



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

**A. Notes to the Interim Financial Report
For The Second Quarter Ended 31 December 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 and warrants:-

- 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.
- ii) On 6 December 2021, the Proposed Bonus Issue of Warrants has been completed following the listing and quotation of 346,101,878 warrants 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)	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000	31 Dec 2021 RM'000	31 Dec 2020 RM'000
Investment holding	399	150	(1,232)	(773)
Manufacturing	16,522	20,627	1,299	2,991
Plantation	7,123	3,689	2,618	552
Trading	70,367	-	482	-
	<u>94,411</u>	<u>24,466</u>	<u>3,167</u>	<u>2,770</u>
Less : Elimination	-	-	293	-
	<u>94,411</u>	<u>24,466</u>		
Operating profit			3,460	2,770
Interest income			392	151
Finance cost			(94)	(154)
			<u>3,758</u>	<u>2,767</u>
Profit before taxation			3,758	2,767
Tax Expense			(386)	(184)
Profit after taxation			<u>3,372</u>	<u>2,583</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 Second Quarter Ended 31 December 2021

B1. Review of Performance

Manufacturing Division

	Quarter ended		Year to date	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000	31 Dec 2021 RM'000	31 Dec 2020 RM'000
Revenue	10,762	11,743	16,522	20,627
Profit after tax	1,081	2,081	1,186	2,817

The manufacturing division's revenue dropped by 8.4% to RM10.76 million as compared to RM11.74 million in previous corresponding quarter mainly due to the lower margin from the products sold. As a result of lower revenue generated, this division registered lower profit after tax at RM1.08 million in current quarter under review.

For 6 months period ended 31 December 2021, revenue decreased by 19.9% to RM16.52 million mainly due to lower sales volume. This division posted lower profit after tax at RM1.19 million compared to the profit of RM2.82 million in previous corresponding period, mainly due to lower level of operations in the first quarter ended 30 September 2021 that were affected by Covid-19 pandemic.

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B1. Review of Performance (Continued)

Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000	31 Dec 2021 RM'000	31 Dec 2020 RM'000
Revenue	3,644	1,832	7,123	3,689
Profit after tax	982	176	2,275	395
FFB Production (MT)	3,440	2,872	7,461	6,572
Average FFB price (RM)	1,059	637	955	561

Plantation division recorded revenue of RM3.64 million in current quarter, rising 98.9% as compared to RM1.83 million in previous corresponding quarter. The improvement in revenue was due to increase in average FFB price and FFB production by 66.2% and 19.8% respectively. Profit after tax increased to RM0.98 million mainly due to the increased revenue stated above.

For 6 months period ended 31 December 2021, revenue increased by 93.1% to RM7.12 million; due to increase in average FFB price and FFB production by 70.2% and 13.5% respectively. This division posted higher profit after tax at RM2.28 million mainly due to higher revenue generated.

Trading Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000	31 Dec 2021 RM'000	31 Dec 2020 RM'000
Revenue	34,940	N/A	70,367	N/A
Profit after tax	346	N/A	462	N/A

Definitions:

"N/A": Not applicable

In the current quarter under review, the trading division recorded revenue and profit after tax of RM34.94 million and RM0.35 million respectively.

For 6 months period ended 31 December 2021, this division posted revenue and profit after tax of RM70.37 million and RM0.46 million respectively.



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B2. Variation of Results against Immediate Preceding Quarter

Manufacturing division

	Individual quarter ended	
	31 Dec 2021 RM'000	30 Sep 2021 RM'000
Revenue	10,762	5,760
Profit after tax	1,081	105

The manufacturing division's revenue for current quarter increased by 86.8% to RM10.76 million as compared to RM5.76 million in immediate preceding quarter. The lower revenue recorded in the quarter ended 30 September 2021 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 higher revenue recorded in current quarter under review, this division registered higher profit after tax at RM1.08 million.

Plantation division

	Individual quarter ended	
	31 Dec 2021 RM'000	30 Sep 2021 RM'000
Revenue	3,644	3,479
Profit after tax	982	1,293

The plantation division recorded a higher revenue at RM3.64 million in current quarter under review compared to RM3.48 million in immediate preceding quarter. The increase in average FFB price in current quarter by 22.4% which positive effect was offset by decrease in FFB production by 14.4%.

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

	Individual quarter ended		
	31 Dec 2021	30 Sep 2021	Variance
Average FFB price (RM)	1,059	865	22.4%
FFB Production (MT)	3,440	4,021	-14.4%

This division registered profit after tax at RM0.98 million for current quarter under review.

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

Trading division

	Individual quarter ended	
	31 Dec 2021 RM'000	30 Sep 2021 RM'000
Revenue	34,940	35,427
Profit after tax	346	116

The trading division recorded lower revenue at RM34.94 million for current quarter compared to RM35.43 million in the immediate preceding quarter. Despite lower revenue recorded, this division posted higher profit after tax at RM0.35 million mainly due to better margin from the products sold.

B3. Prospects

Manufacturing division

The surge of COVID-19 cases in the region have made our manufacturing segment experiencing shortage of labour as well as supply chains disruption.

Backed by the Company's healthy financial position and with opening up of economy regionally, the Directors are of the opinion that this division would be able to minimize the supply chains disruption in the coming quarters.

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 continue to identify trading opportunity for products with higher margin in order to generate satisfactory results.

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 2021 RM'000
Based on results for the period:	
Current tax	<u>386</u>

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B5. Taxation (Continued)

The effective tax rate for the current financial period ended 31 December 2021 was lower than the statutory rate mainly due to the utilisation of tax losses and capital allowance in plantation segment.

B6. Status of Corporate Proposal

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"). On 6 December 2021, the Proposed Bonus Issue of Warrants has been completed following the listing and quotation of 346,101,878 Warrants on the ACE Market of Bursa Securities.

Save as disclosed above in relation to the Corporate Proposal that was completed during the current quarter under review, there was no corporate proposal announced but not completed as at 17 February 2022 (being a date not earlier than 7 days from the date of this Quarterly Report).

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 31 December 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	9,536	21,464	Within 36 months
2. Expansion of electronic business	19,000	19,000	-	Within 36 months
3. Working capital	16,298	5,620	10,678	Within 24 months
4. Expenses for the Rights Issue	1,000	845	155	Within 6 months
TOTAL	67,298	35,001	32,297	



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B8. Group Borrowings and Debt Securities

	As at 31 Dec 2021 RM'000
<u>Short term (secured)</u>	
- Hire purchase	2,032
<u>Long term (secured)</u>	
- Hire purchase	625
Total borrowing	<u>2,657</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.

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	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Net profit/(loss) attributable to owners of the Company (RM'000)	1,984	1,673	2,858	2,629
Weighted average number of ordinary shares in issue ('000)	934,528	686,387	934,528	686,387
Basic earnings / (loss) per share (sen)	0.21	0.24	0.31	0.38



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B11. Earnings / (Loss) Per Share (Continued)

(ii) Diluted earnings / (loss) per share

The calculation of diluted earnings per share was based on profit attributed to shareholders of the Company and on the weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary shares as follows:

	Quarter		Year to date	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Net profit/(loss) attributable to owners of the Company (RM'000)	1,984	N/A	2,858	N/A
Weighted average number of ordinary shares in issue ('000)	934,528	N/A	934,528	N/A
Dilutive effect of warrants outstanding ('000)	11,164	N/A	11,164	N/A
Diluted earnings / (loss) per share (sen)	0.21	N/A	0.30	N/A