

SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 30 April 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 30 April 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

SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 30 April 2022 (Unaudited)

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.

SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 30 April 2022 (Unaudited)

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 ended 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 ended 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.

The Directors declared third interim single tier dividend in respect of the financial year ended 30 April 2022 of 1.40 sen per ordinary share, amounting to RM2,696,053 on 29 March 2022 and paid on 28 April 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 30 April 2022 RM'000	%	Preceding Year Corresponding Quarter 30 April 2021 RM'000	%
Export sales	21,840	31%	19,638	30%
Local sales	49,698	69%	46,106	70%
	<u>71,538</u>		<u>65,744</u>	

A10 Valuation of Property, Plant and Equipment

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

SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 30 April 2022 (Unaudited)

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, other than as disclosed below and in Note B6.

(i) Disposal of a subsidiary

On 9 May 2022, the Company entered into a conditional share sale agreement ("SSA") with external parties for the disposal of its entire shareholding in Lee Soon Seng Plastic Industries Sdn. Bhd. ("LSSPI") for a total cash consideration of approximately RM544.38 million. The SSA is inter-conditional to the completion of the transfer of properties. In regards of this, on the same date, the subsidiary, LSSPI had entered into a conditional sale and purchase agreement ("SPA") with the Company for the transfer of three contiguous parcels of land with factory buildings and other ancillary buildings for a total purchase consideration of approximately RM18.80 million.

On 24 June 2022, the Company had entered into an addendum letter to the SSA dated 9 May 2022 to vary and amend certain terms and conditions of the SSA and concurred to terminate the earlier SPA dated 9 May 2022 with LSSPI in relation to the transfer of properties. Subsequently, LSSPI had entered into new SPAs with Habipack Sdn. Bhd. on the same date in respect of the properties to be transferred with same purchase consideration of approximately RM18.80 million.

As at the date of this quarterly report, the disposal has yet to be completed.

(ii) Incorporation of new subsidiary

On 16 June 2022, Habipack Sdn. Bhd. ("Habipack"), a wholly-owned subsidiary of the Group, was incorporated in Malaysia with a paid up capital of RM10. There was no material effect on the results or net assets of the Group arising from incorporation of Habipack during the current quarter.

A12 Changes in the Composition of the Group

Other than those disclosed in Note A11, 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 30 April 2022, the Group has the capital expenditure in respect of property, plant and equipment as follows:-

	30.04.2022
	RM'000
Approved and contracted for:-	
- Equipment, plant and machinery	731
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SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 30 April 2022 (Unaudited)

A15 Significant Related Party Transactions

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

	Group		Company	
	12 months ended		12 months ended	
	30 April		30 April	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Sales to a company connected with certain Directors	2,752	1,982	-	-
	=====	=====	=====	=====
Purchases from a company connected with certain Directors	1,101	751	-	-
	=====	=====	=====	=====
Dividend income from the subsidiary	-	-	13,400	14,300
	=====	=====	=====	=====

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 30 April 2022 (4Q22) versus quarter ended 30 April 2021 (4Q21)

The Group posted an 8.8% increase in revenue to RM71.538 million in 4Q22 compared to RM65.744 million in the previous corresponding quarter resulting from higher local and export sales. Local sales increased by 7.8% to RM49.698 million from RM46.106 million in 4Q21, while export sales increased by 11.2% to RM21.840 million from RM19.638 million in 4Q21. The better sales performance was on the back of higher deliveries of food and beverage (F&B) packaging due to the rise of online delivery services and consumers' takeaway culture after the onset of the Covid-19 pandemic.

With the increased revenue, coupled with more favourable sales mix and lower interest expense in 4Q22, the Group's profit before tax jumped 9.8% to RM10.750 million in the quarter under review versus RM9.792 million profit before tax in 4Q21.

In line with the higher revenue and profit before tax, net profit improved by 11.1% to RM8.468 million in 4Q22 from RM7.621 million in 4Q21.

Twelve months ended 30 April 2022 (12M22) versus twelve months ended 30 April 2021 (12M21)

For 12M22, revenue grew 15.5% to RM284.696 million from RM246.503 million on the back of improved local and international sales of food and beverage (F&B) packaging due to the rise of online delivery services and consumers' takeaway culture after the onset of the Covid-19 pandemic.

The improved annual revenue and reduced interest expense from lower bank borrowings have increased the Group's profit before tax by 2.4% to RM38.022 million from RM37.127 million previously. Nevertheless, the Group's net profit decreased to RM30.866 million from RM33.601 million previously, largely due to higher deferred tax expenses.

B2 Variation of Results against Preceding Quarter

For 4Q22, the Group revenue increased marginally by 0.3% to RM71.538 million from RM71.314 million in the quarter ended 31 January 2022 (3Q22) resulting from higher local sales. Local sales increased by 2.8% to RM49.698 million from RM48.356 million in 3Q22 on higher sales of extrusion sheet. This helped to offset the 4.9% decline in export sales to RM21.840 million from RM22.958 million in 3Q22, mainly due to lower sales of F&B packaging, in line with the past trend in which export sales would be higher during the few months prior to Christmas and New Year.

The Group recorded a 43.0% higher profit before tax of RM10.750 million in 4Q22 compared to profit before tax of RM7.520 million in 3Q22 due to adjusted selling prices, better control of manufacturing cost and increased worker productivity coupled with higher gain on foreign exchange. In line with the higher profit before tax, the Group recorded 34.8% higher net profit of RM8.468 million in 4Q22 versus RM6.284 million in the preceding quarter.

SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 30 April 2022 (Unaudited)

B3 Future Prospects

The Malaysian Gross Domestic Product (GDP) grew by a healthy 5% in the first quarter ended 31 March 2022, indicating a healthy rebound in the domestic economy, even against the rising commodity costs and overall costs of doing business.

Going forward, the Company remains cognizant of external challenges, pertinently the fluctuating raw material prices arising from ongoing supply chain disruption, and the impact of the Government's easing of COVID-19 restrictions on the social practices. Nonetheless, the Company believes that demand for food and beverage (F&B) packaging and other products are resilient in the long-term, given consumers' prevalent preference for takeaways for hygiene and food safety purposes.

The Company will sustain efforts in product development and design, especially of sustainable packaging, as well as new market development and entry in line with our market expansion initiatives.

Meanwhile, face mask demand will be influenced by changes in Government rulings, including mandatory usage for indoor environments in Malaysia.

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		12 months ended	
	30 April		30 April	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Income Tax Expense:				
Current period	431	846	2,007	2,472
Over provision in prior financial year	-	-	(457)	(61)
Deferred Tax Expense:				
Relating to originating and reversal of temporary differences	1,851	1,325	5,606	1,115
	<u>2,282</u>	<u>2,171</u>	<u>7,156</u>	<u>3,526</u>
	=====	=====	=====	=====

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.

SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 30 April 2022 (Unaudited)

B6 Status of Uncompleted Corporate Proposals

There are no outstanding uncompleted corporate proposals as at the date of this quarterly report, other than as disclosed below.

On 9 May 2022, Hong Leong Investment Bank Berhad ("HLIB") on behalf of the Board, announced that SCGM Bhd had entered into a conditional share sale agreement with Mitsui & Co., Ltd. and FP Corporation for the proposed disposal of 100% equity interest held in Lee Soon Seng Plastics Industries Sdn. Bhd., a wholly-owned subsidiary of SCGM Bhd for a total cash consideration of approximately RM544.38 million.

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 30 April 2022 are as follows:-

	Current RM'000	Non-Current RM'000	Total RM'000
Unsecured:			
Lease Liabilities	1,307	379	1,686
Borrowings	<u>32,442</u>	<u>30,625</u>	<u>63,067</u>
	<u>33,749</u>	<u>31,004</u>	<u>64,753</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 fourth interim single tier dividend in respect of the financial year ended 30 April 2022 of 1.32 sen per ordinary share and payable on 29 July 2022 to members registered on 15 July 2022.

SCGM Bhd [Registration No: 200701021012 (779028-H)]
Notes To The Interim Report
For The Financial Quarter Ended 30 April 2022 (Unaudited)

B12 Earnings Per Share

	Individual 3 Months Ended 30.04.22 RM'000	Individual 3 Months Ended 30.04.21 RM'000	Cumulative 12 Months Ended 30.04.22 RM'000	Cumulative 12 Months Ended 30.04.21 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	8,468	7,621	30,866	33,601
Weighted average number of ordinary shares in issue ('000)*	192,561	192,561	192,561	192,561
Basic earnings per share (sen)	4.40	3.96	16.03	17.45

	Individual 3 Months Ended 30.04.22 RM'000	Individual 3 Months Ended 30.04.21 RM'000	Cumulative 12 Months Ended 30.04.22 RM'000	Cumulative 12 Months Ended 30.04.21 RM'000
<u>Basic Earnings Per Share</u>				
Profit attributable to equity holders of the parent	8,468	7,621	30,866	33,601
Weighted average number of ordinary shares in issue ('000)	192,561*	192,561#	192,561*	192,561#
Basic earnings per share (sen)	4.40	3.96	16.03	17.45

* 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 30 April 2022.

Comparative figures were based on quarterly announcement made for the 12 months period ended 30 April 2021.

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 30 April 2022 (Unaudited)

B13 Profit Before Tax

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

	Individual 3 Months Ended 30.04.22 RM'000	Individual 3 Months Ended 30.04.21 RM'000	Cumulative 12 Months Ended 30.04.22 RM'000	Cumulative 12 Months Ended 30.04.21 RM'000
(Gain)/Loss on foreign exchange:				
Realised	(350)	(267)	(693)	(539)
Unrealised	(389)	(93)	(89)	111
Gain on disposal of property, plant and equipment	(20)	-	(24)	(4)
Property, plant and equipment written off	296	-	296	-
Interest income	(9)	(11)	(39)	(54)
Interest expense	556	643	2,404	3,026
Impairment loss / (reversal of impairment loss) on financial assets	244	(36)	31	(351)
Inventories written down / (reversal) of inventories written down	(11)	432	394	139
Depreciation of right-of-use assets	(87)	(242)	462	823
Depreciation of property, plant and equipment	3,637	4,046	14,526	14,158
	=====	=====	=====	=====