

SCOPE

SCOPE INDUSTRIES BERHAD

(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	As At 30 Sep 2015 RM'000 (Unaudited)	As At 30 Jun 2015 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	83,331	81,896
Biological assets	9,198	9,196
Goodwill on consolidation	34,966	34,966
Other investment	1,855	1,225
	129,350	127,283
Current Assets		
Inventories	1,314	1,199
Trade receivables	2,399	2,115
Other receivables, deposits and prepayments	2,460	495
Tax recoverable	12	11
Cash and bank balances	4,044	1,901
Total current assets	10,229	5,721
Current liabilities		
Trade payables	1,141	1,010
Other payables and accruals	4,373	4,323
Short term borrowing	298	413
Provision for taxation	427	175
Total current liabilities	6,239	5,921
NET CURRENT ASSETS	<u>3,990</u>	<u>(200)</u>
	<u>133,340</u>	<u>127,083</u>
FINANCED BY :		
Share capital	55,548	50,548
Reserves	54,544	50,084
	110,092	100,632
Non controlling interest	5,855	5,886
Shareholders' funds	<u>115,947</u>	<u>106,518</u>
Non-current liabilities		
Other payables	2,383	5,530
Deferred taxation	14,987	14,987
Long term borrowing	23	48
	17,393	20,565
	<u>133,340</u>	<u>127,083</u>
Net assets per share (RM)	<u>0.2087</u>	<u>0.2107</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2015)

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SCOPE INDUSTRIES BERHAD

(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Period Ended 30 September 2015

(The figures have not been audited)

	Quarter ended		Year to date	
	30 Sep 2015 RM'000	30 Sep 2014 RM'000	30 Sep 2015 RM'000	30 Sep 2014 RM'000
Revenue	7,136	6,197	7,136	6,197
Cost of sales	(4,873)	(4,749)	(4,873)	(4,749)
Gross profit	<u>2,263</u>	<u>1,448</u>	<u>2,263</u>	<u>1,448</u>
Other income	34	15	34	15
Administrative expenses	(901)	(679)	(901)	(679)
Profit from operations	<u>1,396</u>	<u>784</u>	<u>1,396</u>	<u>784</u>
Finance costs	(161)	(227)	(161)	(227)
Profit/(loss) before tax	<u>1,235</u>	<u>557</u>	<u>1,235</u>	<u>557</u>
Taxation	(318)	(343)	(318)	(343)
Profit/(loss) for the period	<u>917</u>	<u>214</u>	<u>917</u>	<u>214</u>
Other comprehensive income - Fair value changes of available-for-sale assets	512	276	512	276
Total comprehensive income	<u>1,429</u>	<u>490</u>	<u>1,429</u>	<u>490</u>
Profit / (loss) attributable to :				
Owners of the Company	948	287	948	287
Non-controlling interests	(31)	(73)	(31)	(73)
	<u>917</u>	<u>214</u>	<u>917</u>	<u>214</u>
Total comprehensive income/(loss) attributable to :				
Owners of the Company	1,460	563	1,460	563
Non-controlling interests	(31)	(73)	(31)	(73)
	<u>1,429</u>	<u>490</u>	<u>1,429</u>	<u>490</u>
Earnings/(loss) per share				
Basic	0.19	0.06	0.19	0.06
Diluted	0.17	0.05	0.17	0.05

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2015)

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SCOPE INDUSTRIES BERHAD

(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For The Period Ended 30 September 2015

(The figures have not been audited)

	30 Sep 2015 RM'000 (Unaudited)	30 Sep 2014 RM'000 (Unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	1,235	557
Adjustments for :		
Non-cash items	1,128	1,254
Non-operating items	(10)	213
Operating profit before changes in working capital	2,353	2,024
Changes in working capital:		
(Increase) / Decrease in inventories	(113)	56
Decease / (increase) in receivables	(2,249)	56
(Decrease) / increase in payables	(3,121)	(3,054)
Cash generated from operations	(3,130)	(918)
Dividend received	159	-
Income tax paid	(67)	(165)
Interest paid	(8)	(18)
Net cash from operating activities	(3,046)	(1,101)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	12	19
Purchase of property, plant and equipment	(2,442)	(289)
Purchase of biological assets	(122)	(250)
Purchase of other investment	(119)	-
Net cash used in investing activities	(2,671)	(520)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from private placement	8,000	-
Repayment of hire purchase creditors	(140)	(206)
Net cash (used in)/from financing activities	7,860	(206)
Net (Decrease)/Increase in Cash and Cash Equivalents	2,143	(1,827)
Cash and Cash Equivalents at beginning of period	1,901	4,586
Cash and Cash Equivalents at end of period	4,044	2,759
Cash and cash equivalents comprise the following:		
Cash and bank balances	4,044	2,759
Bank overdraft	-	-
	4,044	2,759

(The Condensed Consolidated Statements of Cash Flow should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2015)

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SCOPE INDUSTRIES BERHAD

(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For The Period Ended 30 September 2015

(The figures have not been audited)

	-----> Attributable to owners of the Company <-----									
	-----> Non -Distributable <-----									
	Share Capital	Share Premium	Warrants Reserve	Discount on Shares	Fair Value Reserve	Capital Reserve	Retained Profit /(losses)	Total	Non- Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015										
Balance at 1 July 2015	50,548	32,350	4,056	(4,056)	653	28,002	(10,921)	100,632	5,886	106,518
Issuance of ordinary shares - Private placement	5,000	3,000	-	-	-	-	-	8,000	-	8,000
Total comprehensive income	-	-	-	-	512	-	948	1,460	(31)	1,429
Balance at 30 September 2015	55,548	35,350	4,056	(4,056)	1,165	28,002	(9,973)	110,092	5,855	115,947
2014										
Balance at 1 July 2014	50,548	32,350	4,056	(4,056)	301	28,002	(8,035)	103,166	6,451	109,617
Total comprehensive income	-	-	-	-	276	-	287	563	(73)	490
Balance at 30 September 2014	50,548	32,350	4,056	(4,056)	577	28,002	(7,748)	103,729	6,378	110,107

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2015)

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A. Notes To The Interim Financial Report For The First Quarter Ended 30 September 2015

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 Listing Requirements of the Bursa Malaysia Securities Berhad for the ACE Market (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2015. 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 2015.

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 2015.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (“MASB”) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS Framework”).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual period beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer (“Transitioning Entities”).

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Company and certain subsidiaries fall within the definition of Transitioning Entities and have opted to defer the adoption of MFRS Framework. However for subsidiaries which financial statements are prepared in accordance with MFRSs were converted to FRSs for the purpose of the preparation of the Group financial statements.

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A2. Changes in Accounting Policies (Cont'd)

In presenting its first MFRS financial statements i.e. financial statements for the financial year ending 30 June 2019, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group and the Company expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 30 June 2019.

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 issuances or repayments of debt or equity securities. There was also no share buy-backs, shares cancelled, shares held as treasury shares or treasury shares resold for the current financial period to date.

A8. Dividends Paid

There was no dividend paid during the period under review.

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A9. Segment Information

	Year to date Revenue		Year to date Operating profit / (loss)	
	30 Sep 2015 RM'000	30 Sep 2014 RM'000	30 Sep 2015 RM'000	30 Sep 2014 RM'000
Investment holding	669	513	562	464
Manufacturing	5,006	4,182	1137	730
Plantation	1,961	1,997	185	76
Trading	0	5	0	1
	<u>7,636</u>	<u>6,697</u>	<u>1,884</u>	<u>1,270</u>
Less : Elimination	<u>(500)</u>	<u>(500)</u>	<u>(500)</u>	<u>(500)</u>
	<u>7,136</u>	<u>6,197</u>		
Operating profit			1,384	770
Interest income			12	14
Finance cost			(161)	(227)
			<u>1,235</u>	<u>557</u>
Profit / (loss) before taxation			1,235	557
Tax Expense			(318)	(343)
Profit / (loss) after taxation			<u>917</u>	<u>214</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 financial period to date.

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 First Quarter Ended 30 September 2015

B1. Review of Performance

Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Sep 2015 RM'000	30 Sep 2014 RM'000	30 Sep 2015 RM'000	30 Sep 2014 RM'000
Revenue	5,006	4,182	5,006	4,182
Profit after tax	855	546	855	546

Revenue for current quarter increased by 19.7% to RM5.01 million as compared to RM4.18 million in the previous corresponding quarter. Profit after tax was higher at RM0.86 million compared to RM0.55 million in previous corresponding quarter, mainly due to higher revenue achieved as well as higher margin orders secured and completed in the current quarter.

Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Sep 2015 RM'000	30 Sep 2014 RM'000	30 Sep 2015 RM'000	30 Sep 2014 RM'000
Revenue	1,961	1,997	1,961	1,997
Profit / (Loss) after tax	145	(97)	145	(97)
FFB Production (MT)	4,966	4,517	4,966	4,517
Average FFB price (RM)	395	444	395	444

For the quarter under review, the revenue in plantation division reduced marginally to RM1.96 million from RM2.00 million in previous corresponding quarter. This was due to decrease in average FFB price by 11.0% that was partially offset by an increase of 9.9% in FFB production.

Despite decrease in revenue, this division managed to achieve profit after tax of RM0.15 million as compared to loss of RM0.10 million in previous corresponding quarter. This was mainly due to higher gross profit achieved resulted from improved agricultural practices.

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B2. Variation of Results Against Immediate Preceding Quarter

Manufacturing division

	Individual quarter ended	
	30 Sep 2015 RM'000	30 Jun 2015 RM'000
Revenue	5,006	2,688
Profit / (Loss) after tax	855	(253)

For the current quarter under review, the manufacturing division recorded revenue of RM5.01 million as compared to RM2.69 million in the immediate preceding quarter ended 30 June 2015. As a result of higher revenue achieved, the division has managed to turnaround from loss making position into profit after tax of RM0.86 million in current quarter.

Plantation division

	Individual quarter ended	
	30 Sep 2015 RM'000	30 Jun 2015 RM'000
Revenue	1,961	2,018
Profit / (Loss) after tax	145	(140)

The plantation division posted 2.8% marginally lower revenue in the current quarter at RM1.96 million as compared to RM2.02 million in the immediate preceding quarter. The decrease in the current quarter's revenue is due to decrease in average FFB price that was partially offset by increase in FFB production and these are elaborated as follow:

	Individual quarter ended		
	30 Sep 2015	30 Jun 2015	Variance
Average FFB price (RM)	394.86	441.67	(10.6%)
FFB Production (MT)	4,966	4,569	8.7%

Despite decrease in revenue, this division managed to achieve profit after tax of RM0.15 million as compared to loss of RM0.14 million in immediate preceding quarter. This was mainly due to higher gross profit achieved resulted from improved agricultural practices.

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B3. Prospects

Manufacturing division

The market environment remains challenging and the management is continuously monitoring the manufacturing operational cost as well as expanding customer base to improve financial performance of this division. Barring any unforeseen circumstances, the Board has the view that the results for financial year ending 30 June 2016 will be better as compared to the results of financial year 2015.

Plantation division

The performance of this division would continue to be driven by the CPO price which is dependent on the world edible oil market, and economic situation. The Management is of the opinion that current crop production could be maintained or further improved, which forms a key factor contributing to profitable results.

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 2015
RM'000

Tax based on results for current period:

Current tax expense	<u>318</u>
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For the financial period ended 30 September 2015, the effective tax rate of the Group is higher than that of statutory tax rate, due to certain expenses are non-deductible.

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 Private Placement

On 7 September 2015, the Company completed the issuance and listing of 50,000,000 new ordinary shares of RM0.10 each pursuant to a Private Placement Exercise and raised gross proceeds of RM8 million. The status of utilisation of the proceeds as at 30 September 2015 is as follows:

Description		Proposed Utilisation RM	Actual Utilisation RM	Balance to be Utilised RM	Timeframe for Utilisation
1.	Working capital and/or development of the oil palm plantation and manufacturing businesses	7,910,000	4,270,000	3,640,000	Within 12 months
2.	Expenses in relation to the Private Placement	90,000	64,046	*25,954	Within 6 months
TOTAL		8,000,000	4,334,046	3,665,954	

* The unutilised balance of RM25,954 will be adjusted to working capital category.

B8. Group Borrowings and Debt Securities

	As At 30 Sep 2015 RM'000
Short term - Secured - Hire purchase	298
Long term - Secured - Hire purchase	23
Total borrowings	<u>321</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.

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B11. Realised and Unrealised Profits/Losses Disclosure

The retained profits / (accumulated losses) as at 30 June 2015 and 30 September 2015 is analysed as follows:-

	As at 30.9.2015 RM'000	As at 30.6.2015 RM'000
Total retained profits / (accumulated losses) of Scope Industries Berhad and its subsidiaries :		
- Realised	(5,202)	(5,905)
- Unrealised	(2)	(216)
	<hr/>	<hr/>
	(5,204)	(6,121)
Less : Consolidation adjustments	(4,769)	(4,800)
	<hr/>	<hr/>
Total group retained profits / (accumulated losses) as per consolidation accounts	(9,973)	(10,921)

B12. 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	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Net profit/(loss) attributable to owners of the Company (RM'000)	948	287	948	287
Weighted average number of ordinary shares in issue ('000)	508,763	505,484	508,763	505,484
Basic earnings / (loss) per share (sen)	0.19	0.06	0.19	0.06

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B12. Earnings / (Loss) Per Share (Cont'd)

(ii) Diluted earnings / (loss) per share

The diluted earnings per share is calculated by dividing the net profit(loss) attributable to the shareholders for the financial period by the weighted average number of ordinary shares that would have been in issue upon full exercise of the warrants.

	Quarter		Year to date	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Net profit/(loss) attributable to owners of the Company (RM'000)	948	287	948	287
Weighted average number of ordinary shares in issue ('000)	508,763	505,484	508,763	505,484
Dilutive effect of conversion of warrants ('000)	51,589	60,580	51,589	60,580
Diluted earnings / (loss) per share (sen)	0.17	0.05	0.17	0.05