

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

A. Notes to the Interim Financial Report For The Second Quarter Ended 31 December 2019

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with Financial Reporting Standards (“FRS”) 134 Interim Financial Reporting and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of Scope Industries Berhad (“SCOPE” or “Company”) and its subsidiary companies (hereinafter referred to as the “Group”) since the financial year ended 30 June 2019.

A2. Changes in Accounting Policies

The accounting policies applied by the Group in the condensed consolidated financial statements are the same as those applied by the Group in its audited financial statements as at and for the financial year ended 30 June 2019.

A3. Audit Qualification of the Preceding Annual Financial Statements

There was no qualification in the audit report of the preceding annual financial statements of the Group.

A4. Seasonality or Cyclicity of Operations

The effects of seasonal or cyclical fluctuations, if any, are explained under Section B1 and B2.

A5. Material Unusual Items

There were no material unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group that are unusual in nature, size or incidence for the current interim period and financial year-to-date.

A6. Changes in the Estimates

There were no changes in the nature and amount of estimates reported that have a material effect in the current interim period.

A7. Dividend Paid

There was no dividend paid during the period under review.

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A8. Issuances, Cancellations, Repurchase, Resale and Repayments of Debts and Equity Securities

There were no issuances or repayments of debt or equity securities. There was also no share buy-backs, shares cancelled, shares held as treasury shares or treasury shares resold for the current financial period to date.

A9. Segment Information

	Year to date Revenue		Year to date Operating profit / (loss)	
	31 Dec 2019 RM'000	31 Dec 2018 RM'000	31 Dec 2019 RM'000	31 Dec 2018 RM'000
Investment holding	50	82	(174)	(158)
Manufacturing	6,938	5,596	(1,773)	(651)
Plantation	2,991	2,813	(146)	(771)
	<u>9,979</u>	<u>8,491</u>	<u>(2,093)</u>	<u>(1,580)</u>
Less : Elimination	-	-	-	-
	<u>9,979</u>	<u>8,491</u>		
Operating profit/(loss)			(2,093)	(1,580)
Interest income			59	84
Finance cost			(195)	(1)
			<u>(2,229)</u>	<u>(1,497)</u>
Profit / (loss) before taxation			(2,229)	(1,497)
Tax Expense			(63)	(158)
Profit / (loss) after taxation			<u>(2,292)</u>	<u>(1,655)</u>

A10. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment during the period under review.

A11. Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the end of the interim period that have not been reflected in this interim financial report.

A12. Changes in Composition of the Group

There were no changes in the composition of the Group for the current financial period.

A13. Changes in Contingent Assets and Contingent Liabilities

There were no contingent assets or contingent liabilities of the Group since the last annual balance sheet date.

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B. Additional Notes Pursuant to the ACE Market Listing Requirements For The Second Quarter Ended 31 December 2019

B1. Review of Performance

Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Dec 2019 RM'000	31 Dec 2018 RM'000	31 Dec 2019 RM'000	31 Dec 2018 RM'000
Revenue	3,296	2,216	6,938	5,596
Profit / (Loss) after tax	(1,153)	(785)	(1,988)	(689)

The manufacturing division's revenue for current quarter increased by 48.7% to RM3.29 million compared to RM2.21 million in previous corresponding quarter, mainly due to higher sales volume. This division posted loss after tax at RM1.15 million for current quarter compared to loss of RM0.79 million in previous corresponding quarter mainly due to higher operational expenses arising from additional workforce, depreciation and finance costs.

For 6 months period ended 31 December 2019, revenue increased by 24% to RM6.93 million mainly due to higher sales volume. This division posted loss after tax at RM1.99 million for current period compared to loss of RM0.69 million in previous corresponding period, mainly due to higher operational expenses arising from additional workforce, depreciation and finance costs.

Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Dec 2019 RM'000	31 Dec 2018 RM'000	31 Dec 2019 RM'000	31 Dec 2018 RM'000
Revenue	1,621	1,590	2,991	2,813
Profit / (Loss) after tax	(39)	(269)	(178)	(888)
FFB Production (MT)	3,611	4,536	7,451	7,426
Average FFB price (RM)	449	351	401	378

Plantation division's revenue for current quarter increased by 1.9% to RM1.62 million compared to RM1.59 million in previous corresponding quarter. Current quarter's FFB production decreased by 20.3%, while average FFB price increased by 27.9%. This division posted lower loss after tax at RM0.03 million compared to loss of RM0.27 million in previous corresponding quarter, mainly due to higher average FFB price.

For 6 months period ended 31 December 2019, revenue increased by 6.3% to RM2.99 million. This was mainly due to increase in average FFB price by 6.1%. This division posted lower loss after tax at RM0.18 million compared to loss of RM0.89 million in previous corresponding period, mainly due to higher average FFB price.

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B2. Variation of Results against Immediate Preceding Quarter

Manufacturing division

	Individual quarter ended	
	31 Dec 2019 RM'000	30 Sep 2019 RM'000
Revenue	3,296	3,642
Profit / (Loss) after tax	(1,153)	(834)

The manufacturing division's revenue for current quarter decreased by 9.5% to RM3.29 million compared to RM3.64 million in immediate preceding quarter ended 30 September 2019, mainly due to lower sales volume. Current quarter's loss after tax was RM1.15 million compared to loss of RM0.83 million in the preceding quarter mainly due to lower revenue generated.

Plantation division

	Individual quarter ended	
	31 Dec 2019 RM'000	30 Sep 2019 RM'000
Revenue	1,621	1,370
Profit / (Loss) after tax	(39)	(139)

The plantation division recorded higher revenue at RM1.62 million for current quarter under review compared to RM1.37 million in immediate preceding quarter. This was mainly due to increase in average FFB price by 25.8%.

Changes in average FFB price and FFB production are shown below:

	Individual quarter ended		
	31 Dec 2019	30 Sep 2019	Variance
Average FFB price (RM)	449	357	25.8%
FFB Production (MT)	3,611	3,839	(5.9%)

This division registered lower loss after tax at RM0.03 million, mainly due to higher revenue generated.

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B3. Prospects

Manufacturing division

The challenging business environment is expected to persist over the medium term. The Company will put in place plan to meet customer orders in order to improve revenue and profitability.

Plantation division

The performance of this division would continue to be driven by CPO price which is dependent on the world edible oils market. The management is continuously improving crop yield for all harvesting area.

B4. Variance from Profit Forecast and Profit Guarantee

The Group has not provided any profit forecast or profit guarantee in public document.

B5. Taxation

Current Year
to-date
31 Dec 2019
RM'000

Based on results for the period:

Current tax expense

63

For the financial period ended 31 December 2019, the Group reported tax expense despite having loss before tax as certain subsidiary registered profitable results.

B6. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at the date of this report.

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B7. Utilisation of Proceeds from Private Placement

On 18 March 2019, the Company completed Private Placement Exercise and raised gross proceeds of RM8,407,266. The status of utilisation of the proceeds as at 31 December 2019 is as follows:

Description	Proposed Utilisation RM	Actual Utilisation RM	Remarks	Timeframe for Utilisation
1. Expansion of electronic manufacturing business	4,000,000	4,000,000		Within 12 months
2. Working capital	4,327,266	4,328,168		Within 12 months
3. Expenses in relation to Private Placement	80,000	79,098	*902	Within 6 months
TOTAL	8,407,266	8,407,266		

*The amount of RM902 was adjusted in the category of working capital.

B8. Group Borrowings and Debt Securities

	As at 31 December 2019 RM'000
<u>Short term</u>	
- Hire purchase	1,680
<u>Long term</u>	
- Hire purchase	4,757
Total borrowing	<u>6,437</u>

B9. Material Litigation

As at the date of this report, the Group does not have any pending material litigation.

B10. Dividend

No dividend has been recommended for the current quarter under review.

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B11. Earnings / (Loss) Per Share

(i) Basic earnings / (loss) per share

The basic earnings per share is calculated by dividing the net profit/(loss) attributable to shareholders for the financial period by the weighted average number of ordinary shares in issue.

	Quarter		Year to date	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Net profit/(loss) attributable to owners of the Company (RM'000)	(1,204)	(1,053)	(2,170)	(1,485)
Weighted average number of ordinary shares in issue ('000)	607,113	560,484	607,113	560,484
Basic earnings / (loss) per share (sen)	(0.20)	(0.19)	(0.36)	(0.26)

(ii) Diluted earnings / (loss) per share

The calculation of diluted earnings per share was based on profit attributed to shareholders of the Company and on the weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary shares as follows:

	Quarter		Year to date	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Net profit/(loss) attributable to owners of the Company (RM'000)	(1,204)	(1,053)	(2,170)	(1,485)
Weighted average number of ordinary shares in issue ('000)	607,113	560,484	607,113	560,484
Dilutive effect of warrants outstanding ('000)	17,666	3,503	17,666	3,503
Diluted earnings / (loss) per share (sen)	(0.19)	(0.19)	(0.35)	(0.26)