



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

Interim Financial Report
For the Fourth (4th) Quarter Ended
31 Aug 2019

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH (4TH) QUARTER ENDED 31 AUGUST 2019

	<-- Individual Quarter -->		<-- Cumulative Quarter -->	
	Unaudited 31.08.2019 RM'000	Unaudited 31.08.2018 RM'000	Unaudited 31.08.2019 RM'000	Audited 31.08.2018 RM'000
Revenue	25,122	6,048	116,890	33,248
Cost of Sales	(17,142)	(4,085)	(91,293)	(21,492)
Gross Profit	7,980	1,963	25,597	11,756
Other operating income	1,029	162	10,222	4,074
Administrative expenses	(5,433)	(11,550)	(21,344)	(20,811)
Selling and distribution expenses	(816)	(407)	(2,333)	(1,848)
Profit/(loss) from operations	2,760	(9,832)	12,142	(6,829)
Finance costs	(880)	(139)	(4,038)	(662)
Profit/(loss) before taxation	1,880	(9,971)	8,104	(7,491)
Taxation	(869)	(10)	(2,081)	(567)
Profit/(loss) for the financial year	1,011	(9,981)	6,023	(8,058)
Other comprehensive income/(loss):				
Foreign currency translation differences	(4)	(183)	(7)	(266)
Reversal of merger deficit reserve on subsidiary	-	(656)	-	-
Total comprehensive income/(loss) for the financial year	1,007	(10,820)	6,016	(8,324)
Profit/(Loss) for the year attributed to:				
- Owners of the company	1,130	(9,981)	6,304	(8,058)
- Non-controlling interest	(119)	-	(281)	-
	1,011	(9,981)	6,023	(8,058)
Total comprehensive income/(loss) attributable to:				
- Owners of the company	1,126	(10,820)	6,297	(8,324)
- Non-controlling interest	(119)	-	(281)	-
	1,007	(10,820)	6,016	(8,324)
Weighted average no. of ordinary shares ('000)	555,512	468,831	555,512	420,414
Earnings/(Loss) per share:				
- Basic (sen)	0.20	(2.13)	1.13	(1.92)
- Diluted (sen)	0.15	(1.48)	0.83	(1.40)

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 31 AUGUST 2019

	Unaudited As at 31.08.2019 RM'000	Restated As at 31.08.2018 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	62,361	65,356
Goodwill on consolidation	28,757	28,757
	91,118	94,113
CURRENT ASSETS		
Inventories	26,198	32,580
Trade receivables	42,843	30,196
Other receivables, prepayments and deposits	1,536	2,152
Tax recoverable	1,198	2,934
Fixed deposit with licensed banks	4,413	8,367
Cash and bank balances	11,773	5,477
	87,961	81,706
Assets classified as held for sale	-	2,455
	87,961	84,161
TOTAL ASSETS	179,079	178,274
EQUITY AND LIABILITIES		
EQUITY		
Share capital	75,918	75,918
Merger deficit reserve	(23,859)	(23,859)
Foreign currency translation reserves	3	10
Retained earnings	35,011	28,707
	87,073	80,776
Non-controlling interest	3,791	4,072
TOTAL EQUITY	90,864	84,848
CURRENT LIABILITIES		
Trade payables	18,470	12,954
Other payables	3,882	3,398
Hire purchase and lease payables	427	424
Bank borrowings	8,509	13,494
Tax payable	418	32
	31,706	30,302

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2019 (CONTINUED)

	Unaudited As at 31.08.2019 RM'000	Restated As at 31.08.2018 RM'000
NON-CURRENT LIABILITIES		
Hire purchase and lease payables	721	1,144
Bank borrowings	49,045	55,450
Deferred tax liabilities	6,743	6,530
	56,509	63,124
TOTAL LIABILITIES	88,215	93,426
TOTAL EQUITY AND LIABILITIES	179,079	178,274
NET ASSET PER SHARE (sen)	15.67	14.54

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.

SCH GROUP BERHAD (972700-P)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH (4TH) QUARTER ENDED 31 AUGUST 2019**

	<i>←-- Attributable to the Owners of the Company --></i>				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			
Unaudited							
Balance as at 1 September 2018							
-as per previously reported	75,918	(23,859)	10	27,869	79,938	4,072	84,010
Effect of adopting MFRS 9	-	-	-	838	838	-	838
Balance as at 1 September 2018, as per restated	75,918	(23,859)	10	28,707	80,776	4,072	84,848
Profit for the financial year	-	-	-	6,304	6,304	(281)	6,023
Other comprehensive loss for the financial year	-	-	(7)	-	(7)	-	(7)
Total comprehensive income/(loss) for the financial year	-	-	(7)	6,304	6,297	(281)	6,016
Balance as at 31 August 2019	75,918	(23,859)	3	35,011	87,073	3,791	90,864

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH (4TH) QUARTER ENDED 31 AUGUST 2019 (CONTINUED)

Restated	Share Capital RM'000	Merger Reserve RM'000	Translation Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non Controlling Interest RM'000	Total Equity RM'000
Balance as at 1 September 2017	52,129	(24,515)	276	36,583	64,473	-	64,473
Loss for the financial year	-	-	-	(8,058)	(8,058)	-	(8,058)
Other comprehensive loss for the financial year	-	-	(266)	-	(266)	-	(266)
Total comprehensive loss for the financial year	-	-	(266)	(8,058)	(8,324)	-	(8,324)
Strike off a subsidiary acquired under common control business combination in prior years	-	656	-	(656)	-	-	-
Effect arising from the acquisition of the subsidiaries	6,800	-	-	-	6,800	4,072	10,872
Private placement of shares	17,550	-	-	-	17,550	-	17,550
Conversion of warrants	28	-	-	-	28	-	28
Share issue expenses	(589)	-	-	-	(589)	-	(589)
Balance as at 31 August 2018							
- as per previously reported	75,918	(23,859)	10	27,869	79,938	4,072	84,010
Effect of adopting MFRS 9	-	-	-	838	838	-	838
Balance as at 31 August 2018, as per restated	75,918	(23,859)	10	28,707	80,776	4,072	84,848

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.

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4TH) QUARTER ENDED 31 AUGUST 2019

	Unaudited 12 months ended 31.08.2019 RM'000	Restated 12 months ended 31.08.2018 RM'000
Cash Flows From Operating Activities		
Profit/(Loss) before taxation	8,104	(7,491)
Adjustment for:		
Bad debts and deposits written off	39	7
Depreciation of property, plant and equipment	4,265	1,082
Impairment on trade receivables	569	1,722
Inventories written off	48	-
Loss on strike off of a subsidiary	-	239
Provision for slow-moving inventories	-	8,034
Property, plant and equipment written off	3	33
Realised gain on foreign exchange	-	(268)
Unrealised (gain)/loss on foreign exchange	(105)	131
Gain on disposal of property, plant and equipment	(7,715)	(997)
Gain on bargain purchase	-	(2,107)
Reversal of impairment on trade receivables	(2,042)	(97)
Interest expenses	4,038	662
Interest income	(263)	(251)
Operating profit before working capital changes	6,941	699
Changes in working capital:		
Inventories	6,336	(1,570)
Trade and other receivables	(10,597)	7,990
Trade and other payables	5,979	(372)
Amount due to directors	-	(19)
	1,718	6,029
Cash generated from operations	8,659	6,728
Interest received	263	251
Interest paid	(4,038)	(634)
Tax refund	2,722	167
Tax paid	(2,465)	(1,200)
	(3,518)	(1,416)
Net cash generated from operating activities	5,141	5,312

SCH GROUP BERHAD (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4TH) QUARTER ENDED 31 AUGUST 2019 (CONTINUED)

	Unaudited 12 months ended 31.08.2019 RM'000	Restated 12 months ended 31.08.2018 RM'000
Cash Flow From Investing Activities		
Acquisition of subsidiaries, net of cash acquired	-	(63,966)
Purchase of property, plant and equipment	(2,822)	(1,680)
Proceed from disposal of property, plant and equipment	11,719	1,685
Net cash from/(used in) investing activities	<u>8,897</u>	<u>(63,961)</u>
Cash Flow From Financing Activities		
Issuance of shares	-	23,789
Decrease in foreign currency trade loans	(3,056)	(1,939)
Repayment of hire purchase payables	(419)	(297)
(Repayment)/Drawdown of term loan	(6,284)	42,884
Changes on bankers' acceptance & trust receipts	(79)	(5,479)
Increase in fixed deposits pledged	(130)	(861)
Net cash (used in)/from financing activities	<u>(9,968)</u>	<u>58,097</u>
Net increase/(decrease) in cash and cash equivalents	4,070	(552)
Cash and cash equivalents at beginning of the financial year	8,604	9,614
Exchange rate adjustment	5	(458)
Cash and cash equivalents at end of the financial year	<u>12,679</u>	<u>8,604</u>
Cash and cash equivalents at end of the financial year comprises:		
- Fixed deposits placed with licensed banks	4,413	8,367
- Cash and bank balances	11,773	5,477
- Bank overdraft	-	(1,864)
	<u>16,186</u>	<u>11,980</u>
Less: Fixed deposits pledged with licensed banks	(3,507)	(3,376)
	<u>12,679</u>	<u>8,604</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 YEAR ENDED 31 AUGUST 2019

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 9	Financial Instruments	1 January 2019
Amendments to MFRS 11	Joint Arrangements	1 January 2019
Amendments to MFRS 112	Income Taxes	1 January 2019
Amendments to MFRS 119	Employee Benefits	1 January 2019
Amendments to MFRS 123	Borrowing Costs	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3	Business Combinations	1 January 2019/ 1 January 2020
Amendments to MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred
Amendments to MFRS 2	Share-based payment	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
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

SCH GROUP BERHAD (972700-P)

Amendments to IC Interpretation 12	Service Concession Arrangements	
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 32	Intangible Assets – Web Costs	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021
Amendments to MFRS 5	Non-current Assets Held for Sales and Discontinued Operations	1 January 2021
Amendments to MFRS 7	Financial Instruments: Disclosure	1 January 2021
Amendments to MFRS 15	Revenue from Contracts with Customers	1 January 2021
Amendments to MFRS 107	Statements of Cash Flows	1 January 2021
Amendments to MFRS 116	Property, Plant and Equipment	1 January 2021
Amendments to MFRS 132	Financial Instruments: Presentation	1 January 2021
Amendments to MFRS 136	Impairment of Assets	1 January 2021
Amendments to MFRS 140	Investment Property	1 January 2021
Amendments to MFRS 10	Consolidated Financial Statements	Deferred

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.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

SCH GROUP BERHAD (972700-P)

A2. Comparative figures

The following figures have been restated due to the adoption of MFRS 9:

At 31.08.2018

Statement of financial position (Extracted)

	As previously reported RM	Adjustments RM	As Restated RM
Trade receivables	29,358	838	30,196
Retained earnings	27,869	838	28,707

Statement of cash flows (Extracted)

	As previously reported RM	Adjustments RM	As Restated RM
Cash flows adjustments for operating activities:			
Impairment on trade receivables	2,560	(838)	1,722
Changes in working capital:			
Trade and other receivables	7,152	838	7,990

A3. Auditors' report of preceding annual audited financial statements

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

A4. Seasonal or cyclical factors

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

A5. 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 year-to-date.

A6. 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 year-to-date.

A7. 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 year ended 31 August 2019.

SCH GROUP BERHAD (972700-P)

A8. Segmental information

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

12-months ended 31 August 2019

	Investment Holding RM'000	Fertilizers Industry RM'000	Equipment Rental Industry RM'000	Quarry Industry RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	-	73,524	16,869	26,497	-	116,890
Inter-segment sales	-	-	-	16,337	(16,337)	-
Total	-	73,524	16,869	42,834	(16,337)	116,890
Results						
Segment results	3,535	187	3,069	9,088	(4,000)	11,879
Finance costs	(2,373)	(1,185)	-	(480)	-	(4,038)
Finance income	19	-	24	220	-	263
Profit/(Loss) before taxation	1,181	(998)	3,093	8,828	(4,000)	8,104
Taxation	(2)	(694)	(914)	(471)	-	(2,081)
Profit/(Loss) after taxation	1,179	(1,692)	2,179	8,357	(4,000)	6,023

Segmental information are not presented in the corresponding year ended 31 August 2018 as the Group is principally engaged in one industry that is the quarry industry.

A9. Dividend Paid

No dividend was paid during the current quarter under review.

A10. 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.

A11. Capital commitments

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

A12. Changes in the composition of the Group

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

A13. Contingent liabilities and contingent assets

There were no contingent assets as at the date of this 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 31 August 2019, the Company has provided corporate guarantees amounting to RM44.68 million to various financial institutions for banking facilities granted to certain subsidiary companies.

A14. 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.

A15. Related party transactions

Transaction with companies in which a Director has interest for the current quarter ended 31 May 2019 was as follows: -

	Current Quarter ended 31.08.2019 RM'000	Cumulative Quarter ended 31.08.2019 RM'000
Rental of factory	169	677
Hiring of lorry	49	195
Sale of industrial products and spare parts	(39)	125
Purchase of raw materials	1,773	9,566
Sales of fertilisers goods	525	853
Sales of forklift	27	27

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

A16. Profit guarantee

The Company, (SCH Group Berhad) had on 2 Feb 2018, entered into a Share Sale Agreement ("SSA") with Hextar Holdings Sdn. Bhd. ("Vendor") for the proposed acquisition of the entire equity interest in TK Rentals Sdn. Bhd. (formerly known as TK Tent & Air-Conditioning Rental Sdn. Bhd.) ("TK Rentals") for a cash consideration of RM50.00 million.

SCH GROUP BERHAD (972700-P)

Pursuant to the SSA, the Vendor guarantees that TK Rentals shall attain the guaranteed sum for financial years ending 30 June 2018, 30 June 2019 and 30 June 2020 in aggregate ("Guaranteed Sum"). The Guaranteed Sum was arrived based on the targeted profit after tax ("PAT") as follows:

- i. PAT of RM4.00 million for the financial year ending 30 June 2018;
- ii. PAT of RM5.00 million for the financial year ending 30 June 2019; and
- iii. PAT of RM6.50 million for the financial year ending 30 June 2020.

In the event of any actual PAT shortfall or excess in each of the abovesaid financial year, such shortfall or excess shall be rolled over to the succeeding financial year up to financial year ending 30 June 2020. The vendor shall be liable to pay any shortfall to the Guaranteed Sum within 14 days after the audited financial statements of TK Rental for the financial year ending 30 June 2020 is made available.

TK Rentals had on 7 March 2019 changed its financial year from 30 June to 31 August in conformity with the Company's financial year ending 31 August in accordance with Section 247 of the Companies, 2016.

The followings are the status of aggregate guaranteed PAT for the two financial periods.

Financial period ended	30 June 2018	31 August 2019
Financial period	12 months period	14 months period
PAT achieved	RM 4.96 million *	RM 2.18 million ^
Guaranteed PAT	RM 4.00 million	RM 5.00 million
Aggregate PAT achieved	RM 4.96 million	RM 7.14 million
Aggregate guaranteed PAT sum	RM 4.00 million	RM 9.00 million
Aggregate PAT excess / (shortfall)	RM 0.96 million	RM (1.86 million)

* Based on audited accounts

^ Based on unaudited accounts

The Board is aware of the shortfall of guaranteed PAT sum and is monitoring closely on the recovery action plan and will ensure Vendor to pay the shortfall amount immediately after the TK Rentals' management accounts for financial period ending 30 June 2020 is available. An external auditor will be appointed to conduct a limited review on the profit or loss account.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

SCH GROUP BERHAD (972700-P)

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Review of performance

	←Individual Quarter→				←Cumulative Quarter→			
	Unaudited 31.08.2019 RM'000	Unaudited 31.08.2018 RM'000	Changes RM'000	Changes (%)	Unaudited 31.08.2019 RM'000	Audited 31.08.2018 RM'000	Changes RM'000	Changes (%)
Revenue	25,122	6,048	19,074	315	116,890	33,248	83,642	252
Operating profit/(loss)	1,731	(9,994)	11,725	N/A	1,920	(10,903)	12,823	N/A
Profit/(loss) before interest and taxation	2,760	(9,832)	12,592	N/A	12,142	(6,829)	18,971	N/A
Profit/(loss) before tax	1,880	(9,971)	11,851	N/A	8,104	(7,491)	15,595	N/A
Profit/(loss) after tax	1,011	(9,981)	10,992	N/A	6,023	(8,058)	14,081	N/A

Q4/2019 compared to Q4/2018

For the current quarter ended 31 August 2019, the Group recorded revenue of RM25.1 million as compared to RM6.0 million in the corresponding quarter ended 31 August 2018, an increase of RM19.1 million or 315%. The increase in revenue mainly due to contribution from two business sectors namely equipment rental supply and fertilizers industry amounted to RM4.7 million and RM14.6 million respectively. The detailed information of the results of each business sector for a 12-months period is disclosed in Note A8.

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

The Group reported revenue of RM5.8 million for the quarter from quarry industry, a decrease of RM0.2 million or 3% as compared to the corresponding quarter of preceding year.

The Group's administration and selling & distribution expenses amounted to RM6.2 million for the quarter under review as compared to RM12.0 million recorded in the corresponding quarter of the preceding year. The decrease in the operating expenses were due to the impairment of slow moving stock and trade receivables amounted to RM8.0 million and RM1.0 million respectively in the corresponding quarter ended 31 August 2018. The additional operating cost incurred for new business sector amounted to RM3.2 million for the current quarter.

The Group's finance cost amounted to RM0.9 million for the quarter under review as compared to RM0.1 million. The increase is mainly due to additional interest costs incurred for term loans amounted to RM43 million secured for business acquisition purpose.

The Group registered profit attributable to equity holding of the parent company of RM1.1 million as compared to a loss of RM10.0 million for the corresponding quarter last year, mainly due to the impairment of slow moving stock and trade receivables amounted to RM8.0 million and RM1.0 million respectively in the corresponding quarter ended 31 August 2018 as disclosed in Note B11.

Cumulative 12-months Q4/2019 compared to cumulative 12-months Q4/2018

For the cumulative quarter ended 31 August 2019, the Group recorded revenue of RM116.9 million as compared to RM33.2 million in the corresponding cumulative quarter ended 31 August 2018, an increase of RM83.7 million or 252%. The increase in revenue mainly due to contribution from two business sectors namely equipment rental supply and fertilizers industry amounted to RM16.9 million and RM73.6 million respectively. The detailed information of the results of each business sector is disclosed in Note A8.

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 RM26.5 million for the cumulative quarter from quarry industry, a decrease of RM6.7 million or 20.2% as compared to the corresponding cumulative quarter of preceding year.

The Group's administration and selling & distribution expenses amounted to RM23.7 million for the cumulative quarter under review as compared to RM22.7 million. There is an increase in administration and selling & distribution expenses by RM 11.6 million after exclude impairment cost for slow moving stocks and trade receivables amounted to RM10.6 million. The increase in the operating expenses were due to the increase of administration and selling & distribution expenses in new business sectors.

The Group's finance cost amounted to RM4.0 million for the cumulative quarter under review as compared to RM0.6 million. The increase is mainly due to additional interest costs incurred for term loans amounted to RM43 million secured for business acquisition purpose.

The Group reported profit before tax of RM8.1 million as compared to RM7.5 million of loss for the preceding corresponding financial year.

The Group registered profit attributable to equity holding of the parent company of RM6.3 million as compared to loss of RM8.3 million of profit for the corresponding cumulative quarter last year mainly due to impairment of slow moving stock and trade receivables amounted to RM8.0 million and RM2.6 million respectively in the corresponding quarter ended 31 August 2018 as disclosed in Note B11. The gain of disposal of properties of RM7.7 million also contributed to the overall increase in profit for the year.

SCH GROUP BERHAD (972700-P)

B2. Comparison with immediate preceding quarter's results

	<-Individual Quarter->			
	Unaudited	Unaudited	Changes	Changes
	31.08.2019	31.05.2019	RM'000	(%)
	RM'000	RM'000		
Revenue	25,122	35,092	(9,970)	(28)
Operating profit	1,731	538	1,193	222
Profit before interest and taxation	2,760	6,338	(3,578)	(56)
Profit before taxation	1,880	5,171	(3,291)	(64)
Profit after taxation	1,011	4,361	(3,350)	(77)

The Group revenue for the current quarter ended 31 August 2019 is decreased by RM10.0 million as compared to the preceding quarter ended 31 May 2019. The decrease is mainly due to application of fertiliser materials in plantation industry is reduced in June and July 2019.

The Group's quarry industry recorded lower revenue of RM5.8 million as compared to RM6.6 million in the preceding quarter ended 31 May 2019. This is due to slowdown in government infrastructure projects and property and construction sector.

The equipment rental supply sector achieved revenue of RM4.7 million which is lower than the preceding quarter of RM5.6 million. This is mainly due to income yet to be recognised for work completed during the quarter and is recorded as deferred revenue as per MFRS 15 reporting requirement.

The Group achieved lower profit before interest and taxation of RM2.8 million as compared with preceding quarter of RM6.3 million mainly due to gain derived from disposal of properties amounted to RM5.1 million in preceding quarter. The income derived from reversal of debts impaired amounted to RM2 million contributed to the profit before tax during the quarter.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

B3. Prospects

Fertilizers Industry Segment

The Group foreseen a very challenging business environment for local fertilizers industry which is heavily rely on palm oil industry performance. Management continues to monitor its implemented action plan which focus on productivity efficiency and process improvement.

Equipment Rental Industry Segment

The Group has identified new opportunities and is collaborating with strategic partners including overseas partners in the Asia-Pacific region include Japan, Hong Kong, Indonesia, Thailand and Singapore. The strategic partnership will provide the Group competitive edge to secure more projects in overseas market.

Quarry Industry Segment

Despite Malaysia government had revised mega infrastructure projects such as East Coast Railway Link (ECRL) in the first (1st) half of the year 2019, there is no significant improvement in the quarry industry business activities. The management remain optimistic of the positive growth in the quarry industry market due to new infrastructure projects will be undertaken by government in future.

The Board will ensure the strategic direction of the Group will be centered around improving its profitability and increasing revenue based on the Group core competency.

B4. Profit forecast

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

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

B5. Taxation

	←Individual Quarter→		←Cumulative Quarter→	
	Unaudited 31.08.2019 RM'000	Unaudited 31.08.2018 RM'000	Unaudited 31.08.2019 RM'000	Audited 31.08.2018 RM'000
Income tax expense				
- Current financial year	626	(21)	1,304	768
- Under/(over) provision in prior year	31	-	170	(111)
- Real property gain tax	-	-	395	-
	657	(21)	1,869	657
Deferred tax				
- (Reversal)/provision in current financial year	(219)	31	(219)	(90)
- Under provision in prior year	431	-	431	-
	869	10	2,081	567

The applicable income tax rate is 24%. The current quarter effective tax rate is higher than the Malaysian statutory tax rate mainly due to non-tax deductibility of certain expenses incurred by the Group and under provision of current tax in previous years.

B6. Status of corporate proposals announced

There were no corporate proposals that were announced but not completed as at the date of this report.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

SCH GROUP BERHAD (972700-P)

B7. Borrowings

The Group's borrowings were as follows: -

	As at 31.08.2019 RM'000	As at 31.08.2018 RM'000
Secured		
Bank Overdraft	-	1,864
Bill payables	1,735	1,814
Hire purchases	1,148	1,568
Foreign currency loans against import	-	3,163
Term loan	55,819	62,103
Total bank borrowings	58,702	70,512
Short Term		
Bank Overdraft	-	1,864
Bill payables	1,735	1,814
Hire purchases	427	424
Foreign currency loans against import	-	3,163
Term loan	6,774	6,653
	<u>8,936</u>	<u>13,918</u>
Long Term		
Hire purchases	721	1,144
Term loan	49,045	55,450
	<u>49,766</u>	<u>56,594</u>

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.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

SCH GROUP BERHAD (972700-P)

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	
	31.08.2019 RM'000	31.08.2018 RM'000	31.08.2019 RM'000	31.08.2018 RM'000
Profit/(loss) attributable to ordinary equity holders of the Group	1,130	(9,981)	6,304	(8,058)
Weighted average number of ordinary shares in issue ('000)	555,512	468,831	555,512	420,414
Basic earnings/(loss) per share (sen)	0.20	(2.13)	1.13	(1.92)

b) Diluted

	Individual Quarter Ended		Cumulative Quarter Ended	
	31.08.2019 RM'000	31.08.2018 RM'000	31.08.2019 RM'000	31.08.2018 RM'000
Profit/(loss) attributable to ordinary equity holders of the Group	1,130	(9,981)	6,304	(8,058)
Weighted average number of ordinary shares in issue ('000)	555,512	468,831	555,512	420,414
Adjustment for dilutive effect on conversion of warrants ('000)	205,839	206,072	205,839	154,112
Total Diluted earnings/(loss) per share (sen)	0.15	(1.48)	0.83	(1.40)

SCH GROUP BERHAD (972700-P)

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

	Individual Quarter Ended		Cumulative Quarter Ended	
	31.08.2019 RM'000	31.08.2018 RM'000	31.08.2019 RM'000	31.08.2018 RM'000
Profit/(loss) before taxation is arrived at after charging/(crediting):-				
Bad debts and deposits written off	3	-	39	7
Depreciation of property plant and equipment	1,078	285	4,265	1,082
Interest expenses	880	139	4,038	662
Interest income	(76)	(66)	(263)	(251)
Gain on bargain purchase	-	-	-	(2,107)
Gain on disposal of property, plant and equipment	-	(1)	(7,715)	(997)
(Gain) / Loss on foreign exchange (realised/unrealised)	4	119	13	(135)
Property, plant and equipment written off	1	-	3	33
Reversal of impairment on trade receivables	(1,992)	(11)	(2,042)	(97)
Impairment on trade receivables	569	1,320	569	2,560
Impairment of slow moving stock	-	7,283	-	8,034
Inventories written off	48	-	48	-
Loss on strike off of a subsidiary	-	-	-	239

B12. Comparative figures

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

BY ORDER OF THE BOARD
29 October 2019