

SCOPE

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

A. Notes to the Interim Financial Report For The First Quarter Ended 30 Sep 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 2023. 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 2023.

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 2023.

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 2023 RM'000	30 Sep 2022 RM'000	30 Sep 2023 RM'000	30 Sep 2022 RM'000
Investment holding	5	482	(52)	860
Manufacturing	11,542	15,060	1,367	3,509
Plantation	2,909	2,786	1,087	309
Trading	25,688	28,976	505	717
Others	-	-	(1)	-
	<u>40,144</u>	<u>47,304</u>	<u>2,906</u>	<u>5,395</u>
Consolidation Adjustments:		(222)	(246)	(976)
	<u>40,144</u>	<u>47,082</u>		
Operating profit			2,660	4,419
Finance income			252	265
Finance cost			(3)	(21)
			<u>2,909</u>	<u>4,663</u>
Profit before taxation			2,909	4,663
Tax Expense			(219)	(220)
Profit after taxation			<u>2,690</u>	<u>4,443</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.

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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 Sep 2023

B1. Review of Performance

Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Sep 2023 RM'000	30 Sep 2022 RM'000	30 Sep 2023 RM'000	30 Sep 2022 RM'000
Revenue	11,542	15,060	11,542	15,060
Profit after tax	1,377	3,489	1,377	3,489

The manufacturing division's revenue decreased by 23% to RM11.54 million in current quarter under review. This division posted profit after tax of RM1.38 million in current quarter compared to profit of RM3.5 million in previous corresponding quarter due to:

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

Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Sep 2023 RM'000	30 Sep 2022 RM'000	30 Sep 2023 RM'000	30 Sep 2022 RM'000
Revenue	2,909	2,786	2,909	2,786
Profit after tax	983	208	983	208
FFB Production (MT)	4,144	3,622	4,144	3,622
Average FFB price (RM)	702	769	702	769

Plantation division recorded slightly better revenue at RM2.91 million in current quarter under review as compared to RM2.79 million in previous corresponding quarter. Although average FFB price is decreased by 9%, it was successfully offset by higher FFB production, which increased by 14%. This division recorded a higher profit after tax, increasing by 373% to RM0.98 million mainly due to the application of fertiliser in previous corresponding quarter.

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Trading Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Sep 2023 RM'000	30 Sep 2022 RM'000	30 Sep 2023 RM'000	30 Sep 2022 RM'000
Revenue	<u>25,688</u>	<u>28,976</u>	<u>25,688</u>	<u>28,976</u>
EBITDA	502	717	502	717
Interest on loan from holding company	<u>(334)</u>	<u>(222)</u>	<u>(334)</u>	<u>(222)</u>
Tax expense	<u>168</u> <u>(29)</u>	<u>495</u> <u>(59)</u>	<u>168</u> <u>(29)</u>	<u>495</u> <u>(59)</u>
Profit after tax	<u>139</u>	<u>436</u>	<u>139</u>	<u>436</u>

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

In the current quarter under review, the trading division recorded revenue of RM25.69 million compared to RM28.98 million in previous corresponding quarter. As compared to previous corresponding quarter, this division posted lower profit after tax at RM0.14 million in current quarter due to reduced revenue and higher interest rate on the provision of inter-company loan.

B2. Variation of Results against Immediate Preceding Quarter

Manufacturing division

	<u>Individual quarter ended</u>	
	30 Sep 2023 RM'000	30 June 2023 RM'000
Revenue	11,542	6,417
Profit/(loss) after tax	1,377	(2,144)

The manufacturing division's revenue increased by 80% to RM11.54 million compared to RM6.4 million in immediate preceding quarter, mainly due to higher volume of goods sold. As a result of higher revenue recorded, this division posted profit after tax at RM1.38 million in current quarter.

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Plantation division

	Individual quarter ended	
	30 Sep 2023 RM'000	30 June 2023 RM'000
Revenue	2,909	2,979
Profit/(loss) after tax	983	(160)

The plantation division recorded slightly lower revenue at RM2.91 million in current quarter under review compared to RM2.98 million in immediate preceding quarter, primarily due to a slightly decrease in both the average FFB price and FFB production.

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

	Individual quarter ended		
	30 Sep 2023	30 June 2023	Variance
Average FFB price (RM)	702	706	(0.5%)
FFB Production (MT)	4,143	4,220	(1.8%)

Despite lower revenue recorded in current quarter under review, this division shifted from a loss of RM0.16 million to a profit after tax of RM0.98 million, primarily due to application of fertiliser in previous quarter.

Trading division

	Individual quarter ended	
	30 Sep 2023 RM'000	30 June 2023 RM'000
Revenue	25,688	35,703
EBITDA	503	695
Interest on loan from holding company	(335)	(649)
Tax expenses	168 (29)	46 22
Profit after tax	139	68

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

The trading division recorded lower revenue at RM25.69 million for current quarter compared to RM35.70 million in the immediate preceding quarter. Despite the decrease in revenue, the profit after tax was higher, reaching RM0.14 million in the current quarter compared to RM0.06 million in the immediate preceding quarter. This increase was primarily due to the adjustment of a higher interest rate by the holding company on the provision of an inter-company loan. This adjustment resulted in a higher interest expense of approximately RM0.31 million in the immediate preceding quarter.

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B3. Prospects

Manufacturing division

This year has witnessed a decline in economic conditions, presenting ongoing challenges for the manufacturing division throughout the current financial year. Global macroeconomic factors, such as rising inflation and reduced consumer demand, are putting pressure on our operations. Currently, the Company has observed a slowdown in customer order flows. In order to enhance our financial performance during this period, we are emphasizing operational efficiency and implementing rigorous cost-control measures throughout the current financial year to navigate through this uncertain and challenging period.

Plantation division

The oil palms in one of our plantation estates have surpassed a commercial lifespan of more than 28 years. Replanting activities commenced last financial year and are ongoing in stages. To mitigate the impact of these replanting activities on the plantation division, management is diligently monitoring FFB production and taking measures to enhance harvesting yields and reduce costs in another oil palm plantation.

Trading division

The Trading Division will continue to identify business opportunities to further enhance profitability.

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 2023 RM'000
Based on results for the year:	
<u>Malaysian operations</u>	
Current tax	190
Overseas taxation	29
Current tax expense	<u>219</u>

The effective tax rate for the current financial period ended 30 Sep 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 30 Sep 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	3,736	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	3,736	

*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 the date of this report, the Group does not have any borrowing and debt securities.

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 Per Share

(i) Basic earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to shareholders for the financial period by the weighted average number of ordinary shares in issue.

	Quarter		Year to date	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
Net profit attributable to owners of the Company (RM'000)	2,471	4,338	2,471	4,338
Weighted average number of ordinary shares in issue ('000)	1,153,673	1,153,673	1,153,673	1,153,673
Basic earnings per share (sen)	0.21	0.38	0.21	0.38