

SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 31 January 2022 (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 January 2022.

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" Reference to the Conceptual Framework	1 January 2022
(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
Initial application of MFRS 17 and MFRS 19 – comparative information (Amendments to MFRS 17 Insurance Contracts)	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.

The Directors declared first interim single tier dividend in respect of the financial year ending 30 April 2022 of 2.00 sen per ordinary share, amounting to RM3,851,221 on 28 September 2021 and paid on 29 October 2021.

The Directors declared second interim single tier dividend in respect of the financial year ending 30 April 2022 of 1.70 sen per ordinary share, amounting to RM3,273,537 on 28 December 2021 and paid on 26 January 2022.

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 2022		Preceding Year Corresponding Quarter 31 January 2021	
	RM'000	%	RM'000	%
Export sales	22,958	32%	21,768	35%
Local sales	48,356	68%	40,757	65%
	<u>71,314</u>		<u>62,525</u>	

A10 Valuation of Property, Plant and Equipment

There was no valuation of the property, plant and equipment in the current quarter under review.

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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.

A14 Capital Commitments

As at 31 January 2022, the Group has the capital expenditure in respect of property, plant and equipment as follows:-

	31.01.2022
	RM'000
Approved and contracted for:-	
- Equipment, plant and machinery	2,298
	=====
Approved and not contracted for:-	
- Equipment, plant and machinery	180
	=====

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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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Sales to a company connected with certain Directors	1,976	1,519	-	-
	=====	=====	=====	=====
Purchases from a company connected with certain Directors	843	534	-	-
	=====	=====	=====	=====
Dividend income from the subsidiary	-	-	10,600	10,000
	=====	=====	=====	=====

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 January 2022 (3Q22) versus quarter ended 31 January 2021 (3Q21)

The Group posted a 14.1% increase in revenue to RM71.314 million in 3Q22 compared to RM62.525 million in the previous corresponding quarter resulting from higher local and export sales. Local sales increased by 18.6% to RM48.356 million from RM40.757 million in 3Q21, while export sales increased by 5.5% to RM22.958 million from RM21.768 million in 3Q21. The better sales performance was on the back of higher deliveries of food and beverage (F&B) packaging.

The profit before tax of RM7.520 million was 5.1% lower than the RM7.921 million recorded in the preceding year's corresponding quarter. The lower profit before tax was mainly due to increased prices of resin, additives, chemicals and packaging in spite of the upward adjustment of selling prices exercise during the current quarter.

In line with the lower profit before tax, net profit decreased by 22.5% to RM6.284 million in 3Q22 from RM8.104 million in 3Q21 mainly due to higher deferred tax expenses.

Nine months ended 31 January 2022 (9M22) versus nine months ended 31 January 2021 (9M21)

For 9M22, revenue grew 17.9% to RM213.158 million from RM180.759 million as a result of higher deliveries of food and beverage (F&B) packaging.

In spite of the increased revenue and lower interest expense, the increased prices of resin, additives, chemicals and packaging marginally reduced the Group's profit before tax by 0.2% to RM27.272 million from RM27.335 million previously. The Group's net profit decreased to RM22.398 million from RM25.980 million previously, largely due to higher deferred tax expenses.

B2 Variation of Results against Preceding Quarter

For 3Q22, the Group revenue decreased 1.7% to RM71.314 million from RM72.542 million in the quarter ended 31 October 2021 (2Q22) resulting from lower sales and distribution of face masks and extrusion sheet. Local sales decreased by 1.7% to RM48.356 million from RM49.207 million in 2Q22 while export sales decreased by 1.6% to RM22.958 million from RM23.335 million in 2Q22.

The Group's profit before tax decreased by 23.8% to RM7.520 million in 3Q22 compared to profit before tax of RM9.872 million in 2Q22 mainly due to lower revenue coupled with increased prices of resin, additives, chemicals and packaging in spite of the upward adjustment of selling price exercise during the current quarter. In line with the lower profit before tax, the Group recorded 19.7% lower net profit of RM6.284 million in 3Q22 versus RM7.825 million in the preceding quarter.

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B3 Future Prospects

The current political, economic and social instability around the world has greatly impacted the oil prices and the business recovery from the COVID-19 pandemic, resulting in a wave of rapidly rising cost of doing business. The Group strives to stay resilient to any business disruptions amid these challenging times, by balancing cost fluctuations with production utilisation rates and selling prices.

The Company is endeavouring to develop and come out with more new products in terms of application, design and quality to meet the consumers' requirement of food packaging post pandemic, to build customer loyalty and to capture new markets.

As Malaysia starts to move to the endemic phase of COVID-19 and reopens its international borders from 1 April 2022, we are optimistic that the move will revive the local hospitality and tourism industry and boost the demand for our packaging products. With the resumption of overseas travel, we will strengthen the relationship with existing customers via physical visit and source for new customers by participating in international trade exhibitions.

To ensure the maximum protection against COVID-19 at our working environment, we aim to ensure all our eligible fully vaccinated employees receive the booster vaccines by mid-2022.

Barring any unforeseen circumstances, with anticipation of increased business activities in the endemic phase which will further spur the demand for our food and beverage (F&B) packaging, we are optimistic the sales of F&B packaging will stay on upward trend in 2022.

As the use of face masks in public places will still be mandated, and is a continued safety measure in the 'new normal', we expect the demand of face masks to remain steady in 2022.

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 / (Income)

	Individual		Cumulative	
	3 months ended		9 months ended	
	31 January		31 January	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Income Tax Expense/(Income):				
Current period	173	178	1,576	1,626
Over provision in prior financial year	(457)	(61)	(457)	(61)
Deferred Tax Expense/(Income):				
Current period	1,520	(300)	3,665	(210)
Under provision in prior financial quarter	-	-	90	-
	1,236	(183)	4,874	1,355

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B5 Tax Expense / (Income) (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 utilisation of reinvestment 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.

B8 Borrowings and Debt Securities

The Group's Borrowings as at 31 January 2022 are as follows:-

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured:			
Lease Liabilities	1,752	151	1,903
Borrowings	<u>34,386</u>	<u>32,739</u>	<u>67,125</u>
	<u>36,138</u>	<u>32,890</u>	<u>69,028</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 2022 of 1.40 sen per ordinary share and payable on 28 April 2022 to members registered on 13 April 2022.

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B12 Earnings Per Share

	Individual 3 Months Ended 31.01.22 RM'000	Individual 3 Months Ended 31.01.21 RM'000	Cumulative 9 Months Ended 31.01.22 RM'000	Cumulative 9 Months Ended 31.01.21 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	6,284	8,104	22,398	25,980
Weighted average number of ordinary shares in issue ('000)*	192,561	192,561	192,561	192,561
Basic earnings per share (sen)	3.26	4.21	11.63	13.49

	Individual 3 Months Ended 31.01.22 RM'000	Individual 3 Months Ended 31.01.21 RM'000	Cumulative 9 Months Ended 31.01.22 RM'000	Cumulative 9 Months Ended 31.01.21 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	6,284	8,104	22,398	25,980
Weighted average number of ordinary shares in issue ('000)	192,561*	192,561#	192,561*	192,561#
Basic earnings per share (sen)	3.26	4.21	11.63	13.49

* 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 2022.

Comparative figures were based on quarterly announcement made for the 9 months period ended 31 January 2021.

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 31.01.22 RM'000	Individual 3 Months Ended 31.01.21 RM'000	Cumulative 9 Months Ended 31.01.22 RM'000	Cumulative 9 Months Ended 31.01.21 RM'000
(Gain)/Loss on foreign exchange:				
Realised	(86)	24	(343)	(272)
Unrealised	38	(252)	300	204
Gain on disposal of property, plant and equipment	-	-	(4)	(4)
Interest income	(9)	(13)	(30)	(43)
Interest expense	593	696	1,848	2,383
Reversal for impairment of receivables	(25)	(682)	(213)	(315)
Inventories written down / (reversal) of inventories written down	549	(1,036)	405	(293)
Depreciation of right-of-use assets	183	355	549	1,065
Depreciation of property, plant and equipment	3,653	3,369	10,889	10,112
	=====	=====	=====	=====