

# SCOPE

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

## **A. Notes to the Interim Financial Report For The First Quarter Ended 30 September 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 2021. 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 2021.

### **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 2021.

### **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.

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## 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. 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) On 27 July 2021, SCOPE completed the Rights Issue Exercise following the listing of 384,557,653 units of shares on the ACE Market of Bursa Securities.

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 Sep 2021 RM'000	30 Sep 2020 RM'000	30 Sep 2021 RM'000	30 Sep 2020 RM'000
Investment holding	195	42	(687)	(78)
Manufacturing	5,760	8,884	156	888
Plantation	3,479	1,857	1,380	297
Trading	35,427	-	178	-
	<u>44,861</u>	<u>10,783</u>	<u>1,027</u>	<u>1,107</u>
Less : Elimination	-	-	-	-
	<u>44,861</u>	<u>10,783</u>		
Operating profit			1,027	1,107
Interest income			189	44
Finance cost			(51)	(81)
			<u>1,165</u>	<u>1,070</u>
Profit before taxation			1,165	1,070
Tax Expense			(71)	(123)
Profit after taxation			<u>1,094</u>	<u>947</u>

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## 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.

## B. Additional Notes Pursuant to the ACE Market Listing Requirements For The First Quarter Ended 30 September 2021

### B1. Review of Performance

#### Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Sep 2021 RM'000	30 Sep 2020 RM'000	30 Sep 2021 RM'000	30 Sep 2020 RM'000
Revenue	5,760	8,884	5,760	8,884
Profit after tax	105	736	105	736

The manufacturing division's revenue dropped by 35.1% to RM5.76 million as compared to RM8.88 million in previous corresponding quarter mainly due to lower volume sold. The lower revenue was due to lower level of operations in compliance with local council's directives due to various lockdowns implemented by the government of Malaysia to curb the Covid-19 outbreak. Additionally, there was a shortage of labour and supply chains disruption. As a result of these factors, this division registered lower profit after tax at RM0.10 million in current quarter under review.

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## Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Sep 2021 RM'000	30 Sep 2020 RM'000	30 Sep 2021 RM'000	30 Sep 2020 RM'000
Revenue	3,479	1,857	3,479	1,857
Profit after tax	1,293	219	1,293	219
FFB Production (MT)	4,021	3,701	4,021	3,701
Average FFB price (RM)	865	502	865	502

Plantation division recorded revenue of RM3.47 million in current quarter, rising 87.3% as compared to RM1.85 million in previous corresponding quarter. The improvement in revenue was due to increase in average FFB price and FFB production by 72.3% and 8.6% respectively. Profit after tax increased substantially to RM1.29 million mainly due to the increased revenue stated above.

## Trading Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Sep 2021 RM'000	30 Sep 2020 RM'000	30 Sep 2021 RM'000	30 Sep 2020 RM'000
Revenue	35,427	N/A	35,427	N/A
Profit after tax	116	N/A	116	N/A

### Definitions:

"N/A": Not applicable

In the current quarter under review, the trading division recorded revenue and profit after tax of RM35.43 million and RM0.11 million respectively.

## **B2. Variation of Results against Immediate Preceding Quarter**

### Manufacturing division

	Individual quarter ended	
	30 Sep 2021 RM'000	30 June 2021 RM'000
Revenue	5,760	10,430
Profit after tax	105	1,283

The manufacturing division's revenue for current quarter decreased by 44.7% to RM5.76 million as compared to RM10.43 million in immediate preceding quarter. The lower revenue recorded was attributable to lower volume sold due to various lockdowns implemented by the government of Malaysia to curb the Covid-19 outbreak, shortage of labour and supply chains disruption. As a result of lower revenue recorded, this division registered lower profit after tax at RM0.10 million in current quarter under review.

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## B2. Variation of Results against Immediate Preceding Quarter (Continued)

### Plantation division

	Individual quarter ended	
	30 Sep 2021 RM'000	30 June 2021 RM'000
Revenue	3,479	3,315
Profit after tax	1,293	1,377

The plantation division recorded a higher revenue at RM3.47 million in current quarter under review compared to RM3.31 million in immediate preceding quarter, mainly due to increase in average FFB price by 5.2%.

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

	Individual quarter ended		
	30 Sep 2021	30 Jun 2021	Variance
Average FFB price (RM)	865	822	5.2%
FFB Production (MT)	4,021	4,034	-0.3%

This division registered profit after tax at RM1.29 million for current quarter under review.

### Trading division

	Individual quarter ended	
	30 Sep 2021 RM'000	30 June 2021 RM'000
Revenue	35,427	27,937
Profit after tax	116	621

The trading division recorded revenue of RM35.42 million for current quarter compared to RM27.93 million in the immediate preceding quarter. The higher revenue recorded was mainly due to higher volume of goods sold during the current quarter under review. This division posted lower profit after tax at RM0.11 million mainly due to the type of products sold are with lower margin and higher operating costs.

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## B3. Prospects

### Manufacturing division

In Malaysia, the re-opening of economic activities under the National Recovery Plan (“NRP”) was carried out continuously that is likely to support the recovery of economy.

The Management is cautiously optimistic that the performance of this division should be better in the subsequent financial quarters with anticipation of robust production orders, no further factory shutdown and diminishing negative impact due to supply chains disruption and labour shortage.

### Plantation division

The management is closely monitoring the FFB production and to take proactive actions to address the shortage of labour in order to improve FFB harvesting yield.

### Trading division

Moving forward, the Trading Division would identify trading opportunity for products with higher margin in order to generate better results in the coming quarters.

## B4. Variance from Profit Forecast and Profit Guarantee

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

## B5. Taxation

Based on results for the period:

Current tax

Current Year  
to-date  
30 Sep 2021  
RM'000

71

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

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## B6. Status of Corporate Proposal

Save as disclosed below, there was no corporate proposal announced but not completed as at 19 November 2021 except for following:

Reference is made to the SCOPE's earlier announcements dated 7 September 2021, 24 September 2021, 18 October 2021, 9 November 2021 and 10 November 2021 in relation to the proposed bonus issue of up to 346,101,887 free Warrants on the basis of 3 Warrants for every 10 Scope Shares held on 23 November 2021 ("Proposed Bonus Issue of Warrants")

The entitlement date for the Proposed Bonus Issue of Warrants is 23 November 2021 and up to 346,101,887 free warrants will be listed on 3 December 2021.

## B7. Utilisation of Proceeds from Rights Issue

On 27 July 2021, SCOPE completed the Rights Issue Exercise following the listing of 384,557,653 units of shares on the ACE Market of Bursa Securities. This Exercise raised gross proceeds of RM67,297,589. The status of utilisation of the proceeds as at 30 September 2021 is as follows:

Description	Proposed Utilisation (RM'000)	Utilisation to-date (RM'000)	Balance to be utilised (RM'000)	Timeframe for Utilisation
1. Construction of a new manufacturing plant	31,000	5,041	25,959	Within 36 months
2. Expansion of electronic business	19,000	19,000	-	Within 36 months
3. Working capital	16,298	4,252	12,046	Within 24 months
4. Expenses for the Rights Issue	1,000	845	155	Within 6 months
TOTAL	67,298	29,138	38,160	

## B8. Group Borrowings and Debt Securities

	As at 30 Sep 2021 RM'000
<u>Short term (secured)</u>	
- Hire purchase	2,039
<u>Long term (secured)</u>	
- Hire purchase	1,116
Total borrowing	<u>3,155</u>

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## 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.

## 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	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
Net profit/(loss) attributable to owners of the Company (RM'000)	874	956	874	956
Weighted average number of ordinary shares in issue ('000)	836,640	649,540	836,640	649,540
Basic earnings / (loss) per share (sen)	0.10	0.15	0.10	0.15