

SCOPE

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

A. Notes to the Interim Financial Report For The Second Quarter Ended 31 December 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 in the 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.
- ii) Pursuant to completion of Private Placement Exercise, 69,919,573 units of ordinary shares were allotted in October 2020.

There was no share buy-back, share cancelled, share held as treasury shares or treasury shares resold for the current financial period 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)	
	31 Dec 2020 RM'000	31 Dec 2019 RM'000	31 Dec 2020 RM'000	31 Dec 2019 RM'000
Investment holding	150	50	(773)	(174)
Manufacturing	20,627	6,938	2,991	(1,773)
Plantation	3,689	2,991	552	(146)
	<u>24,466</u>	<u>9,979</u>	<u>2,770</u>	<u>(2,093)</u>
Less : Elimination	-	-	-	-
	<u>24,466</u>	<u>9,979</u>		
Operating profit			2,770	(2,093)
Interest income			151	59
Finance cost			(154)	(195)
			<u>2,767</u>	<u>(2,229)</u>
Profit / (loss) before taxation			2,767	(2,229)
Tax Expense			(184)	(63)
Profit / (loss) after taxation			<u>2,583</u>	<u>(2,292)</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.

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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 except for the following:

- a) On 15 October 2020, the Company incorporated a new wholly-owned subsidiary, Scope Global Distributor Pte. Ltd. ("SGDPL") in Singapore, with an issued share capital of S\$1.00 (Singapore Dollar, SGD 1).

The principal activities of SGDPL are to carry on the business of wholesalers, traders and dealers in all kinds of electrical and electronic products.

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 2020

B1. Review of Performance

Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Dec 2020 RM'000	31 Dec 2019 RM'000	31 Dec 2020 RM'000	31 Dec 2019 RM'000
Revenue	11,743	3,296	20,627	6,938
Profit / (Loss) after tax	2,081	(1,153)	2,817	(1,988)

The manufacturing division recorded revenue of RM11.74 million in current quarter under review, rising 256.3% as compared to RM3.29 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 RM2.08 million for current quarter compared to loss of RM1.15 million in previous corresponding quarter mainly due to higher revenue recorded.

For 6 months period ended 31 December 2020, revenue increased by 197.3% to RM20.63 million mainly due to higher sales volume. This division posted profit after tax at RM2.82 million for current period compared to loss of RM1.99 million in previous corresponding period, mainly due to higher revenue generated.

Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Dec 2020 RM'000	31 Dec 2019 RM'000	31 Dec 2020 RM'000	31 Dec 2019 RM'000
Revenue	1,832	1,621	3,689	2,991
Profit / (Loss) after tax	176	(39)	395	(178)
FFB Production (MT)	2,872	3,611	6,572	7,451
Average FFB price (RM)	637	449	561	401

Plantation division's revenue for current quarter increased by 13.0% to RM1.83 million as compared to RM1.62 million in previous corresponding quarter, mainly due to higher average FFB price by 41.9%. As a result of higher revenue recorded, this division posted profit after tax at RM0.17 million compared to loss of RM0.04 million in previous corresponding quarter.

For 6 months period ended 31 December 2020, revenue increased by 23.3% to RM3.69 million. This was due to increase in average FFB price by 39.9% which positive impact was offset by decrease in FFB production by 11.8%. This division posted profit after tax at RM0.39 million compared to loss of RM0.17 million in previous corresponding period mainly due to higher revenue generated.

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B2. Variation of Results against Immediate Preceding Quarter

Manufacturing division

	Individual quarter ended	
	31 Dec 2020 RM'000	30 Sep 2020 RM'000
Revenue	11,743	8,884
Profit / (Loss) after tax	2,081	736

The manufacturing division's revenue for current quarter increased by 32.2% to RM11.74 million as compared to RM8.89 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 RM2.08 million as compared to profit of RM0.74 million in immediate preceding quarter mainly due to higher revenue achieved.

Plantation division

	Individual quarter ended	
	31 Dec 2020 RM'000	30 Sep 2020 RM'000
Revenue	1,832	1,857
Profit / (Loss) after tax	176	219

The plantation division recorded lower revenue at RM1.83 million for current quarter under review compared to RM1.85 million in immediate preceding quarter. Current quarter's FFB production decreased by 22.4% while average FFB price increased by 26.9%.

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

	Individual quarter ended		
	31 Dec 2020	30 Sep 2020	Variance
Average FFB price (RM)	637	502	26.9%
FFB Production (MT)	2,872	3,701	(22.4%)

This division registered profit after tax at RM0.17 million for current quarter under review.

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B3. Prospects

Manufacturing division

The surge in COVID-19 cases in Malaysia has prompted the government to implement Movement Control Order ('MCO') on several affected states. Uncertainties on recovery from the pandemic have disrupted economic activities to a certain extent. On the other hand, the global vaccine rollout as well as the imminent vaccination program in Malaysia is likely to have infection control on COVID-19. This would likely to have positive effect on the outlook of global economic conditions and growth.

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
31 Dec 2020
RM'000

Based on results for the period:

Current tax expense

184

The effective tax rate for the current financial period ended 31 December 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. Utilisation of Proceeds from Private Placement

On 5 October 2020, the Company completed Private Placement Exercise and raised gross proceeds of RM12,235,925. The status of utilisation of the proceeds as at 31 December 2020 is as follows:

Description	Proposed Utilisation RM	Utilisation to-date RM	% of utilisation To-date	Timeframe for Utilisation
1. Expansion of electronic manufacturing and trading business	7,000,000	300,000	4.3%	Within 24 months
2. Working capital	5,135,925	-	-	Within 24 months
3. Expenses for the Private Placement	100,000	79,643	79.6%	Within 6 months
TOTAL	12,235,925	379,643		

B8. Group Borrowings and Debt Securities

	As at 31 December 2020 RM'000
<u>Short term</u>	
- Hire purchase	1,893
<u>Long term</u>	
- Hire purchase	2,713
Total borrowing	<u>4,606</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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Net profit/(loss) attributable to owners of the Company (RM'000)	1,673	(1,204)	2,629	(2,170)
Weighted average number of ordinary shares in issue ('000)	686,387	607,113	686,387	607,113
Basic earnings / (loss) per share (sen)	0.24	(0.20)	0.38	(0.36)