

SCOPE

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

A. Notes to the Interim Financial Report For The Third Quarter Ended 31 March 2024

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 Mar 2024 RM'000	31 Mar 2023 RM'000	31 Mar 2024 RM'000	31 Mar 2023 RM'000
Investment holding	9	2,106	(201)	1,227
Manufacturing	26,266	34,963	(245)	3,451
Plantation	7,905	8,073	2,336	1,341
Trading	92,275	84,653	1,867	1,835
Others	-	-	(6)	-
	<u>126,454</u>	<u>130,443</u>	<u>3,751</u>	<u>7,854</u>
Consolidation Adjustments:		(1,974)	(547)	(2,060)
	<u>126,454</u>	<u>127,821</u>		
Operating profit			3,204	5,794
Finance income			787	797
Finance cost			(5)	(64)
			<u>3,986</u>	<u>6,527</u>
Profit before taxation			3,986	6,527
Tax Expense			(671)	(366)
Profit after taxation			<u>3,315</u>	<u>6,161</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 2024

B1. Review of Performance

Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Mar 2024 RM'000	31 Mar 2023 RM'000	31 Mar 2024 RM'000	31 Mar 2023 RM'000
Revenue	6,944	9,132	26,266	34,863
Profit / (loss) after tax	(839)	(809)	(235)	3,411

The manufacturing division's revenue decreased by 24% to RM6.94 million in the current quarter under review compared to the previous corresponding quarter. This division posted a loss after tax of RM0.84 million in the current quarter, mainly due to lower sales volume.

For the 9 months period ended on 31 March 2024, revenue decreased by 25% to RM26 million, mainly due to lower sales volume. As a result of the lower revenue recorded for the current period, this division posted a loss after tax of RM0.24 million compared to profit after tax of RM3.41 million in the previous corresponding period.

Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Mar 2024 RM'000	31 Mar 2023 RM'000	31 Mar 2024 RM'000	31 Mar 2023 RM'000
Revenue	2,446	2,523	7,905	8,073
Profit after tax	469	548	2,080	1,187
FFB Production (MT)	3,315	3,365	11,207	10,683
Average FFB price (RM)	738	749	707	755

The Plantation division recorded a slight drop in revenue to RM2.45 million in the current quarter under review compared to RM2.52 million in the previous corresponding quarter. This is mainly due to a both decrease in average FFB prices and FFB production. As a result, this division recorded a lower profit after tax, decreasing by 14% to RM0.47 million.

For the 9 months period ended on 31 March 2024, the average FFB price decreased by 6%, while FFB production increased by 5%, resulting in revenue decreasing slightly by 2% to RM7.91 million. However, this division posted a higher profit after tax of RM2.08 million.

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Trading Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Mar 2024 RM'000	31 Mar 2023 RM'000	31 Mar 2024 RM'000	31 Mar 2023 RM'000
Revenue	<u>35,488</u>	<u>27,501</u>	<u>92,275</u>	<u>84,653</u>
EBITDA	721	465	1,868	1,826
Interest on loan from holding company	<u>(348)</u>	<u>(218)</u>	<u>(1,029)</u>	<u>(662)</u>
Tax expense	<u>373</u> <u>(62)</u>	<u>247</u> <u>(21)</u>	<u>839</u> <u>(155)</u>	<u>1,164</u> <u>(157)</u>
Profit after tax	<u>311</u>	<u>226</u>	<u>684</u>	<u>1,007</u>

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

In the current quarter under review, the trading division recorded higher revenue of RM35.49 million compared to RM27.5 million in previous corresponding quarter. As compared to previous corresponding quarter, this division posted higher profit after tax at RM0.31 million in current quarter.

For 9 months period ended 31 March 2024, this division posted higher revenue of RM 92.28 million compared to RM84.65 million in previous corresponding quarter. The increase in interest on loan from holding company, compared to the corresponding quarter of last year, has resulted in a lower post-tax profit of 0.68 million compare to RM1.07 million in previous corresponding quarter.

B2. Variation of Results against Immediate Preceding Quarter

Manufacturing division

	<u>Individual quarter ended</u>	
	31 Mar 2024 RM'000	31 Dec 2023 RM'000
Revenue	6,944	7,780
Loss after tax	(839)	(773)

The manufacturing division's revenue decreased by 10% to RM6.94 million compared to RM7.78 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 RM0.84 million in current quarter.

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Plantation division

	Individual quarter ended	
	31 Mar 2024 RM'000	31 Dec 2023 RM'000
Revenue	2,446	2,550
Profit after tax	469	628

The plantation division recorded lower revenue at RM2.47 million in current quarter under review compared to RM2.55 million in immediate preceding quarter, primarily due to a decrease in FFB production.

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

	Individual quarter ended		
	31 Mar 2024	31 Dec 2023	Variance
Average FFB price (RM)	738	680	8.5%
FFB Production (MT)	3,315	3,749	(11.6%)

As a result, this division recorded lower profit after tax of RM0.47 million compare to immediate preceding quarter.

Trading division

	Individual quarter ended	
	31 Mar 2024 RM'000	31 Dec 2023 RM'000
Revenue	35,488	31,099
EBITDA	721	645
Interest on loan from holding company	(348)	(347)
	373	298
Tax expenses	(62)	(64)
Profit after tax	311	234

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

In the current quarter, the Trading Division achieved higher revenue of RM35.49 million, compared to RM31.10 million in the immediate preceding quarter. Consequently, profit after tax also increased, reaching RM0.31 million in the current quarter, compared to RM0.23 million in the immediate preceding quarter.

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B3. Prospects

Manufacturing division

Despite expecting a slight increase in sales orders for the upcoming quarter, the management recognizes the unpredictability of the business environment. Management is committed to enhancing profitability through rigorous cost-saving initiatives, leveraging our resources efficiently to mitigate the effects of the uncertain environment.

Plantation division

Management anticipates that the FFB production yield will be moderately higher than the last financial year, however it may be moderated by the ongoing replanting program. Management is taking initiatives to enhance profitability through cost-saving measures. We expect the plantation division to perform satisfactorily for the financial year 2024.

Trading division

Management aims to improve its profit margin by identifying and seizing business opportunities to enhance profitability. By actively seeking out and capitalizing on favourable opportunities, we aim to achieve better performance in trading division.

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 March 2024 RM'000
Based on results for the year:	
<u>Malaysian operations</u>	
Current tax	516
Overseas taxation	155
Current tax expense	<u>671</u>

The effective tax rate for the current financial period ended 31 Mar 2024 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 Mar 2024 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	30,211	789	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	66,509	789	

*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 Mar 2024	31 Mar 2023	31 Mar 2024	31 Mar 2023
Net profit /(Loss) attributable to owners of the Company (RM'000)	106	(231)	2,664	5,548
Weighted average number of ordinary shares in issue ('000)	1,154,400	1,153,673	1,154,400	1,153,673
Basic earnings per share (sen)	0.01	(0.02)	0.23	0.48