

**SCGM Bhd (Company no: 779028-H)**  
**Notes To The Interim Report**  
**For The Financial Quarter Ended 31 July 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 2017. 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 2017.

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 2017. 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
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions	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 107 Disclosure Initiative	1 January 2017
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
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 2017.

**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.

**A7 Dividends Paid**

Since the end of the last financial year, the Directors declared fourth interim single tier dividend in respect of the financial year ended 30 April 2017 of 2 sen per ordinary share, amounting to RM2,904,000 on 21 June 2017 and paid on 25 July 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 products and its operation is principally located in Malaysia.

	<b>Current Year Quarter 31 July 2017 RM'000</b>	<b>%</b>	<b>Preceding Year Corresponding Quarter 31 July 2016 RM'000</b>	<b>%</b>
Export sales	18,143	34%	16,222	43%
Local sales	35,521	66%	21,654	57%
	<u>53,664</u>		<u>37,876</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 31 July 2017, the Group has the capital expenditure in respect of property, plant and equipment are as follows:

	<b>31.07.2017</b>	<b>30.04.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Approved and contracted for:-		
- Building	51,349	62,161
- Equipment, plant and machinery	11,388	2,581
	<u>62,737</u>	<u>64,742</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 RM53.664 million which was 41.7% higher than the preceding year's corresponding quarter Sales Turnover of RM37.876 million. Significant increase in Sales Turnover was mainly due to higher local sales demand for plastic packaging products.

The Profit before Tax of RM6.708 million was 4.2% higher than the RM6.436 million recorded in the preceding year's corresponding quarter. The higher 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 RM53.664 million as compared to the preceding quarter ended 30 April 2017 Sales Turnover of RM52.907 million has increased by 1.4%, as a result of higher demand from export markets.

The Group recorded Profit before Tax of RM6.708 million for current quarter, which was 1.6% higher than the Profit before Tax of RM6.604 million in the preceding quarter. The increase in Profit before Tax was in line with higher revenue achieved for the current quarter.

**B3 Future Prospects**

With the growing environmental awareness of public and positive market response towards our degradable plastic food packaging products, following the regulatory ban on the use of polystyrene as food packaging in certain states of Malaysia, we will continue to focus on strengthening our brand and enhancing our market share in the food and beverage segment, amid the challenging economic climate.

**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**

	<b>Current Year Quarter 31.07.2017 RM'000</b>	<b>Preceding Year Corresponding Quarter 31.07.2016 RM'000</b>
Current tax expense:		
Current period	1,100	704
Deferred tax expense:		
Current period	16	220
	<u>1,116</u>	<u>924</u>

**B6 Status of Uncompleted Corporate Proposals**

**i. Private Placement I**

Status of revised utilisation of proceeds raised from Private Placement I as at 31 July 2017:

<b>Purposes of proceeds</b>	<b>Proposed utilisation amount</b>	<b>Actual utilised amount</b>	<b>Expected timeframe for utilisation from the date of completion 11 December 2015</b>	<b>Balance</b>	
	<b>RM'000</b>	<b>RM'000</b>		<b>RM'000</b>	<b>%</b>
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 I	400	400	Within 1 month	-	0%
	<u>31,320</u>	<u>29,320</u>		<u>2,000</u>	<u>6.39%</u>

As disclosed in the Proposal in relation to the Private Placement I dated 12 November 2015, any differences between the illustrated proceeds stated in the Proposal and the actual proceeds raised from the Proposed Private Placement I (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 I 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 I, 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 31 July 2017:

Purposes of proceeds	Proposed utilisation amount	Actual utilised amount	Expected timeframe for utilisation from the date of completion 24 February 2017	Balance	
	RM'000	RM'000		RM'000	%
Construction of new plant	41,792	5,419	Within 24 months	36,373	87.03%
Estimated expenses relating to the Private Placement II	448	448	Immediate	-	
	<u>42,240</u>	<u>5,867</u>		<u>36,373</u>	<u>86.11%</u>

**iii. Proposed Bonus Issue of Shares and Proposed Bonus Issue of Warrants (“Proposals”)**

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.

On 12 July 2017, M&A Securities announced that the Company has resolved to fix the exercise price for the Warrants to be issued pursuant to the Bonus Issue of Warrants at RM3.96 per Warrant (“Exercise Price”).

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On 9 August 2017, M&A Securities announced that the Proposals were completed following the listing of and quotation for 48,399,641 Bonus Shares and 19,359,636 Warrants pursuant to the Bonus Issue of Shares and Bonus Issue of Warrants on the Main Market of Bursa Malaysia Securities Berhad on the said date.

**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 2017 are as follows:-

	<b>Current RM'000</b>	<b>Non-Current RM'000</b>	<b>Total RM'000</b>
Unsecured:			
Borrowings	18,828	13,579	32,407
Finance lease creditors	<u>3,493</u>	<u>3,399</u>	<u>6,892</u>
	<u>22,321</u>	<u>16,978</u>	<u>39,299</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 first interim single tier dividend in respect of the financial year ending 30 April 2018 of 1.5 sen per ordinary shares and payable on 13 October 2017 to members registered on 26 September 2017.

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**B12 Earnings Per Share**

Basic Earnings Per Share

	<b>Current Quarter Ended 31.07.17 RM'000</b>	<b>Preceding Quarter Ended 31.07.16 RM'000</b>	<b>Cumulative Year To Date 31.07.17 RM'000</b>	<b>Preceding Cumulative Year To Date 31.07.16 RM'000</b>
Basic Earnings Per Share Profit attributable to equity holders of the parent	5,592	5,512	5,592	5,512
Weighted average number of ordinary shares in issue ('000)	145,200	145,200*	145,200	145,200*
Basic earnings per share (sen)	3.85	3.80	3.85	3.80

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

Basic Earnings Per Share

	<b>Current Quarter Ended 31.07.17 RM'000</b>	<b>Preceding Quarter Ended 31.07.16 RM'000</b>	<b>Cumulative Period To Date 31.07.17 RM'000</b>	<b>Preceding Cumulative Period To Date 31.07.16 RM'000</b>
Basic Earnings Per Share Profit attributable to equity holders of the parent	5,592	5,512	5,592	5,512
Weighted average number of ordinary shares in issue ('000)	145,200	132,000#	145,200	132,000#
Basic earnings per share (sen)	3.85	4.18	3.85	4.18

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



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**B13 Disclosure of Realised and Unrealised Profits/(Losses)**

	<b>As At 31.07.2017 RM'000</b>	<b>As At 30.04.2017 RM'000</b>
Total unappropriated profit of the Company and its subsidiary		
- Realised	69,531	75,038
- Unrealised	<u>(5,501)</u>	<u>(5,416)</u>
	64,030	69,622
Consolidation adjustments	<u>(3,200)</u>	<u>(11,480)</u>
	<u><u>60,830</u></u>	<u><u>58,142</u></u>

**B14 Profit before tax**

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

	<b>Current Year Quarter 31.07.17 RM'000</b>	<b>Current Year To Date 31.07.17 RM'000</b>	<b>Preceding Year Corresponding Quarter 31.07.16 RM'000</b>	<b>Preceding Year Corresponding Period 31.07.16 RM'000</b>
(Gain)/Loss on foreign exchange:				
Realised	(77)	(77)	(638)	(638)
Unrealised	(55)	(55)	(201)	(201)
Gain on disposal of property, plant and equipment	-	-	(137)	(137)
Distribution reinvestment income	(338)	(338)	(117)	(117)
Interest income	(17)	(17)	(9)	(9)
Gain on redemption of financial asset carried at fair value through profit and loss	(4)	(4)	(14)	(14)
Amortisation of prepaid land lease payments	1	1	1	1
Fair value loss on financial asset carried at fair value through profit and loss – net	30	30	4	4
Interest expense	360	360	88	88
Inventories written down	1,487	1,487	1,119	1,119
Reversal of inventories written down	(1,646)	(1,646)	(1,025)	(1,025)
Depreciation of property, plant and equipment	<u>2,606</u>	<u>2,606</u>	<u>1,728</u>	<u>1,728</u>