

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST (1ST) QUARTER ENDED 30 NOVEMBER 2014

(The figures have not been audited)

	<--- Individual Quarter --->		<-- Cumulative Quarter--->	
	30 November 2014 RM'000	30 November 2013 RM'000	30 November 2014 RM'000	30 November 2013 RM'000
Revenue	18,628	16,010	18,628	16,010
Cost of Sales	(9,867)	(9,558)	(9,867)	(9,558)
Gross Profit	8,761	6,452	8,761	6,452
Other operating income	206	197	206	197
Administrative expenses	(2,216)	(2,833)	(2,216)	(2,833)
Selling and distribution expenses	(574)	(459)	(574)	(459)
Finance costs	(232)	(187)	(232)	(187)
Profit before taxation	5,945	3,170	5,945	3,170
Taxation	(1,481)	(968)	(1,481)	(968)
Profit after taxation ("PAT")	4,464	2,202	4,464	2,202
Other comprehensive income after tax:				
Exchange translation differences for foreign operation	38	-	38	-
Total comprehensive income for the period	4,502	2,202	4,502	2,202
PAT ATTRIBUTABLE TO:				
- Owners of the company	4,464	2,202	4,464	2,202
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the company	4,502	2,202	4,502	2,202
Weighted average no. of ordinary shares ('000)	412,234	70,669	412,234	70,669
Earnings per share attributable to owners of the company (sen):				
- Basic	1.08	3.12	1.08	3.12
- Diluted	N/A	0.53	N/A	0.53

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2014 and the accompanying explanatory notes attached to the interim financial report.

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 NOVEMBER 2014

(The figures have not been audited)

	As at 30 November 2014 RM'000	(Audited) As at 31 August 2014 RM'000
ASSETS		
NON-CURRENT ASSET		
Property, plant and equipment	11,940	12,203
Capital work-in-progress	986	986
TOTAL NON-CURRENT ASSETS	<u>12,926</u>	<u>13,189</u>
CURRENT ASSETS		
Inventories	30,174	26,907
Trade receivables	24,632	26,459
Other receivables, prepayments and deposits	280	341
Tax recoverable	81	118
Fixed deposit with a licensed bank	18,592	17,560
Cash and bank balances	2,820	3,162
TOTAL CURRENT ASSETS	<u>76,579</u>	<u>74,547</u>
TOTAL ASSETS	<u>89,505</u>	<u>87,736</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	41,223	41,223
Share premium	10,906	10,906
Merger deficit reserve	(24,515)	(24,515)
Foreign currency translation reserves	86	48
Retained earnings	38,758	34,294
TOTAL EQUITY	<u>66,458</u>	<u>61,956</u>
CURRENT LIABILITIES		
Trade payables	5,540	6,150
Other payables	1,248	2,255
Amount owing to directors	19	19
Hire purchase payables	392	385
Bank borrowings	12,550	14,413
Tax payable	1,501	417
	<u>21,250</u>	<u>23,639</u>

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2014 (Cont'd)

(The figures have not been audited)

	As at 30 November 2014 RM'000	(Audited) As at 31 August 2013 RM'000
NON CURRENT LIABILITIES		
Hire purchase payables	128	229
Bank borrowings	1,538	1,781
Deferred tax liabilities	131	131
	1,797	2,141
TOTAL LIABILITIES	23,047	25,780
TOTAL EQUITY AND LIABILITIES	89,505	87,736
NET ASSET PER SHARE (sen)	16.12	15.03

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2014 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST (1ST) QUARTER ENDED 30 NOVEMBER 2014

(The figures have not been audited)

	Share Capital RM'000	←----- Non-Distributable -----→		Translation Reserve RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
	Share Premium RM'000	Merger Reserve RM'000				
Balance as at 1 September 2014	41,223	10,906	(24,515)	48	34,294	61,956
Profit for the financial period					4,464	4,464
Other comprehensive income for the financial period				38		38
Total comprehensive income for the financial period						
Balance as at 30 November 2014	41,223	10,906	(24,515)	86	38,758	66,458

	Share Capital RM'000	<----- Non-Distributable----->		Translation Reserve RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
	Merger Reserve RM'000					
Balance as at 1 September 2013	*(2)	-		-	(15)	(15)
Issued of shares during the financial period	32,154	-		-	-	32,154
Arising from merger with subsidiaries companies	-	(24,515)		30	31,240	6,755
Profit for the financial period	-	-		-	2,202	2,202
Balance as at 30 November 2013	32,154	(24,515)		30	33,427	41,096

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2014 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1ST) QUARTER ENDED 30 NOVEMBER 2014

(The figures have not been audited)

	Cumulative 30 November 2014 RM'000	Cumulative 30 November 2013 RM'000
Cash Flows From Operating Activities		
Profit before taxation	5,945	3,170
Adjustment for:		
Depreciation of property, plant and equipment	336	353
Property, plant and equipment written off	2	-
Reversal of inventories written off	-	(12)
Reversal of impairment on trade receivables	-	(6)
Interest expenses	232	182
Interest income	(45)	(8)
Operating profit before working capital changes	6,470	3,679
Changes in working capital:		
Inventories	(3,267)	1,442
Trade and other receivables	1,887	(1,186)
Trade and other payables	(1,617)	(514)
Cash generated from operations	3,473	3,421
Interest received	45	8
Interest paid	(232)	(182)
Tax refund	121	-
Tax paid	(481)	(412)
Net cash from operating activities	2,926	2,835
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(73)	(57)
Proceeds from disposal of property, plant and equipment	-	158
Net cash (used in)/from investing activities	(73)	101
Cash Flows From Financing Activities		
Net repayment of bank borrowings	(677)	(315)
Net repayment of hire purchase payables	(94)	(1,646)
(Increase) in fixed deposits pledged	(2,096)	(9)
Net cash (used in) financing activities	(2,867)	(1,970)
Net (decrease)/increase in cash and cash equivalents	(14)	966
Cash and cash equivalents at beginning of the financial period	16,976	* (2)
Arising from merger with subsidiaries companies		2,037
Effect of exchange rate changes	37	59
Cash and cash equivalents at end of the financial period	16,999	3,062

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1ST) QUARTER ENDED 30 NOVEMBER 2014 (Con't)

(The figures have not been audited)

Cash and cash equivalents at end of the financial period
comprises:

- Cash and bank balances	2,820	3,062
- Fixed deposit placed with a licensed bank	18,592	1,536
- Bank overdraft	(950)	-
	<hr/>	<hr/>
	20,462	4,598
Less: Fixed deposit pledged with licensed bank	(3,463)	(1,536)
	<hr/>	<hr/>
	16,999	3,062

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2014 and the accompanying explanatory notes attached to this interim financial report.
- (2) Represent less than RM1,000.

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NOTES TO THE INTERIM FINANCIAL REPORT

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2014

A1. Basis of preparation

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

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2014 and the accompanying explanatory notes attached to this interim financial report.

The accounting policies adopted in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 August 2014. The Group has adopted those standards, amendments and interpretations that have become effective 1 January 2014 and such adoptions do not have material impact on the financial position and performance of the Group.

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

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective dates for financial period beginning on and after
MFRS 14 – Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11 – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141 – Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127 – Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10 and MFRS 128 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016
MFRS 15 – Revenue from Contracts with Customers	1 January 2017
MFRS 9 – Financial Instruments (MFRS 9 issued by IASB in July 2014)	1 January 2018

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A2. Auditors' report of preceding annual audited financial statements

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

A3. Seasonal or cyclical factors

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

A4. Unusual items

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

A5. Material changes in estimates

There were no changes in the estimates of amounts reported in prior financial years that had a material effect on the current financial quarter ended 30 November 2014 and financial period-to-date.

A6. Debt and equity securities

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

A7. Segmental information

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

	Quarter ended 30 November 2014 RM'000	Quarter ended 30 November 2013 RM'000
Quarry industrial products	5,806	8,365
Quarry machinery, quarry equipment and reconditioned quarry machinery	7,955	3,279
Spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery	3,538	2,861
Manufacturing and distribution of quarry grill	1,329	1,505
Total	18,628	16,010

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

A8. Dividend Paid

No dividend was paid by the Company in the current financial quarter.

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A9. Valuation of property, plant and equipment

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

A10. Capital commitments

The capital commitments of the Group as at 30 November 2014 are as follows:-

	RM'000
Authorised and contracted for:	
- Capital work-in-progress	10,880

A11. Changes in the composition of the Group

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

A12. Contingent liabilities and contingent assets

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

Contingent liabilities of the Group as at 30 November 2014 are as follows:-

	RM'000
Corporate guarantees issued in favour of its subsidiaries	4,500

A13. Material events subsequent to the end of the quarter

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

A14. Related party transactions

There was no related party transaction entered into with related parties during the current financial quarter.

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B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Review of performance

For the current financial quarter ended 30 November 2014, the Group recorded revenue of RM18.63 million which is an increase of 16.4% as compared to RM16.01 million in the corresponding quarter of last year.

Concurrently, the Group achieved profit before tax of RM5.95 million, which is an increase of 87.5% for the quarter under review as compared to RM3.17 million in the comparable quarter of last year.

Higher revenue and profit before tax for the current quarter under review were mainly attributable to higher sales of high value machineries. The supply of machineries contributed 42.7% of the Group's total revenue generated for the current financial quarter ended 30 November 2014.

Overall, the Group's profit after tax for the current quarter at RM4.46 million was higher than the preceding year corresponding quarter by 102.7%.

B2. Comparison with immediate preceding quarter's results

	Quarter ended		
	30 November	31 August	Variance
	2014	2014	
	RM'000	RM'000	RM'000
Revenue	18,628	16,650	1,978
Profit before tax	5,945	2,395	3,550

The Group's revenue for the first financial quarter ended 30 November 2014 has increased by RM1.98 million or 11.9% to RM18.63 million as compared to the preceding financial quarter ended 31 August 2014.

The increase in revenue and profit before tax were mainly attributable to higher sales of high value machineries during the quarter under review.

B3. Prospects

Amidst the challenges faced by the global economic environment, the Group is positive that it will benefit from the on-going implementation of government infrastructure projects under the Economic Transformation Programme ("ETP") throughout Malaysia as well as the continued growth in the construction industry.

In view of the foregoing, the Group is optimistic of achieving a satisfactory performance for the financial year ending 31 August 2015.

B4. Profit forecast

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

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B5. Tax expenses

	Individual Quarter Ended		Cumulative Quarter Ended	
	30 Nov 2014	30 Nov 2013	30 Nov 2014	30 Nov 2013
Income tax expense				
- Current financial period	1,481	968	1,481	968
- (Over)/provision in prior year	-	-	-	-
	<u>1,481</u>	<u>968</u>	<u>1,481</u>	<u>968</u>
Deferred tax				
- Current financial period	-	-	-	-
Total tax expense	<u>1,481</u>	<u>968</u>	<u>1,481</u>	<u>968</u>

The applicable income tax rate is 25% except for the Group's subsidiary company Italiaword Pte Ltd which is calculated at the statutory rate of 17% based on Singapore tax rate.

B6. Status of corporate proposals and utilisation of proceeds

(i) Status of corporate proposal

There is no corporate proposal announced as at the date of this report.

(ii) Utilisation of proceeds

As at 30 November 2014, the gross proceeds from the Public Issue amounting to RM20.86 million was partially utilised from date of listing in the following manner:-

	Purpose	Approved utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000	Timeframe for utilisation
i)	Payment of listing expenses	2,000	2,000	-	Within 1 month
ii)	Capital expenditure on construction of the new operation facility	10,000	986	9,014	Within 36 months
iii)	General working capital requirements	8,859	7,948	911	Within 12 months
		<u>20,859</u>	<u>10,934</u>	<u>9,925</u>	

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B7. Borrowings

The Group's borrowings are as follows:-

	As at 30 November 2014 RM'000	As at 31 August 2014 RM'000
Secured		
Bank overdraft	950	2,380
Term loans	1,882	2,019
Bill payables	11,256	11,795
Hire purchases	520	614
Total bank borrowings	14,608	16,808
Short Term		
Bank overdraft	950	2,380
Term loans	344	238
Bill payables	11,256	11,795
Hire purchases	392	385
	12,942	14,798
Long Term		
Term loans	1,538	1,781
Hire purchases	128	229
	1,666	2,010

B8. Changes in material litigation

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

B9. Dividends

On 21 January 2015, the Company declared an interim single tier dividend of 1.0 sen per ordinary share totalling RM4.12 million in respect of the financial year ending 31 August 2015. The entitlement date and date of payment in respect of the dividend will be determined and announced by the Company in due course.

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B10. Earnings per share

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

	Individual Quarter ended		Cumulative Quarter ended	
	30 November 2014	30 November 2013	30 November 2014	30 November 2013
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the Group	4,464	2,202	4,464	2,202
Weighted average number of ordinary shares in issue (000)	412,234	70,669	412,234	70,669
Basic earnings per share (sen) ^	1.08	3.12	1.08	3.12
Diluted earnings per share (sen)#	N/A	0.53	N/A	0.53

Note:

^ Basic earnings per share for the quarter and financial period is calculated based on the net profit divided by the weighted average number of ordinary shares for the quarter and financial period respectively.

The diluted net earnings per share is computed by dividing profit after taxation by the enlarged number of ordinary shares assumed after the listing of 412,234,020 shares on 13 February 2014.

B11. Retained and unrealised profits/losses

	As at 30 November 2014	As at 31 August 2014
	RM'000	RM'000
Total retained earnings of the Group		
- Realised	39,217	34,726
- Unrealised	131	131
	39,348	34,857
less: Consolidated adjustments	590	563
Total retained profits as per statement of financial position	38,758	34,294

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

Included in profit before tax comprised the following expense/ (income) items:

	Quarter ended 30 November 2014 RM'000	Year-to- date ended 30 November 2014 RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Depreciation of property plant and equipment	336	336
Property, plant and equipment written off	2	2
Interest expenses	232	232
Interest income	(45)	(45)
Realised loss on foreign exchange	82	82

B13. Comparative figures

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

BY ORDER OF THE BOARD
21 JANUARY 2015