

SCGM Bhd (Company no: 779028-H)
Notes To The Interim Report
For The Financial Quarter Ended 31 July 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 2018. 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 period ended 31 July 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 2018. 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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Notes To The Interim Report
For The Financial Quarter Ended 31 July 2018 (Unaudited)

A2 Auditors' Reports on Preceding Annual Financial Statements

There was no qualification in the financial statements for the financial year ended 30 April 2018.

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 current quarter and financial year-to date.

Total number of 838,600 treasury shares held by the Company since the end of the last financial year remained unchanged during the current quarter under review. The average price paid for the treasury shares was RM2.55 per share.

During the current quarter, there was no conversion of warrants to ordinary shares. As at the reporting date, 19,359,636 warrants remained unexercised.

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 2018 of 1.5 sen per ordinary share, amounting to RM2,891,417 on 22 June 2018 and paid on 25 July 2018.

SCGM Bhd (Company no: 779028-H)
Notes To The Interim Report
For The Financial Quarter Ended 31 July 2018 (Unaudited)

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 31 July 2018 RM'000	%	Preceding Year Corresponding Quarter 31 July 2017 RM'000	%
Export sales	18,319	33%	18,143	34%
Local sales	<u>37,487</u>	67%	<u>35,521</u>	66%
	<u><u>55,806</u></u>		<u><u>53,664</u></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.

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 31 July 2018, the Group has the capital expenditure in respect of property, plant and equipment are as follows:-

	31.07.2018
	RM'000
Approved and contracted for:-	
- Equipment, plant and machinery	2,641
	<u>=====</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 RM55.806 million which was 4.0% higher than the preceding year's corresponding quarter Sales Turnover of RM53.664 million. The increase in Sales Turnover was mainly due to higher local sales demand for plastic packaging products.

The Profit before Tax of RM1.513 million was 77.4% lower than the RM6.708 million recorded in the preceding year's corresponding quarter. The lower Profit before Tax was due to higher resin prices, higher finance costs, higher electricity 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 RM55.806 million as compared to the preceding quarter ended 30 April 2018 Sales Turnover of RM48.231 million has increased by 15.7%, mainly due to higher sales from local and overseas markets.

The Group recorded Profit before Tax of RM1.513 million for current quarter, which was 71.5% higher than the Profit before Tax of RM0.882 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

The Group's highest-ever quarterly revenue of RM55.8 million in 1Q19 was a vast improvement compared to the preceding quarter of 4Q18. The quarter-on-quarter sales uptrend is on the back of positive consumer spending with the zero-rating of the Goods and Services Tax (GST) since 1 June 2018.

At the same time, the Group is mindful of potential challenges in the external environment that may adversely impact its overall performance going forward. This include the price volatility of resin (a by-product of crude oil) that could impact costs of the Group's main input, increasing tensions on global trade, governmental regulations on higher minimum wages, and potential increase in utilities prices.

In view of these anticipated developments, the Group has put in place its long-term plan to enhance its operational efficiency by streamlining its production flow and adopting increasing levels of automation, particularly in its new state-of-the-art manufacturing facility in Kulai, Johor. The new plant is anticipated to be fully operational in December 2018.

Moreover, the new Kulai plant would result in the Group increasing its total extrusion capacity by approximately 65% from 41.0 million kg per year to 67.6 million kg per year. This accords the Group larger capacity to target new export markets (such as Cambodia and Myanmar) as well as increase sales in existing overseas markets (such as Indonesia, Australia and New Zealand).

With the vast experience of the senior management and committed workforce, the Group will strive to achieve better financial performance in the coming financial years.

SCGM Bhd (Company no: 779028-H)
Notes To The Interim Report
For The Financial Quarter Ended 31 July 2018 (Unaudited)

B4 Variance of Profit Forecast / Profit Guarantee

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

B5 Taxation

	Individual 3 months ended 31 July		Cumulative 3 months ended 31 July	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Tax expense:				
Current period	105	1,100	105	1,100
Deferred tax expenses:				
Current period	345	16	345	16
	<u>450</u>	<u>1,116</u>	<u>450</u>	<u>1,116</u>
	=====	=====	=====	=====

The effective tax rate of the Group for the current quarter was higher than the statutory tax rate mainly due to provision for deferred tax and non-deductible expenses.

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

B6 Status of Uncompleted Corporate Proposals

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

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 2018 are as follows:-

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured:			
Borrowings	45,566	61,129	106,695
Finance lease creditors	<u>2,200</u>	<u>1,198</u>	<u>3,398</u>
	<u>47,766</u>	<u>62,327</u>	<u>110,093</u>
	=====	=====	=====

All the borrowings were denominated in Ringgit Malaysia.

SCGM Bhd (Company no: 779028-H)
Notes To The Interim Report
For The Financial Quarter Ended 31 July 2018 (Unaudited)

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 2019 of 0.5 sen per ordinary shares and payable on 25 October 2018 to members registered on 10 October 2018.

B12 Earnings Per Share

	Individual 3 Months Ended 31.07.18 RM'000	Individual 3 Months Ended 31.07.17 RM'000	Cumulative 3 Months Ended 31.07.18 RM'000	Cumulative 3 Months Ended 31.07.17 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	1,063	5,592	1,063	5,592
Weighted average number of ordinary shares in issue ('000)*	192,761	192,761@	192,761	192,761@
Basic earnings per share (sen)	0.55	2.90	0.55	2.90

@ Adjusted for Bonus Issue of 48,399,641 shares and 838,600 treasury shares held by the Company to be comparable with the current period's presentation.

	Individual 3 Months Ended 31.07.18 RM'000	Individual 3 Months Ended 31.07.17 RM'000	Cumulative 3 Months Ended 31.07.18 RM'000	Cumulative 3 Months Ended 31.07.17 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	1,063	5,592	1,063	5,592
Weighted average number of ordinary shares in issue ('000)	192,761*	145,200#	192,761*	145,200#
Basic earnings per share (sen)	0.55	3.85	0.55	3.85

SCGM Bhd (Company no: 779028-H)
Notes To The Interim Report
For The Financial Quarter Ended 31 July 2018 (Unaudited)

B12 Earnings Per Share (cont'd)

* Adjusted for enlarged total number of 192.761 million shares (after the deduction of 838,600 shares purchased and retained as treasury shares from the total number of issued shares of 193,599,641 as at 31 July 2018).

Comparative figures were based on quarterly announcements made for the 3 months period ended 31 July 2017.

Diluted Earnings Per Share

There is no diluted earnings per share as there is no potential dilutive ordinary share.

B13 Profit before tax

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

	Individual 3 Months Ended 31.07.18 RM'000	Individual 3 Months Ended 31.07.17 RM'000	Cumulative 3 Months Ended 31.07.18 RM'000	Cumulative 3 Months Ended 31.07.17 RM'000
Loss/(Gain) on foreign exchange:				
Realised	131	(77)	131	(77)
Unrealised	27	(55)	27	(55)
Distribution reinvestment income	-	(338)	-	(338)
Interest income	(10)	(17)	(10)	(17)
Gain on redemption of financial asset carried at fair value through profit and loss	-	(4)	-	(4)
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
Interest expense	1,200	359	1,200	359
Inventories written down	783	1,487	783	1,487
Reversal of inventories written down	(716)	(1,646)	(716)	(1,646)
Depreciation of property, plant and equipment	3,706	2,606	3,706	2,606
	=====	=====	=====	=====