

SCOPE

Scope Industries Berhad
Company No: 200201023713 (591376-D)

A. Notes to the Interim Financial Report For The First Quarter Ended 30 September 2020

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 2020. 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 2020.

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 2020.

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.

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A7. Issuances, Cancellations, Repurchase, Resale and Repayments of Debts and Equity Securities

There were no issuance or repayment of debt or equity securities except for following issuance of share capital during current financial period:-

- i) In consequent to conversion of warrant by warrant holders in July 2020, a total of 37,737,460 units of ordinary shares were allotted in July 2020.

There was no share buy-back, share cancelled, share held as treasury shares or treasury shares resold for the current financial year to date.

A8. Dividends Paid

There was no dividend paid during the period under review.

A9. Segment Information

	Year to date Revenue		Year to date Operating profit / (loss)	
	30 Sep 2020 RM'000	30 Sep 2019 RM'000	30 Sep 2020 RM'000	30 Sep 2019 RM'000
Investment holding	42	32	(78)	(68)
Manufacturing	8,884	3,642	888	(726)
Plantation	1,857	1,370	297	(125)
	<u>10,783</u>	<u>5,044</u>	<u>1,107</u>	<u>(919)</u>
Less : Elimination	-	-	-	-
	<u>10,783</u>	<u>5,044</u>		
Operating profit			1,107	(919)
Interest income			44	34
Finance cost			(81)	(99)
			<u>1,070</u>	<u>(984)</u>
Profit / (loss) before taxation			1,070	(984)
Tax Expense			(123)	(26)
Profit / (loss) after taxation			<u>947</u>	<u>(1,010)</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.

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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.

B1. Review of Performance

Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Sep 2020 RM'000	30 Sep 2019 RM'000	30 Sep 2020 RM'000	30 Sep 2019 RM'000
Revenue	8,884	3,642	8,884	3,642
Profit / (Loss) after tax	736	(834)	736	(834)

The manufacturing division recorded revenue of RM8.88 million in current quarter under review, rising 143.9% as compared with RM3.64 million in previous corresponding quarter. The improved performance was attributable to the higher volume sold as a result of higher demand for our products. This division posted profit after tax at RM0.74 million for current quarter compared to loss of RM0.83 million in previous corresponding quarter mainly due to higher revenue recorded.

Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Sep 2020 RM'000	30 Sep 2019 RM'000	30 Sep 2020 RM'000	30 Sep 2019 RM'000
Revenue	1,857	1,370	1,857	1,370
Profit / (Loss) after tax	219	(139)	219	(139)
FFB Production (MT)	3,701	3,839	3,701	3,839
Average FFB price (RM)	502	357	502	357

Plantation division's revenue for current quarter increased by 35.5% to RM1.86 million as compared to RM1.37 million in previous corresponding quarter. Current quarter's FFB production decreased by 3.6%, while average FFB price increased by 40.6%. As a result of these factors, this division posted profit after tax at RM0.22 million compared to loss of RM0.14 million in previous corresponding quarter.

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B2. Variation of Results against Immediate Preceding Quarter

Manufacturing division

	Individual quarter ended	
	30 Sep 2020 RM'000	30 June 2020 RM'000
Revenue	8,884	2,772
Profit / (Loss) after tax	736	(822)

The manufacturing division's revenue for current quarter increased significantly by 220.5% to RM8.88 million as compared to RM2.77 million in immediate preceding quarter. The improved performance was attributable to the higher volume sold as a result of higher demand for our products. For current quarter under review, this division posted profit after tax at RM0.74 million as compared to loss of RM0.82 million in immediate preceding quarter.

Plantation division

	Individual quarter ended	
	30 Sep 2020 RM'000	30 June 2020 RM'000
Revenue	1,857	1,928
Profit / (Loss) after tax	219	218

The plantation division recorded lower revenue at RM1.86 million for current quarter under review compared to RM1.93 million in immediate preceding quarter. Current quarter's FFB production decreased by 21.9% while average FFB price increased by 23.3%.

Changes in average FFB price and production between two quarters are shown below:

	Individual quarter ended		
	30 Sep 2020	30 Jun 2020	Variance
Average FFB price (RM)	502	407	23.3%
FFB Production (MT)	3,701	4,736	(21.9%)

This division registered profit after tax at RM0.22 million for current quarter.

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B3. Prospects

Manufacturing division

The surge in COVID-19 cases in Malaysia has prompted the government to implement Conditional Movement Control Order ("CMCO") on several affected states. Uncertainties on recovery from the pandemic have disrupted economic activities to a certain extent. The outlook of global economic conditions and growth do have weighing on the demand for our products.

Backed by a healthy financial position, the Group will minimize supply chain disruption as well as improving production efficiency.

Despite the uncertainties ahead, the Group expects the financial performance for financial year ending 30 June 2021 to improve on year-on-year basis.

Plantation division

The performance of this division would continue to be driven by FFB production and FFB price. The management is monitoring FFB production and taking actions to improve the yield.

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
30 Sep 2020
RM'000

Based on results for the period:

Current tax expense

123

The effective tax rate for the current financial period ended 30 September 2020 was lower than the statutory rate due to the availability of tax incentive.

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. Group Borrowings and Debt Securities

	As at 30 September 2020 RM'000
<u>Short term</u>	
- Hire purchase	1,902
<u>Long term</u>	
- Hire purchase	3,173
Total borrowing	<u>5,075</u>

B8. Material Litigation

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

B9. Dividend

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

B10. 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	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Net profit/(loss) attributable to owners of the Company (RM'000)	956	(966)	956	(966)
Weighted average number of ordinary shares in issue ('000)	649,540	592,331	649,540	592,331
Basic earnings / (loss) per share (sen)	0.15	(0.16)	0.15	(0.16)