

SCGM Bhd (Company no: 779028-H)
Notes To The Interim Report
For The Financial Quarter Ended 31 July 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 2019. 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 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 2019, 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
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

(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 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
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

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A1 Basis of Preparation (cont'd)

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 2019.

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

During the current financial quarter, the Company had purchased 200,000 ordinary shares of its issued shares from the open market as follows:-

Date	No. of Shares Purchased	Purchase price per share (RM)		Average price per share (RM)	Total Consideration (including transaction costs) (RM)
		Lowest	Highest		
Balance at 01.05.2019	838,600			2.552	2,140,087
02.07.2019	200,000	0.835	0.855	0.848	169,584
Balance at 31.07.2019	1,038,600			2.224	2,309,671

The repurchased shares are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act 2016. There was no resell or cancellation of treasury shares during the financial quarter ended 31 July 2019.

As at 31 July 2019, the number of issued shares after deduction of 1,038,600 treasury shares is 192,561,041 ordinary shares.

During the current quarter, there was no conversion of warrants to ordinary shares. As at 31 July 2019, 19,359,636 warrants remained unexercised.

A7 Dividend Paid

The amount of dividend paid and declared since the end of the last financial year was as follows:

The Directors declared fourth interim single tier dividend in respect of the financial year ended 30 April 2019 of 0.25 sen per ordinary share, amounting to RM481,403 on 27 June 2019 and paid on 26 July 2019.

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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 31 July 2019 RM'000	%	Preceding Year Corresponding Quarter 31 July 2018 RM'000	%
Export sales	17,656	32%	18,319	33%
Local sales	<u>38,005</u>	68%	<u>37,487</u>	67%
	<u><u>55,661</u></u>		<u><u>55,806</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 and 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 2019, the Group has the capital expenditure in respect of property, plant and equipment as follows:-

	31.07.2019 RM'000
Approved and contracted for:-	
- Equipment, plant and machinery	1,162
	<u>=====</u>

PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1 Performance Review

Quarter ended 31 July 2019 (1Q20) versus quarter ended 31 July 2018 (1Q19)

The Group posted a dip in revenue to RM55.661 million in 1Q20, compared to RM55.806 million in the previous corresponding quarter due to lower exports, which dropped by 3.6% to RM17.7 million, from RM18.3 million in 1Q19. This was slightly mitigated by maintained local sales level at RM38.0 million in 1Q20, versus RM37.5 million previously.

Despite the dip in revenue, SCGM recorded increase in profit before tax by 45.7% to RM2.205 million in the quarter under review, versus RM1.513 million profit before tax in 1Q19, due to lower resin prices. The Group's net profit doubled to RM2.199 million in 1Q20, from RM1.063 million previously, resulting from lower tax expense from utilisation of capital allowance.

B2 Variation of Results against Preceding Quarter

For 1Q20, the Group revenue grew 9.8% to RM55.661 million from RM50.700 million in the quarter ended 30 April 2019 (4Q19), due to higher local and international sales.

The Group recorded a profit before tax of RM2.205 million in 1Q20, compared to loss before tax of RM4.831 million in 4Q19, in line with higher revenue achieved, lower raw material prices and reduced loss on foreign exchange. The Group also posted a net profit of RM2.199 million in 1Q20, versus a net loss of RM7.139 million in the preceding quarter, due to lower tax expense from utilisation of capital allowance.

B3 Future Prospects

Food and beverage (F&B) packaging remains the largest contributor to SCGM's revenue in 1Q20 with 82% contribution, and the situation is expected to be sustained going forward.

With the demand for F&B packaging still strong, the Group's efforts in marketing its products to both local and overseas markets is aided by the added annual extrusion capacity by 64.9% to 67.6 million kg, from 41.0 million kg via the new Kulai plant.

In addition to this, SCGM are also increasing product customisation to suit ever-changing industry needs, such as developing a variety of eco-friendly products to attract local and international customers.

The Group will continue to face challenges in resin prices amid the volatility of global crude oil prices, but is looking to mitigate the impact by improving operational efficiency through increased automation, and achieve better economies of scale from the new factory.

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 Tax Expense

	Individual 3 months ended 31 July		Cumulative 3 months ended 31 July	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Tax expense:				
Current period	6	105	6	105
Deferred tax expenses:				
Current period	-	345	-	345
	<u>6</u>	<u>450</u>	<u>6</u>	<u>450</u>

The effective tax rate of the Group for the current quarter was lower than the statutory tax rate mainly due to the utilisation of capital 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.

B8 Borrowings and Debt Securities

The Group's Borrowings as at 31 July 2019 are as follows:-

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured:			
Finance lease creditors	2,717	4,086	6,803
Borrowings	<u>43,661</u>	<u>53,073</u>	<u>96,734</u>
	<u>46,378</u>	<u>57,159</u>	<u>103,537</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.

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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 2020 of 0.25 sen per ordinary share and payable on 23 October 2019 to members registered on 9 October 2019.

B12 Earnings Per Share

	Individual 3 Months Ended 31.07.19 RM'000	Individual 3 Months Ended 31.07.18 RM'000	Cumulative 3 Months Ended 31.07.19 RM'000	Cumulative 3 Months Ended 31.07.18 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	2,199	1,063	2,199	1,063
Weighted average number of ordinary shares in issue ('000)*	192,696	192,696@	192,696	192,696@
Basic earnings per share (sen)	1.14	0.55	1.14	0.55

@ Adjusted for 1,038,600 treasury shares held by the Company to be comparable with the current period's presentation.

	Individual 3 Months Ended 31.07.19 RM'000	Individual 3 Months Ended 31.07.18 RM'000	Cumulative 3 Months Ended 31.07.19 RM'000	Cumulative 3 Months Ended 31.07.18 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	2,199	1,063	2,199	1,063
Weighted average number of ordinary shares in issue ('000)	192,696*	192,761#	192,696*	192,761#
Basic earnings per share (sen)	1.14	0.55	1.14	0.55

* Adjusted for 1,038,600 shares purchased and retained as treasury shares from the total number of issued shares of 193,599,641 as at 31 July 2019.

Comparative figures were based on quarterly announcement made for the 3 months period ended 31 July 2018.

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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:-

	Individual 3 Months Ended 31.07.19 RM'000	Individual 3 Months Ended 31.07.18 RM'000	Cumulative 3 Months Ended 31.07.19 RM'000	Cumulative 3 Months Ended 31.07.18 RM'000
(Gain)/Loss on foreign exchange:				
Realised	(158)	131	(158)	131
Unrealised	218	27	218	27
Gain on disposal of property, plant and equipment	(5)	-	(5)	-
Interest income	(23)	(10)	(23)	(10)
Amortisation of prepaid land lease payments	1	1	1	1
Interest expense	1,354	1,200	1,354	1,200
Allowance for impairment of receivables no longer required	(78)	-	(78)	-
Inventories written down	1,133	783	1,133	783
Reversal of inventories written down	(897)	(716)	(897)	(716)
Depreciation of property, plant and equipment	3,704	3,706	3,704	3,706
	=====	=====	=====	=====