

SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 July 2023 (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 requirements of Malaysian Financial Reporting Standards (“**MFRS**”) No. 134 - *Interim Financial Reporting* issued by Malaysia Accounting Standards Board (“**MASB**”) and Paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 April 2023. The explanatory notes attached to this condensed consolidated interim financial statements, 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 2024.

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 2023, 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

Effective for the financial period beginning on or after 1 January 2022:-

Amendments to MFRS 3	Business Combinations: Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment: Proceeds Before Intended Use
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract
Annual improvements to MFRS standards 2018-2020 (MFRS 1*, MFRS 9 and MFRS 141*)	

(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:

Effective for the financial period beginning on or after 1 January 2023:-

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts: Initial Application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 101	Presentation of Financial Statements: Disclosure of Accounting Policies
Amendments to MFRS 108	Accounting Policies, Change in Accounting Estimates and Errors: Definition of Accounting Estimates
Amendments to MFRS 112	Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to MFRS 112	Income Taxes: International Tax Reform - Pillar Two Model Rules

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A1 Basis of Preparation (cont'd)

Effective for financial period beginning on or after 1 January 2024:-

Amendments to MFRS 7	Financial Instruments: Disclosures: Supplier Finance Arrangements
Amendments to MFRS 16	Leases: Leases Liability in a Sales and Leaseback
Amendments to MFRS 101	Presentation of Financial Statements: Non-current Liabilities with Covenants
Amendments to MFRS 101	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
Amendments to MFRS 107	Statement of Cash Flows: Supplier Finance Arrangements

Effective for financial period beginning on or after 1 January 2025:-

Amendments to MFRS 121	The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability
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Deferred to a date to be determined by the Malaysian Accounting Standards Board:-

Amendments to MFRS 10 and MFRS 128	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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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 2023, 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 audited financial statements for the financial year ended 30 April 2023.

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 financial year-to-date, other than as disclosed in Notes B3 and B6.

A6 Changes in Estimates

There were no material changes in estimates for the current quarter and financial period-to-date results.

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A7 Changes in Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter and financial period-to date.

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

No dividends were paid by the company in the current quarter and financial period-to-date.

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 3 Months Ended 31 July 2023 RM'000	%	Preceding Year Corresponding Quarter 3 Months Ended 31 July 2022 RM'000	%
Export sales	-	-	20,707	30%
Local sales	-	-	49,387	70%
	<hr/>		<hr/>	
	-		70,094	
	<hr/>		<hr/>	

A10 Valuation of Property, Plant and Equipment

There was no valuation of the property, plant and equipment during the current quarter and financial period-to-date.

A11 Material Subsequent Events

There were no material events subsequent to the end of the current quarter and financial year-to-date that have not been reflected in this interim financial statements, other than as disclosed in Note B6.

A12 Changes in the Composition of the Group

There are no other changes in the composition of the Group during the current quarter and financial period-to-date.

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 the date of this report.

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A15 Significant Related Party Transactions

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

	Group		Company	
	3 months ended		3 months ended	
	31 July		31 July	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Sales to a company connected with certain Directors	-	217	-	-
Purchases from a company connected with certain Directors	-	252	-	-
Interest income from the subsidiary	-	-	256	-
Dividend income from the subsidiary	-	-	-	3,500
Interest on loan from a Director	74	-	-	-

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

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

B1 Performance Review

Quarter ended 31 July 2023 (1Q24) versus quarter ended 31 July 2022 (1Q23)

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 there was no revenue recorded in the current quarter.

The profit before tax of RM0.097 million was 98.5% lower than the RM6.685 million recorded in the preceding year’s corresponding quarter due to the disposal of its subsidiary, LSSPI.

In line with the lower profit before tax, The Company recorded net loss of RM0.123 million in 1Q24.

B2 Variation of Results against Preceding Quarter

For 1Q24, the Group’s profit before tax decreased by 84.2% to RM0.097 million mainly due to disposal of its subsidiary, LSSPI on 31 August 2022 and there was no business activities during 1Q24. In line with the lower profit before tax, the Group recorded net loss of RM0.123 million in the current quarter versus net profit of RM0.400 million in 4Q23.

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**”).

The Company is 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.

On 21 August 2023, AmInvestment Bank Berhad had submitted an application for extension of time to submit a regularisation plan to Bursa Securities on behalf of the Group. Any progress in this regard shall be announced in due course.

B4 Variance of Profit Forecast / Profit Guarantee

The Group did not issue any profit forecast or profit guarantee during the current quarter and financial period-to-date.

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B5 Tax Expense

	Individual 3 months ended 31 July		Cumulative 3 months ended 31 July	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Income Tax Expense:				
Current period	220	1,577	220	1,577
Deferred Tax Expense:				
Current period	-	159	-	159
	220	1,736	220	1,736

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 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) 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 (“**Capital Reduction and Repayment**”); and
- (ii) special cash dividend to entitled shareholders of SCGM on an entitlement date, which will be determined by the Board later (“**Special Dividend**”).

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

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B6 Status of Uncompleted Corporate Proposals (cont'd)

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.

Status of utilisation of Disposal Consideration of approximately RM556.993 million as at 31 July 2023:

<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	%
Proposed Distribution	425,560	425,560	Within 9 months	-	-
Acquisition of new business/assets to be identified/working capital*	96,633	803	Within 24 months	95,830	99
Transfer of Properties	18,800	18,800	Immediately upon the completion of the Disposal	-	-
Estimated expenses for the Proposals	16,000	15,610	Within 2 months	390	2
	<u>556,993</u>	<u>460,773</u>		<u>96,220</u>	

* Included an additional Disposal Consideration of RM12.610 million in cash received from Mitsui and FPCO on 4 January 2023, following the post completion adjustments pursuant to the SSA, as announced by the Company on 4 January 2023, which is placed in the account operated by the custodian to be utilised for the acquisition of new business/assets to be identified and/or working capital of the Group.

On 20 August 2022, SCGM had obtained its shareholders’ approval on the Disposal and 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.

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B6 Status of Uncompleted Corporate Proposals (cont'd)

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 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 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.

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 the entitlement date for the Capital Reduction and Repayment and the payment date is 4 January 2023.

On 4 January 2023, HLIB had, on behalf of the Board, announced that the settlement of the cash distribution of RM0.36 for each SCGM Share (“**Cash Distribution**”) has been effected and duly credited on 4 January 2023 to the entitled shareholders of SCGM, whose names appear in the Record of Depositors of the Company on the close of business at 5.00 p.m. on 21 December 2022. As such, the Capital Reduction and Repayment has been completed on 4 January 2023.

All of the approvals for the Proposals are being obtained and completed.

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 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.

On 21 August 2023, AmInvestment Bank Berhad had submitted an application for extension of time to submit a regularisation plan to Bursa Securities on behalf of the Group. Any progress in this regard shall be announced in due course.

B7 Quoted Securities

There were no purchases or disposals of quoted securities during the current quarter and financial period-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.

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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

No dividend has been recommended for the current quarter.

B12 Earnings Per Share

	Individual 3 Months Ended 31 July 2023 RM'000	Individual 3 Months Ended 31 July 2022 RM'000	Cumulative 3 Months Ended 31 July 2023 RM'000	Cumulative 3 Months Ended 31 July 2022 RM'000
<u>Basic Earnings Per Share</u> (Loss)/Profit attributable to equity holders of the parent	(123)	4,949	(123)	4,949
Weighted average number of ordinary shares in issue ('000)*	192,561	192,561	192,561	192,561
Basic earnings per share (sen)	(0.06)	2.57	(0.06)	2.57

	Individual 3 Months Ended 31 July 2023 RM'000	Individual 3 Months Ended 31 July 2022 RM'000	Cumulative 3 Months Ended 31 July 2023 RM'000	Cumulative 3 Months Ended 31 July 2022 RM'000
<u>Basic Earnings Per Share</u> (Loss)/Profit attributable to equity holders of the parent	(123)	4,949	(123)	4,949
Weighted average number of ordinary shares in issue ('000)	192,561*	192,561#	192,561*	192,561#
Basic earnings per share (sen)	(0.06)	2.57	(0.06)	2.57

* 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 2023.

Comparative figures were based on quarterly announcement made for the 3 months period ended 31 July 2022.

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 July 2023 RM'000	Individual 3 Months Ended 31 July 2022 RM'000	Cumulative 3 Months Ended 31 July 2023 RM'000	Cumulative 3 Months Ended 31 July 2022 RM'000
Gain on foreign exchange:				
Realised	-	(266)	-	(266)
Unrealised	-	(207)	-	(207)
Interest income	(965)	(26)	(965)	(26)
Interest expense	74	611	74	611
Reversal of impairment loss on financial assets	-	(18)	-	(18)
Inventories written down / (reversal) of inventories written down	-	89	-	89
Depreciation of right-of-use assets	-	150	-	150
Depreciation of property, plant and equipment	-	3,625	-	3,625