

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

The significant accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 30 April 2018, except for the adoption of the following which are applicable to the financial statements and are relevant to the operations:

(I) Adoption of standards and interpretations

Description	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	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
Annual Improvements to MFRSs 2014-2016 Cycle	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018

(II) Standards and interpretations issued but not yet effective

At the date of authorisation of these interim financial statements, the followings standards and interpretations were issued but not yet effective and have not been applied by the Group:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
MFRS 16 Leases	1 January 2019
Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 2 Share-based Payment	1 January 2020
Amendments to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendments to MFRS 14 Regulatory Deferral Accounts	1 January 2020

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

**A1 Basis of Preparation (cont'd)**

Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendments to MFRS 138 Intangible Assets	1 January 2020
Amendments to IC Interpretation 12 Service Concession Arrangements	1 January 2020
Amendments to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendments to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendments to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132 Intangible Assets – Web Site Costs	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

**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.

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

**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**

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

The Directors declared first interim single tier dividend in respect of the financial year ending 30 April 2019 of 0.5 sen per ordinary share, amounting to RM963,806 on 20 September 2018 and paid on 25 October 2018.

**A8 Segmental Reporting**

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

	<b>Current Year Quarter 31 October 2018 RM'000</b>	<b>%</b>	<b>Preceding Year Corresponding Quarter 31 October 2017 RM'000</b>	<b>%</b>
Export sales	19,397	34%	19,557	38%
Local sales	38,029	66%	32,549	62%
	<u>57,426</u>		<u>52,106</u>	

**A9 Valuation of Property, Plant and Equipment**

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

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

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

	<b>31.10.2018</b>
	<b>RM'000</b>
Approved and contracted for:-	
- Equipment, plant and machinery	1,680
	=====

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

**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 RM57.426 million which was 10.2% higher than the preceding year's corresponding quarter Sales Turnover of RM52.106 million. The increase in Sales Turnover was mainly due to higher local sales demand for plastic packaging products.

The Profit before Tax of RM2.139 million was 64.9% lower than the RM6.091 million recorded in the preceding year's corresponding quarter. The lower Profit before Tax was due to higher resin prices, higher finance costs, higher utilities expense, higher depreciation charges and higher labour cost incurred during the current quarter.

**B2 Variation of Results Against Preceding Quarter**

The current quarter Sales Turnover of RM57.426 million as compared to the preceding quarter ended 31 July 2018 Sales Turnover of RM55.806 million has increased by 2.9%, mainly due to higher sales from local and overseas markets.

The Group recorded Profit before Tax of RM2.139 million for current quarter, which was 41.4% higher than the Profit before Tax of RM1.513 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**

Sales of food and beverage (F&B) plastic packaging continued to dominate the top line of the Group which accounted for almost 80% of its total sales for the first half of the current financial year. This is in line with the plastic packaging still being the viable alternative for F&B applications in view of its cost-efficiency, functionality and versatility.

Worldwide, the F&B sector has experienced healthy growth in the last decade and this is expected to continue, in light of the growing world population and increasing demand for home delivery and fast foods due to changes in consumers' demographic factors, eating habits along with busy schedule for working class.

Going forward, the Group will focus its sales efforts in developing more marketing strategies to increase its sales of F&B packaging locally and globally.

At the same time, the Group is regularly monitoring prices of resin, which is our key raw material and subject to the fluctuations of crude oil prices. This uptrend strengthens the Group's resolve to hasten the commencement of the new factory, as the greater production volume would enhance the economies of scale and overall competitiveness.

The transition of the Group's main operations from the old premises to the new headquarters is currently midway, and is targeted to operate fully from the new base in the third quarter ending 31 January 2019.

The Group will strive to achieve better financial performance in the coming financial quarters when the new Kulai plant is commissioned.

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

	<b>Individual 3 months ended 31 October</b>		<b>Cumulative 6 months ended 31 October</b>	
	<b>2018 RM'000</b>	<b>2017 RM'000</b>	<b>2018 RM'000</b>	<b>2017 RM'000</b>
Tax expense:				
Current period	105	621	210	1,721
Deferred tax expenses:				
Current period	383	214	728	230
	<u>488</u>	<u>835</u>	<u>938</u>	<u>1,951</u>

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 October 2018 are as follows:-

	<b>Current RM'000</b>	<b>Non-Current RM'000</b>	<b>Total RM'000</b>
Unsecured:			
Borrowings	51,067	59,613	110,680
Finance lease creditors	<u>1,925</u>	<u>877</u>	<u>2,802</u>
	<u>52,992</u>	<u>60,490</u>	<u>113,482</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.

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

**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 second interim single tier dividend in respect of the financial year ending 30 April 2019 of 0.5 sen per ordinary shares and payable on 18 January 2019 to members registered on 31 December 2018.

**B12 Earnings Per Share**

	<b>Individual 3 Months Ended 31.10.18 RM'000</b>	<b>Individual 3 Months Ended 31.10.17 RM'000</b>	<b>Cumulative 6 Months Ended 31.10.18 RM'000</b>	<b>Cumulative 6 Months Ended 31.10.17 RM'000</b>
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	1,651	5,256	2,714	10,848
Weighted average number of ordinary shares in issue ('000)*	192,761	192,761@	192,761	192,761@
Basic earnings per share (sen)	0.86	2.73	1.41	5.63

@ 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.

	<b>Individual 3 Months Ended 31.10.18 RM'000</b>	<b>Individual 3 Months Ended 31.10.17 RM'000</b>	<b>Cumulative 6 Months Ended 31.10.18 RM'000</b>	<b>Cumulative 6 Months Ended 31.10.17 RM'000</b>
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	1,651	5,256	2,714	10,848
Weighted average number of ordinary shares in issue ('000)	192,761*	191,986#	192,761*	168,593#
Basic earnings per share (sen)	0.86	2.74	1.41	6.43

\* 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 October 2018).

# Comparative figures were based on quarterly announcements made for the 6 months period ended 31 October 2017.

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

**B12 Earnings Per Share (cont'd)**

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:-

	<b>Individual 3 Months Ended 31.10.18 RM'000</b>	<b>Individual 3 Months Ended 31.10.17 RM'000</b>	<b>Cumulative 6 Months Ended 31.10.18 RM'000</b>	<b>Cumulative 6 Months Ended 31.10.17 RM'000</b>
(Gain)/Loss on foreign exchange:				
Realised	(97)	65	34	(12)
Unrealised	(59)	219	(32)	164
Distribution reinvestment income	-	(319)	-	(657)
Interest income	(17)	(17)	(27)	(34)
Gain on redemption of financial asset carried at fair value through profit and loss	-	(9)	-	(13)
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	-	19	-	49
Interest expense	1,380	351	2,580	710
Inventories written down	-	-	783	1,487
Reversal of inventories written down	(200)	(207)	(916)	(1,853)
Depreciation of property, plant and equipment	3,655	2,633	7,361	5,239
	=====	=====	=====	=====