

SCGM Bhd (Company no: 779028-H)
Notes To The Interim Report
For The Financial Quarter Ended 30 April 2017 (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 these 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 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments (IFRS 9 Financial Instruments as issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
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 12 (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2017
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 128 (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

A2 Auditors' Reports on Preceding Annual Financial Statements

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

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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 except for the following:-

	Number of shares	2017 RM
Issued and fully paid:		
Ordinary shares:		
At beginning of year – 1 May 2016	132,000,000	66,000,000
Issued during the period:		
Private placement	<u>13,200,000</u>	<u>42,240,000</u>
At end of year – 30 April 2017	<u><u>145,200,000</u></u>	<u><u>108,240,000</u></u>

The new Companies Act, 2016 (“the Act”) which came into operation on 31 January 2017, abolished the concept of authorised and par value of share capital.

Private Placement

On 10 August 2016, 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.

On 8 September 2016, Kenanga IB announced that Bursa Securities had approved the listing of and quotation of up to 13,200,000 new ordinary Shares on the Main Market of Bursa Securities to be issued pursuant to the Proposed Private Placement.

On 16 February 2017, Kenanga IB announced that the Company has fixed the issue price for the placement for 13,200,000 Placement Shares, being the first and only tranche of the Proposed Private Placement, at RM3.20 per Placement Share.

The issue price of the Placement Shares of RM3.20 represents a discount of approximately 5.6% to the five (5)-day volume weighted average market price of SCGM Shares up to and including 15 February 2017 (being the last market day prior to the Price-Fixing Date), of RM3.39 per SCGM Share.

On 24 February 2017, Kenanga IB announced that the Private Placement has been completed, following the listing of and quotation for 13,200,000 SCGM Shares, being the first and only tranche of the Private Placement on the Main Market of Bursa Securities on the said date.

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A7 Dividends Paid

The amount of dividends paid and declared since the end of the last financial year were as follows:

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.

The Directors declared first interim single tier dividend in respect of the financial year ending 30 April 2017 of 2 sen per ordinary share, amounting to RM2,640,000 on 2 September 2016 and paid on 7 October 2016.

The Directors declared second interim single tier dividend in respect of the financial year ending 30 April 2017 of 2 sen per ordinary share, amounting to RM2,640,000 on 8 December 2016 and paid on 13 January 2017.

The Directors declared third interim single tier dividend in respect of the financial year ending 30 April 2017 of 2 sen per ordinary share, amounting to RM2,904,000 on 15 March 2017 and paid on 14 April 2017.

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 30.04.2017 RM'000	2017 %	Preceding Year Corresponding Quarter 30.04.2016 RM'000	2016 %
Export sales	16,748	32%	13,404	41%
Local sales	36,159	68%	19,083	59%
	<u>52,907</u>		<u>32,487</u>	

A9 Valuation of Property, Plant and Equipment

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

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 the Proposed Bonus Issue of Shares and Proposed Bonus Issue of Warrants (for detailed information – please refer to Part B6 Status of Uncompleted Corporate Proposals).

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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 30 April 2017, the Group has the capital expenditure in respect of property, plant and equipment are as follows:

	30.04.2017	30.04.2016
	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	2,580	5,177
- Land	-	10,658
- Factory under construction	62,161	-
	<u>64,741</u>	<u>15,835</u>

A14 Cash and Cash Equivalents

	30.04.2017	30.04.2016
	RM'000	RM'000
Cash and bank balances	12,754	7,955
Fixed deposits with licensed bank	-	127
	<u>12,754</u>	<u>8,082</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 RM52.907 million which was 62.9% higher than the preceding year's corresponding quarter Sales Turnover of RM32.487 million. Significant increase in Sales Turnover was mainly due to higher local sales demand for plastic packaging products.

The Profit before Tax of RM6.604 million was 29.6% higher than the RM5.097 million recorded in the preceding year's corresponding quarter. The higher in Profit before Tax was attributed by higher profit from operations recorded as a result of higher revenue achieved for the current quarter.

B2 Variation of Results Against Preceding Quarter

The current quarter Sales Turnover of RM52.907 million as compared to the preceding quarter ended 31 January 2017 Sales Turnover of RM45.987 million has increased by 15%, as a result of higher demand from both local and export markets.

The Group recorded Profit before Tax of RM6.604 million for current quarter, which was 6.2% lower than the Profit before Tax of RM7.043 million in the preceding quarter. The slight decrease in Profit before Tax was mainly due to increase in operating expenses which was attributed to higher cost of raw materials during the current quarter.

B3 Future Prospects

With the anticipation of more states to ban the use of polystyrene as food packaging in Malaysia in response to the ongoing regulatory ban of non-environment friendly products, the demand for the plastic food trays and other degradable food packaging products is expected to increase in the near future.

Being a silver sponsor for the upcoming 2017 Southeast Asian Games and ASEAN Para Games to be held at Kuala Lumpur in August and September this year, this will further increase the demand for our disposable lunch boxes and cups.

B4 Variance of Profit Forecast / Profit Guarantee

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

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B5 Taxation

	Current Year Quarter 30.04.2017 RM'000	Preceding Year Corresponding Quarter 30.04.2016 RM'000
Current tax expense:		
Current period	400	762
Deferred tax expense:		
Current period	1,120	873
	<u>1,520</u>	<u>1,635</u>

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

B6 Status of Uncompleted Corporate Proposals

i. Private Placement I

Status of revised utilisation of proceeds raised from Private Placement I as at 30 April 2017:

Purposes of proceeds	Proposed utilisation amount	Actual utilised amount	Expected timeframe for utilisation from the date of completion 11 December 2015	Balance	
	RM'000	RM'000		RM'000	%
Capital expenditure	22,000	20,000	Within 24 months	2,000	9.09%
Working capital	8,920	8,920	Within 12 months	-	0%
Estimated expenses relating to the Private Placement	400	400	Within 1 month	-	0%
	<u>31,320</u>	<u>29,320</u>		<u>2,000</u>	6.39%

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.

On 10 August 2016, Kenanga Investment Bank Berhad (“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.

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ii. Private Placement II

Status of utilisation of proceeds raised from Private Placement II as at 30 April 2017:

Purposes of proceeds	Proposed utilisation amount	Actual utilised amount	Expected timeframe for utilisation from the date of completion	Balance	
	RM'000	RM'000	24 February 2017	RM'000	%
Construction of new plant	41,792	-	Within 24 months	41,792	100%
Estimated expenses relating to the Private Placement II	448	448	Immediate	-	
	<u>42,240</u>	<u>448</u>		<u>41,792</u>	<u>98.94%</u>

iii. Proposed Bonus Issue of Shares and Proposed Bonus Issue of Warrants

On 28 April 2017, M&A Securities Sdn Bhd ("M&A Securities") announced that the Company proposed to undertake the following:-

1. Proposed bonus issue of 48,400,000 new SCGM Shares on the basis of 1 Bonus Share for every 3 existing SCGM Shares held on an entitlement date to be determined later ("Entitlement Date"); and
2. Proposed bonus issue of 19,360,000 Warrants on the basis of 2 free Warrants for every 15 existing SCGM Shares held on the same Entitlement Date as the Proposed Bonus Issue of Shares. The new SCGM Shares to be issued arising from the exercise of the 19,360,000 Warrants represent 10% of the enlarged number of issued shares of the Company after the Proposed Bonus Issue of Shares.

On 23 May 2017, M&A Securities announced that the additional listing application and the draft circular in relation to the Proposals have been submitted to Bursa Securities.

On 13 June 2017, M&A Securities announced that Bursa Securities had, vide its letter dated 13 June 2017, resolved to approve the following:-

- (i) Listing of up to 48,400,000 Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares;
- (ii) Admission to the Official List and listing of 19,360,000 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants; and
- (iii) Listing of up to 19,360,000 new SCGM Shares to be issued arising from the exercise of Warrants.

The Bonus Shares and Warrants must be listed and quoted simultaneously.

B7 Quoted Securities

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

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B8 Borrowings and Debt Securities

The Group's Borrowings as at 30 April 2017 are as follows:-

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured:			
Borrowings	18,483	7,415	25,898
Finance lease creditors	2,279	1,545	3,824
	<u>20,762</u>	<u>8,960</u>	<u>29,722</u>

All the borrowings were denominated in Ringgit Malaysia.

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 fourth interim single tier dividend in respect of the financial year ended 30 April 2017 of 2 sen per ordinary shares and payable on 25 July 2017 to members registered on 11 July 2017. The financial statements for the current financial year do not reflect this dividend. Such dividend will be accounted for in equity as appropriation of unappropriated profit in the financial year ending 30 April 2018.

B12 Earnings Per Share

Basic Earnings Per Share

	Current Quarter Ended 30.04.17 RM'000	Preceding Quarter Ended 30.04.16 RM'000	Cumulative Year To Date 30.04.17 RM'000	Preceding Cumulative Year To Date 30.04.16 RM'000
Basic Earnings Per Share				
Profit attributable to equity holders of the parent	5,084	3,462	23,001	20,194
Weighted average number of ordinary shares in issue ('000)	141,789	141,789*	134,387	134,387*
Basic earnings per share (sen)	3.59	2.44	17.12	15.03

**Comparative figures have been adjusted for issuance of shares via Private Placement I to be comparable to the current period's presentation.*

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Basic Earnings Per Share

	Current Quarter Ended 30.04.17 RM'000	Preceding Quarter Ended 30.04.16 RM'000	Cumulative Period To Date 30.04.17 RM'000	Preceding Cumulative Period To Date 30.04.16 RM'000
Basic Earnings Per Share Profit attributable to equity holders of the parent	5,084	3,462	23,001	20,194
Weighted average number of ordinary shares in issue ('000)	141,789	132,000#	134,387	124,934#
Basic earnings per share (sen)	3.59	2.62	17.12	16.16

Comparative figures were based on quarterly announcements made for the 3 months period ended 30 April 2016.

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 Disclosure of Realised and Unrealised Profits/(Losses)

	As At 30.04.2017 RM'000	As At 31.01.2017 RM'000
Total unappropriated profit of the Company and its subsidiary		
- Realised	75,038	80,530
- Unrealised	(5,416)	(3,965)
	<hr/>	<hr/>
Consolidation adjustments	69,622	76,565
	(11,480)	(30,600)
	<hr/>	<hr/>
	<u>58,142</u>	<u>45,965</u>

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B14 Profit before tax

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

	Current Year Quarter 30.04.17 RM'000	Current Year To Date 30.04.17 RM'000	Preceding Year Corresponding Quarter 30.04.16 RM'000	Preceding Year Corresponding Period 30.04.16 RM'000
(Gain)/Loss on foreign exchange:				
Realised	(407)	(1,818)	244	(1,281)
Unrealised	259	(124)	-	565
Gain on disposal of property, plant and equipment	-	(137)	-	(15)
Distribution reinvestment income	(266)	(443)	(169)	(300)
Interest income	(16)	(54)	(8)	(26)
Loss/(Gain) on redemption of financial asset designated as at fair value through profit and loss	-	9	(3)	(10)
Amortisation of prepaid land lease payments	1	2	1	2
Fair value (gain)/loss on financial asset designated as at fair value through profit and loss – net	55	75	(14)	47
Interest expense	349	726	96	483
Property, plant & equipment written off	-	-	53	53
Allowance for doubtful debts	202	202	54	54
Inventories written down	1,552	1,646	1,025	1,025
Reversal of inventories written down	(801)	(1,025)	(1,071)	(1,071)
Depreciation of property, plant and equipment	2,513	8,403	1,615	6,113