



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

**Interim Financial Report
For the First (1st) Quarter ended
30 November 2018**

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FIRST (1st) QUARTER ENDED 30 NOVEMBER 2018

	<-- Individual Quarter -->		<-- Cumulative Quarter -->	
	Unaudited 30.11.2018 RM'000	Unaudited 30.11.2017 RM'000	Unaudited 30.11.2018 RM'000	Unaudited 30.11.2017 RM'000
Revenue	34,074	11,667	34,074	11,667
Cost of Sales	(27,610)	(7,530)	(27,610)	(7,530)
Gross Profit	6,464	4,137	6,464	4,137
Other operating income	167	784	167	784
Administrative expenses	(5,049)	(2,072)	(5,049)	(2,072)
Selling and distribution expenses	(380)	(384)	(380)	(384)
Profit from operations	1,202	2,465	1,202	2,465
Finance costs	(942)	(207)	(942)	(207)
Profit before taxation	260	2,258	260	2,258
Taxation	(199)	(594)	(199)	(594)
Profit for the financial period	61	1,664	61	1,664
Other comprehensive (loss):				
Foreign currency translation differences	(13)	(57)	(13)	(57)
Total comprehensive income for the financial period	48	1,607	48	1,607
Profit for the period attributed to:				
- Owners of the company	49	1,664	49	1,664
- Non-controlling interest	12	-	12	-
	61	1,664	61	1,664
Total comprehensive income attributable to:				
- Owners of the company	40	1,607	40	1,607
- Non-controlling interest	8	-	8	-
	48	1,607	48	1,607
Weighted average no. of ordinary shares ('000)	555,512	412,235	555,512	412,235
Earnings per share:				
- Basic (sen)	0.011	0.404	0.011	0.404
- Diluted (sen)	0.006	0.269	0.006	0.269

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 2018 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 2018

	Unaudited As at 30.11.2018 RM'000	Audited As at 31.08.2018 RM'000
ASSETS		
NON-CURRENT ASSET		
Property, plant and equipment	65,136	65,356
Goodwill on consolidation	28,757	28,757
	93,893	94,113
CURRENT ASSETS		
Inventories	26,544	32,580
Trade receivables	38,840	29,359
Other receivables, prepayments and deposits	2,301	2,152
Tax recoverable	3,339	2,934
Fixed deposit with licensed banks	4,790	8,367
Cash and bank balances	8,640	5,477
	84,454	80,869
Assets classified as held for sale	2,455	2,455
	86,909	83,324
TOTAL ASSETS	180,802	177,437
EQUITY AND LIABILITIES		
EQUITY		
Share capital	75,918	75,918
Merger deficit reserve	(23,858)	(23,858)
Foreign currency translation reserves	(3)	10
Retained earnings	27,918	27,869
	79,975	79,939
Non-controlling interest	4,084	4,072
TOTAL EQUITY	84,059	84,011
CURRENT LIABILITIES		
Trade payables	12,242	12,954
Other payables	3,244	3,398
Hire purchase and lease payables	417	424
Bank borrowings	18,194	13,494
Tax payable	68	32
	34,165	30,302

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2018 (Cont'd)

	Unaudited As at 30.11.2018 RM'000	Audited As at 31.08.2018 RM'000
NON-CURRENT LIABILITIES		
Hire purchase and lease payables	1,058	1,144
Bank borrowings	54,990	55,450
Deferred tax liabilities	6,530	6,530
	<u>62,578</u>	<u>63,124</u>
TOTAL LIABILITIES	96,743	93,426
TOTAL EQUITY AND LIABILITIES	180,802	177,437
NET ASSET PER SHARE (sen)	15.13	15.12

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 2018 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 2018

Unaudited	<i>←-- Attributable to the Owners of the Company --></i>				Total RM'000	Non Controlling Interest RM'000	Total Equity RM'000		
	<i>←-- Non-Distributable --></i>	<i>Distributable</i>	Share Capital RM'000	Merger Reserve RM'000				Translation Reserve RM'000	Retained Earnings RM'000
Balance as at 1 September 2018			75,918	(23,858)	10	27,869	79,939	4,072	84,011
Profit for the financial period			-	-	-	49	49	12	61
Other comprehensive (loss) for the financial period			-	-	(13)	-	(13)	-	(13)
Total comprehensive income / (loss) for the financial period			-	-	(13)	49	36	12	48
Balance as at 30 November 2018			75,918	(23,858)	(3)	27,918	79,975	4,084	84,059

Unaudited					Total RM'000	Non Controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Merger Reserve RM'000	Translation Reserve RM'000	Retained Earnings RM'000			
Balance as at 1 September 2017	52,129	(24,515)	276	36,583	64,473	-	64,473
Profit for the financial period	-	-	-	1,664	1,664	-	1,664
Other comprehensive (loss) for the financial period	-	-	(57)	-	(57)	-	(57)
Total comprehensive income / (loss) for the financial period	-	-	(57)	1,664	1,607	-	1,607
Balance as at 30 November 2017	52,129	(24,515)	219	38,247	66,080	-	66,080

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 2018 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 2018

	Unaudited 3 months ended 30.11.2018 RM'000	Unaudited 3 months ended 30.11.2017 RM'000
Cash Flows From Operating Activities		
Profit before taxation	260	2,258
Adjustment for:		
Depreciation of property, plant and equipment	892	231
Interest expenses	942	207
Gain on disposal of property, plant and equipment	(2)	(403)
Interest income	(46)	(70)
Unrealised loss on foreign exchange	(26)	3
Operating profit before working capital changes	2,020	2,226
Changes in working capital:		
Inventories	6,036	1,034
Trade and other receivables	(9,630)	(250)
Trade and other payables	(865)	467
	(4,459)	1,251
Cash (used in)/generated from operations	(2,439)	3,477
Interest received	46	70
Interest paid	(942)	(207)
Tax refund	-	-
Tax paid	(568)	(261)
Exchange differences	13	(94)
	(1,451)	(492)
Net cash (used in)/generated from operating activities	(3,890)	2,985
Cash Flow From Investing Activities		
Purchase of property, plant and equipment	(717)	(18)
Proceed from disposal of property, plant and equipment	47	780
Net cash (used in)/from investing activities	(670)	762

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1st) QUARTER ENDED 30 NOVEMBER 2018 (Con't)

	Unaudited 3 months ended 30.11.2018 RM'000	Unaudited 3 months ended 30.11.2017 RM'000
Cash Flow From Financing Activities		
(Decrease)/increase in foreign currency trade loans	(554)	(629)
Repayment of hire purchase payables	(92)	(39)
Repayment of term loan	(328)	(48)
Changes on bankers' acceptance & trust receipts	4,960	(3,838)
Decrease / (Increase) in fixed deposits pledged	73	(682)
Net cash from / (used in) financing activities	<u>4,059</u>	<u>(5,236)</u>
Net decrease in cash and cash equivalents	(501)	(1,489)
Cash and cash equivalents at beginning of the financial year	8,603	9,614
Cash and cash equivalents at end of the financial period	<u>8,102</u>	<u>8,125</u>
Cash and cash equivalents at end of the financial period comprises:		
- Fixed deposits placed with licensed banks	4,790	6,846
- Cash and bank balances	8,640	4,476
- Bank overdraft	<u>(2,027)</u>	-
	11,403	11,322
Less: Fixed deposits pledged with licensed banks	<u>(3,301)</u>	<u>(3,197)</u>
	<u>8,102</u>	<u>8,125</u>

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 2018 and the accompanying explanatory notes attached to this interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2018

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 2018 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 2018. The Group has adopted those standards, amendments and interpretations that have become effective 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 16	Leases	1 January 2019
Amendment to MFRS 3	Annual Improvements to MFRSs 2015 – 2017 Cycle	1 January 2019
Amendments to MFRS 9	Prepayments Features with Negative Compensation	1 January 2019
Amendments to MFRS 11	Annual Improvements to MFRSs 2015 – 2017 Cycle	1 January 2019
Amendments to MFRS 112	Annual Improvements to MFRSs 2015 – 2017 Cycle	1 January 2019
Amendments to MFRS 119	Plan Amendments, Curtailment or Settlement	1 January 2019
Amendments to MFRS 123	Annual Improvements to MFRSs 2015 – 2017 Cycle	1 January 2019
Amendments to MFRS 128	Long term Interest in Associates and Joint Ventures	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatment	1 January 2019
Amendments to MFRS 2	Share-based payment	1 January 2020
Amendments to MFRS 3	Business Combinations	1 January 2020
Amendments to MFRS 101	Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020

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Amendments to MFRS 134	Interim Financial Reporting	1 January 2020
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendments to MFRS 138	Intangible Assets	1 January 2020
Amendments to IC Interpretation 12	Service Concession Arrangements	1 January 2020
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale of Contribution of Assets between an Investor and its Associate of Joint Venture	To be announced

The Group and the Company plan to apply the above mentioned standards, amendments and interpretation when they become effective in the respective period.

The directors are currently assessing the impact of the adoption of the above standards, amendments to existing standards and interpretation on the financial statements in the period of initial application.

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 and financial period-to-date.

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 and financial period-to-date.

A6. Debt and equity securities

There were no issuances, cancellations, repurchases, resales, repayments of debts and/or securities, shares held as treasury shares or the resale of treasury shares during the financial period ended 30 November 2018.

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A7. Segmental information

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

3-months ended 30 November 2018

	Investment Holding RM'000	Quarry Industry RM'000	Equipment Rental Industry RM'000	Fertilizers Industry RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	-	7,910	2,665	23,499	-	34,074
Inter-segment sales	-	3,879	-	-	(3,879)	-
Total	-	11,789	2,665	23,499	(3,879)	34,074
Results						
Segment results	910	875	(134)	505	(1,000)	1,156
Finance costs	(449)	(166)	-	(327)	-	(942)
Finance income	6	40	-	-	-	46
Profit / (Loss) before taxation	467	749	(134)	178	(1,000)	260
Taxation	-	(97)	-	(102)	-	(199)
Profit / (Loss) after taxation	467	652	(134)	76	(1,000)	61

Segmental information are not presented in the corresponding quarter ended 30 November 2017 as the Group is principally engaged in one industry that is the quarry industry.

A8. Dividend Paid

No dividend was paid during the current quarter under review.

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

There were no material capital commitments as at the date of this report.

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.

Save as disclosed below, there were no other contingent liabilities incurred or known to be incurred which upon becoming enforceable, may have a material impact on the profit after tax or net assets of the Group: -

As at 30 November 2018, the Company has provided corporate guarantees amounting to RM31.1 million to various financial institutions for banking facilities granted to certain subsidiary companies.

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

Transaction with companies in which a Director has interest for the current quarter ended 30 November 2018 was as follows: -

	Current Quarter ended 30.11.2018 RM'000	Cumulative Quarter ended 30.11.2018 RM'000
Rental of factory	169	169
Hiring of lorry	49	49
Sale of industrial products and spare parts	(44)	(44)
Purchase of raw materials	1,809	1,809

The transactions were carried out in the ordinary course of business and on normal commercial terms.

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B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Review of performance

Q1/2018 compared to Q1/2017

	<-Individual Quarter->			
	Unaudited	Unaudited	Changes	Changes
	30.11.2018	30.11.2017	RM'000	(%)
	RM'000	RM'000		
Revenue	34,074	11,667	22,407	192.05
Operating profit	1,035	1,681	(778)	46.21
Profit before interest and taxation	1,202	2,465	1,395	72.22
Profit before taxation	260	2,258	(2,386)	105.67
Profit after taxation	61	1,664	(1,735)	104.27

For the current quarter ended 30 November 2018, the Group recorded revenue of RM34.1 million as compared to RM11.7 million in the corresponding quarter ended 30 November 2017, an increase of RM22.4 million or 192%. The increase in revenue mainly due to contribution from two new business sectors namely equipment rental supply and fertilizers industry amounted to RM2.7 million and RM23.5 million respectively. The detailed information of the results of each business sector is disclosed in Note A7.

The Group achieved a lower revenue in quarry industry sector mainly due to slowdown in government infrastructure projects and property and construction sector.

The Group reported revenue of RM7.9 million for the quarter from quarry industry, a decrease of RM3.8 million or 32.5% as compared to the corresponding quarter of preceding year.

The Group's administration and selling & distribution expenses amounted to RM5.4 million for the quarter under review as compared to RM2.5 million. The increase in the operating expenses were due to new business sectors operating costs amounted to RM3.1 million.

The Group's finance cost amounted to RM0.9 million for the quarter under review as compared to RM0.2 million. The increase is mainly due to the additional interest costs incurred for term loans amounted to RM43 million secured for business acquisition purpose.

As a result of the lower revenue derived from quarry industry sector and additional finance costs incurred, the Group reported a lower profit before tax of RM0.3 million as compared to RM2.2 million for the preceding corresponding financial period.

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The Group registered profit attributable to equity holding of the parent company of RM49,000 as compared to RM1.7 million of profit for the corresponding quarter last year.

B2. Comparison with immediate preceding quarter's results

	<-Individual Quarter->			
	Unaudited	Unaudited	Changes	Changes
	30.11.2018	31.08.2018	RM'000	(%)
	RM'000	RM'000		
Revenue	34,074	6,048	28,026	463.39
Operating profit / (loss)	1,035	(9,994)	10,897	109.04
Profit / (Loss) before interest and taxation	1,202	(9,832)	10,902	110.88
Profit / (Loss) before taxation	260	(9,971)	10,099	101.28
Profit / (Loss) after taxation	61	(9,981)	9,910	99.29

The Group revenue for the current quarter ended 30 November 2018 is increased by RM28.0 million or more than 100% to RM 34.1 million as compared to RM6.0 million in the preceding quarter ended 31 August 2018.

The Group's quarry industry recorded higher revenue of RM7.9 million as compared to RM6.0 million in the preceding quarter ended 31 August 2018. This is attributable to the improvement of spending of quarry operators as a result of government's announcement of its initiative which were suspended after the nation's general election to reactivate some of the infrastructure projects.

B3. Prospects

The Board remain optimistic with the prospects of the Group because it has strategic direction to improve the revenue and bottom line by seeking new opportunities and venturing into new industry sectors namely equipment rental supply and fertilizers industry.

The contribution from the new business sectors remain positive despite of their contribution in this current financial quarter are minimum. This is due to the consolidation and re-organisation of the business operation that involved current and new business sectors.

The Board is of the view that, moving forward, the Group financial performance is expected to show a better improvement and is prepared to embrace the challenges ahead.

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B4. Profit forecast

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

B5. Taxation

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.11.2018 RM'000	30.11.2017 RM'000	30.11.2018 RM'000	30.11.2017 RM'000
Income tax expense				
- Current financial period	97	594	97	594
- Under provision in prior year	102	-	102	-
	<u>199</u>	<u>594</u>	<u>199</u>	<u>594</u>

The applicable income tax rate is 24% except for a foreign subsidiary company namely Sin Chee Heng (Cambodia) Company Limited which is calculated at the statutory rate of 20% based on Cambodia's tax rate. The effective tax rate is higher than the Malaysian statutory tax rate due to non-tax deductible of certain expenses incurred by the Group.

B6. Status of corporate proposals announced

Save as disclosed below, there were no corporate proposals that were announced but not completed as at the date of this report:

The Company had completed its private placement proposal on 18 July 2018 and 25 July 2018 respectively. The Company had successfully placed out 103,000,000 new SCH Group shares which raise cumulative gross proceeds of approximately RM17.55 million as detailed below. The Company has utilised the proceeds in the following manner:-

Purpose	Amount raised RM'000	Actual utilised RM'000	Balance unutilised RM'000	Timeframe for utilisation
i) Acquisition of new businesses	14,000	14,000	-	Within 18 months
ii) Expenses related to Private Placement	350	350	-	Within 1 month
iii) Working capital requirements	3,200	2,337	863	Within 12 months
	<u>17,550</u>	<u>16,687</u>	<u>863</u>	

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B7. Borrowings

The Group's borrowings were as follows: -

	As at 30.11.2018 RM'000	As at 31.08.2018 RM'000
Secured		
Bank Overdraft	2,027	1,864
Bill payables	6,774	1,814
Hire purchases	1,474	1,567
Foreign currency loans against import	2,608	3,163
Term loan	61,776	62,103
Total bank borrowings	74,659	70,511
Short Term		
Bank Overdraft	2,027	1,864
Bill payables	6,774	1,814
Hire purchases	417	423
Foreign currency loans against import	2,608	3,163
Term loan	6,785	6,653
	<u>18,611</u>	<u>13,917</u>
Long Term		
Hire purchases	1,057	1,144
Term loan	54,991	55,450
	<u>56,048</u>	<u>56,594</u>

Note: There are no foreign currency denomination borrowings.

B8. Changes in material litigation

As at the 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 for the financial quarter.

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B10. Earnings per share

a) Basic

The basic 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	
	30.11.2018 RM'000	30.11.2017 RM'000	30.11. 2018 RM'000	30.11.2017 RM'000
Profit attributable to ordinary equity holders of the Group	49	1,664	49	1,664
Weighted average number of ordinary shares in issue ('000)	555,512	412,235	555,512	412,235
Basic earnings per share (sen)	0.011	0.404	0.011	0.404

b) Diluted

	Individual Quarter ended		Cumulative Quarter ended	
	30.11.2018 RM'000	30.11.2017 RM'000	30.11.2018 RM'000	30.11.2017 RM'000
Profit attributable to ordinary equity holders of the Group	49	1,664	49	1,664
Weighted average number of ordinary shares in issue ('000)	555,512	412,235	555,512	412,235
Adjustment for dilutive effect on conversion of warrants ('000)	205,839	206,116	205,839	206,116
Total Diluted earnings per share (sen)	761,351	618,351	761,351	618,351
	0.006	0.269	0.006	0.269

B11. Disclosure on selected expense/income items as required by the Listing Requirements

	Year-to-date ended	
	Three months ended	
	30.11.2018	30.11.2017
	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):-		
Depreciation of property plant and equipment	892	231
Interest expenses	942	207
Interest income	(46)	(70)
(Gain) / Loss on disposal of property, plant and equipment	2	(403)
(Gain) / Loss on foreign exchange (realised/unrealised)	83	(41)

B12. Comparative figures

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

BY ORDER OF THE BOARD
22 January 2019