

SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 October 2022 (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 2022. 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 2022.

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 2022, except for the adoption of the following which are applicable to the financial statements and are relevant to the operations:

(I) Adoption of standards, interpretations and amendments

Malaysian Financial Reporting Standards (MFRSs)	Effective for annual reporting periods beginning on or after
Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRS Standards 2018-2020 Cycle”	1 January 2022
Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combinations)	1 January 2022
Property, Plant and Equipment-Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)	1 January 2022
Onerous Contracts-Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)	1 January 2022

(II) Standards, interpretations and amendments issued but not yet effective

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

Malaysian Financial Reporting Standards (MFRSs)	Effective for annual reporting periods beginning on or after
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Classification of Liabilities as Current or Non-current (Amendment to MFRS 101 Presentation of Financial Statements)	1 January 2023
Amendments to MFRS 4: Extension of the Temporary Exemption from Applying MFRS 9	1 January 2023
Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements)	1 January 2023
Definition of Accounting Estimates (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)	1 January 2023

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A1 Basis of Preparation (cont'd)

(II) Standards, interpretations and amendments issued but not yet effective (cont'd)

Malaysian Financial Reporting Standards (MFRSs)	Effective for annual reporting periods beginning on or after
Deferred tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 Income Taxes)	1 January 2023
Initial application of MFRS 17 and MFRS 19 – comparative information (Amendments to MFRS 17 Insurance Contracts)	1 January 2023
Lease Liability in a Sale and Leaseback (Amendments to MFRS 16 Leases)	1 January 2024
Non-current Liabilities with Covenants (Amendments to MFRS 101 Presentation of Financial Statements)	1 January 2024
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 Summary of Significant Accounting Policies

Adoption of new or revised MFRSs

Significant accounting policies adopted by the Group in these interim financial statements are consistent with those of the audited financial statements for the year ended 30 April 2022, except for adoption of the new and revised MFRSs, interpretations and amendments approved by the Malaysian Accounting Standards Board and applicable for current financial year. The initial application of the new and revised MFRSs, interpretations and amendments have no material impacts to these interim financial statements.

A3 Auditors' Reports on Preceding Annual Financial Statements

There was no qualification in the financial statements for the financial year ended 30 April 2022.

A4 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.

A5 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, other than as disclosed in Notes B1, B2, B3 and B6.

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A6 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.

A7 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, other than as disclosed in Note B6.

Total number of 1,038,600 treasury shares held by the Company since the end of the last financial quarter remained unchanged during the current quarter under review. The average price paid for the treasury shares was RM2.224 per share.

A8 Dividend Paid

The amounts 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 2022 of 1.32 sen per ordinary share, amounting to RM2,541,806 on 29 June 2022 and paid on 29 July 2022.

On 2 September 2022, Hong Leong Investment Bank Berhad (“**HLIB**”) had, on behalf of the Board of Directors of SCGM Bhd declared special cash dividend of RM 1.85 per ordinary share, amounting to RM356,237,926 and paid on 29 September 2022.

A9 Segmental Reporting

Detailed segmental reporting is not provided as 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		Preceding Year Corresponding Quarter	
	1 Month Ended 31 August 2022		3 Months Ended 31 October 2021	
	RM’000	%	RM’000	%
Export sales	5,926	28%	23,335	32%
Local sales	15,563	72%	49,207	68%
	<u>21,489</u>		<u>72,542</u>	

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A10 Valuation of Property, Plant and Equipment

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

A11 Material Subsequent Events

There were no material events subsequent to the end of the current quarter and up to the date of this announcement, other than as disclosed in Note B6.

A12 Changes in the Composition of the Group

On 16 June 2022, Habipack Sdn. Bhd. ("Habipack"), a wholly-owned subsidiary of the Group, was incorporated in Malaysia with a paid up capital of RM10. There was no material effect on the results or net assets of the Group arising from incorporation of Habipack during the current quarter.

On 31 August 2022, the Company disposed of its 100% equity interest in Lee Soon Seng Plastic Industries Sdn. Bhd. ("LSSPI") which ceased to be a subsidiary of the Company.

A13 Contingent Liabilities

There were no material contingent liabilities to be disclosed as at the date of this report.

A14 Capital Commitments

There were no capital commitments as at 31 October 2022.

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A15 Significant Related Party Transactions

Significant related party transactions of the Group are as follows:-

	Group		Company	
	6 months ended		6 months ended	
	31 October		31 October	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Sales to a company connected with certain Directors	305	1,157	-	-
	=====	=====	=====	=====
Purchases from a company connected with certain Directors	322	534	-	-
	=====	=====	=====	=====
Interest income from the subsidiary	-	-	224	-
	=====	=====	=====	=====
Dividend income from the subsidiary	-	-	5,106	7,300
	=====	=====	=====	=====
Interest on loan from a Director	107	-	107	-
	=====	=====	=====	=====
Loan from a Director	8,000	-	8,000	-
	=====	=====	=====	=====

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

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

B1 Performance Review

Quarter ended 31 October 2022 (2Q23) versus quarter ended 31 October 2021 (2Q22)

The Company disposed of its 100% equity interest in Lee Soon Seng Plastic Industries Sdn. Bhd. (“LSSPI”) which ceased to be a subsidiary of the Company on 31 August 2022, hence the current quarter revenue only accounted for one month period up to the date of disposal, i.e. 31 August 2022. The Group posted a 70.4% decreased in revenue to RM21.489 million in 2Q23 compared to RM72.542 million in the previous corresponding quarter. Local sales decreased by 68.4% to RM15.563 million from RM49.207 million in 2Q22 while export sales declined 74.6% to RM5.926 million from RM23.335 million in 2Q22 due to the same reason mentioned above.

The profit before tax of RM295.434 million was 2892.6% higher than the RM9.872 million recorded in the preceding year’s corresponding quarter due to the gain on disposal of its subsidiary, LSSPI during the current quarter.

In line with the higher profit before tax, net profit increased by 3671.7% to RM295.136 million in 2Q23 from RM7.825 million in 2Q22.

First half ended 31 October 2022 (2H23) versus first half ended 31 October 2021 (2H22)

For 1H23, revenue dipped 35.4% to RM91.583 million from RM141.844 million due to the same reason mentioned above.

The Group’s profit before tax jumped by 1429.6% to RM302.119 million from RM19.752 million previously. In line with the higher profit before tax, the Group’s net profit increased to RM300.085 million from RM16.114 million previously, due to the gain on disposal of its subsidiary, LSSPI.

B2 Variation of Results against Preceding Quarter

For 2Q23, the Group revenue decreased by 69.3% to RM21.489 million from RM70.094 million in the quarter ended 31 July 2022 (1Q23) as the Company disposed of its 100% equity interest in LSSPI which ceased to be a subsidiary of the Company on 31 August 2022, hence the current quarter revenue only accounted for one month period up to the date of disposal, i.e. 31 August 2022. Local sales decreased by 68.5% to RM15.563 million from RM49.387 million in 1Q23 while export sales declined 71.4% to RM5.926 million from RM20.707 million in 1Q23 due to the same reason mentioned above.

The Group’s profit before tax increased by 4319.4% to RM295.434 million in 2Q23 compared to profit before tax of RM6.685 million in 1Q23 mainly due to the gain on disposal of its subsidiary, LSSPI during the current quarter. In line with the higher profit before tax, the Group recorded 5863.5% higher net profit of RM295.136 million in 2Q23 versus RM4.949 million in the preceding quarter.

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B3 Future Prospects

With the completion of the disposal of the Company's 100% equity interest in LSSPI, a wholly-owned subsidiary of SCGM to Mitsui & Co., Ltd and FP Corporation ("**Disposal**") and as announced on 2 September 2022, the Company is a "Cash Company" pursuant to Paragraph 8.03(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**").

Pursuant to the Disposal, the Company distributed a special cash dividend of RM1.85 per ordinary share to SCGM shareholders on 29 September 2022.

Pursuant to the Disposal, on 7 December 2022, Hong Leong Investment Bank Berhad ("**HLIB**") had, on behalf of the Board of Directors of SCGM ("**Board**"), announced that an office copy of the order consenting the reduction of the share capital of the Company ("**Order**") dated 29 November 2022 has been lodged with the Registrar of Companies on 7 December 2022. Accordingly, the resolution for the Capital Reduction and Repayment as confirmed by the Order will take effect on 7 December 2022 pursuant to Section 116(6) of the Companies Act, 2016. On the even date, HLIB had, on behalf of the Board, announced entitlement date for the Capital Reduction and Repayment and to be paid on 4 January 2023.

The Company together with its major shareholders are taking the necessary process of identifying and acquiring new suitable businesses/assets in order to regularise the condition of the Company within the stipulated timeframe of 12 months from the time the Company is notified by Bursa Securities on 2 September 2022 that it is a "Cash Company" pursuant to Paragraph 8.03(1) of the Listing Requirements upon completion of the Disposal. In this respect, the Company must comply with the provisions and requirements in Paragraph 8.03 and Practice Note 16 of the Listing Requirements.

The Company has approximately 8 months to submit its proposal to Bursa Securities for approval. Any progress in this regard shall be announced to Bursa Securities in due course.

B4 Variance of Profit Forecast / Profit Guarantee

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

B5 Tax Expense

	Individual 6 months ended 31 October		Cumulative 6 months ended 31 October	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income Tax Expense:				
Current period	298	707	1,875	1,403
Deferred Tax Expense:				
Current period	-	1,250	159	2,145
Under provision in prior financial quarter	-	90	-	90
	298	2,047	2,034	3,638

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B5 Tax Expense (cont'd)

The effective tax rates of the Group for the previous corresponding quarter and first half ended 31 October 2021 were lower than the statutory tax rate mainly due to the utilisation of reinvestment allowance.

B6 Status of Uncompleted Corporate Proposals

There are no outstanding uncompleted corporate proposals as at the date of this quarterly report, other than disclosed below:

On 9 May 2022, Hong Leong Investment Bank Berhad (“**HLIB**”) had on behalf of the Board of Directors of SCGM (“**Board**”), announced that the Company had entered into a conditional share sale agreement (“**SSA**”) with Mitsui & Co., Ltd (“**Mitsui**”) and FP Corporation (“**FPCO**”) for the proposed disposal of its 100% equity interest in Lee Soon Seng Plastic Industries Sdn. Bhd. (“**LSSPI**”) for a total cash consideration of approximately RM544.384 million (“**Disposal Consideration**”) (“**Disposal**”). The Disposal is deemed as a major disposal pursuant to Paragraph 10.11A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”).

Upon the completion of the Disposal, the Board proposes to distribute part of the Disposal Consideration to all entitled shareholders of SCGM, by way of:

- (i) proposed capital reduction and repayment exercise under Section 116 of the Companies Act, 2016 (“**Act**”) to entitled shareholders of SCGM on an entitlement date, which will be determined by the Board later (“**Proposed Capital Reduction and Repayment**”); and
- (ii) proposed special cash dividend to entitled shareholders of SCGM on an entitlement date, which will be determined by the Board later (“**Proposed Special Dividend**”).

(Item (i) and (ii) collectively referred to as “**Proposed Distribution**”)

Separately, the Board also had on 9 May 2022, announce that LSSPI entered into a conditional sale and purchase agreement (“**SPA**”) with SCGM for the transfer of three (3) contiguous parcels of land with factory buildings and other ancillary buildings located at Mukim Senai, Kulai, Johor (“**Subject Properties**”) for a total cash consideration of RM18.80 million (“**Transfer of Properties**”).

Subsequently on 24 June 2022, HLIB had, on behalf of the Board, announced that SCGM had entered into an addendum letter to the SSA with Mitsui and FPCO to vary and amend certain terms and conditions of the SSA dated 9 May 2022 and agree to allow termination of the earlier SPA dated 9 May 2022 with LSSPI in relation to the transfer of the Subject Properties. The earlier SPA is terminated vide a termination letter dated 24 June 2022 between LSSPI and SCGM (“**Termination Letter**”).

Further to the Termination Letter, the Board had on 24 June 2022, announced that LSSPI had entered into 2 sale and purchase agreements with Habipack Sdn Bhd, a wholly-owned subsidiary of SCGM (“**New SPAs**”) for a total cash consideration of RM18.80 million for the Transfer of Properties.

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B6 Status of Uncompleted Corporate Proposals (cont'd)

Status of utilisation of Disposal Consideration of approximately RM544.384 million as at 31 October 2022:

<u>Details of utilisation</u>	<u>Disposal Consideration amount</u> RM'000	<u>Actual utilisation amount</u> RM'000	<u>Estimated timeframe for the utilisation</u>	<u>Balance</u> RM'000	<u>%</u>
Proposed Distribution	425,560	356,238	Within 9 months	69,322	16
Acquisition of new business/assets to be identified/working capital	84,024	-	Within 24 months	84,024	100
Transfer of Properties	18,800	18,800	Immediately upon the completion of the Disposal	-	-
Estimated expenses for the Proposals	16,000	14,303	Within 2 months	1,697	11
	<u>544,384</u>	<u>389,341</u>		<u>155,043</u>	

On 20 August 2022, SCGM had obtained its shareholders' approval on the Disposal and Proposed Distribution ("**Proposals**") at the extraordinary general meeting held for this purpose.

The Disposal and Transfer of Properties had completed on 31 August 2022. Accordingly, LSSPI has ceased to be a subsidiary of SCGM.

Pursuant to the completion of the Disposal, SCGM has triggered Paragraph 8.03(1) and 8.03A(2) of the Listing Requirements.

Bursa Securities had vide its letter dated 2 September 2022 ("**Notice**") notified SCGM that it is a Cash Company pursuant to Paragraph 8.03(1) of the Listing Requirements upon completion of the Disposal. In this respect, the Company must comply with the provisions and requirements in Paragraph 8.03 and Practice Note 16 of the Listing Requirements.

On 2 September 2022, HLIB had, on behalf of the Board, announced the entitlement date for the Proposed Special Dividend and paid on 29 September 2022.

On 26 September 2022, HLIB had, on behalf of the Board, announced that the Company had on the same date filed an application to the High Court of Malaya at Kuala Lumpur ("**High Court**") to obtain the High Court's consent for the Proposed Capital Reduction and Repayment pursuant to Section 116 of the Act. The High Court had on 29 November 2022 granted an order consenting the reduction of the share capital of the Company ("**Order**") pursuant to Section 116 of the Act.

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B6 Status of Uncompleted Corporate Proposals (cont'd)

On 7 December 2022, HLIB had, on behalf of the Board, announced that an office copy of the Order dated 29 November 2022 has been lodged with the Registrar of Companies on 7 December 2022. Accordingly, the resolution for the Capital Reduction and Repayment as confirmed by the Order will take effect on 7 December 2022 pursuant to Section 116(6) of the Act. On the even date, HLIB had, on behalf of the Board, announced entitlement date for the Capital Reduction and Repayment and to be paid on 4 January 2023.

All of the approvals for the Proposals are being obtained.

The completion of the Disposal is conditional upon the completion of the New SPAs in relation to the Transfer of Properties, and vice versa.

The Proposed Distribution is conditional upon the Disposal, but not vice versa.

Save for the above, the Proposals and the Transfer of Properties are not conditional upon any other corporate proposals undertaken or to be undertaken by the Company.

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 has no borrowings and debts securities as at the end of the reporting period.

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

No dividend has been recommended for the current quarter.

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B12 Earnings Per Share

	Individual 3 Months Ended 31 October 2022 RM'000	Individual 3 Months Ended 31 October 2021 RM'000	Cumulative 6 Months Ended 31 October 2022 RM'000	Cumulative 6 Months Ended 31 October 2021 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	295,136	7,825	300,085	16,114
Weighted average number of ordinary shares in issue ('000)*	192,561	192,561	192,561	192,561
Basic earnings per share (sen)	153.27	4.07	155.84	8.37

	Individual 3 Months Ended 31 October 2022 RM'000	Individual 3 Months Ended 31 October 2021 RM'000	Cumulative 6 Months Ended 31 October 2022 RM'000	Cumulative 6 Months Ended 31 October 2021 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	295,136	7,825	300,085	16,114
Weighted average number of ordinary shares in issue ('000)	192,561*	192,561#	192,561*	192,561#
Basic earnings per share (sen)	153.27	4.07	155.84	8.37

* 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 October 2022.

Comparative figures were based on quarterly announcement made for the 6 months period ended 31 October 2021.

Diluted Earnings Per Share

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

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B13 Profit Before Tax

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

	Individual 3 Months Ended 31 October 2022 RM'000	Individual 3 Months Ended 31 October 2021 RM'000	Cumulative 6 Months Ended 31 October 2022 RM'000	Cumulative 6 Months Ended 31 October 2021 RM'000
(Gain)/Loss on foreign exchange:				
Realised	(182)	(18)	(448)	(257)
Unrealised	199	228	(8)	262
Gain on disposal of property, plant and equipment	(834)	(4)	(834)	(4)
Gain on disposal of a subsidiary	(311,370)	-	(311,370)	-
Interest income	(1,310)	(9)	(1,336)	(21)
Interest expense	281	615	892	1,255
Reversal of impairment loss on financial assets	(21)	(70)	(39)	(188)
Inventories written down / (reversal) of inventories written down	(740)	(121)	(651)	(144)
Depreciation of right-of-use assets	59	183	209	366
Depreciation of property, plant and equipment	1,193	3,629	4,818	7,236
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>