

SCOPE

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

A. Notes to the Interim Financial Report For The Fourth Quarter Ended 30 June 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 year:-

- 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)	
	30 Jun 2021 RM'000	30 Jun 2020 RM'000	30 Jun 2021 RM'000	30 Jun 2020 RM'000
Investment holding	1,070	385	(546)	(20,464)
Manufacturing	41,615	13,252	5,859	(4,854)
Plantation	8,588	6,301	2,021	(205)
Trading	36,715	-	1,353	-
	<u>87,988</u>	<u>19,938</u>	<u>8,687</u>	<u>(25,523)</u>
Less : Elimination	<u>(800)</u>	<u>(300)</u>	<u>(800)</u>	<u>(300)</u>
	<u>87,188</u>	<u>19,638</u>		
Operating profit/(loss)			7,887	(25,823)
Interest income			267	109
Finance cost			(278)	(381)
			<u>7,876</u>	<u>(26,095)</u>
Profit / (loss) before taxation			<u>7,876</u>	<u>(26,095)</u>
Tax Expense			<u>(440)</u>	<u>(66)</u>
Profit / (loss) after taxation			<u>7,436</u>	<u>(26,161)</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 Fourth Quarter Ended 30 June 2021

B1. Review of Performance

Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
Revenue	10,430	2,772	41,615	13,252
Profit / (Loss) after tax	1,283	(822)	5,588	(5,225)

The manufacturing division recorded revenue of RM10.43 million in the current quarter under review, this increased significantly by 276.3% as compared to RM2.77 million in the previous corresponding quarter. The improved performance was attributable to the higher volume sold. This division posted a profit after tax at RM1.28 million for the current quarter compared to loss of RM0.82 million in the previous corresponding quarter mainly due to higher revenue recorded.

For the current financial year ended 30 June 2021, revenue increased by 214.0% to RM41.62 million mainly due to higher sales volume. This division posted profit after tax at RM5.59 million for the current financial year compared to a loss of RM5.26 million in the previous corresponding year, mainly due to higher revenue generated.

Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
Revenue	3,315	1,928	8,588	6,301
(Loss)/Profit after tax	1,377	218	1,757	(341)
FFB Production (MT)	4,034	4,736	12,691	14,955
Average FFB price (RM)	822	407	677	421

Plantation division's revenue for the current quarter increased by 71.9% to RM3.32 million as compared to RM1.93 million in previous corresponding quarter, mainly due to increase in average FFB price. As a result of higher revenue recorded, this division posted higher profit after tax at RM1.38 million compared to a profit of RM0.22 million in previous corresponding quarter.

For the current financial year ended 30 June 2021, revenue increased by 36.3% to RM8.59 million. This was due to increase in average FFB price by 60.8%, while FFB production dropped by 15.1%. This division posted profit after tax at RM1.76 million compared to loss of RM0.34 million in the previous corresponding year mainly due to higher revenue generated.

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Group Level

In previous corresponding quarter ended 30 June 2020, the Group impaired goodwill at group level amounted to RM20.4 million. This is in relation to one of our subsidiary companies in Plantation Division, namely Pioneer Glow Sdn. Bhd. The impairment charges were included in administrative expenses.

Trading Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
Revenue	27,937	N/A	36,715	N/A
Profit after tax	621	N/A	1,187	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 RM27.94 million and RM0.62 million respectively.

B2. Variation of Results against Immediate Preceding Quarter

Manufacturing division

	Individual quarter ended	
	30 June 2021 RM'000	31 Mar 2021 RM'000
Revenue	10,430	10,558
Profit after tax	1,283	1,488

The manufacturing division's revenue for current quarter decreased by 1.2% to RM10.43 million as compared to RM10.56 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 RM1.28 million as compared to profit of RM1.49 million in the immediate preceding quarter.

Plantation division

	Individual quarter ended	
	30 June 2021 RM'000	31 Mar 2021 RM'000
Revenue	3,315	1,584
(Loss)/Profit after tax	1,377	(15)

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The plantation division recorded higher revenue at RM3.32 million for current quarter under review compared to RM1.58 million in immediate preceding quarter. Current quarter's FFB production and average FFB price increased by 93.5% and 8.2% respectively.

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

	Individual quarter ended		
	30 Jun 2021	31 Mar 2021	Variance
Average FFB price (RM)	822	760	8.2%
FFB Production (MT)	4,034	2,085	93.5%

This division registered profit after tax at RM1.38 million for current quarter under review, mainly due to increase in both FFB production and FFB price.

Trading division

	Individual quarter ended	
	30 June 2021 RM'000	31 Mar 2021 RM'000
Revenue	27,937	8,778
Profit after tax	621	566

The trading division's revenue for current quarter increased by 218% to RM27.94 million as compared to RM8.78 million in immediate preceding quarter. The higher revenue recorded was mainly due to higher volume of transactions sold during the current quarter under review. This division posted higher profit after tax at RM0.62 million compared to profit of RM0.57 million in immediate preceding quarter.

B3. Prospects

Manufacturing division

In Malaysia, COVID-19 vaccination program was speed up in the past few months. With the re-opening of economic activities in certain states under the National Recovery Plan ("NRP"), the economy is expected to recover gradually.

Even though our Manufacturing Division faced volatility in the financial year ended 30 June 2021, revenue up by 214.0% year-on-year to RM41.6 million. Our operations in current financial year under review managed to achieve improved level of cost optimisation mainly due to higher sales volume; thus contributing to profit after tax of RM5.59 million.

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Going forward, we anticipate the unabated spread of COVID-19 cases would pose challenges to our manufacturing operations from the aspects of supply chain interruption and fluctuation in material and labour costs. We put in place our strategic team to review on-going developments in the market, in order to achieve profitable results.

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.

Trading division

The Trading Division would continue its effort to generate more sales in the coming quarters. The challenges faced by this division would be container shortage situation.

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 June 2021 RM'000
Based on results for the year:	
<u>Malaysian operations</u>	
Current tax	459
Deferred tax	(184)
	<hr/>
	275
Overseas taxation	165
	<hr/>
Current tax expense	<hr/> <hr/> 440

The effective tax rate for the current financial year ended 30 June 2021 was lower than the statutory rate mainly due to utilisation of tax losses and capital allowance in manufacturing segment.

B6. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at 19 August 2021 (being 7 days before the date of Announcement).

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B7. Group Borrowings and Debt Securities

	As at 30 June 2021 RM'000
<u>Short term (secured)</u>	
- Hire purchase	1,980
<u>Long term (secured)</u>	
- Hire purchase	1,666
Total borrowing	<u>3,646</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	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
Net profit/(loss) attributable to owners of the Company (RM'000)	2,328	(23,767)	6,749	(28,686)
Weighted average number of ordinary shares in issue ('000)	748,880	623,242	748,880	623,242
Basic earnings / (loss) per share (sen)	0.31	(3.81)	0.90	(4.60)