

# SCOPE

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

## **A. Notes to the Interim Financial Report For The Third Quarter Ended 31 March 2022**

### **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 Mar 2022 RM'000	31 Mar 2021 RM'000	31 Mar 2022 RM'000	31 Mar 2021 RM'000
Investment holding	1,377	236	(578)	(931)
Manufacturing	24,323	31,185	1,432	4,536
Plantation	10,611	5,273	3,706	624
Trading	90,673	8,778	543	567
	<hr/>	<hr/>	<hr/>	<hr/>
	126,984	45,472	5,103	4,796
Less : Elimination	(667)	-	(121)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	126,317	45,472		
Operating profit			4,982	4,796
Interest income			599	231
Finance cost			(130)	(220)
			<hr/>	<hr/>
Profit before taxation			5,451	4,807
Tax Expense			(583)	(269)
Profit after taxation			<hr/>	<hr/>
			4,868	4,538

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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 Third Quarter Ended 31 March 2022

### B1. Review of Performance

#### Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	RM'000	RM'000	RM'000	RM'000
Revenue	7,801	10,558	24,323	31,185
Profit after tax	89	1,488	1,275	4,305

The manufacturing division's revenue dropped by 26.1% to RM7.80 million as compared to RM10.56 million in previous corresponding quarter mainly due to lower volume sold that was attributable to shortage of labour. As a result of lower revenue generated, this division registered lower profit after tax at RM0.09 million in current quarter under review.

For 9 months period ended 31 March 2022, revenue decreased by 22.0% to RM24.32 million mainly due to lower sales volume. This division posted lower profit after tax at RM1.28 million compared to the profit of RM4.31 million in previous corresponding period, mainly due to lower level of operations in first quarter ended 30 September 2021 affected by rising cases in COVID-19, and subsequently due to shortage of labour and supply chain disruption.

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## B1. Review of Performance (Continued)

### Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 March 2022 RM'000	31 March 2021 RM'000	31 March 2022 RM'000	31 March 2021 RM'000
Revenue	3,488	1,584	10,611	5,273
Profit after tax	928	(15)	3,203	380
FFB Production (MT)	2,768	2,085	10,229	8,657
Average FFB price (RM)	1,260	760	1037	609

Plantation division recorded revenue of RM3.49 million in current quarter, rising by 120.2% as compared to RM1.58 million in previous corresponding quarter. The improvement in revenue was due to increase in average FFB price and FFB production by 65.8% and 32.7% respectively. Profit after tax increased to RM0.93 million mainly due to the increased revenue stated above.

For 9 months period ended 31 March 2022, revenue increased by 101.2% to RM10.61 million; due to increase in average FFB price and FFB production by 70.3% and 18.2% respectively. This division posted higher profit after tax at RM3.20 million mainly due to higher revenue generated.

### Trading Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 March 2022 RM'000	31 March 2021 RM'000	31 March 2022 RM'000	31 March 2021 RM'000
Revenue	20,306	8,778	90,673	8,778
Profit after tax	469	566	931	566

In the current quarter under review, the trading division recorded revenue of RM20.31 million compared to RM8.78 million in previous corresponding quarter. Profit after tax in the current quarter was lower at RM0.47 million despite higher revenue, mainly due to different product mix sold.

The trading division started to generate sales transactions during the quarter ended 31 March 2021. Hence, comparison of 9 months' result in current period with previous corresponding period is not applicable.

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## B2. Variation of Results against Immediate Preceding Quarter

### Manufacturing division

	Individual quarter ended	
	31 March 2022 RM'000	31 Dec 2021 RM'000
Revenue	7,801	10,762
Profit after tax	89	1,081

The manufacturing division's revenue for current quarter decreased by 27.5% to RM7.80 million as compared to RM10.76 million in immediate preceding quarter. This was mainly due to shortage of labour affecting production volume.

As a result of lower revenue recorded in current quarter under review, this division registered lower profit after tax.

### Plantation division

	Individual quarter ended	
	31 March 2022 RM'000	31 Dec 2021 RM'000
Revenue	3,488	3,644
Profit after tax	928	982

The plantation division recorded a lower revenue at RM3.49 million in current quarter under review compared to RM3.64 million in immediate preceding quarter. The increase in average FFB price in current quarter by 18.9% which positive effect was offset by decrease in FFB production by 19.5%.

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

	Individual quarter ended		
	31 Mar 2022	31 Dec 2021	Variance
Average FFB price (RM)	1,260	1,059	18.9%
FFB Production (MT)	2,768	3,440	-19.5%

This division registered profit after tax at RM0.93 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 Mar 2022	31 Dec 2021
	RM'000	RM'000
Revenue	20,306	34,940
Profit after tax	469	346

The trading division recorded lower revenue at RM20.31 million for current quarter compared to RM34.94 million in the immediate preceding quarter. Despite lower revenue recorded, this division posted higher profit after tax at RM0.47 million mainly due to higher margin from the products sold.

## B3. Prospects

### Manufacturing division

The near-term challenges for the manufacturing division would be lack of human capital, rising cost of operation and supply chain disruption. Nevertheless, the management is monitoring the situation and taking measures to address the issue.

### 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

The Trading Division would continue to identify business opportunity in order to generate profitable 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 March 2022 RM'000
Based on results for the period:	
Current tax	<u>583</u>

The effective tax rate for the current financial period ended 31 March 2022 was lower than the statutory rate mainly due to the utilisation of tax losses and capital allowance in plantation segment.

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## B6. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at the date of this 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 March 2022 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	11,584	19,416	Within 36 months
2. Expansion of electronic business	19,000	19,000	-	Within 36 months
3. Working capital	16,298	6,520	9,778	Within 24 months
4. Expenses for the Rights Issue	1,000	845	*155	Within 6 months
TOTAL	67,298	37,949	29,349	

\*The unutilised portion in category of Expenses for Rights Issue amounted to RM155,000 has been adjusted to Working Capital category.

## B8. Group Borrowings and Debt Securities

	As at 31 March 2022 RM'000
<u>Short term (secured)</u>	
- Hire purchase	2,025
<u>Long term (secured)</u>	
- Hire purchase	125
Total borrowing	<u>2,150</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	
	31.3.2022	31.3.2021	31.3.2022	31.3.2021
Net profit/(loss) attributable to owners of the Company (RM'000)	1,335	1,792	4,193	4,421
Weighted average number of ordinary shares in issue ('000)	1,029,350	721,862	1,029,350	721,862
Basic earnings / (loss) per share (sen)	0.13	0.25	0.41	0.61