

SCOPE

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

A. Notes to the Interim Financial Report For The Fourth Quarter Ended 30 June 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)	
	30 Jun 2022 RM'000	30 Jun 2021 RM'000	30 Jun 2022 RM'000	30 Jun 2021 RM'000
Investment holding	2,695	1,070	(944)	(546)
Manufacturing	36,247	41,615	3,331	5,859
Plantation	14,919	8,588	4,205	2,021
Trading	119,699	36,715	1,937	1,353
	<u>173,560</u>	<u>87,988</u>	<u>8,529</u>	<u>8,687</u>
Less : Elimination	<u>(1,500)</u>	<u>(800)</u>	<u>(1,500)</u>	<u>(800)</u>
	<u>172,060</u>	<u>87,188</u>		
Operating profit			7,029	7,887
Interest income			821	267
Finance cost			(158)	(278)
			<u>7,692</u>	<u>7,876</u>
Profit before taxation			7,692	7,876
Tax Expense			(831)	(440)
Profit after taxation			<u>6,861</u>	<u>7,436</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 Fourth Quarter Ended 30 June 2022

B1. Review of Performance

Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	RM'000	RM'000	RM'000	RM'000
Revenue	11,924	10,430	36,247	41,615
Profit after tax	1,905	1,283	3,180	5,588

In the current quarter under review, the manufacturing division recorded higher revenue at RM11.92 million as compared to RM10.43 million in previous corresponding quarter mainly due to higher volume sold. As a result of higher revenue achieved, this division registered higher profit after tax at RM1.91 million in current quarter under review.

For the current financial year ended 30 June 2022, revenue decreased by 12.9% to RM36.25 million mainly due to lower sales volume. This division posted lower profit after tax at RM3.18 million compared to the profit of RM5.59 million in previous corresponding year, 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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Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	RM'000	RM'000	RM'000	RM'000
Revenue	4,308	3,315	14,919	8,588
Profit after tax	400	1,377	3,603	1,757
FFB Production (MT)	3,316	4,034	13,545	12,691
Average FFB price (RM)	1,299	822	1101	677

Plantation division recorded higher revenue at RM4.31 million in current quarter under review as compared to RM3.32 million in previous corresponding quarter. The improvement in revenue was due to increase in average FFB price by 58.0% which was partially offset by lower FFB production by 17.8%. Despite higher revenue recorded, this division registered lower profit after tax at RM0.40 million mainly due to application of fertilizer in current quarter under review and higher labour cost arising from implementation of revised National Minimum Wages starting from 1 May 2022.

For the current financial year ended 30 June 2022, revenue increased by 73.7% to RM14.92 million; due to increase in average FFB price and FFB production by 62.6% and 6.7% respectively. This division posted higher profit after tax at RM3.60 million mainly due to higher revenue generated.

Trading Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	RM'000	RM'000	RM'000	RM'000
Revenue	29,026	27,937	119,699	36,715
Profit after tax	782	621	1,713	1,187

In the current quarter under review, the trading division recorded revenue of RM29.03 million compared to RM27.94 million in previous corresponding quarter. Profit after tax in the current quarter was higher at RM0.78 million mainly due to higher revenue recorded.

The trading division started to generate sales transactions during the quarter ended 31 March 2021. Hence, comparison of current 12-month results with previous corresponding year is not applicable.

Holding Company

The Company had on 27 July 2021 granted 1,479,800 Shares Grant and 42,754,900 ESS Options (“Awards”) pursuant to our Employees’ Share Scheme 2021, which are to be vested to the eligible employees over a period of up to four (4) years, subject to the fulfilment of vesting conditions. The cost in relation to the grant of the Awards for the financial year ended 30 June 2022 is RM1,417,000.

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B2. Variation of Results against Immediate Preceding Quarter

Manufacturing division

	Individual quarter ended	
	30 June 2022 RM'000	31 March 2022 RM'000
Revenue	11,924	7,801
Profit after tax	1,905	89

The manufacturing division's revenue increased from RM7.80 million to RM11.92 million in current quarter under review mainly due to higher volume sold. In the immediate preceding quarter ended 31 March 2022, this division experienced the issue of labour shortage.

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

Plantation division

	Individual quarter ended	
	30 June 2022 RM'000	31 March 2022 RM'000
Revenue	4,308	3,488
Profit after tax	400	928

The plantation division recorded a higher revenue at RM4.31 million in current quarter under review compared to RM3.49 million in immediate preceding quarter. The increase in revenue was due to increase in FFB production and average FFB price by 19.8% and 3.1% respectively.

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

	Individual quarter ended		
	30 Jun 2022	31 Mar 2022	Variance
Average FFB price (RM)	1,299	1,260	3.1%
FFB Production (MT)	3,316	2,768	19.8%

Despite higher revenue recorded, this division registered lower profit after tax at RM0.40 million mainly due to application of fertilizer in current quarter under review and higher labour cost arising from implementation of revised National Minimum Wages starting from 1 May 2022.

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

Trading division

	Individual quarter ended	
	30 June 2022 RM'000	31 Mar 2022 RM'000
Revenue	29,026	20,306
Profit after tax	782	469

The trading division recorded higher revenue at RM29.03 million for current quarter compared to RM20.31 million in the immediate preceding quarter. As a result of higher revenue recorded, this division posted higher profit after tax at RM0.78 million compared to RM0.47 million in immediate preceding quarter.

B3. Prospects

Manufacturing division

The manufacturing division experiences inflationary pressure arising from rising labour and material cost which will result in rising cost of operation. In addition, uncertainty ahead includes global supply chain disruption. Nevertheless, the management is monitoring the situation and taking measures to minimise the impact of the issue.

Plantation division

Going forward to the new financial year, the market price of FFB declined significantly in July 2022 in line with the decline of CPO price. The drop in average FFB selling price have weighing on our bottom line; as such the Management are taking measures to control cost of estate activities in order to contain the expenses.

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.

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B5. Taxation

	Current Year to-date 30 June 2022 RM'000
Based on results for the year:	
<u>Malaysian operations</u>	
Current tax	994
Deferred tax	(257)
	<hr/>
	737
Overseas taxation	94
	<hr/>
Current tax expense	<hr/> <hr/> 831

The effective tax rate for the current financial year ended 30 June 2022 was lower than the statutory rate mainly due to utilisation of tax losses in manufacturing segment.

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 30 June 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	16,546	14,454	Within 36 months
2.	Expansion of electronic business	19,000	19,000	-	Within 36 months
3.	Working capital	16,298	12,200	4,098	Within 24 months
4.	Expenses for the Rights Issue	1,000	845	*155	Within 6 months
	TOTAL	67,298	48,591	18,707	

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*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 30 June 2022 RM'000
<u>Short term (secured)</u>	
- Hire purchase	1,532
<u>Long term (secured)</u>	
- Hire purchase	105
Total borrowing	<u>1,637</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	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
Net profit/(loss) attributable to owners of the Company (RM'000)	1,815	2,328	6,008	6,749
Weighted average number of ordinary shares in issue ('000)	1,125,226	748,880	1,125,226	748,880
Basic earnings / (loss) per share (sen)	0.16	0.31	0.53	0.90