

SCOPE

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

A. Notes to the Interim Financial Report For The Third Quarter Ended 31 March 2023

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) | |
|------------------------|-------------------------|-----------------------|---|-----------------------|
| | 31 Mar 2023 RM'000 | 31 Mar 2022 RM'000 | 31 Mar 2023 RM'000 | 31 Mar 2022 RM'000 |
| Investment holding | 2,754 | 1,377 | 1,227 | (578) |
| Manufacturing | 34,963 | 24,323 | 3,451 | 1,432 |
| Plantation | 8,073 | 10,611 | 1,341 | 3,706 |
| Trading | 84,653 | 90,673 | 1,835 | 543 |
| | <u>130,443</u> | <u>126,984</u> | <u>7,854</u> | <u>5,103</u> |
| Conso Adjustment: | <u>(1,974)</u> | <u>(667)</u> | <u>(2,060)</u> | <u>(121)</u> |
| | <u>128,469</u> | <u>126,317</u> | | |
| Operating profit | | | 5,794 | 4,982 |
| Interest income | | | 797 | 599 |
| Finance cost | | | (64) | (130) |
| | | | <u>6,527</u> | <u>5,451</u> |
| Profit before taxation | | | 6,527 | 5,451 |
| Tax Expense | | | (366) | (583) |
| Profit after taxation | | | <u>6,161</u> | <u>4,868</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.

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B. Additional Notes Pursuant to the ACE Market Listing Requirements For The Third Quarter Ended 31 March 2023

B1. Review of Performance

Manufacturing Division

| | <u>Quarter ended</u> | | <u>Year to date</u> | |
|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 Mar 2023 RM'000 | 31 Mar 2022 RM'000 | 31 Mar 2023 RM'000 | 31 Mar 2022 RM'000 |
| Revenue | 9,132 | 7,801 | 34,963 | 24,323 |
| Profit/(loss) after tax | (809) | 89 | 3,411 | 1,275 |

The manufacturing division's revenue increased by 17.1% to RM9.13 million in current quarter under review. This division posted loss after tax of RM0.81 million in current quarter compared to profit of RM0.08 million in previous corresponding quarter due to:

- i) Decrease in average selling price for current quarter; and
- ii) Increased operational cost mainly due to higher labour cost.

For 9 months period ended 31 March 2023, revenue increased by 43.7% to RM34.9 million mainly due to higher volume sold. As a result of higher revenue recorded for the current period, this division posted higher profit after tax at RM3.4 million.

Plantation Division

| | <u>Quarter ended</u> | | <u>Year to date</u> | |
|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 Mar 2023 RM'000 | 31 Mar 2022 RM'000 | 31 Mar 2023 RM'000 | 31 Mar 2022 RM'000 |
| Revenue | 2,523 | 3,488 | 8,073 | 10,611 |
| Profit after tax | 548 | 928 | 1,187 | 3,203 |
| FFB Production (MT) | 3,365 | 2,768 | 10,683 | 10,229 |
| Average FFB price (RM) | 749 | 1,260 | 755 | 1,037 |

Plantation division recorded lower revenue at RM2.52 million in current quarter under review as compared to RM3.49 million in previous corresponding quarter. The lower revenue was mainly due to decrease in average FFB price by 40.5% despite increase in FFB production by 21.6%. As a result of lower revenue posted in current quarter, profit after tax was lower at RM0.54 million.

For 9 months period ended 31 March 2023, revenue decreased by 23.9% to RM8.07 million mainly due to decrease in average FFB price by 27.2%. This division posted lower profit after tax at RM1.18 million for the current period mainly due to lower revenue generated.

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Trading Division

| | <u>Quarter ended</u> | | <u>Year to date</u> | |
|---------------------------------------|---------------------------|--------------------------|------------------------------|---------------------------|
| | 31 Mar 2023 RM'000 | 31 Mar 2022 RM'000 | 31 Mar 2023 RM'000 | 31 Mar 2022 RM'000 |
| Revenue | <u>27,501</u> | <u>20,306</u> | <u>84,653</u> | <u>90,673</u> |
| EBITDA | 465 | 690 | 1,826 | 1,647 |
| Interest on loan from holding company | <u>(218)</u> | <u>(221)</u> | <u>(662)</u> | <u>(680)</u> |
| Tax expense | <u>247</u> <u>(21)</u> | <u>469</u> <u>-</u> | <u>1,164</u> <u>(157)</u> | <u>967</u> <u>(36)</u> |
| Profit after tax | <u>226</u> | <u>469</u> | <u>1,007</u> | <u>931</u> |

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

In the current quarter under review, the trading division recorded revenue of RM27.50 million compared to RM20.31 million in previous corresponding quarter. As compared to previous corresponding quarter, this division posted lower profit after tax at RM0.23 million in current quarter despite higher revenue recorded, mainly due to different type of product mix sold.

For 9 months period ended 31 March 2023, this division posted revenue of RM84.65 million compared to RM90.67 million in previous corresponding quarter. Profit after tax for the current period was higher at RM1.00 million despite lower revenue recorded mainly due to different type of product mix sold.

B2. Variation of Results against Immediate Preceding Quarter

Manufacturing division

| | Individual quarter ended | |
|-------------------------|--------------------------|-----------------------|
| | 31 Mar 2023 RM'000 | 31 Dec 2022 RM'000 |
| Revenue | 9,132 | 10,771 |
| Profit/(loss) after tax | (809) | 731 |

The manufacturing division's revenue decreased by 15.2% to RM9.13 million compared to RM10.77 million in immediate preceding quarter, mainly due to lower volume sold. As a result of lower revenue recorded, this division posted loss after tax at RM0.81 million in current quarter compared to profit of RM0.73 million in immediate preceding quarter.

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

Plantation division

| | Individual quarter ended | |
|------------------|--------------------------|-----------------------|
| | 31 Mar 2023 RM'000 | 31 Dec 2022 RM'000 |
| Revenue | 2,523 | 2,764 |
| Profit after tax | 548 | 431 |

The plantation division recorded lower revenue at RM2.52 million in current quarter under review compared to RM2.76 million in immediate preceding quarter, mainly due to lower FFB production by 8.9%.

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

| | Individual quarter ended | | |
|------------------------|--------------------------|-------------|----------|
| | 31 Mar 2023 | 31 Dec 2022 | Variance |
| Average FFB price (RM) | 749 | 748 | Nil |
| FFB Production (MT) | 3,365 | 3,696 | (8.9%) |

Despite lower revenue recorded in current quarter under review, the profit after tax was slightly higher at RM0.54 million. This was mainly due to higher repair and maintenance cost on estate vehicles incurred in the immediate preceding quarter.

Trading division

| | Individual quarter ended | |
|-------------------------------|--------------------------|-----------------------|
| | 31 Mar 2023 RM'000 | 31 Dec 2022 RM'000 |
| Revenue | 27,501 | 28,176 |
| EBITDA | 465 | 644 |
| Interest on loan from holding | (218) | (222) |
| Tax expenses | 247 | 422 |
| | (21) | (77) |
| Profit after tax | 226 | 345 |

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

The trading division recorded lower revenue at RM27.50 million for current quarter compared to RM28.17 million in the immediate preceding quarter. Profit after tax was lower at RM0.23 million in current quarter mainly due to lower revenue recorded.

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B3. Prospects

Manufacturing division

The manufacturing division experiences challenges for the current financial year. Global macroeconomic issues such as rising inflation and weak consumer demand are weighing on our operation. At this juncture, the company identified the issue of slower order flow from customers as we reviewed our sales forecast. We are focusing on operational efficiency as well as cost control measures to ride out this uncertain and difficult period.

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 higher 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 2023 RM'000 |
|------------------------------------|--|
| Based on results for the period: | |
| Current tax (Malaysian operations) | 209 |
| Overseas tax | 157 |
| | <hr/> |
| | 366 |
| | <hr/> |

The effective tax rate for the current financial period ended 31 March 2023 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.

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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 2023 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 | 24,973 | 6,027 | Within 36 months |
| 2. Expansion of electronic business | 19,000 | 19,000 | - | Within 36 months |
| 3. Working capital | 16,298 | 16,453 | *(155) | Within 24 months |
| 4. Expenses for the Rights Issue | 1,000 | 845 | *155 | Within 6 months |
| TOTAL | 67,298 | 61,271 | 6,027 | |

*The unutilised portion in category of Expenses for Rights Issue amounted to RM155,000 has been reallocated to Working Capital category and this was fully utilised.

B8. Group Borrowings and Debt Securities

| | As at 31 March 2023 RM'000 |
|-----------------------------|----------------------------------|
| <u>Short term (secured)</u> | |
| - Hire purchase | 113 |
| <u>Long term (secured)</u> | |
| - Hire purchase | - |
| Total borrowing | <u>113</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.

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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 | |
|--|------------|------------|--------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| Net profit/(loss) attributable to owners of the Company (RM'000) | (231) | 1,335 | 5,548 | 4,193 |
| Weighted average number of ordinary shares in issue ('000) | 1,153,673 | 1,029,350 | 1,153,673 | 1,029,350 |
| Basic earnings / (loss) per share (sen) | (0.02) | 0.13 | 0.48 | 0.41 |