

SCGM Bhd (Company no: 779028-H)
Notes To The Interim Report
For The Financial Quarter Ended 30 April 2018 (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 2018.

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 and IC Interpretation Issued

At the date of issuance of this quarterly report, the MFRSs, amendments to MFRSs and IC Interpretation which were in issue are as listed below:

	Effective for annual periods beginning on or after
Amendments to MFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
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
Amendments to MFRS 140 Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS, 2014-2016 – Amendments to MFRS 12	1 January 2017
Annual Improvements to MFRS, 2014-2016 Cycle:-	1 January 2018
(a) Amendments to MFRS 1 First Time Adoption of Malaysian Financial Reporting Standards	
(b) Amendments to MFRS 128 Investments in Associates and Joint Ventures	
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle:-	1 January 2019
(a) Amendments to MFRS 3 Business Combinations	
(b) Amendments to MFRS 11 Joint Arrangements	
(c) Amendments to MFRS 112 Income Taxes	
(d) Amendments to MFRS 123 Borrowing Costs	
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 – Uncertainty over Income Tax Treatment	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021

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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 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.

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 for the financial year ended 30 April 2018 other than the following:-

	Number of shares	2018 RM
Issued and fully paid:		
Ordinary shares:		
At beginning of year – 1 May 2017	145,200,000	108,240,000.00
Issued during the period:		
Bonus issue	48,399,641	24,199,820.50*
At end of year – 30 April 2018	193,599,641	132,439,820.50
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***Notes:**

- (1) Under the no par value regime of the Companies Act 2016 (“Act”) which came into effect on 31 January 2017, the concept of share premium will no longer be applicable and any amount standing to the credit of the Company’s share premium account shall be consolidated as part of its share capital. However, Section 618(3) of the Act provides that the Company may use its share premium account to fully pay up the Bonus Shares within a 24 months period from 31 January 2017.
- (2) Capitalisation from share premium account at RM0.50 per Bonus Share, being the reference to the par value of shares of the Company immediately before the effective date of the Act, pursuant to Section 618(7) of the Act.

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(A) Bonus Issue

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”).

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.

(B) Treasury Shares

During the current financial year-to date under review the Company had purchased 838,600 ordinary shares of its issued share capital from the open market at the average price paid of RM2.55 per share. The purchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act 2016.

The Company has the right to cancel, resell any shares purchased and/or distributes as dividends at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution is suspended.

As at the end of financial year-to-date under review, the number of ordinary shares in issue after deducting treasury shares against equity is 192,761,041 ordinary shares.

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(C) Warrants 2017/2020

During the current financial year-to-date under review, a total of 19,359,636 units of Warrants were issued on the basis of two (2) Warrants for every fifteen (15) existing ordinary shares of the Company held.

No Warrant was converted into ordinary shares during the current financial year-to-date under review.

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 2017 of 2 sen per ordinary share, amounting to RM2,904,000 on 21 June 2017 and paid on 25 July 2017.

The Directors declared first interim single tier dividend in respect of the financial year ending 30 April 2018 of 1.5 sen per ordinary share, amounting to RM2,903,996 on 7 September 2017 and paid on 13 October 2017.

The Directors declared second interim single tier dividend in respect of the financial year ending 30 April 2018 of 1.5 sen per ordinary shares, amounting to RM2,899,759 on 7 December 2017 and paid on 12 January 2018.

The Directors declared third interim single tier dividend in respect of the financial year ending 30 April 2018 of 1.5 sen per ordinary shares, amounting to RM2,891,417 on 13 March 2018 and paid on 13 April 2018.

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.

	Current Year Quarter 30 April 2018 RM'000	%	Preceding Year Corresponding Quarter 30 April 2017 RM'000	%
Export sales	14,493	30%	16,748	32%
Local sales	33,738	70%	36,159	68%
	<u>48,231</u>		<u>52,907</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.

A11 Changes in the Composition of the Group

There were no changes in the composition of the Group for 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 2018, the Group has the capital expenditure in respect of property, plant and equipment are as follows:-

	30.04.2018
	RM'000
Approved and contracted for:-	
- Equipment, plant and machinery	6,952
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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 RM48.231 million which was 8.8% lower than the preceding year's corresponding quarter Sales Turnover of RM52.907 million. The decrease in Sales Turnover was mainly due to lower sales from local and overseas customers which was affected by holidays during the current quarter and strengthening of Ringgit Malaysia against major foreign currencies.

The Profit before Tax of RM0.882 million was 86.6% lower than the RM6.604 million recorded in the preceding year's corresponding quarter. The lower Profit before Tax was due to higher resin prices, higher finance costs, higher depreciation charges, higher labour cost and foreign exchange losses incurred during the current quarter.

B2 Variation of Results Against Preceding Quarter

The current quarter Sales Turnover of RM48.231 million as compared to the preceding quarter ended 31 January 2018 Sales Turnover of RM53.416 million has decreased by 9.7%, mainly due to lower sales from local and overseas customers which was affected by holidays during the current quarter and strengthening of Ringgit Malaysia against major foreign currencies.

The Group recorded Profit before Tax of RM0.882 million for current quarter, which was 83.8% lower than the Profit before Tax of RM5.445 million in the preceding quarter. The decrease in Profit before Tax was mainly due to higher resin prices, higher finance costs, higher depreciation charges, higher labour cost and foreign exchange losses incurred during the current quarter.

B3 Future Prospects

With the completion of the new state-of-the-art factory in Sengkang, Kulai in the fourth quarter of the financial year ended 30 April 2018, the Group is set to embark on a new era in its corporate history, where the manufacturing facilities would streamline the Group's production flow and improve the Group's operational efficiency.

The Group will embark on plans to install the newly-acquired equipment into the new factory, and transfer machinery from the existing plant in stages. The new factory is slated to commence operations in December 2018.

In line with the significantly increased production capacity, the Group will further expand its local and international markets.

While mindful of the continued challenging business environment, the Group remains optimistic about the potential growth in its business upon full operation of the new plant. With the vast experience of the senior management and a committed workforce, the Group will strive to achieve better financial results in the coming financial quarters.

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

	Individual 3 months ended 30 April		Cumulative 12 months ended 30 April	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Tax expense:				
Current period	(1,020)	400	17	1,400
(Overprovision)/Underprovision in prior year	-	-	(48)	63
Deferred tax expenses:				
Current period	1,752	1,120	2,762	2,140
	732	1,520	2,731	3,603

The reversal of provision for income tax in the current quarter was due to utilisation of capital allowance and industrial building allowance.

Higher provision for deferred tax in the current quarter was mainly due to completion of new factory and higher purchase of plant and machinery in the current quarter.

The effective tax rate of the Group for the preceding year was lower than the statutory tax rate mainly due to the utilisation of reinvestment allowances.

B6 Status of Uncompleted Corporate Proposals

(a) There are no outstanding uncompleted corporate proposals as at the date of this quarterly report.

(b) Private Placement I

The status of the revised utilisation of the proceeds raised from the Private Placement I as at 30 April 2018 is as follows:-

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	22,000	Within 24 months	-
Working capital	8,920	8,920	Within 12 months	-
Estimated expenses relating to the Private Placement I	400	400	Within 1 month	-
	31,320	31,320		-

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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.

(c) Private Placement II

The status of the utilisation of the proceeds raised from Private Placement II as at 30 April 2018 is as follows:-

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	41,792	Within 24 months	-
Estimated expenses relating to the Private Placement II	448	448	Immediate	-
	<u>42,240</u>	<u>42,240</u>		<u>-</u>

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 30 April 2018 are as follows:-

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured:			
Borrowings	37,149	42,959	80,108
Finance lease creditors	2,705	1,585	4,290
	<u>39,854</u>	<u>44,544</u>	<u>84,398</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 fourth interim single tier dividend in respect of the financial year ended 30 April 2018 of 1.5 sen per ordinary shares and payable on 25 July 2018 to members registered on 9 July 2018.

B12 Earnings Per Share

	Individual 3 Months Ended 30.04.18 RM'000	Individual 3 Months Ended 30.04.17 RM'000	Cumulative 12 Months Ended 30.04.18 RM'000	Cumulative 12 Months Ended 30.04.17 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	150	5,084	16,395	23,001
Weighted average number of ordinary shares in issue ('000)	192,787	192,787*	180,697	182,786*
Basic earnings per share (sen)	0.08	2.64	9.07	12.58

**Comparative figures have been adjusted for issuance of 48,399,641 shares via Bonus Issue to be comparable to the current period's presentation.*

	Individual 3 Months Ended 30.04.18 RM'000	Individual 3 Months Ended 30.04.17 RM'000	Cumulative 12 Months Ended 30.04.18 RM'000	Cumulative 12 Months Ended 30.04.17 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	150	5,084	16,395	23,001
Weighted average number of ordinary shares in issue ('000)	192,787	141,789#	180,697	134,387#
Basic earnings per share (sen)	0.08	3.59	9.07	17.12

Comparative figures were based on quarterly announcements made for the 12 months period ended 30 April 2017.

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Diluted Earnings Per Share

There is no diluted earnings per share.

B13 Profit before tax

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

	Individual 3 Months Ended 30.04.18 RM'000	Individual 3 Months Ended 30.04.17 RM'000	Cumulative 12 Months Ended 30.04.18 RM'000	Cumulative 12 Months Ended 30.04.17 RM'000
Loss/(Gain) on foreign exchange:				
Realised	375	(407)	501	(1,818)
Unrealised	(321)	259	164	(124)
Gain on disposal of property, plant and equipment	(560)	-	(560)	(137)
Distribution reinvestment income	(44)	(267)	(922)	(443)
Interest income	(8)	(15)	(54)	(54)
(Gain)/Loss on redemption of financial asset carried at fair value through profit and loss	(32)	-	(58)	9
Amortisation of prepaid land lease payments	1	1	2	2
Fair value loss on financial asset carried at fair value through profit and loss – net	-	55	65	75
Interest expense	495	349	1,609	726
Allowance for impairment of receivables	15	202	15	202
Allowance for impairment of receivables no longer required	(73)	-	(73)	-
Inventories written down	79	1,552	716	1,646
Reversal of inventories written down	-	(801)	(1,646)	(1,025)
Depreciation of property, plant and equipment	3,028	2,513	11,192	8,403
	=====	=====	=====	=====