

SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 July 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 2021. 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 July 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 2021, 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
Insurance Contracts: Interest Rate Benchmark Reform-Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021

(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
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

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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
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
Deferred tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 Income Taxes)	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 these interim financial statements are consistent with those of the audited financial statements for year ended 30 April 2021, 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 2021.

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.

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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.

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 2021 of 1.70 sen per ordinary share, amounting to RM3,273,537 on 28 June 2021 and paid on 29 July 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 July 2021 RM'000	%	Preceding Year Corresponding Quarter 31 July 2020 RM'000	%
Export sales	22,312	32%	21,157	37%
Local sales	46,990	68%	36,066	63%
	<u>69,302</u>		<u>57,223</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.

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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.

A14 Capital Commitments

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

	31.07.2021
	RM'000
Approved and contracted for:-	
- Equipment, plant and machinery	5,800
	=====
Approved and not contracted for:-	
- Equipment, plant and machinery	1,365
	=====

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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Sales to a company connected with certain Directors	472	429	-	-
	=====	=====	=====	=====
Purchases from a company connected with certain Directors	165	192	-	-
	=====	=====	=====	=====
Dividend income from the subsidiary	-	-	3,300	3,000
	=====	=====	=====	=====

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 July 2021 (1Q22) versus quarter ended 31 July 2020 (1Q21)

The Group posted a 21.1% increase in revenue to RM69.302 million in 1Q22 compared to RM57.223 million in the previous corresponding quarter resulting from higher local and export sales. Local sales increased by 30.3% to RM46.990 million from RM36.066 million in 1Q21, while export sales increased by 5.5% to RM22.312 million from RM21.157 million in 1Q21. The better performance was on higher deliveries of food and beverage (F&B) packaging and higher sale and distribution of face masks to the domestic and Singapore market under the Group's Personal Protective Equipment (PPE) product line.

With the increased revenue, coupled with more favourable sales mix and lower interest expense in 1Q22, the Group's profit before tax jumped 13.9% to RM9.880 million in the quarter under review versus RM8.674 million profit before tax in 1Q21.

Net profit increased marginally by 0.3% to RM8.289 million in 1Q22 from RM8.266 million in 1Q21 mainly due to higher tax expenses.

B2 Variation of Results against Preceding Quarter

For 1Q22, the Group revenue increased 5.4% to RM69.302 million from RM65.744 million in the quarter ended 30 April 2021 (4Q21) resulting from higher local and export sales. Local sales increased by 1.9% to RM46.990 million from RM46.106 million in 4Q21 while export sales increased by 13.6% to RM22.312 million from RM19.638 million in 4Q21 on the back of higher deliveries of F&B packaging due to higher demand, as well as increased sales of PPE products.

Despite the 5.4% increase in Group revenue, the Group's profit before tax increased marginally by 0.9% to RM9.880 million in 1Q22 compared to profit before tax of RM9.792 million in 4Q21 mainly due to higher raw material costs. The Group recorded 8.8% higher net profit of RM8.289 million in 1Q22 versus RM7.621 million in the preceding quarter due to lower income tax expense from utilisation of unabSORBED reinvestment allowance brought forward and lower deferred tax expense.

B3 Future Prospects

The challenge remains to prevent resurgence of the COVID-19 cases due to the new and more virulent variants of the COVID-19 virus.

After months of COVID-19 lockdown that disallowed dine in and non-essential social activities to curb the spread of COVID-19, Malaysia is on track to restart all the economic sectors after a successful rollout of accelerated national vaccination program in 2021. The Government's unveiling of the National Recovery Plan (NRP) since 15 June 2021 also showcases its strategies to gradually guide the nation to exit the pandemic.

In August-September 2021, our Group collaborated with a Government approved private medical group to ramp up our employees' vaccination rate towards the targeted 100% within the nearest timeframe.

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B3 Future Prospects (cont'd)

With more than 80% of our workers have been fully vaccinated as at 24 September 2021, we are allowed to operate with 100% workforce capacity in accordance with Ministry of International Trade and Industry's revised guidelines for manufacturing sector companies effective on 16 August 2021, subject to continued strict adherence to the standard operating procedures (including physical distancing and mandatory wearing of face masks) and periodical RTK Antigen Testing of workers.

Going forward, the health and safety of our employees, customers, suppliers and other business partners remain our top priority. We have therefore set up a task force and adopted preventive and proactive measures to minimise all risks related to the spread of COVID-19 at our workplace. We will continue to stay vigilant against COVID-19 and review our marketing strategy as the phases of NRP progress.

We will also continue to monitor the price trends of raw materials to maintain our competitiveness. Additionally, we are making good progress in our RM20 million capital expenditure towards achieving higher production efficiency in the financial year ending 30 April 2022 ("FY2022").

In the long run, the COVID-19 pandemic is widely expected to evolve into an endemic, where the population will have to adapt their lifestyle practices in line with the virus for the time being. Thus, the overall demand for F&B packaging and face masks is anticipated to still be intact.

With this in mind, we will continue to focus on intensifying our capacity and customising new products in the F&B segment. We are also hopeful of meeting steady demand for our PPE venture.

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		3 months ended	
	31 July		31 July	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Income Tax Expense:				
Current period	696	708	696	708
Deferred Tax Expense/(Income):				
Current period	895	(300)	895	(300)
	1,591	408	1,591	408

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 utilisation of reinvestment allowance.

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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 July 2021 are as follows:-

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured:			
Lease Liabilities	1,843	971	2,814
Borrowings	<u>32,269</u>	<u>36,899</u>	<u>69,168</u>
	<u>34,112</u>	<u>37,870</u>	<u>71,982</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 first interim single tier dividend in respect of the financial year ending 30 April 2022 of 2.00 sen per ordinary share and payable on 29 October 2021 to members registered on 13 October 2021.

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B12 Earnings Per Share

	Individual 3 Months Ended 31.07.21 RM'000	Individual 3 Months Ended 31.07.20 RM'000	Cumulative 3 Months Ended 31.07.21 RM'000	Cumulative 3 Months Ended 31.07.20 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	8,289	8,266	8,289	8,266
Weighted average number of ordinary shares in issue ('000)*	192,561	192,561	192,561	192,561
Basic earnings per share (sen)	4.30	4.29	4.30	4.29

	Individual 3 Months Ended 31.07.21 RM'000	Individual 3 Months Ended 31.07.20 RM'000	Cumulative 3 Months Ended 31.07.21 RM'000	Cumulative 3 Months Ended 31.07.20 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	8,289	8,266	8,289	8,266
Weighted average number of ordinary shares in issue ('000)	192,561*	192,561#	192,561*	192,561#
Basic earnings per share (sen)	4.30	4.29	4.30	4.29

* 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 2021.

Comparative figures were based on quarterly announcement made for the 3 months period ended 31 July 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 31.07.21 RM'000	Individual 3 Months Ended 31.07.20 RM'000	Cumulative 3 Months Ended 31.07.21 RM'000	Cumulative 3 Months Ended 31.07.20 RM'000
(Gain)/Loss on foreign exchange:				
Realised	(239)	(366)	(239)	(366)
Unrealised	34	186	34	186
Interest income	(12)	(14)	(12)	(14)
Interest expense	640	922	640	922
Allowance for impairment of receivables	-	181	-	181
Reversal for impairment of receivables	(118)	-	(118)	-
Inventories written down / (reversal) of inventories written down	(23)	743	(23)	743
Depreciation of right-of-use assets	183	355	183	355
Depreciation of property, plant and equipment	3,607	3,365	3,607	3,365
	=====	=====	=====	=====