

SCOPE

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

A. Notes to the Interim Financial Report For The Second Quarter Ended 31 December 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) | |
|-------------------------------|-------------------------|-----------------------|---|-----------------------|
| | 31 Dec 2023 RM'000 | 31 Dec 2022 RM'000 | 31 Dec 2023 RM'000 | 31 Dec 2022 RM'000 |
| Investment holding | 5 | 965 | (1,296) | (539) |
| Manufacturing | 19,322 | 25,831 | 592 | 4,258 |
| Plantation | 5,459 | 5,550 | 1,784 | 737 |
| Trading | 56,787 | 57,152 | 1,147 | 1,368 |
| Others | - | - | (2) | - |
| | <u>81,573</u> | <u>89,498</u> | <u>2,225</u> | <u>5,824</u> |
| Consolidation Adjustments: | | (431) | 645 | 147 |
| | <u>81,573</u> | <u>89,067</u> | | |
| Operating profit | | | 2,870 | 5,971 |
| Finance income | | | 517 | 548 |
| Finance cost | | | (5) | (58) |
| | | | <u>3,382</u> | <u>6,461</u> |
| Profit before taxation | | | 3,382 | 6,461 |
| Tax Expense | | | (437) | (304) |
| Profit after taxation | | | <u>2,945</u> | <u>6,157</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 Second Quarter Ended 31 December 2023

B1. Review of Performance

Manufacturing Division

| | <u>Quarter ended</u> | | <u>Year to date</u> | |
|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 Dec 2023 RM'000 | 31 Dec 2022 RM'000 | 31 Dec 2023 RM'000 | 31 Dec 2022 RM'000 |
| Revenue | 7,780 | 10,771 | 19,322 | 25,831 |
| Profit / (loss) after tax | (773) | 731 | 604 | 4,220 |

The manufacturing division's revenue decreased by 28% to RM7.78 million in the current quarter under review compared to the previous corresponding quarter. This division posted a loss after tax of RM0.77 million in the current quarter, mainly due to lower sales volume.

For the 6 months period ended on 31 December 2023, revenue decreased by 25% to RM19 million, mainly due to lower sales volume. As a result of the lower revenue recorded for the current period, this division posted a lower profit after tax of RM0.6 million compared to RM4.22 million in the previous corresponding period.

Plantation Division

| | <u>Quarter ended</u> | | <u>Year to date</u> | |
|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 Dec 2023 RM'000 | 31 Dec 2022 RM'000 | 31 Dec 2023 RM'000 | 31 Dec 2022 RM'000 |
| Revenue | 2,550 | 2,764 | 5,459 | 5,550 |
| Profit after tax | 628 | 431 | 1,611 | 639 |
| FFB Production (MT) | 3,749 | 3,696 | 7,892 | 7,318 |
| Average FFB price (RM) | 680 | 748 | 691 | 758 |

The Plantation division recorded a slight drop in revenue to RM2.55 million in the current quarter under review compared to RM2.76 million in the previous corresponding quarter. This is mainly due to a greater decrease in average FFB prices compared to the increase in FFB production. However, this division recorded a higher profit after tax, increasing by 46% to RM0.62 million, achieved through strict cost control.

For the 6 months period ended on 31 December 2023, the average FFB price decreased by 8.8%, while FFB production increased by 7.8%, resulting in revenue decreasing slightly by 1.63% to RM5.46 million. However, this division posted a higher profit after tax of RM1.61 million.

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Trading Division

| | <u>Quarter ended</u> | | <u>Year to date</u> | |
|---------------------------------------|---------------------------|---------------------------|---------------------------|----------------------------|
| | 31 Dec 2023 RM'000 | 31 Dec 2022 RM'000 | 31 Dec 2023 RM'000 | 31 Dec 2022 RM'000 |
| Revenue | <u>31,099</u> | <u>28,176</u> | <u>56,787</u> | <u>57,152</u> |
| EBITDA | 645 | 644 | 1,147 | 1,361 |
| Interest on loan from holding company | <u>(347)</u> | <u>(222)</u> | <u>(681)</u> | <u>(444)</u> |
| Tax expense | <u>298</u> <u>(64)</u> | <u>422</u> <u>(77)</u> | <u>466</u> <u>(93)</u> | <u>917</u> <u>(136)</u> |
| Profit after tax | <u>234</u> | <u>345</u> | <u>373</u> | <u>781</u> |

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

In the current quarter under review, the trading division recorded higher revenue of RM31.10 million compared to RM28.18 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 due to higher interest on loan from holding company and lower product margin

For 6 months period ended 31 December 2023, this division posted lower revenue of RM56.79 million compared to RM57.15 million in previous corresponding quarter. As a result, profit after tax for the current period was lower at RM0.37 million.

B2. Variation of Results against Immediate Preceding Quarter

Manufacturing division

| | Individual quarter ended | |
|---------------------------|--------------------------|-----------------------|
| | 31 Dec 2023 RM'000 | 30 Sep 2023 RM'000 |
| Revenue | 7,780 | 11,542 |
| Profit / (loss) after tax | (773) | 1,377 |

The manufacturing division's revenue decreased by 33% to RM7.78 million compared to RM11.54 million in immediate preceding quarter, mainly due to lower volume of goods sold. As a result of lower revenue recorded, this division posted loss after tax at RM0.77 million in current quarter.

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Plantation division

| | Individual quarter ended | |
|------------------|--------------------------|-----------------------|
| | 31 Dec 2023 RM'000 | 30 Sep 2023 RM'000 |
| Revenue | 2,550 | 2,909 |
| Profit after tax | 628 | 983 |

The plantation division recorded lower revenue at RM2.55 million in current quarter under review compared to RM2.91 million in immediate preceding quarter, primarily due to a 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 | | |
|------------------------|--------------------------|-------------|----------|
| | 31 Dec 2023 | 30 Sep 2023 | Variance |
| Average FFB price (RM) | 680 | 702 | (3.31%) |
| FFB Production (MT) | 3,749 | 4,144 | (9.53%) |

As a result, this division recorded lower profit after tax of RM0.63 million compare to immediate preceding quarter.

Trading division

| | Individual quarter ended | |
|---------------------------------------|--------------------------|-----------------------|
| | 31 Dec 2023 RM'000 | 30 Sep 2023 RM'000 |
| Revenue | 31,099 | 25,688 |
| EBITDA | 645 | 502 |
| Interest on loan from holding company | (347) | (334) |
| Tax expenses | 298 (64) | 168 (29) |
| Profit after tax | 234 | 139 |

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

In the current quarter, the Trading Division achieved higher revenue of RM31.10 million, compared to RM25.70 million in the immediate preceding quarter. Consequently, profit after tax also increased, reaching RM0.23 million in the current quarter, compared to RM0.14 million in the immediate preceding quarter.

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B3. Prospects

Manufacturing division

The manufacturing division has faced a decline in customer orders and has reviewed a low sales forecast for the upcoming months. The situation is further aggravated by increasing inflation. Nonetheless, management is making effort to mitigate this situation and enforcing rigorous cost-control measures to enhance our financial performance in this uncertain and challenging environment.

Plantation division

The anticipated El Nino phenomenon in Southeast Asia is expected to drive up the price of oil palm. However, the exact impact on production volume is yet to be seen in the coming months. Management is closely monitoring FFB production and taking proactive measures to enhance harvesting yields.

Trading division

The Trading Division remains committed to identifying and capitalizing on 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 | 344 |
| Overseas taxation | 93 |
| Current tax expense | <u>437</u> |

The effective tax rate for the current financial period ended 31 Dec 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 Dec 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 | 2,056 | 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 | 2,056 | |

*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 | |
|--|----------------|----------------|----------------|----------------|
| | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| Net profit attributable to owners of the Company (RM'000) | 87 | 1,441 | 2,558 | 5,779 |
| 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) | 0.01 | 0.12 | 0.22 | 0.50 |