

SCGM Bhd (Company no: 779028-H)
Notes To The Interim Report
For The Financial Quarter Ended 31 July 2016 (Unaudited)

Part A - Explanatory Notes Pursuant to MFRS 134

A1 Basis of Preparation

The unaudited interim financial statements have been prepared in accordance with the MFRS 134 *Interim Financial Reporting* and applicable disclosure provisions of the Paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 April 2016. The explanatory notes attached to this condensed consolidated interim financial report, provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group for the financial year ended 30 April 2016.

The accounting policies and methods of computation adopted in the preparation of this interim financial statements are consistent with those adopted in the audited financial statements for the year ended 30 April 2016. In the previous years, the financial statements of the Group and the Company were prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”).

MFRSs, and Amendments to MFRSs Issued but Not Effective

At the date of issuance of this quarterly report, the MFRSs, and amendments to MFRSs which were in issue but not yet effective are as listed below:

	Effective for annual periods beginning on or after
MFRS 9 Financial Instruments (IFRS 9 Financial Instruments as issued by IASB in July 2014)	1 January 2018
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 11 Accounting for Acquisitions of Interest in Joint Operations	1 January 2016
Amendments to MFRS 101 Disclosure Initiative	1 January 2016
Amendments to MFRS 107 Disclosure Initiative	1 January 2017
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 116 & MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 & MFRS 141 Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127 Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRSs 2012 – 2014 Cycle”	1 January 2016

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A2 Auditors' Reports on Preceding Annual Financial Statements

There was no qualification in the financial statements for the financial year ended April 30, 2016.

A3 Seasonal or Cyclical Factors

The business operations of the Group were not materially affected by seasonal or cyclical factors during the current quarter under review.

A4 Unusual Significant Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter and current financial year-to-date.

A5 Changes in Estimates

There were no changes in estimates of amounts reported in the prior financial years that have a material effect in the current quarter and year-to-date results.

A6 Changes in Debt and Equity Securities

There have been no issuances, cancellations, repurchases, resale and repayments of debt and equity securities, shares held as treasury shares and resale of treasury shares for current quarter and financial year-to-date.

A7 Dividends Paid

The Directors declared fourth interim single tier dividend in respect of the financial year ended 30 April 2016 of 2 sen per ordinary share, amounting to RM2,640,000 on 23 June 2016 and paid on 27 July 2016.

A8 Segmental Reporting

Detailed segmental reporting is not provided as the the Group's primary business segments is principally engaged in the manufacturing and trading of plastic and its operation is principally located in Malaysia.

	Current Year Quarter 31.7.2016 RM'000	2016 %	Preceding Year Corresponding Quarter 31.7.2015 RM'000	2015 %
Export sales	16,222	43%	14,313	48%
Local sales	21,654	57%	15,324	52%
	<u>37,876</u>		<u>29,637</u>	

A9 Valuation of Property, Plant and Equipment

There was no valuation of the property, plant and equipment in the current quarter under review.

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A10 Material Subsequent Events

There were no material events subsequent to the end of the current quarter up to the date of this announcement, except for:

On 10 August 2016, Kenanga IB announced that the Company proposed to revise the utilisation of unutilised balance of proceeds raised from the Private Placement, which was completed on 11 December 2015.

On 10 August 2016, Kenanga Investment Bank Berhad (“Kenanga IB”) announced that the Company proposed to undertake the Proposed Private Placement of up to 13,200,000 new ordinary shares.

On 15 August 2016, Kenanga IB announced that the listing application in respect of the Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad.

A11 Changes in the Composition of the Group

There were no changes in the composition of the Group in the current quarter and financial year-to-date.

A12 Contingent Liabilities

There were no material contingent liabilities to be disclosed as at the date of this report.

A13 Capital Commitments

As at July 31, 2016, the Group has the capital expenditure in respect of property, plant and equipment are as follows:

	31.7.2016	30.4.2016
	RM'000	RM'000
Authorised but not contracted for:-		
- Equipment, plant and machinery	-	3,736
- Building	-	5,698
	<u>-</u>	<u>9,434</u>
Approved and contracted for:-		
- Equipment, plant and machinery	16,481	5,177
- Land	-	10,658
	<u>16,481</u>	<u>15,835</u>

A14 Cash and Cash Equivalents

	31.7.2016	30.4.2016
	RM'000	RM'000
Cash and bank balances	7,864	7,955
Fixed deposits with licensed bank	128	127
	<u>7,992</u>	<u>8,802</u>

PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1 Review of performance

Current quarter vs preceding year corresponding quarter

For the current quarter performance, the Group recorded a Sales Turnover of RM37.876 million which was 27.8% higher than the preceding year's corresponding quarter Sales Turnover of RM29.637 million. Significant increase in Sales Turnover was mainly due to higher local sales demand of plastic packaging products.

The operating expenses increased mainly due to the increase in cost of production, staff cost, depreciation of property, plant and equipment and higher consumption of electricity power.

The Profit before Tax of RM6.436 million was 16.7% higher than the RM5.936 million recorded in the preceding year's corresponding quarter. The increase in Profit before Tax was attributed by higher profit from operations recorded as a result of higher revenue achieved during the quarter and the increased in other operating income mainly due to the gain on foreign exchange as a result of appreciation of Singapore Dollar and US Dollar, gain on disposal of property, plant and equipment and interest income deriving from short term money market.

B2 Variation of Results Against Preceding Quarter

The current quarter Sales Turnover of RM37.876 million as compared to the preceding quarter ended 30 April 2016 Sales Turnover of RM32.487 million has increased by 16.6%, which resulted from the higher demand from both local and export.

The Group recorded Profit before Tax of RM5.936 million for current quarter, which was 16.5% higher than the Profit before Tax of RM5.097 million in the preceding quarter. The increase was due to the increase in operation profit as a result of increase in operations and the gain on foreign exchange recorded during the financial period.

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B3 Future Prospects

In light of regulatory bans on polystyrene foam packaging in several states in Malaysia, and the increasing preference for more hygienic food packaging due to lifestyle changes in the region, the demand for our range of products (in particular lunch boxes as well as the bakery products) have shown an upward trend.

Hence, the rising demand from both the local and export markets have pushed the Group's production utilisation to near-maximum levels.

To meet the immediate demand for lunch boxes, the management would embark on renting a 24,000 square feet factory in Kulai to increase the production in the interim. The rented premises will house 2 extrusion machines and with the arrival of the dual-colour extrusion machine at existing plant, it would gradually increase the Group's production capacity from 25 mil kg per annum to 36 mil kg per annum.

In the meantime, the Group remains on track to build its second factory as per announcement on 18 April 2016, entailing the purchase of the 19.2 acre-land in Kulai. This purpose-built facility, which is slated for completion in the financial year ending 30 April 2019 (FY2019), would spur the future growth of the Group.

B4 Variance of Profit Forecast/Profit Guarantee

There was no profit forecast or profit guarantee given in respect of the current period.

B5 Taxation

	Current Year Quarter 31.7.2016 RM'000	Preceding Year Corresponding Quarter 31.7.2015 RM'000
Current tax expense:		
Current period	704	1,050
Deferred tax expense:		
Current period	220	-
	924	1,050

The effective tax rate of the Group for the current quarter is lower than the statutory tax rate due to principally utilisation of the capital allowances and reinvestment allowances.

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B6 Corporate Proposals Announced But Not Completed

Status of utilisation of proceeds raised from Private Placement as at 31 July 2016:

Purposes	Proposed Utilisation Amount RM'000	Actual Utilisation Amount RM'000	Intended Timeframe For	Balance RM'000	%
Capital expenditure	22,000	10,028	Within 24 months	11,972	54.4%
Working capital	8,920	8,920	Within 12 months	-	0%
Estimates expenses for Private Placement	400	400	Within 1 month	-	0%
	<u>31,320</u>	<u>19,348</u>		<u>11,972</u>	<u>38.2%</u>

As disclosed in the Proposal in relation to the Private Placement dated 12 November 2015, any differences between the illustrated proceeds stated in the Proposal and the actual proceeds raised from the Proposed Private Placement (which is dependent on the final issue price of the Placement Shares and the final number of Placement Shares issued) as well as any differences in the actual expenses in relation to the Proposed Private Placement shall be adjusted to the allocation for working capital requirements of the Group.

The corporate proposals announced but not completed

On 10 August 2016, Kenanga IB announced that the Company proposed to revise the utilisation of unutilised balance of proceeds raised from the Private Placement, which was completed on 11 December 2015.

On 10 August 2016, Kenanga Investment Bank Berhad (“Kenanga IB”) announced that the Company proposed to undertake the Proposed Private Placement of up to 13,200,000 new ordinary shares.

On 15 August 2016, Kenanga IB announced that the listing application in respect of the Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad.

B7 Quoted Securities

There were no purchases or disposals of quoted securities during the current quarter and financial year-to-date.

B8 Borrowings and Debt Securities

The Group's Borrowings as at 31 July 2016 are as follows:-

	Current RM'000	Non- Current RM'000	Total RM'000
Secured:			
Finance lease creditors	<u>2,255</u>	<u>3,267</u>	<u>5,522</u>
	<u>2,255</u>	<u>3,267</u>	<u>5,522</u>

All the borrowings were denominated in Ringgit Malaysia.

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B9 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at the date of this report.

B10 Material Litigation

As at the date of this announcement, there are no material litigations against the Group or taken by the Group.

B11 Proposed Dividend

The Directors proposed first interim single tier dividend in respect of the financial year ending 30 April 2017 of 2 sen per ordinary shares and payable on 7 October 2016 to members registered on 22 September 2016.

B12 Earnings Per Share

Basic Earnings Per Share

	Current Quarter Ended 31.7.16 RM'000	Preceding Quarter Ended 31.7.15 RM'000	Cumulative Year To Date 31.7.16 RM'000	Preceding Cumulative Year To Date 31.7.15 RM'000
Basic Earnings Per Share Profit attributable to equity holders of the parent	5,512	4,886	5,512	4,886
Weighted average number of ordinary shares in issue ('000)	132,000	132,000*	132,000	132,000*
Basic earnings per share (sen)	4.18	3.70	4.18	3.70

*Comparative figures have been adjusted for issuance of shares via bonus issue and private placement to be comparable to the current period's presentation.

	Current Quarter Ended 31.7.16 RM'000	Preceding Quarter Ended 31.7.15 RM'000	Cumulative Period To Date 31.7.16 RM'000	Preceding Cumulative Period To Date 31.7.15 RM'000
Basic Earnings Per Share Profit attributable to equity holders of the parent	5,512	4,886	5,512	4,886
Weighted average number of ordinary shares in issue ('000)	132,000	80,000#	132,000	80,000#
Basic earnings per share (sen)	4.18	6.11	4.18	6.11

Comparative figures were based on quarterly announcements made for the 3 months period ended 31 July 2015.

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Diluted Earnings Per Share

There are no diluted earnings per share as the Group does not have any convertible financial instruments as at the end of the quarter under review and financial year to-date.

B13 Realised and Unrealised Retained Earnings

	Unaudited As At 31.7.2016 RM'000	Audited As At 30.4.2016 RM'000
Total retained profits of the Company and its subsidiary		
- Realised profit	54,895	80,530
- Unrealised loss	<u>(3,418)</u>	<u>(3,965)</u>
	51,477	76,565
Consolidation adjustments	<u>(2,640)</u>	<u>(30,600)</u>
Retained profits	<u><u>48,837</u></u>	<u><u>45,965</u></u>

B14 Profit before tax

Profit before tax is arrived at after charging/(crediting) the following items:-

	Current Year Quarter 31.7.16 RM'000	Current Year To Date 31.7.16 RM'000	Preceding Year Corresponding Quarter 31.7.15 RM'000	Preceding Year Corresponding Period 31.7.15 RM'000
(Gain)/Loss on foreign exchange:				
Realised	(638)	(638)	(208)	(208)
Unrealised	(201)	(201)	53	53
Gain on disposal of property, plant and equipment	(137)	(137)	-	-
Interest income	(126)	(126)	(6)	(6)
Gain on redemption of financial asset designated as at fair value through profit and loss	(14)	(14)	-	-
Amortisation of prepaid land lease payments	1	1	1	1
Fair value loss on financial asset designated as at fair value through profit and loss - net	4	4	-	-
Interest expense	88	88	70	70
Inventories written down	94	94	-	-
Depreciation of property, plant and equipment	<u>1,728</u>	<u>1,728</u>	<u>1,462</u>	<u>1,462</u>