

SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 January 2021 (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 January 2021.

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

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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 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 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
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
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.

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A3 Auditors' Reports on Preceding Annual Financial Statements

There was no qualification in the financial statements for the financial year ended 30 April 2020.

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.

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A8 Dividends Paid (cont'd)

The Directors declared second interim single tier dividend in respect of the financial year ending 30 April 2021 of 1.50 sen per ordinary share, amounting to RM2,888,417 on 21 December 2020 and paid on 22 January 2021.

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 January 2021 RM'000	%	Preceding Year Corresponding Quarter 31 January 2020 RM'000	%
Export sales	21,768	35%	19,607	38%
Local sales	40,757	65%	32,029	62%
	<u>62,525</u>		<u>51,636</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.

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A14 Capital Commitments

As at 31 January 2021, the Group has the capital expenditure in respect of property, plant and equipment as follows:-

	31.01.2021
	RM'000
Approved and contracted for:-	
- Equipment, plant and machinery	1,242
	=====

A15 Significant Related Party Transactions

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

	Group		Company	
	9 months ended		9 months ended	
	31 January		31 January	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Sales to a company connected with certain Directors	1,519	1,804	-	-
	=====	=====	=====	=====
Purchases from a company connected with certain Directors	534	312	-	-
	=====	=====	=====	=====
Dividend income from the subsidiary	-	-	10,000	3,300
	=====	=====	=====	=====

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 January 2021 (3Q21) versus quarter ended 31 January 2020 (3Q20)

The Group posted a 21.1% increase in revenue to RM62.525 million in 3Q21 compared to RM51.636 million in the previous corresponding quarter resulting from higher export and local sales. Export sales increased by 11.0% to RM21.768 million from RM19.607 million in 3Q20 while local sales increased by 27.3% to RM40.757 million from RM32.029 million in 3Q20. The better performance was on higher deliveries of food and beverage (F&B) packaging and commencement of sale and distribution of face masks and face shields to the domestic market under the Group's new Personal Protective Equipment (PPE) product line since February 2020 in 4Q20.

In line with the increased revenue, coupled with more favourable sales mix and lower interest expense in 3Q21, the Group's profit before tax jumped 117.7% to RM7.921 million in the quarter under review versus RM3.638 million profit before tax in 3Q20. In addition, the Group incurred lower electricity and rental expense in 3Q21, as the rented factory in Telok Panglima Garang was consolidated with the Kulai plant since March 2020 in 4Q20.

Simultaneously, the Group's net profit improved significantly to RM8.104 million in 3Q21 from RM4.181 million in 3Q20 largely due to higher revenue and lower interest expense.

Nine months ended 31 January 2021 (9M21) versus nine months ended 31 January 2020 (9M20)

For 9M21, revenue grew 12.4% to RM180.759 million from RM160.821 million as a result of higher deliveries of food and beverage (F&B) packaging and commencement of sale and distribution of face masks and face shields to the domestic market under the Group's new Personal Protective Equipment (PPE) product line since February 2020 in 4Q20.

The Group's pre-tax profit grew 173.0% to RM27.335 million from RM10.011 million previously due to improved sales mix, lower raw material costs, lower electricity expense, lower rental expense and lower interest expense. With that, the Group's net profit more than doubled to RM25.980 million from RM10.414 million previously.

B2 Variation of Results against Preceding Quarter

For 3Q21, the Group revenue increased 2.5% to RM62.525 million from RM61.011 million in the quarter ended 31 October 2020 (2Q21) resulting from higher sales contribution from local market on higher deliveries of F&B packaging.

The Group recorded a 26.2% lower profit before tax of RM7.921 million in 3Q21 compared to profit before tax of RM10.740 million in 2Q21 due to higher raw material costs following the increase in global crude oil prices. Despite the marginal increase in revenue, the Group recorded 15.7% lower net profit of RM8.104 million in 3Q21 versus RM9.610 million in the preceding quarter due to higher raw material costs, lower utilisation of capacity as certain production workers were placed under quarantine after having close contact with COVID-19 positive individuals in January 2021 and additional cost incurred in response to COVID-19 control and prevention in 3Q21. The affected employees resumed work duties in February 2021.

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B3 Future Prospects

Even as the vaccination programme is being rolled out in various stages, the COVID-19 pandemic is expected to continue having an impact on the global and domestic economy, given the required time to inoculate a large proportion of the population. Further to that, the risk of subsequent mutation of the virus would continue to weigh on the overall economic outlook and influence consumer behaviour.

In light of this, the Group expects sustained demand for F&B packaging, riding on increasing demand for apportioned F&B servings to maintain higher hygiene standards, F&B deliveries and takeaways.

The Group aims to upsell to existing customers and add new customers from the local and export markets. With its state-of-the-art Kulai manufacturing plant, the Group endeavours to be a one-stop packaging solutions centre for customers' packaging needs from customising new packaging, producing large volume of packaging and delivering to customers in a timely manner.

On 13 January 2021, the Malaysian Government re-implemented the Movement Control Order (aka MCO 2.0) in certain states to minimise the social and physical contact of public in its continuing effort to curb the spread of COVID-19. Under MCO 2.0, the wearing of face masks is compulsory in crowded public places and public transport.

In the PPE segment, with all schools reopening in March and April 2021, the Group is optimistic of continuing demand of face masks from domestic market. At the same time, the Group would explore overseas markets as international governments implement or consider implementing compulsory face mask wearing in public areas.

B4 Variance of Profit Forecast / Profit Guarantee

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

B5 Tax (Income) / Expense

	Individual 3 months ended 31 January		Cumulative 9 months ended 31 January	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Income Tax Expense/(Income):				
Current period	178	290	1,626	300
Overprovision in prior year	(61)	(3)	(61)	(3)
	<hr/>	<hr/>	<hr/>	<hr/>
	117	287	1,565	297
Deferred Tax Income:				
Current period	(300)	(830)	(210)	(700)
	<hr/>	<hr/>	<hr/>	<hr/>
	(183)	(543)	1,355	(403)
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B5 Tax (Income) / Expense (cont'd)

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.

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 January 2021 are as follows:-

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured:			
Lease Liabilities	1,800	1,903	3,703
Borrowings	32,170	41,002	73,172
	<u>33,970</u>	<u>42,905</u>	<u>76,875</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 third interim single tier dividend in respect of the financial year ending 30 April 2021 of 2.20 sen per ordinary share and payable on 28 April 2021 to members registered on 13 April 2021.

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B12 Earnings Per Share

	Individual 3 Months Ended 31.01.21 RM'000	Individual 3 Months Ended 31.01.20 RM'000	Cumulative 9 Months Ended 31.01.21 RM'000	Cumulative 9 Months Ended 31.01.20 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	8,104	4,181	25,980	10,414
Weighted average number of ordinary shares in issue ('000)*	192,561	192,561	192,561	192,561
Basic earnings per share (sen)	4.21	2.17	13.49	5.41

	Individual 3 Months Ended 31.01.21 RM'000	Individual 3 Months Ended 31.01.20 RM'000	Cumulative 9 Months Ended 31.01.21 RM'000	Cumulative 9 Months Ended 31.01.20 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	8,104	4,181	25,980	10,414
Weighted average number of ordinary shares in issue ('000)	192,561*	192,696#	192,561*	192,606#
Basic earnings per share (sen)	4.21	2.17	13.49	5.41

* 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 January 2021.

Comparative figures were based on quarterly announcement made for the 9 months period ended 31 January 2020.

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 31.01.21 RM'000	Individual 3 Months Ended 31.01.20 RM'000	Cumulative 9 Months Ended 31.01.21 RM'000	Cumulative 9 Months Ended 31.01.20 RM'000
Loss/(Gain) on foreign exchange:				
Realised	24	(37)	(272)	(229)
Unrealised	(252)	577	204	559
Gain on disposal of property, plant and equipment	-	(434)	(4)	(446)
Property, plant and equipment written off	-	1	-	1
Interest income	(13)	(17)	(43)	(54)
Interest expense	696	1,210	2,383	3,798
Allowance for impairment of receivables no longer required	(682)	(68)	(315)	(323)
Inventories written down / (reversal) of inventories written down	(1,036)	(512)	(293)	(398)
Depreciation of right-of-use assets	355	290	1,065	870
Depreciation of property, plant and equipment	3,369	3,391	10,112	10,208
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>