

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

SCGM Bhd [Company No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 October 2019 (Unaudited)

A1 Basis of Preparation (cont'd)

Description	Effective for annual periods beginning on or after
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
Interest Rate Benchmark Reform (Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures)	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.

SCGM Bhd [Company No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 October 2019 (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 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.

During the current quarter, there was no conversion of warrants to ordinary shares. As at 31 October 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.

The Directors declared first interim single tier dividend in respect of the financial year ending 30 April 2020 of 0.25 sen per ordinary share, amounting to RM481,403 on 24 September 2019 and paid on 23 October 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 31 October 2019		Preceding Year Corresponding Quarter 31 October 2018	
	RM'000	%	RM'000	%
Export sales	18,343	34%	19,397	34%
Local sales	35,181	66%	38,029	66%
	<u>53,524</u>		<u>57,426</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.

SCGM Bhd [Company No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 October 2019 (Unaudited)

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

	31.10.2019
	RM'000
Approved and contracted for:-	
- Equipment, plant and machinery	554
	=====
Approved and not contracted for:-	
- Equipment, plant and machinery	4,921
	=====

A14 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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Sales to a company connected with certain Directors	1,213	1,677	-	-
	=====	=====	=====	=====
Purchases from a company connected with certain Directors	177	208	-	-
	=====	=====	=====	=====
Dividend income from the subsidiary	-	-	1,200	3,900
	=====	=====	=====	=====

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 2019 (2Q20) versus quarter ended 31 October 2018 (2Q19)

The Group posted a decrease in revenue to RM53.524 million in 2Q20, compared to RM57.426 million in the previous corresponding quarter resulting from lower export and local sales. Export sales dropped by 5.4% to RM18.343 million, from RM19.397 million in 2Q19, due to lower sales of non-customised food and beverage (F&B) packaging products. Local sales declined 7.5% to RM35.181 million, from RM38.029 million in 2Q19, as a result of higher than usual sales in 2Q19 from the tax-free period from June to September 2018 after the removal of Goods and Services Tax (GST).

Despite the dip in revenue, the Group's profit before tax jumped by 94.9% to RM4.168 million in the quarter under review, versus RM2.139 million profit before tax in 2Q19, due to better sales mix, reduced resin prices, lower interest expense, higher gain on foreign exchange and higher recovery of doubtful debts. The Group's net profit also improved to RM4.034 million in 2Q20, from RM1.651 million in 2Q19, resulting from lower tax expense from utilisation of capital allowance.

First half ended 31 October 2019 (1H20) versus first half ended 31 October 2018 (1H19)

For 1H20, revenue dipped 3.6% to RM109.185 million from RM113.232 million as a result of lower contribution from non-customised F&B packaging and higher-than-usual sales from the tax-free period in June to September 2018 after removal of GST.

However, Group pre-tax profit grew 74.5% to RM6.373 million from RM3.652 million previously, largely due to improved sales mix, lower cost of raw materials, higher gain on foreign exchange and higher recovery of doubtful debts. Group net profit more than doubled to RM6.233 million from RM2.714 million previously, largely due to lower tax expense from utilisation of capital allowance.

B2 Variation of Results against Preceding Quarter

For 2Q20, the Group revenue decreased 3.8% to RM53.524 million from RM55.661 million in the quarter ended 31 July 2019 (1Q20). This was due to lower sales contribution from non-customised F&B packaging i.e. lunch boxes, cups and plates.

The Group recorded a profit before tax of RM4.168 million in 2Q20, compared to profit before tax of RM2.205 million in 1Q20, in line with lower raw material prices, lower interest expense, higher gain on foreign exchange and higher amount of doubtful debts recovered in 2Q20. As such, the Group also posted a higher net profit of RM4.034 million in 2Q20, versus a net profit of RM2.199 million in the preceding quarter.

SCGM Bhd [Company No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 October 2019 (Unaudited)

B3 Future Prospects

F&B packaging will remain our main revenue driver going forward both locally and internationally. With the new plant now on board, the added capacity enables SCGM to push for more sales of its products in these markets.

SCGM is also well aware of rising environmental concerns and stringent regulations governing the use of plastics, and are increasingly introducing environmentally friendly products to adhere to the necessary requirements.

The Group also has the capability to customise products, which is key to fulfilling the varied and ever-changing demands of our customers worldwide. This is demonstrated by our contract win to supply an Australian F&B packaging player with customised meal trays and salad bowls, amongst other products for two years.

Lastly, the Group is always mindful of the fluctuations of raw materials prices i.e. resin, amid the volatility of global crude oil prices and the uncertainties of the outcome of the trade war. The Group will strive to minimise the impact from any unfavourable movements in the resin prices by improving operational efficiency through increased automation, and achieving better economies of scale from higher utilisation of 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.

B5 Tax Expense

	Individual		Cumulative	
	3 months ended		6 months ended	
	31 October		31 October	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Tax expense:				
Current period	4	105	10	210
Deferred tax expenses:				
Current period	130	383	130	728
	<hr/>	<hr/>	<hr/>	<hr/>
	134	488	140	938
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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.

SCGM Bhd [Company No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 October 2019 (Unaudited)

B8 Borrowings and Debt Securities

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

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured:			
Finance lease creditors	2,421	3,690	6,111
Borrowings	42,932	51,161	94,093
	<u>45,353</u>	<u>54,851</u>	<u>100,204</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 second interim single tier dividend in respect of the financial year ending 30 April 2020 of 1.0 sen per ordinary share and payable on 10 January 2020 to members registered on 24 December 2019.

B12 Earnings Per Share

	Individual 3 Months Ended 31.10.19 RM'000	Individual 3 Months Ended 31.10.18 RM'000	Cumulative 6 Months Ended 31.10.19 RM'000	Cumulative 6 Months Ended 31.10.18 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	4,034	1,651	6,233	2,714
Weighted average number of ordinary shares in issue ('000)*	192,696	192,696@	192,628	192,628@
Basic earnings per share (sen)	2.09	0.86	3.24	1.41

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

SCGM Bhd [Company No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 October 2019 (Unaudited)

B12 Earnings Per Share (cont'd)

	Individual 3 Months Ended 31.10.19 RM'000	Individual 3 Months Ended 31.10.18 RM'000	Cumulative 6 Months Ended 31.10.19 RM'000	Cumulative 6 Months Ended 31.10.18 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	4,034	1,651	6,233	2,714
Weighted average number of ordinary shares in issue ('000)	192,696*	192,761#	192,628*	192,761#
Basic earnings per share (sen)	2.09	0.86	3.24	1.41

* 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 2019.

Comparative figures were based on quarterly announcement made for the 6 months period ended 31 October 2018.

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 31.10.19 RM'000	Individual 3 Months Ended 31.10.18 RM'000	Cumulative 6 Months Ended 31.10.19 RM'000	Cumulative 6 Months Ended 31.10.18 RM'000
(Gain)/Loss on foreign exchange:				
Realised	(34)	(97)	(192)	34
Unrealised	(236)	(59)	(18)	(32)
Gain on disposal of property, plant and equipment	(7)	-	(12)	-
Interest income	(14)	(17)	(37)	(27)
Amortisation of prepaid land lease payments	1	1	2	2
Interest expense	1,234	1,380	2,588	2,580
Allowance for impairment of receivables no longer required	(177)	(10)	(255)	(10)
Inventories written down / (reversal) of inventories written down	(122)	(200)	114	(133)
Depreciation of property, plant and equipment	3,691	3,655	7,395	7,361
	=====	=====	=====	=====