

SCGM Bhd (Company no: 779028-H)
Notes To The Interim Report
For The Financial Quarter Ended 30 April 2019 (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 30 April 2019.

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

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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
Definition of a Business (Amendments to MFRS 3 Business Combinations)	1 January 2020
Definition of Material (Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures – 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.

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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 ended 30 April 2019 of 0.5 sen per ordinary share, amounting to RM963,806 on 20 September 2018 and paid on 25 October 2018.

The Directors declared second interim single tier dividend in respect of the financial year ended 30 April 2019 of 0.5 sen per ordinary share, amounting to RM963,806 on 13 December 2018 and paid on 18 January 2019.

The Directors declared third interim single tier dividend in respect of the financial year ended 30 April 2019 of 0.25 sen per ordinary shares, amounting to RM481,903 on 26 March 2019 and paid on 26 April 2019.

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.

	Current Year Quarter 30 April 2019 RM'000	%	Preceding Year Corresponding Quarter 30 April 2018 RM'000	%
Export sales	15,449	30%	14,493	30%
Local sales	35,251	70%	33,738	70%
	<u>50,700</u>		<u>48,231</u>	

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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 30 April 2019, the Group has the capital expenditure in respect of property, plant and equipment are as follows:-

	30.04.2019
	RM'000
Approved and contracted for:-	
- Equipment, plant and machinery	600
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PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1 Performance Review

Quarter ended 30 April 2019 (4Q19) versus quarter ended 30 April 2018 (4Q18)

For 4Q19, the Group recorded revenue of RM50.700 million, rising 5.1% from RM48.231 million in the previous year's corresponding quarter. This was largely due to higher local and overseas demand for food and beverage packaging.

The Group recorded a loss before tax of RM4.831 million in the quarter under review, compared to RM0.882 million profit before tax in 4Q18, resulting from rising raw material prices, higher depreciation charge from new plant, increased finance costs, higher operating expenditure incurred including workforce and utilities, higher allowance for impairment of receivables and inventories written down.

Twelve months ended 30 April 2019 (12M19) versus twelve months ended 30 April 2018 (12M18)

For 12M19, revenue grew 5.9% to RM219.569 million, from RM207.417 million in 12M18. However, the Group recorded a loss before tax of RM1.686 million in 12M19 from RM19.126 million profit before tax in 12M18. This resulted from higher operating costs incurred in both the old and new plants in the transition period, higher depreciation charge from enlarged machinery base and new plant, increased cost of workforce and utilities, higher raw materials, finance costs, allowance for impairment of receivables and inventories written down.

B2 Variation of Results against Preceding Quarter

For 4Q19, the revenue decreased 8.9% to RM50.700 million from RM55.637 million in the quarter ended 31 January 2019 (3Q19). This was due to lower than usual sales in 4Q19 which was affected by long holidays and a ban on heavy vehicles from using all roads during the holidays in February 2019.

The Group registered a loss before tax of RM4.831 million in 4Q19 compared to RM0.507 million loss before tax in 3Q19. This was mainly due to lower sales, coupled with rising operating costs from higher labour and overhead expenses, higher finance costs in line with higher financing on machinery, higher allowance for impairment of receivables and inventories written down.

B3 Future Prospects

Food and beverage (F&B) packaging remains as the largest contributor to the SCGM's revenue for the current quarter under review with 81% contribution. This reinforces the Group's continuing sales efforts in introducing and promoting more degradable plastic packaging solutions to F&B customers from the local and overseas markets. This includes increasing the exposure and reach of degradable and biodegradable packaging in our target markets.

The Group intends to leverage on its track record and vast experience to customize more products in accordance to customers' and/or end-users' changing requirements for F&B packaging.

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B3 Future Prospects (cont'd)

The Group has fully moved its operations to Kulai new plant in the fourth quarter ended 30 April 2019. This would significantly increase the Group's extrusion production capacity to meet the growing demand for environmentally-friendly F&B packaging, in tandem with regulatory compliance and stronger social awareness. It is hoped that the higher utilisation of the manufacturing facilities would result in greater economies of scale in due time.

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		Cumulative	
	3 months ended		12 months ended	
	30 April		30 April	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Tax expense:				
Current period	(70)	(1,020)	17	17
Overprovision in prior year	(2)	-	(2)	(48)
Deferred tax expenses:				
Current period	2,380	1,752	3,418	2,762
	<u>2,308</u>	<u>732</u>	<u>3,433</u>	<u>2,731</u>
	=====	=====	=====	=====

The effective tax rate of the Group for the preceding year was lower than the statutory tax rate mainly due to the deferred tax asset recognised on unabsorbed reinvestment allowance.

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.

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B8 Borrowings and Debt Securities

The Group's Borrowings as at 30 April 2019 are as follows:-

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured:			
Borrowings	53,512	54,898	108,410
Finance lease creditors	2,856	4,697	7,553
	<u>56,368</u>	<u>59,595</u>	<u>115,963</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 2019 of 0.25 sen per ordinary share and payable on 26 July 2019 to members registered on 12 July 2019.

B12 (Loss) / Earnings Per Share

	Individual 3 Months Ended 30.04.19 RM'000	Individual 3 Months Ended 30.04.18 RM'000	Cumulative 12 Months Ended 30.04.19 RM'000	Cumulative 12 Months Ended 30.04.18 RM'000
<u>Basic (Loss) / Earnings Per Share</u>				
(Loss) / Profit attributable to equity holders of the parent	(7,139)	150	(5,119)	16,395
Weighted average number of ordinary shares in issue ('000)*	192,761	192,761@	192,761	192,761@
Basic (loss)/earnings per share (sen)	(3.70)	0.08	(2.66)	8.51

@ 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.

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B12 (Loss) / Earnings Per Share (cont'd)

	Individual 3 Months Ended 30.04.19 RM'000	Individual 3 Months Ended 30.04.18 RM'000	Cumulative 12 Months Ended 30.04.19 RM'000	Cumulative 12 Months Ended 30.04.18 RM'000
<u>Basic (Loss) / Earnings Per Share</u>				
(Loss) / Profit attributable to equity holders of the parent	(7,139)	150	(5,119)	16,395
Weighted average number of ordinary shares in issue ('000)	192,761*	192,787#	192,761*	180,697#
Basic (loss)/earnings per share (sen)	(3.70)	0.08	(2.66)	9.07

* 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 30 April 2019).

Comparative figures were based on quarterly announcements made for the 12 months period ended 30 April 2018.

Diluted Earnings Per Share

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

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B13 (Loss) / Profit before tax

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

	Individual 3 Months Ended 30.04.19 RM'000	Individual 3 Months Ended 30.04.18 RM'000	Cumulative 12 Months Ended 30.04.19 RM'000	Cumulative 12 Months Ended 30.04.18 RM'000
(Gain)/Loss on foreign exchange:				
Realised	168	375	103	501
Unrealised	(148)	(321)	(147)	164
Gain on disposal of property, plant and equipment	-	(560)	(69)	(560)
Distribution reinvestment income	-	(44)	-	(922)
Interest income	(29)	(8)	(69)	(54)
Gain on redemption of financial asset carried at fair value through profit and loss	-	(32)	-	(58)
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	-	-	-	65
Interest expense	1,581	495	5,584	1,609
Allowance for impairment of receivables	711	15	711	15
Allowance for impairment of receivables no longer required	-	(73)	(10)	(73)
Inventories written down / (reversal) of inventories written down	319	79	181	(930)
Depreciation of property, plant and equipment	3,680	3,028	14,702	11,192
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>