

SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 October 2020 (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 2020. 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 2020.

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 2020, 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 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
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

SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 October 2020 (Unaudited)

A1 Basis of Preparation (cont'd)

(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
COVID-19-Related Rent Concessions (Amendment to MFRS 16 Leases)	1 June 2020
Amendments to MFRS 4: Extension of the Temporary Exemption from Applying MFRS 9	At issue date of 17 August 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 - Insurance Contracts: Interest Rate Benchmark Reform-Phase 2	1 January 2021
Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2018-2020"	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
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 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 this interim financial statements are consistent with those of the audited financial statements for year ended 30 April 2020, 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 has no material impacts to this 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 2020.

SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 October 2020 (Unaudited)

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.

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.

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.

The unexercised Warrants of 19,359,636 have lapsed and become null and void on its expiry date on 30 July 2020. Accordingly, the Warrants have been removed from the Official List of Bursa Malaysia Securities Berhad with effect from 3 August 2020.

A8 Dividends 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 2020 of 1.50 sen per ordinary share, amounting to RM2,888,417 on 29 June 2020 and paid on 29 July 2020.

The Directors declared final single tier dividend in respect of the financial year ended 30 April 2020 of 0.35 sen per ordinary share, amounting to RM673,964 on 24 September 2020 and paid on 28 October 2020.

The Directors declared first interim single tier dividend in respect of the financial year ending 30 April 2021 of 1.70 sen per ordinary share, amounting to RM3,273,537 on 28 September 2020 and paid on 12 November 2020.

SCGMBhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 October 2020 (Unaudited)

A9 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 2020 RM'000	%	Preceding Year Corresponding Quarter 31 October 2019 RM'000	%
Export sales	21,348	35%	18,343	34%
Local sales	39,663	65%	35,181	66%
	<u>61,011</u>		<u>53,524</u>	

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.

A12 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.

A13 Contingent Liabilities

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

SCGMBhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 October 2020 (Unaudited)

A14 Capital Commitments

As at 31 October 2020, the Group has the capital expenditure in respect of property, plant and equipment as follows:-

	31.10.2020
	RM'000
Approved and contracted for:-	
- Equipment, plant and machinery	5,921
	=====
Approved and not contracted for:-	
- Equipment, plant and machinery	566
	=====

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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Sales to a company connected with certain Directors	973	1,213	-	-
	=====	=====	=====	=====
Purchases from a company connected with certain Directors	329	177	-	-
	=====	=====	=====	=====
Dividend income from the subsidiary	-	-	7,000	1,200
	=====	=====	=====	=====

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 2020 (2Q21) versus quarter ended 31 October 2019 (2Q20)

The Group posted a 14.0% increase in revenue to RM61.011 million in 2Q21 compared to RM53.524 million in the previous corresponding quarter resulting from higher export and local sales. Export sales increased by 16.4% to RM21.348 million from RM18.343 million in 2Q20 while local sales increased by 12.7% to RM39.663 million from RM35.181 million in 2Q20 on higher deliveries of food and beverage (F&B) packaging. The Group also sold face masks and face shields to the domestic market under its new Personal Protective Equipment (PPE) product line.

In line with the increased revenue in 2Q21, the Group's profit before tax jumped 157.7% to RM10.740 million in the quarter under review versus RM4.168 million profit before tax in 2Q20 due to favourable product mix, reduced resin prices and lower interest expense. In addition, the Group incurred lower electricity and rental expenses in 2Q21, as the factory in Telok Panglima Garang was consolidated with the Kulai plant since March 2020.

Simultaneously, the Group's net profit improved significantly to RM9.610 million in 2Q21 from RM4.034 million in 2Q20 due to the partial utilisation of unutilised reinvestment allowance brought forward from prior year, and partial recognition of deferred tax asset on unabsorbed reinvestment allowance previously not recognised.

First half ended 31 October 2020 (1H21) versus first half ended 31 October 2019 (1H20)

For 1H21, revenue grew 8.3% to RM118.234 million from RM109.185 million as a result of higher deliveries of food and beverage (F&B) packaging. The Group also sold face masks and face shields to the domestic market under its new Personal Protective Equipment (PPE) product line.

The Group's pre-tax profit grew 204.6% to RM19.414 million from RM6.373 million previously, largely due to improved sales mix, lower cost of raw materials and lower interest expense. The Group's net profit nearly tripled to RM17.876 million from RM6.233 million previously, largely due to the same reasons coupled with partial utilisation of unutilised reinvestment allowance brought forward from prior year, and partial recognition of deferred tax asset on unabsorbed reinvestment allowance previously not recognised.

B2 Variation of Results against Preceding Quarter

For 2Q21, the Group revenue increased 6.6% to RM61.011 million from RM57.223 million in the quarter ended 31 July 2020 (1Q21) resulting from higher sales contribution from local market on higher deliveries of F&B packaging.

The Group recorded 23.8% higher profit before tax of RM10.740 million in 2Q21 compared to profit before tax of RM8.674 million in 1Q21, which is in line with higher local sales recorded in 2Q21. In line with the increased revenue, the Group noted 16.3% higher net profit of RM9.610 million in 2Q21 versus RM8.266 million in the preceding quarter.

SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 October 2020 (Unaudited)

B3 Future Prospects

Demand for F&B packaging remains resilient as the Group continues to serve current clients and add new customers from the local and export markets. The Group's competencies in customizing new packaging, producing large volume of packaging and delivering to clients in a timely manner will be a boon for the Group's prospects.

The Malaysian Government extended the Recovery Movement Control Order (RMCO) in certain states till 31 December 2020 to contain the spread of COVID-19 which reinforced the changed consumer behaviour especially in social settings. SCGM is uniquely positioned to serving the needs of both the medical and F&B sectors.

In the PPE segment, the Group will further expand our face mask production capacity with specialised equipment, and has committed RM0.2 million to purchase 1 unit of automatic face mask production and packing machines that will enable the Group to produce single-pack face masks. It will also increase our production capacity from 6.0 million pieces per month to 7.2 million pieces per month.

The Group aims to cater to demand for face masks and face shields from the domestic and overseas markets, including Singapore and the USA.

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 3 months ended 31 October		Cumulative 6 months ended 31 October	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Income Tax Expense:				
Current period	740	4	1,448	10
Deferred Tax Expense:				
Current period	390	130	90	130
	<hr/>	<hr/>	<hr/>	<hr/>
	1,130	134	1,538	140
	=====			

The effective tax rates of the Group for the current quarter and current year were lower than the statutory tax rate mainly due to the partial utilisation of unutilised reinvestment allowance brought forward from prior year, and partial recognition of deferred tax asset on unabsorbed reinvestment allowance previously not recognised.

B6 Status of Uncompleted Corporate Proposals

There are no outstanding uncompleted corporate proposals as at the date of this quarterly report.

SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 October 2020 (Unaudited)

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 October 2020 are as follows:-

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured:			
Lease Liabilities	1,778	2,362	4,140
Borrowings	34,610	43,039	77,649
	<u>36,388</u>	<u>45,401</u>	<u>81,789</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 2021 of 1.50 sen per ordinary share and payable on 22 January 2021 to members registered on 7 January 2021.

SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 October 2020 (Unaudited)

B12 Earnings Per Share

	Individual 3 Months Ended 31.10.20 RM'000	Individual 3 Months Ended 31.10.19 RM'000	Cumulative 6 Months Ended 31.10.20 RM'000	Cumulative 6 Months Ended 31.10.19 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	9,610	4,034	17,876	6,233
Weighted average number of ordinary shares in issue ('000)*	192,561	192,561	192,561	192,561
Basic earnings per share (sen)	4.99	2.09	9.28	3.24

	Individual 3 Months Ended 31.10.20 RM'000	Individual 3 Months Ended 31.10.19 RM'000	Cumulative 6 Months Ended 31.10.20 RM'000	Cumulative 6 Months Ended 31.10.19 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	9,610	4,034	17,876	6,233
Weighted average number of ordinary shares in issue ('000)	192,561*	192,696#	192,561*	192,628#
Basic earnings per share (sen)	4.99	2.09	9.28	3.24

* 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 2020.

Comparative figures were based on quarterly announcement made for the 6 months period ended 31 October 2019.

Diluted Earnings Per Share

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

SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 October 2020 (Unaudited)

B13 Profit Before Tax

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

	Individual 3 Months Ended 31.10.20 RM'000	Individual 3 Months Ended 31.10.19 RM'000	Cumulative 6 Months Ended 31.10.20 RM'000	Cumulative 6 Months Ended 31.10.19 RM'000
Loss/(Gain) on foreign exchange:				
Realised	70	(34)	(296)	(192)
Unrealised	270	(236)	456	(18)
Gain on disposal of property, plant and equipment	(4)	(7)	(4)	(12)
Property, plant and equipment written off	-	1	-	1
Interest income	(16)	(14)	(30)	(37)
Interest expense	765	1,234	1,687	2,588
Allowance for impairment of receivables	300	-	600	-
Allowance for impairment of receivables no longer required	(114)	(177)	(233)	(255)
Inventories written down / (reversal) of inventories written down	-	(122)	743	114
Depreciation of right-of-use assets	355	290	710	580
Depreciation of property, plant and equipment	3,378	3,402	6,743	6,817
	=====	=====	=====	=====