

# SCOPE

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

## **A. Notes to the Interim Financial Report For The Second Quarter Ended 31 December 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.

# SCOPE

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

## 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 2022 RM'000	31 Dec 2021 RM'000	31 Dec 2022 RM'000	31 Dec 2021 RM'000
Investment holding	965	399	(539)	(1,232)
Manufacturing	25,831	16,522	4,258	1,299
Plantation	5,550	7,123	737	2,618
Trading	57,152	70,367	1,368	482
	<u>89,498</u>	<u>94,411</u>	<u>5,824</u>	<u>3,167</u>
Conso Adjustment:	<u>(431)</u>	<u>-</u>	<u>147</u>	<u>293</u>
	<u>89,067</u>	<u>94,411</u>		
Operating profit			5,971	3,460
Interest income			548	392
Finance cost			(58)	(94)
			<u>6,461</u>	<u>3,758</u>
Profit before taxation			6,461	3,758
Tax Expense			(304)	(386)
Profit after taxation			<u>6,157</u>	<u>3,372</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.

## A12. Changes in Composition of the Group

There were no changes in the composition of the Group for the current quarter under review.

## 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.

# SCOPE

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

## B. Additional Notes Pursuant to the ACE Market Listing Requirements For The Second Quarter Ended 31 December 2022

### B1. Review of Performance

#### Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Dec 2022 RM'000	31 Dec 2021 RM'000	31 Dec 2022 RM'000	31 Dec 2021 RM'000
Revenue	10,771	10,762	25,831	16,522
Profit after tax	731	1,081	4,220	1,186

The manufacturing division maintained a revenue of RM10.7 million in the current quarter under review as compared to previous corresponding quarter. Profit after tax was lower at RM0.73 million for current quarter, mainly due to decrease in average selling price for the products sold.

For 6 months period ended 31 December 2022, revenue increased by 56.3% to RM25.8 million mainly due to:

- i) higher volume sold for current period; and
- ii) our operation in previous first quarter ended 30 September 2021 was affected by COVID-19 outbreak coupled with supply chain disruption.

As a result of higher revenue recorded for the current period, this division posted higher profit after tax at RM4.2 million compared to RM1.1 million in previous corresponding period.

#### Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Dec 2022 RM'000	31 Dec 2021 RM'000	31 Dec 2022 RM'000	31 Dec 2021 RM'000
Revenue	2,764	3,644	5,550	7,123
Profit after tax	431	982	639	2,275
FFB Production (MT)	3,696	3,440	7,318	7,461
Average FFB price (RM)	748	1,059	758	955

Plantation division recorded lower revenue at RM2.76 million in current quarter under review as compared to RM3.64 million in previous corresponding quarter. The lower revenue was mainly due to decrease in average FFB price by 29.4%. As a result of lower revenue posted in current quarter, profit after tax was lower at RM0.43 million.

# SCOPE

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

## **Plantation Division (continued)**

For 6 months period ended 31 December 2022, revenue decreased by 22.1% to RM5.55 million; due to decrease in average FFB price and FFB production by 20.6% and 1.9% respectively. This division posted lower profit after tax at RM0.63 million mainly due to lower revenue generated.

## **Trading Division**

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Dec 2022 RM'000	31 Dec 2021 RM'000	31 Dec 2022 RM'000	31 Dec 2021 RM'000
Revenue	28,176	34,940	57,152	70,367
EBITDA	644	620	1,361	960
Interest on loan from holding company	(222)	(254)	(444)	(458)
Tax expense	422 (77)	366 (20)	917 (136)	502 (40)
Profit after tax	345	346	781	462

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

In the current quarter under review, the trading division recorded revenue of RM28.17 million compared to RM34.94 million in previous corresponding quarter. As compared to previous corresponding quarter, this division posted similar profit after tax at RM0.34 million in current quarter despite lower revenue recorded, mainly due to different type of product mix sold.

For 6 months period ended 31 December 2022, this division posted revenue of RM57.15 million compared to RM70.36 million in previous corresponding quarter. Profit after tax for the current period was higher at RM0.78 million mainly due to different type of product mix sold.

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

### **Manufacturing division**

	<u>Individual quarter ended</u>	
	31 Dec 2022 RM'000	30 Sep 2022 RM'000
Revenue	10,771	15,060
Profit after tax	731	3,489

# SCOPE

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

## **Manufacturing division (continued)**

The manufacturing division's revenue decreased by 28.5% to RM10.77 million compared to RM15.06 million in immediate preceding quarter, mainly due to lower volume sold. As a result of lower revenue recorded, this division posted lower profit after tax at RM0.73 million in current quarter.

## **Plantation division**

	Individual quarter ended	
	31 Dec 2022 RM'000	30 Sep 2022 RM'000
Revenue	2,764	2,786
Profit after tax	431	208

The plantation division recorded a lower revenue at RM2.76 million in current quarter under review compared to RM2.78 million in immediate preceding quarter. The slight decrease in revenue was mainly due to slight decrease in average FFB price.

The directors reviewed the age profile of oil palm areas and identified the oil palms in one of our plantation estates have reached commercial lifespan of more than 28 years. As such, this estate had commenced on its replanting programme beginning in October 2022 whereby felling and chipping activities have been carried out. The plantation area that was cut down in current quarter under review is 78 hectares and FFB production in this estate has reduced accordingly. The reduction in FFB production in above-mentioned estate was offset by higher FFB yield contributed by another oil palm plantation.

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

	Individual quarter ended		
	31 Dec 2022	30 Sep 2022	Variance
Average FFB price (RM)	748	769	-2.7%
FFB Production (MT)	3,696	3,622	2.0%

Despite revenue remain unchanged at RM2.7 million, profit after tax was higher at RM0.43 million in current quarter under review mainly due to application of fertilizer in the immediate preceding quarter ended 30 September 2022.

# SCOPE

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

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

### Trading division

	Individual quarter ended	
	31 Dec 2022	30 Sep 2022
	RM'000	RM'000
Revenue	28,176	28,976
EBITDA	644	717
Interest on loan from holding	(222)	(222)
Tax expenses	422	495
	(77)	(59)
Profit after tax	345	436

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

The trading division recorded lower revenue at RM28.17 million for current quarter compared to RM28.97 million in the immediate preceding quarter. Profit after tax was lower at RM0.34 million in current quarter mainly due to lower revenue recorded.

## B3. Prospects

### Manufacturing division

The manufacturing division experiences challenges for the current financial year. Global macroeconomic issues such as rising inflation and interest rate hike have led to rising cost of living which in turn affected consumer sentiment and purchasing power.

At this juncture, the company identified the issue of slower order flow from customers as we reviewed our sales forecast. Nevertheless, the management is making effort to mitigate this situation.

### Plantation division

The entire oil palms in one of our plantation estates have reached commercial lifespan of more than 28 years. The replanting programme is to carry out progressively, over an estimated timeframe of 5 years.

On the other hand, for another oil palm plantation, the management is closely monitoring the FFB production and to take actions to improve 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.

# SCOPE

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

## B5. Taxation

Current Year  
to-date  
31 Dec 2022  
RM'000

Based on results for the period:

Current tax (Malaysian operations)	168
Overseas tax	136
	<u>304</u>

The effective tax rate for the current financial period ended 31 December 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 31 December 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	22,071	8,929	Within 36 months
2. Expansion of electronic business	19,000	19,000	-	Within 36 months
3. Working capital	16,298	13,400	2,898	Within 24 months
4. Expenses for the Rights Issue	1,000	845	*155	Within 6 months
TOTAL	67,298	55,316	11,982	

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

# SCOPE

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

## B8. Group Borrowings and Debt Securities

	As at 31 Dec 2022 RM'000
<u>Short term (secured)</u>	
- Hire purchase	154
<u>Long term (secured)</u>	
- Hire purchase	-
Total borrowing	<u>154</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	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Net profit/(loss) attributable to owners of the Company (RM'000)	1,441	1,984	5,779	2,858
Weighted average number of ordinary shares in issue ('000)	1,153,673	934,528	1,153,673	934,528
Basic earnings / (loss) per share (sen)	0.12	0.21	0.50	0.31