

# SCOPE

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

## **A. Notes to the Interim Financial Report For The Fourth Quarter Ended 30 June 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)	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Investment holding	3,629	2,695	917	(944)
Manufacturing	41,380	36,247	1,298	3,331
Plantation	11,052	14,919	944	4,205
Trading	120,356	119,699	2,520	1,937
Others	-	-	(12)	-
	<u>176,417</u>	<u>173,560</u>	<u>5,667</u>	<u>8,529</u>
Conso Adjustment:	<u>(2,625)</u>	<u>(1,500)</u>	<u>(4,926)</u>	<u>(1,500)</u>
	<u>173,792</u>	<u>172,060</u>		
Operating profit			741	7,029
Interest income			1,028	821
Finance cost			(53)	(158)
			<u>1,716</u>	<u>7,692</u>
Profit before taxation			1,716	7,692
Tax Expense			(371)	(831)
Profit after taxation			<u>1,345</u>	<u>6,861</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 Fourth Quarter Ended 30 June 2023

### B1. Review of Performance

#### Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Revenue	6,417	11,924	41,380	36,247
Profit/(loss) after tax	(2,144)	1,905	1,267	3,180

The manufacturing division's revenue decreased by 46.2% to RM6.42 million in current quarter under review. This division posted loss after tax of RM2.14 million in current quarter compared to profit of RM1.91 million in previous corresponding quarter due to:

- i) Significant decrease in sales volume for current quarter arising from declining demand for our products; and
- ii) Decrease in average selling price for current quarter; and
- iii) Increased operational cost mainly due to higher labour cost.

For the financial year ended 30 June 2023, revenue increased by 14.2% to RM41.4 million compared to RM36.2 million in previous corresponding year ("FY 2022") mainly due to increase in sales volume. This division posted lower profit after tax at RM1.27 million compared to profit of RM3.18 million a year ago mainly due to decrease in average selling price as well as higher operational costs such as higher labour costs and factory overhead.

#### Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Revenue	2,979	4,308	11,052	14,919
Profit/(loss) after tax	(160)	400	1,027	3,603
FFB Production (MT)	4,220	3,316	14,902	13,545
Average FFB price (RM)	706	1,299	742	1,101

Plantation division recorded lower revenue at RM2.98 million in current quarter under review as compared to RM4.31 million in previous corresponding quarter. The lower revenue was mainly due to decrease in average FFB price by 45.7% despite increase in FFB production by 27.3%. This division turn into loss after tax at RM0.16 million from profit of RM0.40 million mainly due to lower revenue generated.

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For the financial year ended 30 June 2023, revenue decreased by 25.9% to RM11.05 million mainly due to decrease in average FFB price by 32.6% which was partially offset by increase in FFB production by 10.0%. This division posted lower profit after tax at RM1.03 million for the current financial year mainly due to lower revenue generated.

## Trading Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Revenue	<u>35,703</u>	<u>29,026</u>	<u>120,356</u>	<u>119,699</u>
EBITDA	695	1,024	2,521	2,679
Interest on loan from holding company	<u>(649)</u>	<u>(187)</u>	<u>(1,311)</u>	<u>(874)</u>
Tax expense	<u>46</u> <u>22</u>	<u>837</u> <u>(55)</u>	<u>1,210</u> <u>(135)</u>	<u>1,805</u> <u>(92)</u>
Profit after tax	<u>68</u>	<u>782</u>	<u>1,075</u>	<u>1,713</u>

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

In the current quarter under review, the trading division recorded revenue of RM35.70 million compared to RM29.03 million in previous corresponding quarter. As compared to previous corresponding quarter, this division posted lower profit after tax at RM0.06 million in current quarter despite higher revenue recorded. Following the subsequent adjustment of higher interest rate on the provision of inter-company loan, this has given rise to an increase in interest expense of approximately RM0.43 million in current quarter. As a result of this reason, the profit after tax for the financial year was lower at RM1.08 million compared to RM1.71 million in previous financial year.

## Group Level

During the current quarter under review, the Group has impaired goodwill at group level amounted to RM2.83 million. This is in relation to one of our subsidiary company, namely Benua Mutiara Sdn. Bhd.

### Event that has given rise to goodwill impairment:

#### **Benua Mutiara Sdn Bhd as one of Cash-generating unit (“CGU”) carrying goodwill**

The recoverable amount of this CGU for the current financial year under review has been determined based on value in use method. After making an assessment on goodwill impairment and having regard to commencement of replanting activities of the estate in Benua Mutiara Sdn Bhd, the current recoverable amount is lesser than the carrying value of CGU. As such, impairment charges of RM2.83 million has been made on the goodwill.

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## B2. Variation of Results against Immediate Preceding Quarter

### Manufacturing division

	Individual quarter ended	
	30 June 2023 RM'000	31 March 2023 RM'000
Revenue	6,417	9,132
Profit/(loss) after tax	(2,144)	(809)

The manufacturing division's revenue decreased by 29.7% to RM6.42 million compared to RM9.13 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 RM2.14 million in current quarter.

### Plantation division

	Individual quarter ended	
	30 June 2023 RM'000	31 March 2023 RM'000
Revenue	2,979	2,523
Profit/(loss) after tax	(160)	548

The plantation division recorded higher revenue at RM2.98 million in current quarter under review compared to RM2.52 million in immediate preceding quarter, mainly due to higher FFB production by 25.4%.

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

	Individual quarter ended		
	30 June 2023	31 March 2023	Variance
Average FFB price (RM)	706	749	(5.7%)
FFB Production (MT)	4,220	3,365	25.4%

Despite higher revenue recorded in current quarter under review, this division turned into loss after tax at RM0.16 million from profit of RM0.54 million mainly due to application of fertilizer in current quarter.

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## Trading division

	Individual quarter ended	
	30 June 2023	31 March 2023
	RM'000	RM'000
Revenue	35,703	27,501
EBITDA	695	465
Interest on loan from holding company	(649)	(218)
Tax expenses	46	247
	22	(21)
Profit after tax	68	226

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

The trading division recorded higher revenue at RM35.70 million for current quarter compared to RM27.50 million in the immediate preceding quarter. Profit after tax was lower at RM0.06 million in current quarter compared to RM0.22 million in immediate preceding quarter. It was mainly due to the subsequent adjustment of higher interest rate by the holding company on the provision of inter-company loan, which had resulted in higher interest expense of approximately RM0.43 million.

### **B3. Prospects**

#### Manufacturing division

Economic conditions have deteriorated in recent months. 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 operations. At this juncture, the Company identified the issue of slower order flow from customers and considering customer's inventory correction in consumer audio equipment, 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 activities have started during the financial year under review. 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.

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## B5. Taxation

	Current Year to-date 30 June 2023 RM'000
Based on results for the year:	
<u>Malaysian operations</u>	
Current tax	567
Deferred tax	(206)
Overprovision of tax in prior year	(125)
	<hr/>
	236
Overseas taxation	135
	<hr/>
Current tax expense	<u>371</u>

The effective tax rate for the current financial year ended 30 June 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.

## 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 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	26,002	4,998	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	62,300	4,998	

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\*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 30 June 2023 RM'000
<u>Short term (secured)</u>	
- Hire purchase	71
<u>Long term (secured)</u>	
- Hire purchase	-
Total borrowing	<u>71</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	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Net profit/(loss) attributable to owners of the Company (RM'000)	(4,724)	1,815	824	6,008
Weighted average number of ordinary shares in issue ('000)	1,153,673	1,125,226	1,153,673	1,125,226
Basic earnings / (loss) per share (sen)	(0.41)	0.16	0.07	0.53