



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

Interim Financial Report
For the First (2nd) Quarter ended
28 February 2015

SCH GROUP BERHAD (972700-P)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND (2ND) QUARTER ENDED 28 FEBRUARY 2015**

(The figures have not been audited)

	<--- Individual Quarter -->		<-- Cumulative Quarter--->	
	28 February 2015 RM'000	28 February 2014 RM'000	28 February 2015 RM'000	28 February 2014 RM'000
Revenue	13,340	12,349	31,968	28,358
Cost of Sales	(9,028)	(8,373)	(18,895)	(17,931)
Gross Profit	4,312	3,976	13,073	10,427
Other operating income	174	17	380	215
Administrative expenses	(2,476)	(2,321)	(4,692)	(4,454)
Selling and distribution expenses	(1,033)	(875)	(1,607)	(1,334)
Listing expenses	-	(1,199)	-	(1,899)
Finance costs	(155)	(169)	(387)	(356)
Profit/(loss) before taxation	822	(571)	6,767	2,599
Taxation	(231)	(359)	(1,712)	(1,327)
Profit/(loss) after taxation	591	(930)	5,055	1,272
Other comprehensive income after tax:				
Exchange translation differences for foreign operation	58	-	58	-
Total comprehensive income for the period	649	(930)	5,113	1,272
PAT ATTRIBUTABLE TO:				
- Owners of the company	591	(930)	5,055	1,272
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the company	649	(930)	5,113	1,272
Weighted average no. of ordinary shares ('000)	412,234	217,581	412,234	206,436
Earnings per share attributable to owners of the company (sen):				
- Basic	0.14	(0.43)	1.23	0.62

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 28 FEBRUARY 2015**

(The figures have not been audited)

	As at 28 February 2015 RM'000	(Audited) As at 31 August 2014 RM'000
ASSETS		
NON-CURRENT ASSET		
Property, plant and equipment	11,705	12,203
Capital work-in-progress	1,486	986
TOTAL NON-CURRENT ASSETS	13,191	13,189
CURRENT ASSETS		
Inventories	30,482	26,907
Trade receivables	19,868	26,459
Other receivables, prepayments and deposits	297	341
Tax recoverable	133	118
Fixed deposit with a licensed bank	18,210	17,560
Cash and bank balances	2,218	3,162
TOTAL CURRENT ASSETS	71,208	74,547
TOTAL ASSETS	84,399	87,736
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	106	48
Retained earnings	35,227	34,294
TOTAL EQUITY	62,947	61,956
CURRENT LIABILITIES		
Trade payables	5,158	6,150
Other payables	1,351	2,255
Amount owing to directors	19	19
Hire purchase payables	307	385
Bank borrowings	11,607	14,413
Tax payable	1,191	417
	19,633	23,639

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2015 (Cont'd)
(The figures have not been audited)

	As at	(Audited)
	28 February	31 August
	2015	2014
	RM'000	RM'000
NON CURRENT LIABILITIES		
Hire purchase payables	117	229
Bank borrowings	1,571	1,781
Deferred tax liabilities	131	131
	<u>1,819</u>	<u>2,141</u>
TOTAL LIABILITIES	21,452	25,780
TOTAL EQUITY AND LIABILITIES	84,399	87,736
NET ASSET PER SHARE (sen)	15.27	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 SECOND (2ND) QUARTER ENDED 28 FEBRUARY 2015**

(The figures have not been audited)

	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Translation Reserve RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
Balance as at 1 September 2014	41,223	10,906	(24,515)	48	34,294	61,956
Profit for the financial period					5,055	5,055
Other comprehensive income for the financial period				58		58
Total comprehensive income for the financial period				58	5,055	5,113
Dividend					(4,122)	(4,122)
Balance as at 28 February 2015	41,223	10,906	(24,515)	106	35,227	62,947
Balance as at 1 September 2013	*(3)		-	-	(15)	(15)
Issued of shares during the financial period	32,154		-	-	-	32,154
Arising from merger with subsidiaries companies	-		(24,515)	69	31,240	6,794
Public issue of shares	9,069	11,790	-	-	-	20,859
Share issue expenses		(884)	-	-	-	(884)
Profit for the financial period			-	-	1,272	1,272
Balance as at 28 February 2014	41,223	10,906	(24,515)	69	32,497	60,180

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 SECOND (2ND) QUARTER ENDED 28 FEBRUARY 2015**

(The figures have not been audited)

	Cumulative 28 February 2015 RM'000	Cumulative 28 February 2014 RM'000
Cash Flows From Operating Activities		
Profit before taxation	6,767	2,599
Adjustment for:		
Depreciation of property, plant and equipment	673	863
Bad debts written off	36	-
Property, plant and equipment written off	7	8
Gain on disposal of property, plant and equipment	-	(3)
Reversal of impairment on trade receivables	-	(8)
Interest expenses	387	356
Interest income	(95)	(21)
Operating profit before working capital changes	<u>7,775</u>	<u>3,794</u>
Changes in working capital:		
Inventories	(3,575)	2,104
Trade and other receivables	6,599	(1,293)
Trade and other payables	(1,896)	(163)
Cash generated from operations	<u>8,903</u>	<u>4,442</u>
Interest received	95	21
Interest paid	(387)	(356)
Tax refund	121	325
Tax paid	(1,073)	(990)
Net cash from operating activities	<u>7,659</u>	<u>3,442</u>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(181)	(271)
Proceeds from disposal of property, plant and equipment	-	418
Capital work-in-progress incurred	(500)	(594)
Net cash (used in) investing activities	<u>(681)</u>	<u>(447)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of ordinary shares	-	20,859
Payment of share issue expenses	-	(884)
Net repayment of bank borrowings	(2,096)	(941)
Net repayment of hire purchase payables	(190)	(2,594)
(Increase)/decrease in fixed deposits pledged	(2,121)	184
Dividend paid	(4,122)	-
Net cash (used in)/from financing activities	<u>(8,529)</u>	<u>16,624</u>
Net (decrease)/increase in cash and cash equivalents	<u>(1,551)</u>	<u>19,619</u>
Cash and cash equivalents at beginning of the financial period	16,976	*(2)
Arising from merger with subsidiaries companies	-	2,105
Effect of exchange rate changes	56	1
Cash and cash equivalents at end of the financial period	<u>15,481</u>	<u>21,725</u>

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2ND) QUARTER ENDED 28 FEBRUARY 2015 (Con't)

(The figures have not been audited)

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

- Cash and bank balances	2,218	2,025
- Fixed deposit placed with a licensed bank	18,210	21,042
- Bank overdraft	(1,459)	-
	<u>18,969</u>	<u>23,067</u>
Less: Fixed deposit pledged with licensed bank	(3,488)	(1,342)
	<u>15,481</u>	<u>21,725</u>

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 28 FEBRUARY 2015

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
Amendments to MFRS 101 - Disclosure Initiative	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 – Investment Entities: Applying the Consolidation Exception	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 28 February 2015 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 28 February 2015 RM'000	Quarter ended 28 February 2014 RM'000
Quarry industrial products	11,864	14,547
Quarry machinery, quarry equipment and reconditioned quarry machinery	11,435	5,490
Spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery	6,442	5,910
Manufacturing and distribution of quarry grill	2,227	2,411
Total	<u>31,968</u>	<u>28,358</u>

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

A first interim single tier dividend of 1.0 sen per ordinary shares totalling RM4.12 million in respect of financial year ended 31 August 2015 have been declared on 21 January 2015.

Entitlement to the interim dividend was based on shareholders registered in the record of depositors as at 13 February 2015 and subsequently paid on 5 March 2015.

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 28 February 2015 are as follows:-

	RM'000
Authorised and contracted for:	
- Capital work-in-progress	10,380

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 28 February 2015 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

Q2/2015 compared to Q2/2014

For the current financial quarter ended 28 February 2015, the Group recorded revenue of RM13.34 million which is an increase of 8.02% as compared to RM12.35 million in the corresponding quarter of last year.

The Group recorded profit before tax of RM0.82 million for the quarter under review as compared to a loss before tax of RM0.57 million in the comparable quarter of last year.

6 MTHS/2015 compared to 6 MTHS/2014

For the six (6) months ended 28 February 2015, the Group's revenue have increased by 12.73% to RM31.97 million as compared to RM28.36 million in the previous year corresponding period.

For the same period under review, the Group achieved profit before tax of RM6.77 million, an increase by 160.37% as compared to RM2.60 million in the previous year corresponding period.

Higher revenue and profit before tax for the period under review were mainly attributable to higher sales of machineries and due to the absence of a one-off listing expense of RM1.90 million in the previous year of the same period.

B2. Comparison with immediate preceding quarter's results

	Quarter ended		Variance RM'000
	28 February 2015 RM'000	30 November 2014 RM'000	
Revenue	13,340	18,628	(5,288)
Profit before tax	822	5,945	(5,123)

The Group's revenue for the second financial quarter ended 28 February 2015 has decreased by RM5.29 million or 28.39% to RM13.34 million whilst profit before tax decreased by RM5.12 million to RM0.82 million as compared to the preceding financial quarter ended 30 November 2014.

Decrease in revenue was mainly attributable to the shorter operations days of quarry production due to long festive holidays in December and February. Correspondingly, profit before tax for the quarter under review were lower compared to the first quarter due to higher selling and distribution expenses and also expenses incurred on GST implementation.

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B3. Prospects

Government's on-going implementation of the various construction projects in the country that include Pan-Borneo Highway, Mass Rapid Transit Line 2 and LRT 3 will definitely have a positive implication for the construction industry in general.

We are optimistic and look forward to benefit from the imminent roll-out of these projects that would cascade down the local construction supply chain.

Based on the foregoing, the Group is confident 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.

B5. Tax expenses

	Individual Quarter Ended		Cumulative Quarter Ended	
	28 Feb 2015	28 Feb 2014	28 Feb 2015	28 Feb 2014
Income tax expense				
- Current financial period	231	312	1,712	1,280
- (Over)/provision in prior year	-	-	-	-
	<u>231</u>	<u>312</u>	<u>1,712</u>	<u>1,280</u>
Deferred tax				
- Current financial period	-	27	-	27
- Under provision in prior year	-	20	-	20
Total tax expense	<u>231</u>	<u>359</u>	<u>1,712</u>	<u>1,327</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.

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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 28 February 2015, 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	1,075	8,925	Within 36 months
iii)	General working capital requirements	8,859	8,859	-	Within 12 months
		20,859	11,934	8,925	

B7. Borrowings

The Group's borrowings are as follows:-

	As at 28 February 2015 RM'000	As at 31 August 2014 RM'000
Secured		
Bank overdraft	1,459	2,380
Term loans	1,915	2,019
Bill payables	9,804	11,795
Hire purchases	424	614
Total bank borrowings	13,602	16,808
Short Term		
Bank overdraft	1,459	2,380
Term loans	344	238
Bill payables	9,804	11,795
Hire purchases	307	385
	11,914	14,798
Long Term		
Term loans	1,571	1,781
Hire purchases	117	229
	1,688	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. Dividend

No dividend was proposed in respect of the current financial quarter.

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	
	28 Feb 2015 RM'000	28 Feb 2014 RM'000	28 Feb 2015 RM'000	28 Feb 2014 RM'000
Profit attributable to ordinary equity holders of the Group	591	(930)	5,055	1,272
Weighted average number of ordinary shares in issue (000)	412,234	217,581	412,234	206,436
Basic earnings per share (sen) ^	0.14	(0.43)	1.23	0.62

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.*

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B11. Retained and unrealised profits/losses

	As at 28 February 2015 RM'000	As at 31 August 2014 RM'000
Total retained earnings of the Group		
- Realised	35,713	34,726
- Unrealised	131	131
	<hr/> 35,844	<hr/> 34,857
less: Consolidated adjustments	617	563
Total retained profits as per statement of financial position	<hr/> 35,227	<hr/> 34,294

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 28 February 2015 RM'000	Year-to- date ended 28 February 2015 RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Depreciation of property plant and equipment	337	673
Bad debts written off	36	36
Property, plant and equipment written off	5	7
Interest expenses	155	387
Interest income	(50)	(95)
Realised loss on foreign exchange	176	258

B13. Comparative figures

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

BY ORDER OF THE BOARD
23 April 2015