

# SCOPE

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

## **A. Notes to the Interim Financial Report For The First Quarter Ended 30 Sep 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 2022. 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 2022.

### **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 2022.

### **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.

### **A7. Issuances, Cancellations, Repurchase, Resale and Repayments of Debts and Equity Securities**

There were no issuance or repayment of debt or equity securities. There was also no share buy-back, share cancelled, share held as treasury shares or treasury shares resold for the current financial period to date.

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## 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 2022 RM'000	30 Sep 2021 RM'000	30 Sep 2022 RM'000	30 Sep 2021 RM'000
Investment holding	482	195	860	(687)
Manufacturing	15,060	5,760	3,509	156
Plantation	2,786	3,479	309	1,380
Trading	28,976	35,427	717	178
	<u>47,304</u>	<u>44,861</u>	<u>5,395</u>	<u>1,027</u>
Less : Elimination	<u>(222)</u>	<u>-</u>	<u>(976)</u>	<u>-</u>
	<u>47,082</u>	<u>44,861</u>		
Operating profit			4,419	1,027
Interest income			265	189
Finance cost			(21)	(51)
			<u>4,663</u>	<u>1,165</u>
Profit before taxation			4,663	1,165
Tax Expense			(220)	(71)
Profit after taxation			<u>4,443</u>	<u>1,094</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.

## 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, except for the following:

The wholly-owned subsidiary of the Company, Scope Realty Sdn. Bhd. had on 31 October 2022 entered into a sale and purchase agreement with third party vendors to acquire four (4) pieces of land for a total consideration of Ringgit Malaysia Five Million Five Hundred Seventeen Thousand Three Hundred Ninety Two and Cents Thirty Five (RM5,517,392.35) only.

The aforesaid land measuring in area approximately 7.4507 acres / 324,552.492 square feet. The abovementioned purchase is subject to local authorities' approval.

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## A12. Changes in Composition of the Group

There were no changes in the composition of the Group for the current financial period, except for following:

- i) On 2 August 2022, the Group incorporated a wholly-owned subsidiary, Scope Realty Sdn Bhd with the purpose of provision of dormitory accommodation and services to its employees as well as involved in property investments.

## 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 2022

### B1. Review of Performance

#### Manufacturing Division

	Quarter ended		Year to date	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
Revenue	15,060	5,760	15,060	5,760
Profit after tax	3,489	105	3,489	105

Revenue for current quarter under review increased by 161.4% to RM15.06 million mainly due to:

- i) higher volume sold for current quarter attributable to high demand for our products; and
- ii) our operation in previous corresponding quarter was affected by COVID-19 outbreak coupled with shortage of labour and supply chain disruption.

This division's profit after tax for current quarter increased substantially to RM3.49 million compared to RM0.10 million in previous corresponding quarter, mainly due to:

- i) higher revenue recorded; and
- ii) with relentless effort from the team over the year, the company managed to achieve improved efficiency in production process contributing to better margin.

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## B1. Review of Performance (Continued)

### Plantation Division

	<u>Quarter ended</u>		<u>Quarter ended</u>	
	30 Sep 2022 RM'000	30 Sep 2021 RM'000	30 Sep 2022 RM'000	30 Sep 2021 RM'000
Revenue	2,786	3,479	2,786	3,479
Profit after tax	208	1,293	208	1,293
FFB Production (MT)	3,622	4,021	3,622	4,021
Average FFB price (RM)	769	865	769	865

Plantation division recorded lower revenue at RM2.79 million in current quarter under review as compared to RM3.48 million in previous corresponding quarter. The lower revenue was due to decrease in average FFB price and FFB production by 11.1% and 9.9% respectively. As a result of lower revenue posted in current quarter, the profit after tax was lower at RM0.20 million.

### Trading Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Sep 2022 RM'000	30 Sep 2021 RM'000	30 Sep 2022 RM'000	30 Sep 2021 RM'000
Revenue	<u>28,976</u>	<u>35,427</u>	<u>28,976</u>	<u>35,427</u>
EBITDA	717	374	717	374
Interest on loan from holding company	<u>(222)</u>	<u>(254)</u>	<u>(222)</u>	<u>(254)</u>
Tax expense	<u>495</u> <u>(59)</u>	<u>120</u> <u>(4)</u>	<u>495</u> <u>(59)</u>	<u>120</u> <u>(4)</u>
Profit after tax	<u>436</u>	<u>116</u>	<u>436</u>	<u>116</u>

\* EBITDA refer to earnings before interest, tax, depreciation and amortisation.

In the current quarter under review, the trading division recorded revenue of RM28.98 million compared to RM35.43 million in previous corresponding quarter. Despite lower revenue recorded, this division posted higher profit after tax in the current quarter at RM0.43 million mainly due to different type of product mix sold.

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## B2. Variation of Results against Immediate Preceding Quarter

### Manufacturing division

	Individual quarter ended	
	30 Sep 2022 RM'000	30 June 2022 RM'000
Revenue	15,060	11,924
Profit after tax	3,489	1,905

The manufacturing division's revenue increased from RM11.92 million to RM15.06 million in current quarter under review mainly due to higher volume sold.

This division's profit after tax for current quarter increased substantially to RM3.49 million compared to RM1.91 million in immediate preceding quarter, mainly due to:

- i) higher revenue recorded; and
- ii) the company managed to achieve improved efficiency in production process contributing to better margin.

### Plantation division

	Individual quarter ended	
	30 Sep 2022 RM'000	30 June 2022 RM'000
Revenue	2,786	4,308
Profit after tax	208	400

The plantation division recorded a lower revenue at RM2.79 million in current quarter under review compared to RM4.31 million in immediate preceding quarter. The decrease in revenue was mainly due to decrease in average FFB price by 40.8%.

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

	Individual quarter ended		
	30 Sep 2022	30 June 2022	Variance
Average FFB price (RM)	769	1,299	-40.8%
FFB Production (MT)	3,622	3,316	9.2%

As a result of lower revenue posted, this division recorded lower profit after tax at RM0.21 million in current quarter.

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

### Trading division

	Individual quarter ended	
	30 Sep 2022	30 June 2022
	RM'000	RM'000
Revenue	28,976	29,026
EBITDA	717	1,031
Interest on loan from holding	(222)	(193)
Tax expenses	495	838
	(59)	(56)
Profit after tax	436	782

\* EBITDA refer to earnings before interest, tax, depreciation and amortisation.

The trading division recorded lower revenue at RM28.98 million for current quarter compared to RM29.03 million in the immediate preceding quarter. Profit after tax was lower at RM0.43 million in current quarter mainly due to lower margin products sold.

## B3. Prospects

The Group recorded profit before tax of RM4.66 million in the current quarter. Going forward, we would remain committed to expand our manufacturing division.

### Manufacturing division

The manufacturing division experiences inflationary pressure arising from rising labour and material cost. Increasing loading volume from customer would certainly help mitigate this situation. On-going investment in machineries for the past 2 years had strengthened our manufacturing capabilities, thus enabling us to explore new business that complement our existing PCBA and box-build business. The directors anticipate earnings growth for the new financial year, underpinned by capacity expansion.

### Plantation division

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

### Trading division

The Trading Division would continue to identify business opportunity in order to generate profitable results.

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## 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 Sep 2022  
RM'000

Based on results for the period:

Current tax (Malaysian operations)	161
Overseas tax	59
	<u>220</u>

The effective tax rate for the current financial period ended 30 September 2022 was lower than the statutory rate mainly due to availability of Reinvestment Allowance 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 September 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	21,287	9,713	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	53,332	13,966	

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

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## B8. Group Borrowings and Debt Securities

	As at 30 Sep 2022 RM'000
<u>Short term (secured)</u>	
- Hire purchase	1,116
<u>Long term (secured)</u>	
- Hire purchase	-
Total borrowing	<u>1,116</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	
	30.9.2022	30.9.2021	30.9.2022	30.9.2021
Net profit/(loss) attributable to owners of the Company (RM'000)	4,338	874	4,338	874
Weighted average number of ordinary shares in issue ('000)	1,153,673	836,640	1,153,673	836,640
Basic earnings / (loss) per share (sen)	0.38	0.10	0.38	0.10