
Property, plant and equipment	5	60,014,904	61,624,920	-	-
Investment in subsidiary companies	6	-	-	82,643,127	99,513,411
Goodwill on consolidation	7	19,214,476	28,756,903	-	-
Trade receivables	8	11,250	433,150	-	-
Other receivable	9	275,000	-	-	-
		79,515,630	90,814,973	82,643,127	99,513,411
Current assets					
Inventories	10	19,672,013	26,111,275	-	-
Trade receivables	8	48,583,911	40,075,891	-	-
Other receivables	9	12,148,908	3,230,816	10,235,837	22,007
Contract assets	22(a)	-	1,218,000	-	-
Amount due from subsidiary companies	11	-	-	8,897,691	12,040,000
Tax recoverable		927,206	766,266	-	4,563
Fixed deposits with financial institutions	12	9,443,709	5,438,802	5,288,883	-
Cash and bank balances		7,471,059	10,927,063	131,800	1,046,176
		98,246,806	87,768,113	24,554,211	13,112,746
Assets classified as held for sale	13	669,073	-	-	-
		98,915,879	87,768,113	24,554,211	13,112,746
Total assets		178,431,509	178,583,086	107,197,338	112,626,157

STATEMENTS OF FINANCIAL POSITION

As at 31 August 2020

cont'd

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Equity					
Share capital	14	75,917,971	75,917,971	75,917,971	75,917,971
Merger deficit	15	(23,858,598)	(23,858,598)	-	-
Foreign currency translation reserve	16	(10,918)	(8,217)	-	-
Retained earnings/ (accumulated losses)		25,931,845	33,926,881	(4,377,893)	(1,464,081)
Total equity attributable to shareholders of the Company		77,980,300	85,978,037	71,540,078	74,453,890
Non-controlling interest		3,745,742	3,642,175	-	-
Total equity		81,726,042	89,620,212	71,540,078	74,453,890
Non-current liabilities					
Lease liabilities	17	1,537,088	732,147	-	-
Bank borrowings	18	15,950,498	49,169,296	-	32,420,000
Deferred tax liabilities	19	7,055,485	7,088,342	-	-
		24,543,071	56,989,785	-	32,420,000
Current liabilities					
Trade payables	20	27,168,498	20,032,757	-	-
Other payables	21	3,227,322	1,978,854	52,799	51,080
Contract liabilities	22(a)	788,382	655,701	-	-
Lease liabilities	17	472,124	423,970	-	-
Bank borrowings	18	40,476,907	8,722,661	35,588,988	5,701,187
Tax payable		29,163	159,146	15,473	-
		72,162,396	31,973,089	35,657,260	5,752,267
Total liabilities		96,705,467	88,962,874	35,657,260	38,172,267
Total equity and liabilities		178,431,509	178,583,086	107,197,338	112,626,157

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 August 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Revenue	22	121,286,020	116,893,950	5,960,000	4,000,000
Cost of sales		(102,925,520)	(96,534,502)	-	-
Gross profit		18,360,500	20,359,448	5,960,000	4,000,000
Other income		12,203,118	8,699,287	10,370,459	19,224
Net impairment loss on financial assets		(1,927,638)	(310,726)	-	-
Administrative expenses		(11,308,655)	(11,783,880)	(450,748)	(501,713)
Selling and distribution expenses		(8,684,282)	(5,373,295)	-	-
Other operating expenses		(12,884,594)	(326,753)	(16,870,284)	-
(Loss)/profit before operations		(4,241,551)	11,264,081	(990,573)	3,517,511
Finance costs	23	(3,378,442)	(4,044,901)	(1,887,110)	(2,361,174)
(Loss)/profit before tax	24	(7,619,993)	7,219,180	(2,877,683)	1,156,337
Taxation	26	(271,476)	(1,698,463)	(36,129)	(5,575)
(Loss)/profit for the financial year		(7,891,469)	5,520,717	(2,913,812)	1,150,762

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 August 2020

cont'd

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
(Loss)/profit for the financial year		(7,891,469)	5,520,717	(2,913,812)	1,150,762
Other comprehensive income					
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
- Exchange translation differences for foreign operations		(2,701)	(18,325)	-	-
Total comprehensive (loss)/income for the financial year		(7,894,170)	5,502,392	(2,913,812)	1,150,762
(Loss)/profit for the financial year attributable to:					
Owners of the Company		(7,995,036)	5,758,964	(2,913,812)	1,150,762
Non-controlling interests		103,567	(238,247)	-	-
Net (loss)/profit for the financial year		(7,891,469)	5,520,717	(2,913,812)	1,150,762
Total comprehensive (loss)/income for the financial year attributable to:					
Owners of the Company		(7,997,737)	5,740,639	(2,913,812)	1,150,762
Non-controlling interests		103,567	(238,247)	-	-
Total comprehensive (loss)/income for the financial year		(7,894,170)	5,502,392	(2,913,812)	1,150,762
Earnings per share attributable to owners of the parent:					
Basic (Sen)	27	(1.44)	1.04		
Diluted (Sen)	27	(1.44)	0.96		

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 August 2020

	Attributable to owners of the parent							
	Non-distributable		Distributable					
Group	Share capital RM	Merger deficit RM	Foreign currency translation reserve RM	Retained earnings RM	Total RM	Non-controlling interest RM	Total equity RM	
At 1 September 2019	75,917,971	(23,858,598)	(8,217)	33,926,881	85,978,037	3,642,175	89,620,212	
(Loss)/profit for the financial year	-	-	-	(7,995,036)	(7,995,036)	103,567	(7,891,469)	
Other comprehensive loss for the financial year	-	-	(2,701)	-	(2,701)	-	(2,701)	
Total comprehensive (loss)/income for the financial year	-	-	(2,701)	(7,995,036)	(7,997,737)	103,567	(7,894,170)	
At 31 August 2020	75,917,971	(23,858,598)	(10,918)	25,931,845	77,980,300	3,745,742	81,726,042	

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 August 2020

cont'd

	Attributable to owners of the parent							
	Non-distributable		Distributable					
	Share capital	Merger deficit	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity	
	RM	RM	RM	RM	RM	RM	RM	RM
Group								
At 31 August 2018, as previously reported	75,917,971	(23,858,598)	10,108	27,868,823	79,938,304	4,072,416	84,010,720	
Prior year adjustment	-	-	-	(817,285)	(817,285)	(191,994)	(1,009,279)	
Effect on adoption of MFRS	-	-	-	1,116,379	1,116,379	-	1,116,379	
	-	-	-	299,094	299,094	(191,994)	107,100	
At 1 September 2018, restated	75,917,971	(23,858,598)	10,108	28,167,917	80,237,398	3,880,422	84,117,820	
Profit/(loss) for the financial year	-	-	-	5,758,964	5,758,964	(238,247)	5,520,717	
Other comprehensive loss for the financial year	-	-	(18,325)	-	(18,325)	-	(18,325)	
Total comprehensive (loss)/income for the financial year	-	-	(18,325)	5,758,964	5,740,639	(238,247)	5,502,392	
At 31 August 2019	75,917,971	(23,858,598)	(8,217)	33,926,881	85,978,037	3,642,175	89,620,212	

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 August 2020
cont'd

	Non-Distributable Share capital RM	Distributable Accumulated losses RM	Total equity RM
Company			
At 1 September 2018	75,917,971	(2,614,843)	73,303,128
Profit for the financial year, representing total comprehensive income for the financial year	-	1,150,762	1,150,762
At 31 August 2019	75,917,971	(1,464,081)	74,453,890
At 1 September 2019	75,917,971	(1,464,081)	74,453,890
Loss for the financial year, representing total comprehensive loss for the financial year	-	(2,913,812)	(2,913,812)
At 31 August 2020	75,917,971	(4,377,893)	71,540,078

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

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 August 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Cash flow from operating activities					
(Loss)/profit before tax		(7,619,993)	7,219,180	(2,877,683)	1,156,337
Adjustment for:					
Accretion of discount on trade receivable		-	26,099	-	-
Bad debts written off		256,629	133,702	-	-
Depreciation of property, plant and equipment		4,961,269	4,756,219	-	-
Deposit written off		3,300	-	-	-
Dividend income		-	-	(5,960,000)	(4,000,000)
Diminution of value of investment		-	-	16,870,284	-
Net impairment loss on trade receivables		1,927,638	310,726	-	-
Interest expenses		3,378,442	4,044,901	1,887,110	2,361,174
Inventories written down		2,550,459	60,754	-	-
Inventories written off		67,552	120,577	-	-
Impairment loss on goodwill		9,542,427	-	-	-
Property, plant and equipment written off		464,227	11,720	-	-
Unrealised loss/(gain) on foreign exchange, net		110,896	(144,585)	-	-
Gain on disposal of property, plant and equipment		(45,652)	(7,716,040)	-	-
Finance income		(492,301)	(496,026)	(153,720)	(19,224)
Operating profit/(loss) before working capital changes		15,104,893	8,327,227	9,765,991	(501,713)

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 August 2020
cont'd

Note	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash flows from operating activities <i>(cont'd)</i>				
Change in working capital:				
Inventories	3,821,251	6,287,746	-	-
Trade receivables	(10,028,854)	(10,332,508)	-	-
Other receivables	(9,453,021)	(1,078,740)	(10,213,830)	1,693
Contract assets	1,218,000	(1,218,000)	-	-
Trade payables	7,135,741	7,078,933	-	-
Other payables	1,248,468	(1,419,774)	1,719	(32,994)
Contract liabilities	132,681	655,701	-	-
	(5,925,734)	(26,642)	(10,212,111)	(31,301)
Cash generated from/ (used in) operations	9,179,159	8,300,585	(446,120)	(533,014)
Interest received	396,501	313,918	153,720	19,224
Interest paid	(2,059,738)	(4,013,230)	(1,018,122)	(2,207,781)
Tax refund	219,757	2,758,180	-	11,362
Tax paid	(815,013)	(2,500,389)	(16,093)	(8,260)
	(2,258,493)	(3,441,521)	(880,495)	(2,185,455)
Net cash generated from/ (used in) operating activities	6,920,666	4,859,064	(1,326,615)	(2,718,469)
Cash flow from investing activities				
Dividend received	-	-	5,960,000	4,000,000
Purchase of property, plant and equipment 5(c)	(3,290,465)	(2,840,676)	-	-
Proceeds from disposal of property, plant and equipment	329,493	11,720,003	-	-
Net cash (used in)/generated from investing activities	(2,960,972)	8,879,327	5,960,000	4,000,000

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 August 2020

cont'd

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Cash flow from financing activities					
Net movement of bankers' acceptance		231,093	(79,000)	-	-
Net movement of invoices financing		1,653,999	-	-	-
Uplifted/(placement) in fixed deposits pledged		3,486,748	(130,257)	-	-
Net repayment of foreign currency trade loan		-	(3,057,485)	-	-
Repayment of lease liabilities		(636,050)	(411,071)	-	-
Repayment of term loans		(4,657,132)	(6,173,350)	(3,401,187)	(5,060,000)
Net receipts of advances to subsidiaries		-	-	3,142,309	3,656,124
Net cash generated from/ (used in) financing activities	(a)	78,658	(9,851,163)	(258,878)	(1,403,876)
Net increase/(decrease) in cash and cash equivalents		4,038,352	3,887,228	4,374,507	(122,345)
Effects on foreign exchange rate		(2,701)	368,607	-	-
Cash and cash equivalents at beginning of the financial year		12,859,117	8,603,282	1,046,176	1,168,521
Cash and cash equivalents at end of the financial year		16,894,768	12,859,117	5,420,683	1,046,176
Cash and cash equivalents at the end of the financial year comprises:					
Fixed deposits with financial institutions		9,443,709	5,438,802	5,288,883	-
Cash and bank balances		7,471,059	10,927,063	131,800	1,046,176
		16,914,768	16,365,865	5,420,683	1,046,176
Less: Fixed deposits pledged with financial institutions		(20,000)	(3,506,748)	-	-
		16,894,768	12,859,117	5,420,683	1,046,176

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 August 2020
cont'd

(a) Changes in liabilities arising from financing activities

Group	At 1 September 2019 RM	Accrued interest expense RM	Acquisition of new lease RM	Net cash flow RM	Foreign exchange movement RM	At 31 August 2020 RM
2020						
Lease liabilities	1,156,117	11,216	1,477,929	(636,050)	-	2,009,212
Bankers' acceptance	1,735,000	-	-	231,093	-	1,966,093
Invoice financing	-	-	-	1,653,999	-	1,653,999
Term loans	56,156,957	1,307,488	-	(4,657,132)	-	52,807,313
	59,048,074	1,318,704	1,477,929	(3,408,090)	-	58,436,617

Group	At 1 September 2018 RM	Accrued interest expense RM	Net cash flow RM	Foreign exchange movement RM	At 31 August 2019 RM
2019					
Lease liabilities	1,567,188	-	(411,071)	-	1,156,117
Bankers' acceptance	1,814,000	-	(79,000)	-	1,735,000
Foreign currency trade loan	3,162,893	-	(3,057,485)	(105,408)	-
Term loans	62,103,104	227,203	(6,173,350)	-	56,156,957
	68,647,185	227,203	(9,720,906)	(105,408)	59,048,074

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 August 2020
cont'd

(a) Changes in liabilities arising from financing activities (cont'd)

	At 1 September 2019 RM	Accrued interest expense RM	Net cash flow RM	At 31 August 2020 RM
Company 2020				
Term loans	38,121,187	868,988	(3,401,187)	35,588,988
	At 1 September 2018 RM	Accrued interest expense RM	Net cash flow RM	At 31 August 2019 RM
Company 2019				
Term loans	43,027,794	153,393	(5,060,000)	38,121,187

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

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

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 Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan.

The registered office of the Company is located at Suite 10.02, 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 to the financial statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 11 December 2020.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 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 as disclosed in Note 3 to the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

2. BASIS OF PREPARATION (cont'd)

(a) Adoption of MFRSs, Amendments to MFRSs and IC Interpretation to MFRSs during the current financial year

The accounting policies adopted by the Group and the Company are consistent with those of the previous financial year, except for the adoption of the following MFRSs, Amendments to MFRSs and IC Interpretation:

MFRS (Including the Consequential Amendments)		Effective Date
Amendments to MFRS 128	Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 123	Borrowing Costs – Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 119	Employee Benefits – Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 112	Income Taxes – Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 9	Financial Instruments – Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 11	Joint Arrangements – Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 3	Business Combinations – Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
MFRS 16	Leases	1 January 2019
Amendments to MFRS 16	Leases – Covid -19 – Related Rent Concessions	1 June 2020
Amendments to MFRS 4	Insurance Contracts – Extension of the Temporary Exemption from Applying MFRS 9	17 August 2020

The Group and the Company have early adopted the Amendments to MFRS 16: Covid-19 - Related Rent Concessions on 1 September 2019, which is effective for financial periods beginning on or after 1 June 2020.

The adoption of MFRSs, Amendments to MFRSs and IC Interpretation did not result in significant changes in the accounting policies of the Group and of the Company and has no significant effect on the financial performance or position of the Group and of the Company for the current financial year except as follows:

(i) MFRS 16 'Leases'

The Group and the Company have adopted MFRS 16 and applied the modified retrospective approach during the financial year ended 31 August 2020. In accordance with the transition requirement under the Appendix C, paragraph 5(b) of this Standard, comparatives figures are not restated.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

2. BASIS OF PREPARATION (cont'd)

(a) Adoption of MFRSs, Amendments to MFRSs and IC Interpretation to MFRSs during the current financial year (cont'd)

(i) MFRS 16 'Leases' (cont'd)

As a result of the adoption of MFRS 16, the existing requirements to distinguish between finance leases and operating leases under MFRS 117, 'Leases' are no longer required. This Standard introduces a single accounting model, requiring the lessee to recognise the right-of-use of the underlying lease asset and the future lease payments liabilities in the statement of financial position. There are recognition exemptions for short term leases and leases of low value items. For a lessor, MFRS 16 continues to allow the lessor to classify leases as either operating leases or finance leases and to account for these two types of leases differently.

The adoption of MFRS 16 did not resulted any material financial impact to the financial statements of the Group and of the Company, aside from reclassification.

(ii) Amendments to MFRS 16 'Leases' – Covid-19 – Related Rent Concessions

On the adoption of the Amendments to MFRS 16, the Group and the Company applies the practical expedients not to treat a Covid-19 related rent concession from a lessor as a lease modification if all of the following conditions are met:

- (i) The change in lease payments results in revised consideration for the lease that is substantially the same as or less than the consideration for the lease immediately preceding the change;
- (ii) The reduction in lease payments affects only payments due on or before 30 June 2021; and
- (iii) There is no substantive change to other terms and conditions of the lease.

The Group and the Company accounts for such Covid-19 related rent concession as a variable lease payment in the year in which the event or condition that triggers the reduced payment occurs and accordingly recognised in profit or loss.

The adoption of amendments to MFRS 16 did not resulted any material financial impact to the financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

2. BASIS OF PREPARATION (cont'd)

(b) Standards, amendments to published standards and IC interpretations issued but not yet effective

The following are standards, amendments to published standards and IC interpretations issued by Malaysian Accounting Standard Board (MASB), but not yet effective, up to the date of issuance of the Group's and of the Company's financial statements. The Group and the Company intend to adopt these standards, amendments to published standards and IC interpretations, if applicable, when they become effective in the following annual periods:

MFRS (Including the Consequential Amendments)		Effective Date
Amendments to MFRS 3	Business Combinations – Definition of a Business	1 January 2020
Amendments to MFRS 7	Financial Instruments: Disclosures – Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 9	Financial Instruments – Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101	Presentation of Financial Statements – Definition of Material	1 January 2020
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material	1 January 2020
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement – Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 4	Insurance Contracts – Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 7	Financial Instruments: Disclosures – Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 9	Financial Instruments – Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 16	Leases – Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement – Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards – Subsidiary as a First-time Adopter	1 January 2022
Amendments to MFRS 3	Business Combinations – Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9	Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	1 January 2022
Amendments to Illustrative Examples accompanying MFRS 16	Leases – Lease Incentives	1 January 2022

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

2. BASIS OF PREPARATION (cont'd)**(b) Standards, amendments to published standards and IC interpretations issued but not yet effective** (cont'd)

The following are standards, amendments to published standards and IC interpretations issued by Malaysian Accounting Standard Board (MASB), but not yet effective, up to the date of issuance of the Group's and of the Company's financial statements. The Group and the Company intend to adopt these standards, amendments to published standards and IC interpretations, if applicable, when they become effective in the following annual periods: (cont'd)

MFRS (Including the Consequential Amendments)		Effective Date
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRS 141	Agriculture – Taxation in Fair Value Measurements	1 January 2022
Amendments to MFRS 101	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current	1 January 2023
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 10	Consolidated Financial Statements – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
Amendments to MFRS 128	Investment in Associates and Join Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The initial application of the abovementioned new and amendments to published standards and IC interpretation, where applicable, are not expected to have any material financial impact to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiary companies

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

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(l)(i) to the financial statements on impairment of non-financial assets.

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

Merger method

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 difference between the consideration paid and the share capital of the subsidiaries is reflected within equity as merger reserve.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(a) Basis of consolidation (cont'd)****(i) Subsidiary companies (cont'd)**Acquisition method

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

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

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

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

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

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

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, non-controlling interests and other components if equity related to the former subsidiary company 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. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(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 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 foreign currency translation reserve 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.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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(l)(i).

(i) Recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Property, plant and equipment (cont'd)

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. 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 their intended use.

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

Leasehold land	Remaining lease period
Freehold buildings	50 years
Leasehold buildings	Remaining lease period up to maximum 50 years
Furniture and fittings	5 - 13 years
Motor vehicles	4 - 13 years
Office equipment	5 - 10 years
Plant and machinery	5 - 20 years
Renovation	10 - 13 years
Tools and equipment	5 - 20 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) Goodwill

Goodwill arises on the acquisition of subsidiaries and it represents the excess of the cost of the acquisition over the Group's interest in the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of non-controlling interest in the acquiree at the date of acquisition.

Gain and losses on the disposal of an entity included the carrying amount of goodwill relating to the entity sold.

Goodwill acquired in a business combination is allocated to cash-generating unit for the purpose of impairment testing and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. The carrying value of goodwill is compared to the recoverable amount, which is the higher of fair values less cost of disposal and value-in-use. Any impairment is recognised immediately as an expenses and is not subsequently reversed.

The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i).

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Leases

The Group and the Company has recognised and measured its leases in accordance MFRS 16 effective from 1 September 2019. The financial impact to the financial statements on initial application of this Standard is disclosed in Note 2(a)(i).

Recognition and measurement in financial year ended 31 August 2020

The Group and the Company recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The right-of-use assets are initially recorded at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date of the lease, less any lease incentives received;
- any initial direct costs incurred by the Group and by the Company; and
- an estimate of costs to be incurred by the Group and by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

Subsequent to the initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

Depreciation is computed on a straight-line basis over the estimated useful lives of the right-of-use assets or lease term whichever is earlier.

If the lease transfers ownership of the underlying asset to the Group and to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Group and the Company will exercise a purchase option, the Group and the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group and the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the Group's and the Company's incremental borrowing rate. Subsequent to the initial recognition, the Group and the Company measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications.

Lessor accounting under MFRS 16 is substantially unchanged under MFRS 117. Lessor will continue to classify all leases using the same classification principles as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Leases (cont'd)

Recognition and measurement in financial year ended 31 August 2019

• As lessee in finance and operating lease

(i) Finance lease

Finance leases are leases which transfer to the Group and the Company substantially all the risk and rewards incidental to ownership of the leased item. Upon initial recognition, lease assets are capitalised at the inception of the lease at their fair value or, if lower, the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. The liability is included in the statement of financial position as finance lease liabilities.

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

Lease assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

(ii) Operating lease

Operating leases are leases where the Group and 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.

Operating lease payments are recognised as an expense in profit or loss on the straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on the straight-line basis. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

• As lessor in operating lease

Leases where the Group and the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating 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.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Financial assets

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

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

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

Financial assets measure at amortised cost

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured subsequently at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the assets are derecognised, modified and impaired.

The Group's and the Company's financial assets at amortised cost include trade and other receivables (excluding prepayments and advances paid), deposits, amount due from subsidiary companies and cash and bank balances.

Financial assets measure at fair value

Financial assets that are debt instruments are measured at FVOCI if they are held within a business model whose objective is to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income, except impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVOCI are measured at FVTPL. The Group and the Company do not have any financial assets measured at FVOCI or FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Financial assets (cont'd)

Financial assets measure at fair value (cont'd)

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired principally for sales in the near term or are derivatives that are not meet the hedge accounting criteria (including separated embedded derivatives). The Group and the Company does not have any financial assets that are equity instruments.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's or the Company's right to receive payment is establish.

Derecognition

The Group and the Company derecognises a financial asset only when the contractual rights to the cash flows from the financial assets expired, or when it transfers the financial assets and substantially all the risk and rewards of ownerships of the financial assets to another entity. If the Group or the Company neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred financial assets the Group or the Company recognised its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group or the Company retains all the risk and rewards of ownerships of a transferred financial assets the Group or the Company continues to recognised the financial assets and also recognised a collateralised borrowings for the proceeds received.

On derecognition of a financial assets measured at amortised cost, the difference between the financial asset's carrying amount and the sum of the consideration received and receivables is recognised in profit or loss.

(g) 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 or the Company becomes a party to the contractual provisions of the financial instrument.

The Group and the Company classify their financial liabilities at initial recognition, into financial liabilities at fair value through profit or loss and other financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Financial liabilities (cont'd)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at financial liabilities at fair value through profit or loss.

Financial liabilities held for trading include derivatives (except for a derivative that is a financial guarantee contract) entered into by the Group and the Company that does not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resulted gain or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

Other financial liabilities

The Group's and the Company's other financial liabilities comprise trade and other payables, lease liabilities and bank 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.

Lease liabilities and bank 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 or the Company 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.

Derecognition

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.

(h) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group and the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137, 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

(j) 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.

(k) 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.

(l) Impairment of assets

(i) Non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(I) Impairment of assets** (cont'd)**(i) Non-financial assets** (cont'd)

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indication 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 the asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Impairment of assets (cont'd)

(ii) Financial assets

Financial assets other than trade receivables and contract assets

The Group and the Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVTOCI. The Group and the Company assess at each financial year end whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition.

In determining whether credit risk has increased significantly since initial recognition, the Group and the Company use historical experience on similar assets and other supportive information to assess deterioration in credit quality of a financial asset. The Group and the Company assess whether all the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group and the Company consider past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The amount of impairment loss is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group or the Company and all the cash flow that the Group or the Company expects to received. The carrying amount of the financial asset is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance account.

The Group and the Company measure the impairment loss on financial assets other than trade receivables and contract assets based on the two-step approach:

(1) 12-months ECL

For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group and the Company shall measure the allowance for impairment for that financial asset at an amount based on the probability of default occurring within the next 12 months considering the loss given default of that financial asset.

(2) Lifetime ECL

For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime ECL for that financial asset is recognised as allowance for impairment by the Group and the Company. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group and the Company shall revert the loss allowance measurement from lifetime ECL to 12-months ECL.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impairment of assets (cont'd)

(ii) Financial assets (cont'd)

Trade receivables and contract assets

The Group and the Company applies the simplified approach prescribed by MFRS 9 Financial Instruments, which require a lifetime ECL to be recognised from initial recognition of the trade receivables and contract assets.

(m) 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 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.

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Revenue and other income

The Group and the Company recognise revenue from contracts with customers based on five-step model as set out in MFRS 15:

- (i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- (ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- (iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- (iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group and the Company allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.
- (v) Recognise revenue when (or as) the Group and the Company satisfy a performance obligation.

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

- (i) Do not create an assets with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or
- (ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or
- (iii) Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group and the Company satisfy a performance obligation by delivering the promised goods or services, it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Revenue and other income (cont'd)

The Group's and the Company's revenue and other income is measured at fair value of consideration received or receivable.

(i) Sale of goods

Revenue from sales of goods is recognised at the point in time when control of the assets is transferred to the customers, generally upon the transfer of significant risk and rewards of ownership of the goods to the customer.

(ii) Rendering of services

Revenue from services rendered is recognised over time, as the benefits of rendering of services are simultaneously received and consumed by the customers.

(iii) Rental income of machinery and equipment

Rental income of machinery and equipment is accounted for on a straight-line basis over the lease terms.

(iv) 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.

(v) Dividend income

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

(vi) Interest income

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

(p) 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 necessarily take a substantial period of time to get ready for their intended use or sale. 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 or 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.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Borrowing costs (cont'd)

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.

(q) 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 they relate to a business combination or items recognised directly in equity or other comprehensive income.

(i) Current tax

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.

(ii) Deferred tax

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.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Sales and Service Tax ("SST")

Revenue, expenses and assets are recognised net of SST except:

- where the SST incurred in a purchase of asset or service the SST is recognised as part of cost of acquisition of asset or as part of the expense item as applicable; and
- receivables and payables that stated with SST inclusive.

The SST payable to the taxation authority is included as part of payables in the statements of financial position.

The rate for Sales Tax is fixed at 5% or 10%, while the rate for Service Tax is fixed at 6%.

(s) Contract assets and liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract liability is the obligation to transfer goods or services to customer for which the Group and the Company have received the consideration or have billed the customer.

(t) 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.

(u) 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 the free warrants issued to shareholders.

(v) Segment reporting

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

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Related parties

A party is related to an entity if:

- (i) directly, or indirectly through one or more intermediaries, the party:
 - control, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the entity that gives it significant influence over the entity; or
 - has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is a venturer;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, joint controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v);
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity; or
- (viii) the party, or any member of a group of which the party is a part of, provides key management personnel services to the Company.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(x) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic participant that would use the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purpose, the fair value measurements are analysed into level 1 to level 3 as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or in indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(y) Assets classified as held for sale

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sales rather than through continuing use, are classified as held for sales.

Immediately before classification as held for sales, the assets or components of a disposal group are measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group are measurement at the lower of their carrying amount and fair value less cost of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rate basis, except that no loss is allocated to inventories and financial assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sales and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sales are not depreciated. In addition, equity accounting of equity-accounted associates ceased once classified as held for sale.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the accounting policies of the Group and of the Company, the management is required to make judgements, estimates and assumptions about the carrying amounts of revenues, expenses, assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only for that period; or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Useful lives of property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(cont'd)*

(b) 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 selling 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.

(c) Impairment assessment of financial assets

The Group recognises impairment losses for financial assets using the expected credit loss model based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(d) 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 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.

(e) Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value-in-use ("VIU") of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a VIU amount requires management to make an estimate of the expected future cash flows from the CGU and also choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of carrying amount, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are disclosed in Note 7 to the financial statement.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land and buildings	Leasehold land and buildings	Furniture and fittings	Motor vehicles	Office equipment	Plant and machinery	Renovation	Tools and equipment	Mould and blocks	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group										
2019										
Cost										
At 1 September 2018	3,799,176	36,357,583	801,113	7,063,952	1,482,731	33,757,539	1,231,637	5,461,967	861,953	90,817,651
Additions	-	1,155,359	9,861	5,350	318,584	336,043	780,447	235,032	-	2,840,676
Disposals	(1,765,111)	-	(3,807)	(248,466)	(8,180)	-	-	-	-	(2,025,564)
Written off	-	-	(8,587)	(400)	(21,654)	-	(12,069)	-	(153,743)	(196,453)
Exchange differences	-	-	32	564	193	-	-	-	-	789
At 31 August 2019	2,034,065	37,512,942	798,612	6,821,000	1,771,674	34,093,582	2,000,015	5,696,999	708,210	91,437,099
Accumulated depreciation										
At 1 September 2018	406,642	1,453,529	359,617	4,239,317	773,864	15,209,372	409,788	2,123,651	740,811	25,716,591
Charge for the financial year	19,575	1,075,593	48,328	655,057	152,292	2,278,942	118,280	335,426	72,726	4,756,219
Disposals	(299,549)	-	(1,047)	(167,750)	(7,877)	-	-	-	-	(476,223)
Written off	-	-	(7,778)	(399)	(12,588)	-	(10,308)	-	(153,660)	(184,733)
Exchange differences	-	-	7	236	82	-	-	-	-	325
At 31 August 2019	126,668	2,529,122	399,127	4,726,461	905,773	17,488,314	517,760	2,459,077	659,877	29,812,179
Carrying amount										
At 31 August 2019	1,907,397	34,983,820	399,485	2,094,539	865,901	16,605,268	1,482,255	3,237,922	48,333	61,624,920

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Right-of-use assets

The carrying amount of right-of-use assets included in property, plant and equipment are as follows:

	Leasehold land and buildings RM	Motor vehicles RM	Plant and machinery RM	Total RM
Group				
2020				
Cost				
At 1 September 2019	-	-	-	-
Effect of adoption of MFRS 16	37,512,942	2,091,097	168,120	39,772,159
Additions	247,865	420,174	1,257,700	1,925,739
Disposals	-	(433,572)	-	(433,572)
Reclassified to assets classified as held for sale	(438,631)	-	-	(438,631)
At 31 August 2020	37,322,176	2,077,699	1,425,820	40,825,695
Accumulated depreciation				
At 1 September 2019	-	-	-	-
Effect of adoption of MFRS 16	2,529,122	874,169	75,654	3,478,945
Charge for the financial year	1,243,796	415,579	69,733	1,729,108
Disposals	-	(195,107)	-	(195,107)
Reclassified to assets classified as held for sale	(122,042)	-	-	(122,042)
At 31 August 2020	3,650,876	1,094,641	145,387	4,890,904
Carrying amount				
At 31 August 2020	33,671,300	983,058	1,280,433	35,934,791

The Group has motor vehicles and plant and machinery with lease term of 3 to 9 years.

Included in leasehold land and buildings are operating lease agreements entered into by the Group for the use of staff hostel with carrying amount of RM4,071 (2019: Nil). The leases are mainly for an initial lease of one (1) year with option to renew for another one (1) year.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(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 18 to the financial statements are:

	Group	
	2020	2019
	RM	RM
Freehold land and buildings	1,539,086	1,551,789
Leasehold land and buildings	33,388,493	34,697,042
	34,927,579	36,248,831

(c) Addition of property, plant and equipment of the Group and of the Company during the year was acquired by the following means:

	Group	
	2020	2019
	RM	RM
Addition of property, plant and equipment	4,768,394	2,840,676
Less: Acquired with lease	(1,477,929)	-
Acquired by cash payments	3,290,465	2,840,676

(d) Included in leasehold land and buildings is an amount of RM33,667,229 (2019: RM34,983,820) with remaining lease period ranging from 18 to 78 years (2019: 19 to 905 years)

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2020	2019
	RM	RM
In and outside of Malaysia		
Unquoted shares, at cost	99,721,536	99,721,536
Less: Accumulated impairment losses	(17,078,409)	(208,125)
	82,643,127	99,513,411

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

The movement in the allowance for impairment losses is as follows:

	Company	
	2020 RM	2019 RM
At 1 September	208,125	208,125
Addition	16,870,284	-
At 31 August	17,078,409	208,125

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Effective interest		Principal activities
		2020	2019	
		%	%	
Direct interest:				
SCH Corporation Sdn. Bhd. (“SCH Corporation”)	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
Sin Chee Heng (Cambodia) Co., Ltd**	Cambodia	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

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

Name of company	Country of incorporation	Effective interest		Principal activities
		2020	2019	
		%	%	
Direct interest: (cont'd)				
TK Rentals Sdn. Bhd.	Malaysia	100	100	Business of renting and trading of mobile air conditioner, tent and event related equipment and tools, forklift and industrial battery
PK Fertilizers (Sarawak) Sdn. Bhd.	Malaysia	83.33	83.33	Business of manufacturing, merchandising, trading, distribution and wholesale warehouseman of fertilisers
Indirect interest:				
Held through SCH Corporation				
Sin Chee Heng Sdn. Bhd. ("Sin Chee Heng")	Malaysia	100	100	Supplying and distributing all kinds of quarry industrial products and quarry machinery
Sin Chee Heng (Butterworth) Sdn. Bhd.	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Kuantan) Sdn. Bhd.	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Johore) Sdn. Bhd. ^	Malaysia	50	50	Distributing all kinds of quarry products to the quarry industry

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

Name of company	Country of incorporation	Effective interest		Principal activities
		2020	2019	
		%	%	
Indirect interest:				
Held through Sin Chee Heng				
Sin Chee Heng (Sabah) Sdn. Bhd.	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Sarawak) Sdn. Bhd.	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Johore) Sdn. Bhd. ^	Malaysia	50	50	Distributing all kinds of quarry products to the quarry industry

* Subsidiary companies not audited by ECOVIS MALAYSIA PLT.

^ The auditors' report of this subsidiary contains a material uncertainty related to going concern relating the appropriateness of the going concern basis used in the preparation of its financial statements. The holding Company has confirmed to provide continued financial support to these subsidiaries to continue its business without any significant curtailment of its operations.

This subsidiary is consolidated based on its unaudited management account as at 31 August 2020. The subsidiary is an insignificant component of the Group and it is in the midst of strike off.

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

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

(a) Impairment loss

During the year, the Company had conducted a review of the recoverable amount of its investment in certain subsidiary companies at the reporting date.

Additional impairment charge amounted RM16,870,284 (2019: Nil) was recognised as the carrying amount was in excess of its recoverable amount. The recoverable amounts are determined adjusted net assets or value in use of the respective subsidiary companies as at the end of the reporting period less cost of investment.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

(b) Material non-controlling interest in a subsidiary

	2020 RM	2019 RM
NCI percentage of ownership interest and voting interest	16.67%	16.67%
Carrying amount of NCI	3,745,742	3,642,175
Profit/(loss) allocated to NCI	103,567	(238,247)

Summarised financial information before intra-group elimination

	2020 RM	2019 RM
As at 31 August		
Non-current assets	19,531,012	24,832,949
Current assets	46,222,408	36,936,916
Non-current liabilities	(15,907,976)	(17,439,898)
Current liabilities	(29,928,941)	(22,444,084)
Net assets	19,916,503	21,885,883
Year ended 31 August		
Revenue	81,633,023	73,523,943
Income/(loss) for the year	924,377	(1,429,483)

7. GOODWILL ON CONSOLIDATION

	Group	
	2020 RM	2019 RM
At 1 September	28,756,903	28,756,903
Less: Accumulated impairment loss	(9,542,427)	-
At 31 August	19,214,476	28,756,903

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020
cont'd

7. GOODWILL ON CONSOLIDATION (cont'd)

Movement in the impairment losses of goodwill is as follows:

	Group	
	2020	2019
	RM	RM
At 1 September	-	-
Addition	9,542,427	-
At 31 August	9,542,427	-

Impairment test for goodwill

The Group undertakes an annual test for impairment of its cash-generating units ("CGU").

Impairment loss amounted RM9,542,427 (2019: Nil) was recognised as at 31 August 2020 as the carrying amount was in excess of the recoverable amount of the CGU.

The recoverable amount of the CGU are determined based on the value-in-use ("VIU") calculations. Cash flows are derived from financial budgets approved by the Directors covering over ten-year period that reflects the majority of the assets' useful life. The projection reflects management's expectation of revenue growth for the CGU based on the expectations of market growth.

Key assumptions used in VIU calculations are as follows:

	2020	2019
Revenue growth rate	Range from 0% to 48% for the first four year-period and -10% for the next six-year period	Range from 0% to 16% for the first five-year period and -10% for the next five-year period
Pre-tax discount rate	18.60%	11.27%

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, the Directors concluded that no reasonable possible changes in the assumptions would cause the carrying amount of the CGU to exceed their recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

8. TRADE RECEIVABLES

	Group	
	2020	2019
	RM	RM
Non-current:		
Trade receivables	11,250	433,150
Current:		
Trade receivables	51,917,776	41,482,118
Less: Impairment loss	(3,333,865)	(1,406,227)
	48,583,911	40,075,891
Total trade receivables	51,929,026	41,915,268
Less: Impairment loss	(3,333,865)	(1,406,227)
	48,595,161	40,509,041

Trade receivables are non-interest bearing and are generally on credit term of 30 to 120 days (2019: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables is an amount of RM2,426,572 (2019: RM169,471) due from related parties.

Movement in the allowance for impairment losses of trade receivables is as follows:

	Group	
	2020	2019
	RM	RM
At 1 September	1,406,227	2,211,880
Effect of adoption of MFRS 9		
- lifetime ECL allowances	-	239,178
- specific allowances	-	(1,355,557)
As restated at 1 September	1,406,227	1,095,501
Net impairment loss during the financial year		
- lifetime ECL allowances	211,119	(1,121)
- specific allowances	1,716,519	311,847
At 31 August	3,333,865	1,406,227

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

8. TRADE RECEIVABLES (cont'd)

	Group	
	2020	2019
	RM	RM
At 31 August		
Accumulated impairment losses		
- lifetime ECL allowances	449,176	238,057
- specific allowances	2,884,689	1,168,170
	3,333,865	1,406,227

(a) Trade receivables on deferred payment terms

The Group has arrange for past due receivables amounting RM1,123,899, (2019: RM1,604,115) at reporting data to settle their balances under monthly instalment agreement with no interest charged and tenure ranging between 24 and 36 months (2019: 24 and 36 months).

Analysis of trade receivables on deferred payment terms are as follows:

	Group	
	2020	2019
	RM	RM
Nominal value		
At 1 September	1,716,798	2,202,178
Addition	-	270,000
Repayment	(576,016)	(755,380)
At 31 August	1,140,782	1,716,798
Discount		
At 1 September	112,683	268,692
Add: Accretion of discount	-	26,099
Less: Unwinding of discount	(95,800)	(182,108)
At 31 August	16,883	112,683
Net carrying amount	1,123,899	1,604,115

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

8. TRADE RECEIVABLES (cont'd)

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

	Gross amount RM	Impairment loss RM	Carrying amount RM
2020			
Not past due	21,198,775	(203,970)	20,994,805
<i>Past due</i>			
Less than 30 days	8,266,728	(55,852)	8,210,876
31 to 60 days	4,222,050	(8,602)	4,213,448
61 to 90 days	7,603,783	(91,947)	7,511,836
91 to 120 days	2,152,207	(4,095)	2,148,112
More than 120 days	8,485,483	(2,969,399)	5,516,084
	30,730,251	(3,129,895)	27,600,356
	51,929,026	(3,333,865)	48,595,161
	Gross amount RM	Impairment loss RM	Carrying amount RM
2019			
Not past due	18,797,952	(20,745)	18,777,207
<i>Past due</i>			
Less than 30 days	3,581,415	(35,451)	3,545,964
31 to 60 days	2,664,045	(8,480)	2,655,565
61 to 90 days	4,357,136	(6,023)	4,351,113
91 to 120 days	3,168,751	(5,421)	3,163,330
More than 120 days	9,345,969	(1,330,107)	8,015,862
	23,117,316	(1,385,482)	21,731,834
	41,915,268	(1,406,227)	40,509,041

Trade receivables that are neither past due nor impaired

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

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables which are past due but not impaired as they are substantially entities with good collection track record and no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020
cont'd

9. OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Non-current:				
Other receivable	275,000	-	-	-
Current:				
Other receivables	11,076,917	497,726	10,219,739	-
Deposits	378,566	368,182	1,000	1,000
Prepayments	693,425	2,364,908	15,098	21,007
	12,148,908	3,230,816	10,235,837	22,007
Total other receivable	12,423,908	3,230,816	10,235,837	22,007

10. INVENTORIES

	Group	
	2020	2019
	RM	RM
At cost/net realisable value		
Raw materials	3,535,731	10,511,934
Work in progress	2,508	-
Finished goods	13,493,589	15,599,341
Goods in transit	2,640,185	-
	19,672,013	26,111,275
Recognised in profit or loss:		
Inventories written down	2,550,459	60,754
Inventories written off	67,552	120,577
Cost of inventories included in cost of sales	91,748,619	84,031,188

11. AMOUNT DUE FROM SUBSIDIARY COMPANIES

Amount due from subsidiary companies are non-interest bearing, unsecured and payable on demand.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

12. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS

Fixed deposits of the Group amounting to RM Nil (2019: RM3,486,748) has been pledged with financial institutions as securities for credit facilities granted to subsidiaries as disclosed in Note 18 to the financial statements.

Fixed deposit of the Group amounting to RM20,000 (2019: RM20,000) has been pledged to guarantee facility granted by financial institution for Tenaga Nasional Berhad.

The interest rates and maturities of the fixed deposits range from 1.70% to 3.40% (2019: 2.80% to 3.90%) per annum and 7 to 365 days (2019: 8 to 365 days), respectively.

13. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2020	2019
	RM	RM
As at 1 September	-	2,454,622
Reclassified from property, plant and equipment (Note 5)	669,073	-
Disposal during the year	-	(2,454,622)
As at 31 August	669,073	-

- (a) On 18 September 2020, a subsidiary company, Sin Chee Heng (Butterworth) Sdn. Bhd. entered into a sales and purchase agreement with third party to dispose a freehold land and building for a total consideration of RM770,000.
- (b) On 6 November 2020, a subsidiary company, Sin Chee Heng (Sabah) Sdn. Bhd. entered into a sales and purchase agreement with third party to dispose a leasehold land and building for a total consideration of RM1,540,000.

14. SHARE CAPITAL

	Group and Company			
	Number of Ordinary Shares		Amount	
	2020	2019	2020	2019
	Units	Units	RM	RM
Issued and fully paid				
At beginning/end of the financial year	555,511,720	555,511,720	75,917,971	75,917,971

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 restrictions and rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

14. SHARE CAPITAL (cont'd)

Warrants 2016/2021

On 8 December 2016, the Company completed a bonus issue of 206,117,010 free detachable warrants ("Warrants") on the basis of one warrant for every two ordinary shares held by the entitled shareholders on 29 November 2016.

The Warrants are constituted by the Deed Poll dated 14 November 2016 ("Deed Poll").

Salient features of the Warrants are as follow:

- (i) Each Warrant entitles the Warrant holder to subscribe for one new ordinary shares in the Company at the exercise price of RM0.10 during the 5-year period expiring on 4 December 2021 ("exercise period"), subject to the adjustments in accordance with Deed Poll constituting the Warrants;
- (ii) At the expiry of the exercise period, any Warrants which have not been exercised shall automatically lapse and cease to be valid for any purpose;
- (iii) The Warrant holders are not entitled to any voting rights or participation in any distribution and/or offer of securities in the Company, until and unless the warrant holders are issued with new ordinary shares of the Company arising from their exercise of the Warrants; and
- (iv) The new ordinary shares to be issued upon exercise of the Warrants shall, upon issue and allotment, rank pari passu in all respects with existing ordinary shares of the Company except that they will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid by the Company prior to the date of allotment of the new ordinary shares to be issued arising from the exercise of the Warrants.

	Group and Company	
	2020	2019
	Number	Number
Balance unexercised as at 1 September/31 August	205,839,310	205,839,310

At the end of the financial year, 205,839,310 (2019: 205,839,310) Warrants remained unexercised.

15. MERGER DEFICIT

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.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

16. FOREIGN CURRENCY TRANSLATION RESERVE

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.

17. LEASE LIABILITIES

	Group	
	2020	2019
	RM	RM
Current liabilities	472,124	423,970
Non-current liabilities	1,537,088	732,147
	2,009,212	1,156,117

The changes in lease obligation are presented in accordance with MFRS 16 as follows:-

	RM
As at 1 September	1,156,117
Addition	1,477,929
Lease payment	(691,499)
Lease interest	66,665
As at 31 August	2,009,212

The maturity analysis of lease liabilities as follows:-

	Group	
	2020	2019
	RM	RM
Minimum lease payments		
Within one year	538,706	479,686
Later than one year and not later than two years	465,207	460,349
Later than two years and not later than five years	928,006	306,551
Later than five year	374,970	-
	2,306,889	1,246,586
Less: Future finance charges	(297,677)	(90,469)
Present value of minimum lease payments	2,009,212	1,156,117

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020
cont'd

17. LEASE LIABILITIES (cont'd)

	Group	
	2020	2019
	RM	RM
Present value of minimum lease payments		
Within one year	472,124	423,970
Later than one year and not later than two years	364,822	403,964
Later than two years and not later than five years	815,673	328,183
Later than five year	356,593	-
	2,009,212	1,156,117
Analysed as:		
Repayable within twelve months	472,124	423,970
Repayable after twelve months	1,537,088	732,147
	2,009,212	1,156,117

Lease interest of the Group ranges from 3.96% to 8.74% (2019: 4.46% to 8.74%) per annum.

18. BANK BORROWINGS

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Secured				
Bankers' acceptances	1,966,093	1,735,000	-	-
Invoice financing	1,653,999	-	-	-
Term loans	52,807,313	56,156,957	35,588,988	38,121,187
	56,427,405	57,891,957	35,588,988	38,121,187
Analysed as:				
Current				
Bankers' acceptances	1,966,093	1,735,000	-	-
Invoice financing	1,653,999	-	-	-
Term loans	36,856,815	6,987,661	35,588,988	5,701,187
	40,476,907	8,722,661	35,588,988	5,701,187
Non-current				
Term loans	15,950,498	49,169,296	-	32,420,000
	56,427,405	57,891,957	35,588,988	38,121,187

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

18. BANK BORROWINGS (cont'd)

The bank borrowings are secured by the following:

- (a) Legal charge over certain freehold and leasehold land and buildings of the Group as disclosed in Note 5 to the financial statements;
- (b) Pledge of fixed deposits of a subsidiary company as disclosed in Note 12 to the financial statements;
- (c) Corporate guarantee by the Company and a subsidiary company, Sin Chee Heng Sdn. Bhd.; and
- (d) Pledge of ordinary shares of two subsidiaries, TK Rentals Sdn. Bhd. and PK Fertilizers (Sarawak) Sdn. Bhd. by way of first party Open All Monies Memorandum of Deposits.

Significant covenants

The term loans of the Company are subject to the following financial covenants:-

- (a) Gearing ratio shall not exceed 2.0 times; and
- (b) Debt service cover ratio shall not less than 1.5 times.

As at 31 August 2020, the Company unable to meet the financial covenant of maintaining the debt service cover ratio not less than 1.5 times due to the loss incurred. Consequently, the entire term loan, includes the amount payable more than twelve (12) months has been reclassified and deemed as "current liabilities" in accordance to paragraph 74 of MFRS 101 Presentation of Financial Statements.

On 25 November 2020, the Company has obtained the approval from the bank, granted the indulgence (waiver) for not meeting the debt service cover ratio. Therefore, the "current liabilities" payable more than twelve (12) months will be reclassified back to non-current liabilities after the indulgence granted.

Maturity of bank borrowings is as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Within one year	40,476,907	8,722,661	35,588,988	5,701,187
Between one and two years	1,276,906	6,742,278	-	5,520,000
Between two and five years	3,888,340	22,452,637	-	18,720,000
After five years	10,785,252	19,974,381	-	8,180,000
	15,950,498	49,169,296	-	32,420,000

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

18. BANK BORROWINGS (cont'd)

The range of effective interest rates per annum on bank borrowings of the Group and of the Company as at reporting date are as follows:

	Group		Company	
	2020	2019	2020	2019
	%	%	%	%
Bankers' acceptances	2.13 - 7.49	3.41 - 3.52	-	-
Bank overdrafts	-	5.60 - 7.99	-	-
Foreign currency trade loan	-	3.34 - 5.15	-	-
Invoice financing	6.45 - 6.70	-	-	-
Term loans	3.19 - 4.70	4.55 - 6.95	4.50	5.62

19. DEFERRED TAX LIABILITIES

	Group	
	2020	2019
	RM	RM
At 1 September	7,088,342	7,427,657
Recognised in profit or loss (Note 26)	(32,857)	(339,315)
At 31 August	7,055,485	7,088,342

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

	Group	
	2020	2019
	RM	RM
Deferred tax liabilities	7,385,094	7,573,944
Deferred tax assets	(329,609)	(485,602)
	7,055,485	7,088,342

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

19. DEFERRED TAX LIABILITIES (cont'd)

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

	Property, plant and equipment RM	Unabsorbed capital allowance and unutilised tax losses RM	Total RM
Group			
2020			
At 1 September	7,640,603	(552,261)	7,088,342
Recognised in profit or loss (Note 26)	(255,509)	222,652	(32,857)
At 31 August	7,385,094	(329,609)	7,055,485
2019			
At 1 September	7,962,713	(535,056)	7,427,657
Recognised in profit or loss (Note 26)	(388,769)	49,454	(339,315)
At 31 August	7,573,944	(485,602)	7,088,342

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

	Group	
	2020 RM	2019 RM
Unabsorbed capital allowances	398,070	562,027
Unused tax losses	3,733,185	3,923,031
	4,131,255	4,485,058

Deferred tax assets have not been recognised in respect of those items as those companies in the Group may not have sufficient future taxable profits from which the above can be utilised or they have arisen in subsidiary companies that have a recent history of losses.

20. TRADE PAYABLES

Credit terms of trade payables of the Group range from 30 to 180 (2019: 30 to 180) days, depending on the term of the contracts.

Included in trade payables is an amount of RM10,984,352 (2019: RM4,031,099) due to related parties.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

21. OTHER PAYABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other payables	855,537	1,456,364	4,499	8,080
Accruals	2,359,931	491,216	48,300	43,000
Deposits	11,854	31,274	-	-
	3,227,322	1,978,854	52,799	51,080

Included in other payables is an amount of RM16,260 (2019: Nil) due to related party.

22. REVENUE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Dividend income	-	-	5,960,000	4,000,000
Sales of goods	113,927,111	103,598,579	-	-
Rendering of services	444,570	606,780	-	-
Rental income of machinery and equipment	6,914,339	12,688,591	-	-
	121,286,020	116,893,950	5,960,000	4,000,000
Timing of revenue recognition				
- at a point in time	113,927,111	103,598,579	5,960,000	4,000,000
- over time	7,358,909	13,295,371	-	-
	121,286,020	116,893,950	5,960,000	4,000,000

(a) Contract assets and contract liabilities

Contract asset primarily related to the Group's right to consideration for work completed but not yet billed at the reporting date for consultancy services provided for rental income of machinery and equipment project. Contract assets are transferred to receivables when the rights become unconditional at the point of invoicing to customers.

Contract liabilities primarily related to the Group's advance billing for those rental of machinery and equipment's lease term are after the reporting date. Contract liabilities are recognised as revenue when those lease term had end.

The Group has a right to consideration from a customer in an amount that corresponds directly with the value of goods transferred, and the Directors expect the remaining performance obligation to be fulfilled within one year or less. Consequently, no disclosure is necessary when applying practical expedient in MFRS 15.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

23. FINANCE COSTS

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Interest expenses on:				
Bank overdrafts	-	53,570	-	-
Bankers' acceptances	373,832	352,441	-	-
Bank guarantees	360	-	-	-
Trust receipts and letter of credit	31,675	110,468	-	-
Lease liabilities	66,665	79,467	-	-
Invoice financing	6,467	14,123	-	-
Term loans	2,899,443	3,434,832	1,887,110	2,361,174
	3,378,442	4,044,901	1,887,110	2,361,174

24. (LOSS)/PROFIT BEFORE TAX

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Auditors' remuneration				
- Statutory				
- Current year	181,000	219,765	39,000	35,000
- Under/(over) provision in prior years	69,200	(500)	15,700	-
- Non-statutory audit fee	-	2,000	-	2,000
Accretion of discount on trade receivables	-	26,099	-	-
Bad debts written off	256,629	133,702	-	-
Diminution of value of investment	-	-	16,870,284	-
Depreciation of property, plant and equipment	4,961,269	4,756,219	-	-
Deposit written off	3,300	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

24. (LOSS)/PROFIT BEFORE TAX (cont'd)

(Loss)/profit before tax is determined after charging/(crediting) amongst other, the following items: (cont'd)

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Foreign exchange loss/(gain)				
- realised	(103,665)	141,890	-	-
- unrealised	110,896	(144,585)	-	-
Inventories written down	2,550,459	60,754	-	-
Inventories written off	67,552	120,577	-	-
Impairment loss of goodwill	9,542,427	-	-	-
Net impairment loss on trade receivables:				
- lifetime ECL allowance	211,119	(1,121)	-	-
- specific allowance	1,716,519	311,847	-	-
Property, plant and equipment written off	464,227	11,720	-	-
Rental of equipments	547,813*	328,135	-	-
Rental of factory	-	12,000	-	-
Rental of lorry	195,120*	195,120	-	-
Rental of premises	687,200*	728,948	-	-
Staff cost (excluding Directors' remuneration)				
- salaries, wages and allowance	9,332,721	9,457,919	-	-
- contribution to defined contribution plan	845,209	896,356	-	-
- Social security contribution	102,710	-	-	-
- other employee benefits	302,218	741,011	-	-
Bad debts recovered	-	(142,586)	-	-
Finance income:				
- unwinding of discount on trade receivables	(95,800)	(182,108)	-	-
- interest income	(396,501)	(313,918)	(153,720)	(19,224)
Gain on profit guarantee	(10,216,739)	-	(10,216,739)	-
Gain on disposal of property, plant and equipment	(45,652)	(7,716,040)	-	-
Insurance compensation	(763,774)	-	-	-
Rental income	(27,350)	(5,900)	-	-

* The amount represent short-term leases and low value underlying assets under MFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

25. DIRECTORS' REMUNERATION

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors of the Group and of the Company				
Executive:				
- Salary and other emoluments	1,121,567	713,568	5,000	3,000
- Contribution to defined plan	46,026	66,960	-	-
	1,167,593	780,528	5,000	3,000
Non-executive:				
- Fees	144,500	158,250	144,500	158,250
- Salary and other emoluments	12,000	12,000	12,000	12,000
	1,324,093	950,778	161,500	173,250

The number of Directors of the Group and of the Company whose total remuneration fall within the following bands for the financial year ended 31 August 2020 is as follows:

	Group		Company	
	No. of Directors		No. of Directors	
	Executive	Non-executive	Executive	Non-executive
Range of remuneration:-				
Below RM50,000	-	6	2	6
RM50,001-RM100,000	-	-	-	-
RM100,001-RM150,000	-	-	-	-
RM150,001-RM200,000	-	-	-	-
RM200,001-RM250,000	-	-	-	-
RM250,001-RM300,000	-	-	-	-
RM300,001-RM350,000	-	-	-	-
RM350,001-RM400,000	-	-	-	-
RM400,001-RM450,000	-	-	-	-
RM450,001-RM500,000	2	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

26. TAXATION

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Tax expense recognised in profit or loss				
Current tax:				
Malaysian income tax	275,757	1,497,501	35,478	3,697
Underprovision in prior years	28,576	145,691	651	1,878
Real property gain tax	-	394,586	-	-
	304,333	2,037,778	36,129	5,575
Deferred tax (Note 19):				
Current year	231,530	(236,967)	-	-
Overprovision in prior years	(264,387)	(102,348)	-	-
	(32,857)	(339,315)	-	-
	271,476	1,698,463	36,129	5,575

Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated assessable (loss)/profit 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 (loss)/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	
	2020	2019	2020	2019
	RM	RM	RM	RM
(Loss)/profit before tax	(7,619,993)	7,219,180	(2,877,683)	1,156,337
Taxation at statutory tax rate of 24% (2019: 24%)	(1,828,798)	1,732,603	(690,644)	277,521
Effects of tax rates in other countries	-	1,147	-	-
Expenses not deductible for tax purposes	5,822,360	1,352,196	4,091,042	686,176
Income not subject to tax	(3,603,106)	(1,906,884)	(3,364,920)	(960,000)

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

26. TAXATION (cont'd)

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Deferred tax assets not recognised	274,085	495,259	-	-
Utilisation of current year capital allowances	-	(19,201)	-	-
Utilisation of previously unrecognised tax benefits	(157,254)	-	-	-
Overprovision of deferred tax in prior years	(264,387)	(102,348)	-	-
Underprovision of income tax in prior years	28,576	145,691	651	1,878
Tax expense for the financial year	271,476	1,698,463	36,129	5,575

The Group has estimated unused tax losses and unabsorbed capital allowances of RM3,771,114 and RM1,733,510 (2019: RM3,923,031 and RM2,585,368) respectively available for set-off against future taxable profit.

The availability of unused tax losses for offsetting against future taxable profits of the Company is subject to the requirements under the Income Tax Act 1967 and guidelines issued by the Inland Revenue Board.

With effect from the year of assessment ("YA") 2019, unabsorbed losses in a YA can only be carried forward for a maximum period of 7 consecutive YAs. Unabsorbed losses for YA 2019 can be set off against income from any business source for 7 YAs and will be disregarded in YA 2027. Unabsorbed losses accumulated up to YA 2018 can be utilised for another 7 YAs and will be disregarded in YA2026."

27. EARNINGS PER SHARE ("EPS")

(a) Basic EPS

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

	Group	
	2020	2019
(Loss)/profit attributable to owners of the Company (RM)	(7,995,036)	5,758,964
Weighted average number of ordinary shares at 31 August (unit)	555,511,720	555,511,720
Basic EPS (sen)	(1.44)	1.04

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

27. EARNINGS PER SHARE ("EPS") (cont'd)

(b) Diluted EPS

For the purpose of calculating diluted earnings per share, the (loss)/profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares.

	Group	
	2020	2019
(Loss)/profit attributable to owners of the Company (RM)	(7,995,036)	5,758,964
Weighted average number of ordinary shares in issue (unit)	555,511,720	555,511,720
Effects for dilution on conversion of warrants (unit)	-*	42,258,401
Adjusted weighted average number of ordinary shares for diluted EPS (unit)	-*	597,770,121
Diluted (loss)/earnings per ordinary share (sen)	(1.44)	0.96

* The effect of potential ordinary shares ongoing from the exercise of warrants was anti-dilutive and accordingly was excluded from the diluted earnings per share computation above.

28. COMMITMENTS AND NON-CANCELLABLE OPERATING LEASE AGREEMENTS

(a) Operating lease arrangements

The Group as lessee

The future minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities are analysed as follows:

	Group	
	2020	2019
	RM	RM
Leased rental of premises:		
Within one year	-	56,400

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

28. COMMITMENTS AND NON-CANCELLABLE OPERATING LEASE AGREEMENTS (cont'd)

(b) Bank guarantee

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Corporate guarantees given to licensed banks to secure credit facilities granted to the subsidiary companies	-	-	19,259,364	19,770,770
Bank guarantee given to a utilities Company	20,000	20,000	-	-
Bank guarantee given for supply and delivery of fertilisers	497,039	1,078,231	-	-

29. RELATED PARTY DISCLOSURES

(a) Identifying related parties

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

29. RELATED PARTY DISCLOSURES (cont'd)

(b) Compensation of key management personnel

Remuneration of key management personnel (inclusive of the Directors' remuneration as disclosed in Note 25 to the financial statements) are as follows:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Key management compensations:				
- Salaries, wages and bonus	2,118,546	1,940,818	149,500	158,250
- Defined contribution plan	163,571	158,974	-	-
- Other emoluments *	118,098	59,358	12,000	15,000
	2,400,215	2,159,150	161,500	173,250

* Other emoluments included socso, allowances, meeting allowance and etc.

(c) Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal terms and conditions negotiated among the related parties. In addition to the related party balances disclosed in Notes 11 to the financial statements, the significant related party transactions of the Company are as follows:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Subsidiary company				
Advances to	-	-	1,900,000	-
Dividend income	-	-	5,960,000	4,000,000
Related parties				
Revenue	(6,792,966)	(6,955,531)	-	-
Purchases	26,817,668	35,402,504	-	-
Commission received	143,850	-	-	-
Rental of lorry	195,120	195,120	-	-
Rental of premises	676,800	676,800	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

30. 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 to the financial statements 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 at reporting date by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Total
	RM	RM	RM
Group			
2020			
Financial assets			
Trade receivables	48,595,161	-	48,595,161
Other receivables	11,730,483	-	11,730,483
Fixed deposits with financial institutions	9,443,709	-	9,443,709
Cash and bank balances	7,471,059	-	7,471,059
	77,240,412	-	77,240,412
Financial liabilities			
Trade payables	-	27,168,498	27,168,498
Other payables	-	3,227,322	3,227,322
Lease liabilities	-	2,009,212	2,009,212
Bank borrowings	-	56,427,405	56,427,405
	-	88,832,437	88,832,437

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

30. FINANCIAL INSTRUMENTS (cont'd)

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

	Financial assets measured at amortised cost RM	Financial liabilities measured at amortised cost RM	Total RM
Group			
2019			
Financial assets			
Trade receivables	40,509,041	-	40,509,041
Other receivables	442,266	-	442,266
Contract assets	1,218,000	-	1,218,000
Fixed deposits with financial institutions	5,438,802	-	5,438,802
Cash and bank balances	10,927,063	-	10,927,063
	58,535,172	-	58,535,172
Financial liabilities			
Trade payables	-	20,032,757	20,032,757
Other payables	-	1,582,557	1,582,557
Lease liabilities	-	1,156,117	1,156,117
Bank borrowings	-	57,891,957	57,891,957
	-	80,663,388	80,663,388
	Financial assets measured at amortised cost RM	Financial liabilities measured at amortised cost RM	Total RM
Company			
2020			
Financial assets			
Other receivables	10,220,739	-	10,220,739
Amount due from subsidiary companies	8,897,691	-	8,897,691
Fixed deposits with financial institutions	5,288,883	-	5,288,883
Cash and bank balances	131,800	-	131,800
	24,539,113	-	24,539,113

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

30. FINANCIAL INSTRUMENTS (cont'd)

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

	Financial assets measured at amortised cost RM	Financial liabilities measured at amortised cost RM	Total RM
Company			
2020			
Financial liabilities			
Other payables	-	52,799	52,799
Bank borrowings	-	35,588,988	35,588,988
	-	35,641,787	35,641,787
	Financial assets measured at amortised cost RM	Financial liabilities measured at amortised cost RM	Total RM
Company			
2019			
Financial assets			
Other receivables	1,000	-	1,000
Amount due from subsidiary companies	12,040,000	-	12,040,000
Cash and bank balances	1,046,176	-	1,046,176
	13,087,176	-	13,087,176
Financial liabilities			
Other payables	-	51,080	51,080
Bank borrowings	-	38,121,187	38,121,187
	-	38,172,267	38,172,267

(b) Financial risk management objectives and policies

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

30. FINANCIAL INSTRUMENTS (cont'd)

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

(i) Credit risk

Credit risk is the risk of a financial loss to the Group or the Company 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 trade and other receivables, contract assets, deposits placed with licensed banks for facilities granted to the Group and the Company. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to financial institutions for credit facilities granted to 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. For financial guarantees to bank for banking facilities granted to certain subsidiary companies, the maximum exposure to credit risk amounts to RM19,259,364 (2019: RM19,770,770) representing the outstanding banking facilities of the subsidiaries at the reporting date. At the end of the reporting period, there was no indication that any subsidiary company would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(a) Trade receivables and contract assets

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms be subject to credit verification procedures.

Credit risk concentration profile

The Group has no significant concentration of credit risk. The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the statement of financial position.

Exposure to credit risk, credit quality and collateral

Trade receivable balances are monitored on an ongoing basis.

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of trade receivables and contract assets as at the end of the reporting period.

Ageing analysis of trade receivables and impairment losses

Information regarding ageing analysis of trade receivables and impairment losses is disclosed in Note 8 to the financial statements.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

30. FINANCIAL INSTRUMENTS (cont'd)

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

(i) Credit risk (cont'd)

(a) Trade receivables and contract assets (cont'd)

Financial assets that past due but not impaired

Information regarding trade receivables that are past due but not impaired is disclosed in Note 8 to the financial statements.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group categorises trade receivables and contract assets as impaired when a debtor fails to make contractual payments after more than 365 days past due. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage to repayment plan with the Group. Where trade receivables and contract assets have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about ageing analysis and amounts arising from expected credit losses for trade receivables and contract assets.

The Group provides for lifetime expected credit losses for all trade receivables and contract assets. The expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product is expected to deteriorate over the next year, leading to increase in the number of defaults.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

30. FINANCIAL INSTRUMENTS (cont'd)

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

(i) **Credit risk (cont'd)**

(a) Trade receivables and contract assets (cont'd)

The loss allowance provision as at the end of each reporting period is determined as follows:

[illegible]

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

30. FINANCIAL INSTRUMENTS (cont'd)

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

(i) Credit risk (cont'd)

(b) Other receivables

At the end of reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

At the end of reporting period, the Group and the Company did not recognised any allowance for impairment losses.

(c) Amount due from subsidiary companies

The Company considers loans and advances to subsidiary companies have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary company's financial position deteriorates significantly. As the Company is able to determine the timing of payment of the subsidiaries' loan and advances to be in default when the related companies are not able to pay when demanded. The Company considers a subsidiary company's loan or advances to be credit impaired when:

- the subsidiary company unlikely to repay its loan or advances to the Company in full;
- the subsidiary company's loan or advance is overdue for more than 365 days; or
- the subsidiary company is continuously loss making and is having a deficit shareholders' fund.

At the end of reporting period, the Company did not recognised any allowance for impairment losses.

(d) Other financial instruments

For other financial assets (including fixed deposits with financial institution and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

As at the end of the reporting period, there was no indication that there are other financial assets are impaired.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

30. FINANCIAL INSTRUMENTS (cont'd)

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

(ii) Liquidity risk (cont'd)

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

The following table analyses the maturity profile of the Group's and the Company's financial liabilities as at reporting date. 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 are required to pay.

	On demand or within 1 year	1 to 2 years	2 to 5 years	After 5 years	Total contractual undiscounted cash flows	Total carrying amount
	RM	RM	RM	RM	RM	RM
Group						
2020						
Financial liabilities						
Trade payables	27,168,498	-	-	-	27,168,498	27,168,498
Other payables	3,227,322	-	-	-	3,227,322	3,227,322
Lease liabilities	538,706	465,207	928,006	374,970	2,306,889	2,009,212
Bank borrowings	41,208,704	1,952,623	5,575,869	12,784,554	61,521,750	56,427,405
	72,143,230	2,417,830	6,503,875	13,159,524	94,224,459	88,832,437
Group						
2019						
Financial liabilities						
Trade payables	20,032,757	-	-	-	20,032,757	20,032,757
Other payables	1,582,557	-	-	-	1,582,557	1,582,557
Lease liabilities	479,686	460,349	306,551	-	1,246,586	1,156,117
Bank borrowings	11,975,333	9,027,740	27,096,389	26,348,688	74,448,150	57,891,957
	34,070,333	9,488,089	27,402,940	26,348,688	97,310,050	80,663,388

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

30. FINANCIAL INSTRUMENTS (cont'd)

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

(ii) Liquidity risk (cont'd)

	On demand or within 1 year	1 to 2 years	2 to 5 years	After 5 years	Total contractual undiscounted cash flows	Total carrying amount
	RM	RM	RM	RM	RM	RM
Company						
2020						
Financial liabilities						
Other payables	52,799	-	-	-	52,799	52,799
Bank borrowings	35,588,988	-	-	-	35,588,988	35,588,988
	35,641,787	-	-	-	35,641,787	35,641,787
2019						
Financial liabilities						
Other payables	51,080	-	-	-	51,080	51,080
Bank borrowings	7,905,725	7,580,542	22,828,583	14,085,794	52,400,644	38,121,187
	7,956,805	7,580,542	22,828,583	14,085,794	52,451,724	38,172,267

(iii) Market risks

- Foreign currency exchange risk

The Group is exposed to foreign currency exchange 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 Group has investment in foreign operation whose net assets are exposed to foreign currency translation risk. Such exposures are mitigated through bank borrowings denominated in the respective functional currencies.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

30. FINANCIAL INSTRUMENTS (cont'd)

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

(iii) Market risks (cont'd)

- Foreign currency exchange risk (cont'd)

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

Group	USD RM	SGD RM	JPY RM	Total RM
2020				
Deposits, cash and bank balances	2,154	-	-	2,154
Trade receivables	5,032,420	1,425	-	5,033,845
Other receivables	5,026	-	441,382	446,408
Trade payables	(853,419)	-	-	(853,419)
Other payables	(30,529)	-	-	(30,529)
	4,155,652	1,425	441,382	4,598,459
2019				
Deposits, cash and bank balances	55,929	-	-	55,929
Trade receivables	-	460,990	-	460,990
Trade payables	(1,195,256)	-	-	(1,195,256)
Other payables	(39,457)	-	-	(39,457)
	(1,178,784)	460,990	-	(717,794)

Foreign currency sensitivity analysis

Group	Change in currency rate RM	2020 Effect on profit before tax RM	2019 Effect on profit before tax RM
USD	Strengthened 10%	415,565	(117,878)
	Weakened 10%	(415,565)	117,878
SGD	Strengthened 10%	143	46,099
	Weakened 10%	(143)	(46,099)
JPY	Strengthened 10%	44,138	-
	Weakened 10%	(44,138)	-

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

30. FINANCIAL INSTRUMENTS (cont'd)

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

(iii) Market risks (cont'd)

- Interest rate risk

The Group's and the Company's fixed rate deposits placed with financial institutions and bank 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 financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

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

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Fixed rate instruments				
Fixed deposits with financial institutions	9,443,709	5,438,802	5,288,883	-
Lease liabilities	2,009,212	1,156,117	-	-
	11,452,921	6,594,919	5,288,883	-
Variable rate instruments				
Bankers' acceptances	1,966,093	1,735,000	-	-
Invoice financing	1,653,999	-	-	-
Term loans	52,807,313	56,156,957	35,588,988	38,121,187
	56,427,405	57,891,957	35,588,988	38,121,187

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020
cont'd

30. FINANCIAL INSTRUMENTS (cont'd)

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

(iii) Market risks (cont'd)

- 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 variable rate instruments

A change in 1% interest rate at the end of the reporting period, with all other variable being held constant, would have increased/(decreased) the Group's and the Company's profit before tax by RM564,274 and RM355,890 (2019: RM578,920 and RM381,211) 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 Group and the Company measure fair value using the following fair value hierarchy that reflects the significance of the input used in making the measurements:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or in directly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

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

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

30. FINANCIAL INSTRUMENTS (cont'd)

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

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

	Fair value of financial instruments not carried at fair value			Carrying amount RM
	Level 1	Level 2	Level 3	
	RM	RM	RM	
Group				
2020				
Lease liabilities	-	-	-	1,537,088
2019				
Lease liabilities	-	-	968,429	732,147

The fair value of finance lease payables is determined with discounted cash flow method using current market rate of borrowings of the respective Group entities at the reporting date.

31. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

31. CAPITAL MANAGEMENT (cont'd)

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. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank borrowings (including 'current and non-current borrowings and lease liabilities' as shown in the Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Statement of Financial Position plus net debt. The gearing ratios at end of the reporting period are as follows:

	Group	
	2020	2019
	RM	RM
Total bank borrowings	58,436,617	59,048,074
Less: Cash and cash equivalents (including fixed deposits pledged to financial institutions)	(16,914,768)	(16,365,865)
Net debts	41,521,849	42,682,209
Total equity	77,980,300	85,978,037
Gearing ratio (times)	0.53	0.50

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

32. SEGMENT INFORMATION

The Group has four reportable segment as below:

- (a) Fertilisers
- (b) Equipment Rental (inclusive of trading of industrial products)
- (c) Heavy Equipment
- (d) Investment Holding

For each segment, the management reporting the operating segment results separately and the operating decision maker (i.e. the Group's Managing Director and Chief Executive Officer) reviews the results of operating segment at least on a quarterly basis.

	Fertilisers RM	Heavy Equipment RM	Equipment Rental RM	Investment Holding RM	Group RM
At 31 August 2020					
Revenue					
Total revenue	81,633,023	35,132,019	17,720,461	7,948,000	142,433,503
Inter-segment elimination	-	(12,640,598)	(558,885)	(7,948,000)	(21,147,483)
External revenue	81,633,023	22,491,421	17,161,576	-	121,286,020
Results					
Depreciation of property, plant and equipment	2,146,614	1,134,815	1,679,840	-	4,961,269
Finance cost	1,039,834	394,487	57,011	1,887,110	3,378,442
Finance income	(76,015)	(225,248)	(14,085)	(176,953)	(492,301)
Gain on disposal of property, plant and equipments	-	(45,027)	(625)	-	(45,652)
Property, plant and equipment written off	305,666	2,925	155,636	-	464,227
Inventories written down	238,880	2,311,579	-	-	2,550,459
Net impairment loss on financial assets	-	660,665	1,266,973	-	1,927,638
Segment profit/(loss)	769,369	(5,258,237)	(2,254,559)	(876,566)	(7,619,993)
Segment assets	69,152,740	42,931,380	30,978,402	35,368,987	178,431,509
Segment liabilities	46,182,778	7,663,216	7,191,687	35,667,786	96,705,467

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

32. SEGMENT INFORMATION (cont'd)

	Fertilisers RM	Heavy Equipment RM	Equipment Rental RM	Investment Holding RM	Group RM
At 31 August 2019					
Revenue					
Total revenue	73,523,943	42,833,389	16,878,112	7,000,000	140,235,444
Inter-segment elimination	-	(16,341,494)	-	(7,000,000)	(23,341,494)
External revenue	73,523,943	26,491,895	16,878,112	-	116,893,950
Results					
Depreciation of property, plant and equipment	2,050,937	1,127,356	1,577,926	-	4,756,219
Finance cost	1,184,958	498,769	-	2,361,174	4,044,901
Finance income	-	(428,216)	(48,586)	(19,224)	(496,026)
Gain on disposal of property, plant and equipment	-	(7,714,085)	(1,955)	-	(7,716,040)
Net impairment loss on financial assets	-	(605)	311,331	-	310,726
Segment (loss)/profit	(899,102)	7,611,791	3,362,052	(2,855,561)	7,219,180
Segment assets	61,769,766	58,602,679	26,893,891	31,316,750	178,583,086
Segment liabilities	38,148,655	8,554,960	4,086,992	38,172,267	88,962,874

No geographical segmental information are presented as the Group currently operate and derived revenue in Malaysia, the revenue from the foreign subsidiary and foreign customers is immaterial and less than 10% to the Group's revenue.

Major customer

The following is the major customer with revenue equal or more than 10% of the Group's revenue:

	Revenue		Segment
	2020 RM	2019 RM	
Customer A	22,284,668	15,894,926	Fertilisers

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

33. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 11 March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the COVID-19 outbreak in Malaysia. The COVID-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operate.

The Group and the Company have performed assessments of the overall impact of the situation on the Group's and the Company's operations and financial implications, including the recoverability of the carrying amount of assets and measurements of assets and liabilities.

Given the fluidity of the situation, the Group and the Company will continuously monitor the impact of COVID-19 and take appropriate and timely measures to minimise the impact of the outbreak on the Group's and the Company's operations.

34. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

- (a) On 18 September 2020, a subsidiary company, Sin Chee Heng (Butterworth) Sdn. Bhd. entered into a sales and purchase agreement with third party to dispose a freehold land and building for a total consideration of RM770,000.
- (b) On 29 September 2020, the Company acquired entire equity interest in Multifert Sdn. Bhd., comprises 12,300,000 ordinary shares for a purchase cash consideration of RM180,000.
- (c) On 6 November 2020, a subsidiary company, Sin Chee Heng (Sabah) Sdn. Bhd. entered into a sales and purchase agreement with third party to dispose a leasehold land and building for a total consideration of RM1,540,000.
- (d) On 6 November 2020, the board of Directors announced that the Company proposes to undertake the following:
 - (i) proposed consolidation of every 3 ordinary shares in SCH Group Berhad ("SCH Shares" or "Shares") into 1 consolidated SCH share;
 - (ii) proposed right issue of new SCH shares to raise gross proceeds of up to RM155 million; and
 - (iii) proposed exemption to Hextar Holdings Sdn. Bhd. ("Hextar") and persons acting in concert with it to undertake a mandatory offer for the remaining SCH shares not already owned by them arising from the subscription by Hextar of the Right Shares pursuant to the irrecoverable undertakings.

On 1 December 2020, the application for the proposal has been submitted to Bursa Malaysia Securities Berhad for approval.

- (e) On 11 December 2020, the board of Directors announced that the Company proposes to change its name from "SCH Group Berhad" to "Hextar Industries Berhad".

NOTES TO THE FINANCIAL STATEMENTS

31 August 2020

cont'd

35. COMPARATIVE FIGURES

Certain comparative figures have been reclassified where necessary to conform to current year presentations as shown below:

	Group 2019		
	As previously stated	Reclassification	As restated
	RM	RM	RM
Statement of profit or loss and other comprehensive income			
Cost of sales	92,213,460	4,321,042	96,534,502
Administrative expenses	19,312,190	(7,528,310)	11,783,880
Selling and distribution expenses	2,492,780	2,880,515	5,373,295
Other expenses	-	326,753	326,753

LIST OF PROPERTIES

As at 31 August 2020

No.	Title Details/Postal Address	Description of property/ Existing use	Land area sq m	Approximate age of building (Years)	Tenure	Audited net book value as at 31.08.2020
1.	Individual title held under industrial H.S.(M) 13156, PT 23677, Mukim Ceras, Tempat Ceras Jaya, Daerah Hulu Langat, Negeri Selangor Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Ceras Jaya, 43200 Ceras, Selangor Darul Ehsan	4 storey building with offices and warehouse	8,510	5	99 years lease expiring on 30 December 2098	13,549,265
2.	Individual title held under HS(D) 12001, Lot 40666, Mukim Kuala Kuantan, Daerah Kuantan, Negeri Pahang No. 3, Jalan Industri Tanah Putih Baru 5, Batu 3, Kawasan Perindustrian Perdana Jaya, Tanah Putih, Jalan Gambang, 25150 Kuantan, Pahang Darul Makmur	1 ½ storey terrace factory currently used as regional office and warehouse by SCH Group	149	23	99 years lease expiring on 3 October 2075	134,025
3.	Individual title held under HS(D) 12002, Lot 44667, Mukim Kuala Kuantan, Daerah Kuantan, Negeri Pahang No. 1, Jalan Industri Tanah Putih Baru 5, Batu 3, Kawasan Perindustrian Perdana Jaya, Tanah Putih, Jalan Gambang, 25150 Kuantan, Pahang Darul Makmur	1 ½ storey terrace factory currently used as regional office and warehouse by SCH Group	177	23	99 years lease expiring on 3 October 2075	144,712

LIST OF PROPERTIES

As at 31 August 2020

cont'd

No.	Title Details/Postal Address	Description of property/ Existing use	Land area sq m	Approximate age of building (Years)	Tenure	Audited net book value as at 31.08.2020
4.	Master title held under Parent Title Lot No. 33 (MPKK No. 6) Title Country Lease No. Industrial 015548482, District of Kota Kinabalu, Sabah Lot 6, Lorang Makat 3, Perindustrian, Makat Kolombong, 88450 Kolombong, Sabah	Double storey terrace light industrial warehouse cum office currently used as regional office and warehouse by SCH Group	445	23	999 years lease expiring on 17 July 2923	316,589
5.	Individual title held under 149604, Lot 3653, Mukim 06, Daerah Seberang Perai Tengah, Negeri Pulau Pinang No. 1, Lorang Nagasari 23, Taman Nagasari, Seberang Perai, 13600 Pulau Pinang	Double storey semi-detached light industrial factory currently used as regional office and warehouse by SCH Group	377	25	Freehold	352,484
6.	Master title held under Parent Lot 594, Block 238, Kuching North Land District, Sarawak. Sublot No. 10, Wismacom Industrial Park, 8 ½ Mile, Jalan Batu Kitang, 93250 Kuching, Sarawak.	2-storey semi-detached industrial building	681	4	60 years lease expiring on 30 November 2038	1,213,422
7.	Individual title held under HSD 62727, PTD 107429, Mukim of Kulai, District of Kulai, State of Johor. No. 106, Jalan Lagenda 6, Taman Lagenda Putra, 81000 Kulai, Johor Darul Ta'zim	Single-storey clustered factory with mezzanine floor	863	4	Freehold	1,539,086

LIST OF PROPERTIES

As at 31 August 2020

cont'd

No.	Title Details/Postal Address	Description of property/ Existing use	Land area sq m	Approximate age of building (Years)	Tenure	Audited net book value as at 31.08.2020
8.	Title held under held No. Lot 4061 Block 26, Kemena Land District Lot 4061, Kidurong Light Industrial Estate (KLIE), Jalan Kidurong, 97000 Bintulu, Sarawak	Single-storey detached industrial warehouse	16,302	27	60 years lease expiring on 7 July 2058	18,677,370

STATISTICS OF SHAREHOLDINGS

As at 30 November 2020

SHARE CAPITAL

Total Number of Issued Shares	:	555,511,720
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 30 NOVEMBER 2020

Size of Shareholdings	No. of Shareholders	No. of Shares	Percentage of Shareholdings (%)
1 to 99	2	100	0.000
100 to 1,000	143	61,712	0.011
1,001 to 10,000	596	4,385,701	0.789
10,001 to 100,000	1,410	65,907,500	11.864
100,001 to 27,775,585*	469	327,256,707	58.910
27,775,586 and above**	3	157,900,000	28.424
Total	2,623	555,511,720	100.000

Table 27 : Size of Shareholdings

Remark:

* - Less than 5% of Issued Shares

** - 5% and above of Issued Shares

SUBSTANTIAL SHAREHOLDERS AS AT 30 NOVEMBER 2020

No.	Name of Substantial Shareholders	No. of Shares held		No. of Shares held	
		Direct	%	Indirect	%
1	Hextar Holding Sdn Bhd	171,733,900	30.91	-	-
2	Dato' Ong Choo Meng	-	-	171,733,900	30.91

Table 28 : List of Substantial Shareholders

STATISTICS OF SHAREHOLDINGS

As at 30 November 2020

cont'd

DIRECTORS' INTERESTS IN SHARES AS AT 30 NOVEMBER 2020

No.	Name of Directors	No. of Shares held		No. of Shares held	
		Direct	%	Indirect	%
1	Dato' Chan Choun Sien	400,000	0.072	200,000 ^(a)	0.04
2	Dato' Ong Choo Meng	-	-	171,733,900 ^(b)	30.91
3	Gan Khong Aik	420,000	0.076	-	-
4	Sim Yee Fuan	50,000	0.01	-	-
5	Wong Kin Seng	20,450,083	3.68	-	-
6	De Souza Michael Lawrence	-	-	-	-
7	Ong Tzu Chuen	-	-	-	-

Table 29 : Directors' Shareholdings

Notes

(a) Deemed interested for the shares held by his mother pursuant to Section 8 of the Companies Act, 2016

(b) Deemed interested for the shares held by Hextar Holdings Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS

(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 30 NOVEMBER 2020)

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	PERCENTAGE (%)
1	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEXTAR HOLDINGS SDN BHD (MX3826)	80,000,000	14.401
2	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEXTAR HOLDINGS SDN BHD	40,000,000	7.200
3	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEXTAR HOLDINGS SDN BHD (THIRD PARTY)	37,900,000	6.822
4	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIAU BENG TEIK	25,005,000	4.501
5	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GAN KONG HIOK (001)	23,000,000	4.140
6	WONG KIN SENG	20,090,083	3.616
7	SUTERA BANGSA SDN BHD	15,850,000	2.853
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR HEXTAR HOLDINGS SDN BHD (PB)	13,833,900	2.490
9	LWY HOLDING SDN BHD	11,150,000	2.007
10	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR KEH CHUAN SENG	11,000,000	1.980

STATISTICS OF SHAREHOLDINGS

As at 30 November 2020

cont'd

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (cont'd) (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 30 NOVEMBER 2020)

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	PERCENTAGE (%)
11	CHAI KOON KHOW	5,939,700	1.069
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LOW NGOK MING</i>	5,894,700	1.061
13	ABD RAHMAN BIN SOLTAN	5,000,000	0.900
14	CHAN WAI MUN	4,500,000	0.810
15	YAP KIW CHAI @ YAP HON FAH	3,900,500	0.702
16	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR DBS BANK LTD (SFS-PB)</i>	3,000,000	0.540
17	LIM LIEW HONG	3,000,000	0.540
18	KOH ENG HONG	2,902,000	0.522
19	YONG KOK PEW	2,750,000	0.495
20	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FO YAP CHENG CHON</i>	2,137,700	0.384
21	LEE MING HA	2,100,000	0.378
22	CHONG CHEE WAI	2,049,300	0.368
23	LAU PAK LAM	2,000,000	0.360
24	NG HIN SEONG	2,000,000	0.360
25	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ED)</i>	1,800,000	0.324
26	TAN TEK LAI	1,700,000	0.306
27	TEO TIEW	1,650,800	0.297
28	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SIM LEONG YEW (E-SS2)</i>	1,620,000	0.291
29	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR CHEW HUN SENG</i>	1,600,000	0.288
30	LOW NGOK MING	1,490,000	0.268

Table 30 : List of Top 30 Shareholdes

ANALYSIS OF WARRANT HOLDINGS

As at 30 November 2020

WARRANTS

No. of Outstanding Warrants : 205,839,310 (warrants 2016/2021)

No. of Warrant Holders : 1,519

DISTRIBUTION OF WARRANT HOLDING AS AT 30 NOVEMBER 2020

Size of Holding	No. of Holders	No. of warrants	Percentage of warrants (%)
1 to 99	94	4,544	0.002
100 to 1,000	89	44,465	0.021
1,001 to 10,000	399	2,421,801	1.176
10,001 to 10,291,964 *	281	141,309,300	68.650
10,291,965 and Above**	2	34,082,900	16.558
TOTAL	1,519	205,839,310	100.00

Table 31 : Size of Warrant Holdings

* - LESS THAN 5% OF OUTSTANDING WARRANTS

* - 5% AND ABOVE OF OUTSTANDING WARRANTS

DIRECTORS' INTERESTS IN WARRANTS AS AT 30 NOVEMBER 2020

No.	Name of Directors	No. of Warrants held		No. of Warrants held	
		Direct	%	Indirect	%
1	DATO' CHAN CHOUN SIEN	-	-	-	-
2	DATO' ONG CHOO MENG	-	-	-	-
3	GAN KHONG AIK	210,000	0.102	-	-
4	DE SOUZA MICHAEL LAWRENCE	-	-	-	-
5	SIM YEE FUAN	25,000	0.012	-	-
6	WONG KIN SENG	-	-	-	-
7	ONG TZU CHUEN	-	-	-	-

Table 32 : Directors' Warrant Holdings

ANALYSIS OF WARRANT HOLDINGS

As at 30 November 2020

cont'd

LIST OF TOP 30 LARGEST WARRANT HOLDERS

(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 30 NOVEMBER 2020)

NO.	NAME OF WARRANTS HOLDERS	NO. OF WARRANTS HELD	PERCENTAGE (%)
1	M & A NOMINEE (TEMPATAN) SDN BHD <i>FOR THIANJING HOLDINGS SDN BHD</i>	21,581,900	10.484
2	CHOW DAI YING	12,501,000	6.073
3	KOH ENG HONG	5,247,200	2.549
4	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR CHEAH CHEE SIONG (PB-0J0022)</i>	3,444,700	1.673
5	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LOW NGOK MING</i>	3,010,050	1.462
6	ABD RAHMAN BIN SOLTAN	2,500,000	1.214
7	LAU PAK LAM	2,500,000	1.214
8	MAIDEN ABDUL KADIR BIN MOHD ALI	2,500,000	1.214
9	YONG KOK PEW	2,474,000	1.201
10	ABDUL SATHAR BIN M S M ABDUL KADIR	2,465,000	1.197
11	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR YAP KIAM HENG (E-SGM)</i>	2,353,200	1.143
12	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LAU THY YONG</i>	2,312,500	1.123
13	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHONG FUT LING (001)</i>	2,000,000	0.971
14	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>RAKUTEN TRADE SDN BHD FOR LAI KIM LOONG</i>	2,000,000	0.971
15	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)</i>	1,968,300	0.956
16	KOH KING CHIEW	1,550,000	0.753
17	LOKE PAK JOEN	1,547,700	0.751
18	ONG GEN HEOK	1,500,100	0.728
19	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR KAMALANATHAN A/L J.PULOGANATHAN (MY0808)</i>	1,500,000	0.728
20	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PANG AH CHIN @ PANG NYUM MOI</i>	1,500,000	0.728
21	LIM LIEW HONG	1,500,000	0.728

ANALYSIS OF WARRANT HOLDINGS

As at 30 November 2020

cont'd

LIST OF TOP 30 LARGEST WARRANT HOLDERS (cont'd)

(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 30 NOVEMBER 2020)

NO.	NAME OF WARRANTS HOLDERS	NO. OF WARRANTS HELD	PERCENTAGE (%)
22	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR KOO KOH TAT (E-BPT)</i>	1,500,000	0.728
23	YVONNE NG MEI SAN	1,395,000	0.677
24	KUA KEAT AUN	1,390,000	0.675
25	TEO TIEW	1,380,000	0.670
26	TEOH CHIN TEIK	1,300,000	0.631
27	HLIB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WONG THUNG KEE</i>	1,200,000	0.582
28	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB FOR CHEAH CHEE SIONG (PB)</i>	1,050,100	0.510
29	AARON TAN NGO HUI	1,000,000	0.485
30	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. <i>MAJESTIC SALUTE SDN BHD FOR CU'S AND DO'S SDN. BHD.</i>	1,000,000	0.485

Table 33 : List of Top 30 Warrant Holders

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Ninth (9th) Annual General Meeting (“AGM”) of SCH Group Berhad (“SCH” or “the Company”) will be conducted virtually through live streaming from the broadcast venue at Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan on Friday, 26 February 2021 at 2.00 p.m., for the purpose of transacting the following businesses:

- | | | |
|----|---|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 August 2020 together with the Reports of the Directors and Auditors thereon. | Please refer to
Explanatory Note 1 |
| 2. | To re-elect the following Directors who are retiring pursuant to the Clause 103(1) of the Company's Constitution and being eligible, have offered themselves for re-election: | |
| | i. Gan Khong Aik | Ordinary Resolution 1 |
| | ii. Dato' Chan Choun Sien | Ordinary Resolution 2 |
| 3. | To re-elect the following Directors who are retiring pursuant to Clause 110 of the Company's Constitution and being eligible, have offered themselves for re-election: | |
| | i. Ong Tzu Chuen | Ordinary Resolution 3 |
| | ii. Ang Sui Aik, Benny | Ordinary Resolution 4 |
| 4. | To approve the Directors' fees amounting of up to RM200,000.00 for the period from 27 February 2021 until the conclusion of the 10 th AGM of the Company. | Ordinary Resolution 5 |
| 5. | To approve the payment of Directors' benefits of up to RM50,000.00 for the period from 27 February 2021 until the conclusion of the 10 th AGM of the Company. | Ordinary Resolution 6 |
| 6. | To re-appoint Messrs. Ecovis Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | Ordinary Resolution 7 |

NOTICE OF ANNUAL GENERAL MEETING

cont'd

SPECIAL BUSINESSES:

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

7. **Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016** **Ordinary Resolution 8**

"THAT subject to Sections 75 and 76 of the Companies Act 2016 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next AGM of the Company."

8. **Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** **Ordinary Resolution 9**

"THAT, subject to the provisions of the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be and is hereby given for the Company and its subsidiary companies, to enter into recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 2.3 of the Circular to Shareholders dated 31 December 2020 ("Proposed Mandate") which are necessary for the day-to-day operations and/or in the ordinary course of business of the Company and its subsidiary companies on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company and that such approval shall continue to be in force until:-

- (a) the conclusion of the next AGM of the Company following the AGM at which such ordinary resolution for the Proposed Mandate was passed, at which time it will lapse, unless by ordinary resolution passed at that general meeting, the authority is renewed;
- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

NOTICE OF ANNUAL GENERAL MEETING

cont'd

whichever is the earlier;

AND THAT the estimated aggregate value of the transactions conducted pursuant to the Proposed Mandate during a financial year will be disclosed, in accordance with the Listing Requirements, in the Annual Report of the Company for the said financial year;

AND FURTHER THAT authority be and is hereby given to the Directors of the Company and its subsidiary companies to complete and do all such acts and things (including executing such documents as may be required) to give effect to such transactions as authorised by this Ordinary Resolution."

9. **Proposed Change of Name of the Company from "SCH Group Berhad" to "Hextar Industries Berhad" ("Proposed Change Of Name")**

Special Resolution 1

"THAT the name of the Company be hereby changed from "SCH Group Berhad" to "Hextar Industries Berhad" effective from the date of the Notice of Registration of New Name to be issued by the Companies Commission of Malaysia to the Company AND THAT the Constitution of the Company shall be amended to replace all references therein to "SCH Group Berhad" with "Hextar Industries Berhad" subject to and upon issuance of the relevant Certificate of Change of Name by the Companies Commission of Malaysia at a later date.

FURTHER THAT the Directors and/or the Secretary of the Company be hereby authorised to take all such necessary steps to give effect to the Proposed Change of Name and to carry out all the necessary formalities in effecting the Proposed Change of Name."

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

By order of the Board,

TAN TONG LANG (MAICSA 7045482 /SSM PC No. 201908002253)
VIMALRAJ A/L SHANMUGAM (MAICSA 7068140 /SSM PC No. 202008000925)
LEE KOK PING (MIA 44986 / SSM PC No. 202008004407)

Company Secretaries

Kuala Lumpur
 31 December 2020

NOTICE OF ANNUAL GENERAL MEETING

cont'd

Notes

1. *As part of the safety measures to curb the spread of the Coronavirus outbreak, the Company will conduct the 9th AGM entirely through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities. For further details and guidelines on RPV facilities, please refer to the Administrative Guide enclosed separately.*
2. *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the 9th AGM to be at the main venue of the meeting. No shareholders/proxies/corporate representatives from the public should be physically present at the Broadcast Venue on the day of 9th AGM.*
3. *A member/shareholder of the Company entitled to attend and vote at the 9th AGM is entitled to appoint one or more proxies to attend and vote in his stead. A proxy may, but need not, be a member of the Company. Where a member/shareholder appoints more than one proxy to attend and vote at the 9th AGM, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.*
4. *A member who has appointed a proxy or attorney or authorized representative to attend, participate, speak and vote at this 9th AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online at <https://tiih.online>. Please follow the Procedures for RPV in the Administrative Guide on this 9th AGM.*
5. *Where a member of the Company is an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
6. *Where a member of the Company is an exempt authorised nominee defined under the SICDA which is exempted from compliance with the provision of subsection 25A(1) of SICDA which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
7. *The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding this 9th AGM or adjourned general meeting at which the person named in the appointment proposes to vote*
 - i. *In hard copy form*

In the case of an appointment made in hard copy form, the proxy form must be deposited at the Share Registrar's office, Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.,
 - ii. *By electronic form*

The proxy form can be electronically lodged via TIIH Online at <https://tiih.online> (applicable to individual shareholders only). Kindly refer to the Administrative Guide on the procedures for electronic lodgement of proxy from via TIIH Online.
8. *For a corporate member who has appointed a representative, please deposit the ORIGINAL certificate of appointment at the Share Registrar's office, Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment should be executed in the following manner:-*
 - i. *If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.*

NOTICE OF ANNUAL GENERAL MEETING

cont'd

- ii. *If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:*
 - a. *at least two (2) authorized officers, of whom one shall be a director; or*
 - b. *any director and/or authorized officers in accordance with the laws of the country under which the corporate member is incorporated.*
- 9. *For the purpose of determining a member who shall be entitled to attend the Ninth (9th) AGM, the Company shall request the Record of Depositors as at 19 February 2021. Only members whose name appears on the Record of Depositors as at 19 February 2021 shall be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote and vote on his/her stead.*

EXPLANATORY NOTES

1. **Item 1 of the Agenda - Audited Financial Statements for the financial year ended 31 August 2020**

This item of the Agenda is for discussion purposes only, as Section 340(1)(a) of the Companies Act 2016 does not require the shareholders to formally approve the Audited Financial Statements. Therefore, this item will not be put forward for voting.

2. **Ordinary Resolution 8 - Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016**

The Ordinary Resolution 8, if passed, is a renewal of General Mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a General Meeting, will expire at the next Annual General Meeting ("AGM").

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) workings capital and/or acquisitions at any time without convening a general meeting as it would be both costs and time consuming to organise a general meeting.

As at the date of this Notice, no new shares in the Company were issued pursuant to the general mandate granted to the Directors at the Eighth (8th) AGM held on 14 February 2020 and which will lapse at the conclusion of the Ninth (9th) AGM.

3. **Ordinary Resolution 9 – Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Mandate")**

The Ordinary Resolution 9, if passed, will allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries, subject to the transactions being carried out in the ordinary course of business of the Company and/or its subsidiaries and on normal commercial terms which are generally available to the public and not detrimental to the minority shareholders of the Company.

This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.

For further information on this resolution, please refer to the Circular to Shareholders dated 31 December 2020 which is despatched together with the Annual Report 2020.

4. **Special Resolution 1 – Proposed Change of Name**

The proposed Change of Name is to reflect a new corporate identity under our flagship and further enhance the marketability of our product. The proposed name "Hextar Industries Berhad" was approved and reserved by the Companies Commission of Malaysia ("CCM") on 12 October 2020 ("Validity Period"). Subsequently, the Validity Period, at the request of the Company, was extended by the CCM on 6 November 2020.

This Special Resolution 1, if passed, will allow the Company to change its name from "SCH Group Berhad" to "Hextar Industries Berhad", with effect from the date of the issuance of the Notice of Registration of New Name by the Companies Commission of Malaysia.

This page has been intentionally left blank.



SCH GROUP BERHAD

Registration No. 201101044580 (972700-P)

NUMBER OF SHARES HELD	CDS ACCOUNT NO.

PROXY FORM

(Before completing this form please refer to the notes below)

I / We (Full Name in Block Letters) _____

NRIC No./Passport No./Company No. _____

of _____

being a member / members of SCH GROUP BERHAD [Registration No. 201101044580 (972700-P)], hereby appoint

Name of Proxy	NRIC No./ Passport No.	% of Shareholdings to be Represented
Address		

and / or failing him/her

Name of Proxy	NRIC No./ Passport No.	% of Shareholdings to be Represented
Address		

or failing him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us and on my/our behalf at the Ninth (9th) Annual General Meeting of the Company to be conducted FULLY VIRTUAL vide live streaming and online remote voting using Remote Participation and Voting ("RPV") facilities from the broadcast venue at Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan on Friday, 26 February 2021 at 2.00 p.m. and at any adjournment thereof in the manner as indicate below:-

No.	Resolutions	For	Against
1.	Ordinary Resolution 1 To re-elect Gan Khong Aik as Director.		
2.	Ordinary Resolution 2 To re-elect Dato' Chan Choun Sien as Director.		
3.	Ordinary Resolution 3 To re-elect Ms Ong Tzu Chuen as Director		
4.	Ordinary Resolution 4 To re-elect Ang Sui Aik, Benny as Director		
5.	Ordinary Resolution 5 To approve the Directors' fees amounting of up to RM200,000.00 for the period from 27 February 2021 until the conclusion of the 10 th AGM of the Company.		
6.	Ordinary Resolution 6 To approve the payment of Directors' benefits of up to RM50,000.00 for the period from 27 February 2021 until the conclusion of the 10 th AGM of the Company.		
7.	Ordinary Resolution 7 To re-appoint Messrs. Ecovis Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
8.	Ordinary Resolution 8 To approve the authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
9.	Ordinary Resolution 9 Proposed New and Renewal Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
10.	Special Resolution 1 Proposed Change of Name of the Company		

(Please indicate with 'X' how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting on the resolutions as he/she may think fit.)

Dated this _____ day of _____ 2020

Signature: _____

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

NOTES:

1. As part of the safety measures to curb the spread of the Coronavirus outbreak, the Company will conduct the 9th AGM entirely through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities. For further details and guidelines on RPV facilities, please refer to the Administrative Guide enclosed separately.
2. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the 9th AGM to be at the main venue of the meeting. No shareholders/proxies/corporate representatives from the public should be physically present at the Broadcast Venue on the day of 9th AGM.
3. A member/shareholder of the Company entitled to attend and vote at the 9th AGM is entitled to appoint one or more proxies to attend and vote in his stead. A proxy may, but need not, be a member of the Company. Where a member/shareholder appoints more than one proxy to attend and vote at the 9th AGM, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
4. A member who has appointed a proxy or attorney or authorized representative to attend, participate, speak and vote at this 9th AGM via RPV must request his/her proxy to register himself/herself for RPV at TIH Online at <https://tiah.online>. Please follow the Procedures for RPV in the Administrative Guide on this 9th AGM.
5. Where a member of the Company is an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said securities account.
6. Where a member of the Company is an exempt authorised nominee defined under the SICDA which is exempted from compliance with the provision of subsection 25A(1) of SICDA which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
7. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding this 9th AGM or adjourned general meeting at which the person named in the appointment proposes to vote

Then Fold Here

**AFFIX
STAMP**

**THE SHARE REGISTRAR OF
SCH GROUP BERHAD**
[Registration No. 201101044580 (972700-P)]
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

1st Fold Here


- i. In hard copy form
In the case of an appointment made in hard copy form, the proxy form must be deposited at the Share Registrar's office, Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.,
 - ii. By electronic form
The proxy form can be electronically lodged via TIH Online at <https://tiah.online> (applicable to individual shareholders only). Kindly refer to the Administrative Guide on the procedures for electronic lodgement of proxy from via TIH Online.
8. For a corporate member who has appointed a representative, please deposit the ORIGINAL certificate of appointment at the Share Registrar's office, Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment should be executed in the following manner:-
 - i. If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
 - ii. If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
 - a. at least two (2) authorized officers, of whom one shall be a director; or
 - b. any director and/or authorized officers in accordance with the laws of the country under which the corporate member is incorporated.
 9. For the purpose of determining a member who shall be entitled to attend the Ninth (9th) AGM, the Company shall request the Record of Depositors as at 19 February 2021. Only members whose name appears on the Record of Depositors as at 19 February 2021 shall be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote and vote on his/her stead.

schgroup.com.my




SCH Group Berhad (201101044580) (972700-P)

 Lot 35, Jalan CJ 1/1,
Kawasan Perusahaan Cheras Jaya,
43200 Cheras, Selangor Darul Ehsan, Malaysia.

 Tel : +603-9082 2681

 Fax : +603-9082 9697

 Email : info@schgroup.com.my