

SCOPE

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

A. Notes to the Interim Financial Report For The Fourth Quarter Ended 30 June 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)	
	30 Jun 2024 RM'000	30 Jun 2023 RM'000	30 Jun 2024 RM'000	30 Jun 2023 RM'000
Investment holding	4,709	3,639	(42,690)	917
Manufacturing	38,045	41,380	556	1,298
Plantation	10,758	11,052	2,608	944
Trading	109,016	120,356	(43,088)	2,520
Others	-	-	(9)	(12)
	<u>162,528</u>	<u>176,417</u>	<u>(82,623)</u>	<u>5,667</u>
Consolidation Adjustments:	<u>(4,700)</u>	<u>(2,625)</u>	<u>(35,105)</u>	<u>(4,926)</u>
	<u>157,828</u>	<u>173,792</u>		
Operating profit/(Loss)			(47,518)	741
Finance income			1,045	1,028
Finance cost			(5)	(53)
			<u>(46,478)</u>	<u>1,716</u>
Profit/(Loss) before taxation			(46,478)	1,716
Tax Expense			2,136	(371)
Profit/(Loss) after taxation			<u>(44,342)</u>	<u>1,345</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 2024

B1. Review of Performance

Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Jun 2024 RM'000	30 Jun 2023 RM'000	30 Jun 2024 RM'000	30 Jun 2023 RM'000
Revenue	11,779	6,417	38,045	41,380
Profit / (Loss) after tax	804	(2,144)	569	1,267

The manufacturing division's revenue increased by 83% to RM11.78 million in the current quarter under review compared to the previous corresponding quarter. This division turn to profit after tax of RM0.80 million in the current quarter, mainly due to higher sales volume.

For Financial year ended on 30 June 2024, revenue decreased by 8.05% to RM38 million, mainly due to lower sales volume. As a result of the lower revenue recorded for the current year, this division posted a profit after tax of RM0.57 million compared to profit after tax of RM1.27 million in the previous corresponding period.

Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Jun 2024 RM'000	30 Jun 2023 RM'000	30 Jun 2024 RM'000	30 Jun 2023 RM'000
Revenue	2,853	2,979	10,758	11,052
Profit/(Loss) after tax	2,328	(160)	4,408	1,027
FFB Production (MT)	3,764	4,220	14,971	14,902
Average FFB price (RM)	759	706	720	742

The Plantation division recorded a slight drop in revenue to RM2.85 million in the current quarter under review compared to RM2.98 million in the previous corresponding quarter. This is mainly due to a decrease in FFB production. In the view of one of plantation division, Pioneer Glow Sdn Bhd have recorded profit and generated taxable income, thus deferred tax asset amounting to RM1.9million is recorded in current year. As a result, this division recorded a higher profit after tax, increasing to RM2.33 million.

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Plantation Division(continue)

For the Financial year ended on 30 June 2024, the average FFB price decreased by 2.96%, while FFB production increased by 0.46%, resulting in revenue decreasing slightly by 2.66% to RM10.76 million. However, this division posted a higher profit after tax of RM4.41 million. This significant increase is mainly due to the recognition of a deferred tax asset.

Trading Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Jun 2024 RM'000	30 Jun 2023 RM'000	30 Jun 2024 RM'000	30 Jun 2023 RM'000
Revenue	16,741	35,703	109,016	120,356
EBITDA	(44,961)	695	(43,091)	2,521
Interest on loan from holding company	(344)	(649)	(1,373)	(1,311)
Profit/(Loss) before tax	(45,305)	46	(44,464)	1,210
Tax expense	39	22	(116)	(135)
Profit/(Loss) after tax	(45,266)	68	(44,580)	1,075

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

In the current quarter, the trading division recorded lower revenue of RM16.74 million compared to RM35.7 million in previous corresponding quarter. Considering the possibility of slow collection of trade receivables, a provision of RM45.39 million has been made. The company is seeking legal advice to take the necessary actions to recover the trade receivables more expediently. As a result, this division posted loss after tax at RM45.27 million in current quarter.

For financial year ended 30 June 2024, this division posted lower revenue of RM 109.02 million compared to RM120.36 million in previous corresponding year. Due to lower trading activities and the provision for trade receivables, this division recorded a loss after tax of RM44.58 million.

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Group Level

During the current quarter, the group has impaired goodwill at group level amounted to RM 7.2 million. This is in relation to one of our subsidiaries namely Pioneer Glow Sdn Bhd.

Event that has given rise to goodwill impairment on Pionner Glow Sdn Bhd:

The recoverable amount of this subsidiary for the current financial year has been determined based on a 5-year projection of discounted cash flows. We noted that the carrying amount of PGSB's Cash-generating unit has exceeded its recoverable amount, primarily due to no significant improvement in yield in the foreseeable future and the expected decline in yield from aging trees. As a result, an impairment charge of RM7.2 million has been recorded against the goodwill.

B2. Variation of Results against Immediate Preceding Quarter

Manufacturing division

	Individual quarter ended	
	30 Jun 2024	31 Mar 2024
	RM'000	RM'000
Revenue	11,779	6,944
Profit/(Loss) after tax	804	(839)

The manufacturing division's revenue increased by 70% to RM11.78 million compared to RM6.94 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 RM0.80 million in current quarter.

Plantation division

	Individual quarter ended	
	30 Jun 2024	31 Mar 2024
	RM'000	RM'000
Revenue	2,853	2,446
Profit after tax	2,328	469

The plantation division recorded higher revenue at RM2.85 million in current quarter under review compared to RM2.45 million in immediate preceding quarter, due to a increase in both FFB production and average FFB price.

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Plantation division (continue)

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

	Individual quarter ended		
	30 Jun 2024	31 Mar 2024	Variance
Average FFB price (RM)	759	738	2.84%
FFB Production (MT)	3,764	3,315	11.92%

As a result, this division recorded higher profit after tax of RM2.33 million compared immediate preceding year. This profit after tax included the recognized of deferred tax asset amount to RM1.9 million.

Trading division

	Individual quarter ended	
	30 Jun 2024 RM'000	31 Mar 2024 RM'000
Revenue	16,741	35,488
EBITDA	(44,961)	721
Interest on loan from holding company	(344)	(348)
	(45,305)	373
Tax expenses	39	(62)
Profit/(Loss) after tax	(45,266)	311

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

In the current quarter, the Trading Division achieved lower revenue of RM16.74 million, compared to RM35.49 million in the immediate preceding quarter.

As mentioned in section above, an impairment loss of RM45.39 million was recognized in the current quarter on trade receivables. Consequently, a loss after tax amounting to RM45.27 million was recorded in the current quarter, compared to profit after tax of RM0.31 million in the immediate preceding quarter.

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B3. Prospects

Manufacturing division

Although a slight decline in sales orders is expected for the upcoming quarter, management acknowledges the unpredictability of the business environment. Nevertheless, Management remains focused on improving profitability by implementing cost-saving measures and optimizing resource efficiency to counterbalance the challenges posed by uncertainty.

Plantation division

Although replanting is progressing, the harvesting yield has shown only a slight increase compared to last year. Management is actively monitoring FFB production and implementing measures to enhance the yield.

Trading division

Management is seeking legal advice to take the necessary actions to recover the trade receivables more expediently. Management will monitor the trading activities in this division in view of the risk and availability of working capital.

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 June 2024 RM'000
Based on results for the year:	
<u>Malaysian operations</u>	
Current tax	406
Deferred tax asset	(2,669)
Underprovision in prior year	11
	<hr/>
	(2,252)
Overseas taxation	116
Current tax expense / (asset)	<hr/>
	(2,136)

The effective tax rate for the current financial period ended 30 Jun 2024 was lower than the statutory rate mainly due to availability of Reinvestment Allowance in manufacturing segment. The higher deferred tax asset is due to the recognition of a deferred tax asset of RM1.9 million in the plantation division and the reversal of a deferred tax liability of RM0.64 million in Scope Industries Berhad.

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 Jun 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	31,000	-	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	67,298	-	

*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 Jun 2024	30 Jun 2023	30 Jun 2024	30 Jun 2023
Net profit /(Loss) attributable to owners of the Company (RM'000)	(39,287)	(4,724)	(36,538)	824
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)	(3.40)	(0.41)	(3.17)	0.07