

SCOPE

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

A. Notes to the Interim Financial Report For The Third Quarter Ended 31 March 2021

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) 37,737,460 units of ordinary shares allotted as a consequent of conversion of warrants in July 2020, and
- 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 Mar 2021 RM'000	31 Mar 2020 RM'000	31 Mar 2021 RM'000	31 Mar 2020 RM'000
Investment holding	236	58	(931)	(271)
Manufacturing	31,185	10,480	4,536	(4,086)
Plantation	5,273	4,373	624	(494)
Trading	8,778	-	567	-
	<u>45,472</u>	<u>14,911</u>	<u>4,796</u>	<u>(4,851)</u>
Less : Elimination	-	-	-	-
	<u>45,472</u>	<u>14,911</u>		
Operating profit/(loss)			4,796	(4,851)
Interest income			231	75
Finance cost			(220)	(293)
			<u>4,807</u>	<u>(5,069)</u>
Profit / (loss) before taxation				
Tax Expense			(269)	(109)
Profit / (loss) after taxation			<u>4,538</u>	<u>(5,178)</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 subsidiary, Scope Global Distributor Pte. Ltd. ("SGDPL") in Singapore, with an issued share capital of SGD\$1.00 (Singapore Dollar "SGD" 1).

The principal activities of SGDPL are to carry on the business of traders and dealers in electronic products. In addition, certain products we trade would associate with Information and Communications Technology industry.

On 3 March 2021, the paid-up capital of SGDPL was increased from SGD\$1 to SGD\$20,000 of which the Company holds 60% equity interest or equivalent to SGD\$12,000.

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 Third Quarter Ended 31 March 2021

B1. Review of Performance

Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Mar 2021 RM'000	31 Mar 2020 RM'000	31 Mar 2021 RM'000	31 Mar 2020 RM'000
Revenue	10,558	3,542	31,185	10,480
Profit / (Loss) after tax	1,488	(2,415)	4,305	(4,403)

The manufacturing division recorded revenue of RM10.56 million in the current quarter under review, and increase significantly by 198.1% as compared to RM3.54 million in the previous corresponding quarter. The improved performance was attributable to the higher volume sold. This division posted a profit after tax at RM1.49 million for the current quarter compared to loss of RM2.42 million in the previous corresponding quarter mainly due to higher revenue recorded.

For the 9 months period ended 31 March 2021, revenue increased by 197.6% to RM31.19 million mainly due to higher sales volume. This division posted profit after tax at RM4.31 million for the current period compared to a loss of RM4.40 million in the previous corresponding period, mainly due to higher revenue generated.

Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Mar 2021 RM'000	31 Mar 2020 RM'000	31 Mar 2021 RM'000	31 Mar 2020 RM'000
Revenue	1,584	1,382	5,273	4,373
(Loss)/Profit after tax	(15)	(381)	380	(559)
FFB Production (MT)	2,085	2,767	8,657	10,218
Average FFB price (RM)	760	499	609	428

Plantation division's revenue for the current quarter increased by 14.6% to RM1.58 million as compared to RM1.38 million in previous corresponding quarter, mainly due to increase in average FFB price. As a result of higher revenue recorded, this division posted lower loss after tax at RM0.01 million compared to a loss of RM0.38 million in previous corresponding quarter.

For the 9 months period ended 31 March 2021, revenue increased by 20.6% to RM5.27 million. This was due to increase in average FFB price by 42.3%, while FFB production dropped by 15.3%. This division posted profit after tax at RM0.38 million compared to loss of RM0.56 million in the previous corresponding period mainly due to higher revenue generated.

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Trading Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Mar 2021 RM'000	31 Mar 2020 RM'000	31 Mar 2021 RM'000	31 Mar 2020 RM'000
Revenue	8,778	N/A	8,778	N/A
Profit after tax	566	N/A	566	N/A

Definitions:

"N/A": Not applicable

Trading division comprises of results of our newly incorporated subsidiary in Singapore.

In the current quarter under review, the trading division recorded revenue and profit after tax of RM8.78 million and RM0.57 million respectively.

B2. Variation of Results against Immediate Preceding Quarter

Manufacturing division

	Individual quarter ended	
	31 Mar 2021 RM'000	31 Dec 2020 RM'000
Revenue	10,558	11,743
Profit after tax	1,488	2,081

The manufacturing division's revenue for current quarter decreased by 10.1% to RM10.56 million as compared to RM11.74 million in immediate preceding quarter. The lower revenue recorded was mainly due to lower volume sold during the current quarter under review. As a result of lower revenue recorded, this division posted lower profit after tax at RM1.49 million as compared to profit of RM2.08 million in the immediate preceding quarter.

Plantation division

	Individual quarter ended	
	31 Mar 2021 RM'000	31 Dec 2020 RM'000
Revenue	1,584	1,832
(Loss)/Profit after tax	(15)	176

The plantation division recorded lower revenue at RM1.58 million for current quarter under review compared to RM1.83 million in immediate preceding quarter. Current quarter's FFB production decreased by 27.4% while average FFB price increased by 19.3%.

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

	Individual quarter ended		
	31 Mar 2021	31 Dec 2020	Variance
Average FFB price (RM)	760	637	19.3%
FFB Production (MT)	2,085	2,872	(27.4%)

This division registered loss after tax at RM0.01 million for current quarter under review, mainly due to lower FFB production.

B3. Prospects

Manufacturing division

Malaysia has started its Covid-19 vaccination program. The country's vaccine rollout will help the economy rebound.

For the 9 months period ended 31 March 2021, Scope has achieved higher export sales than the previous 9 months period ended 31 March 2020, despite continuous Covid-19 global pandemic.

Going forward, we foresee an anticipated increase in demand for consumer electronic devices amid the global pandemic. The construction of our new manufacturing plant will enable Scope to increase its production floor area. In addition, the acquisition of additional machines will increase Scope's manufacturing capacity. In view of these development, the Group expects to achieve satisfactory financial results for the financial year ending 30 June 2021.

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.

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B5. Taxation

Current Year
to-date
31 March 2021
RM'000

Based on results for the period:

Current tax expense	<u>269</u>
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The effective tax rate for the current financial period ended 31 March 2021 was lower than the statutory rate mainly due to availability in manufacturing segment the unabsorbed loss and capital allowance carried forward as well as Reinvestment Allowance carried forward.

B6. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at 17 May 2021, except for following:

An announcement was made on 19 March 2021 to undertake the following Proposals:

1. a renounceable rights issue of up to 384,557,653 new ordinary shares in Scope at an issue price of RM0.175 ("**Issue Price**") for each Rights Share ("**Scope Shares**" or "**Shares**") ("**Rights Shares**"), on the basis of 1 Rights Share for every 2 existing Scope Shares held on an entitlement date to be determined later ("**Entitlement Date**") ("**Proposed Rights Issue**"); and
2. the establishment of an employees' share scheme ("**ESS**") of up to 15% of the total issued shares of Scope (excluding treasury shares, if any) at any point in time during the duration of the scheme for eligible Directors and employees of Scope and its subsidiaries ("**Scope Group**") ("**Proposed ESS**").

(collectively referred to as the "**Proposals**").

Bursa Securities had, vide its letter dated 28 April 2021, approved the following:-

1. listing and quotation of up to 384,557,653 Rights Shares to be issued pursuant to Proposed Rights Issue; and
2. listing of such number of new ordinary shares, representing up to 15% of the total number of issued shares of Scope (excluding treasury shares) to be issued pursuant to the Proposed ESS.

The above approval granted by Bursa Securities is subject to the conditions which were stated in the Company's announcement dated 28 April 2021.

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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 RM12.2 million. The status of utilisation of the proceeds as at 31 March 2021 is as follows:

Description		Proposed Utilisation RM('000)	Actual utilised as at 31 Mar 21 RM('000)	Balance to be utilised RM('000)
1.	Expansion of electronic manufacturing and trading business	7,000	7,000	-
2.	Working capital	5,136	5,156	-
3.	Expenses for the Private Placement	100	80	-
TOTAL		12,236	12,236	-

B8. Group Borrowings and Debt Securities

	As at 31 March 2021 RM'000
<u>Short term (secured)</u>	
- Hire purchase	1,980
<u>Long term (secured)</u>	
- Hire purchase	2,150
Total borrowing	<u>4,130</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	
	31.3.2021	31.3.2020	31.3.2021	31.3.2020
Net profit/(loss) attributable to owners of the Company (RM'000)	1,792	(2,749)	4,421	(4,919)
Weighted average number of ordinary shares in issue ('000)	721,862	623,242	721,862	623,242
Basic earnings / (loss) per share (sen)	0.25	(0.44)	0.61	(0.79)