

SCOPE

SCOPE INDUSTRIES BERHAD

(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	As At 31 March 2016 RM'000 (Unaudited)	As At 30 June 2015 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	81,132	81,896
Biological assets	9,421	9,196
Goodwill on consolidation	34,966	34,966
Other investment	5	1,225
	125,524	127,283
Current Assets		
Inventories	1,094	1,199
Trade receivables	1,357	2,115
Other receivables, deposits and prepayments	3,025	495
Tax recoverable	12	11
Cash and bank balances	5,291	1,901
Total current assets	10,779	5,721
Current liabilities		
Trade payables	499	1,010
Other payables and accruals	4,180	4,323
Short term borrowing	119	413
Provision for taxation	225	175
Total current liabilities	5,023	5,921
NET CURRENT ASSETS	<u>5,756</u>	<u>(200)</u>
	<u>131,280</u>	<u>127,083</u>
FINANCED BY :		
Share capital	55,548	50,548
Reserves	52,191	50,084
	107,739	100,632
Non controlling interest	5,864	5,886
Shareholders' funds	<u>113,603</u>	<u>106,518</u>
Non-current liabilities		
Other payables	2,690	5,530
Deferred taxation	14,987	14,987
Long term borrowing	-	48
	17,677	20,565
	<u>131,280</u>	<u>127,083</u>
Net assets per share (RM)	<u>0.2045</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)

SCOPE

SCOPE INDUSTRIES BERHAD

(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Period Ended 31 March 2016

(The figures have not been audited)

	Quarter ended		Year to date	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Revenue	4,287	3,290	16,580	14,038
Cost of sales	(3,739)	(4,597)	(13,454)	(13,461)
Gross profit	<u>548</u>	<u>(1,307)</u>	<u>3,126</u>	<u>577</u>
Other income	41	28	102	67
Administrative expenses	(1,008)	(875)	(2,645)	(2,344)
Profit from operations	<u>(419)</u>	<u>(2,154)</u>	<u>583</u>	<u>(1,700)</u>
Finance costs	(156)	(220)	(475)	(671)
Profit/(loss) before tax	<u>(575)</u>	<u>(2,374)</u>	<u>108</u>	<u>(2,371)</u>
Taxation	(198)	(81)	(370)	(305)
Profit/(loss) for the period	<u>(773)</u>	<u>(2,455)</u>	<u>(262)</u>	<u>(2,676)</u>
Other comprehensive income				
- Fair value changes of financial asset upon disposal	(908)	(9)	(653)	368
Total comprehensive income	<u>(1,681)</u>	<u>(2,464)</u>	<u>(915)</u>	<u>(2,308)</u>
Profit / (loss) attributable to :				
Owners of the Company	(745)	(2,126)	(240)	(2,245)
Non-controlling interests	(28)	(329)	(22)	(431)
	<u>(773)</u>	<u>(2,455)</u>	<u>(262)</u>	<u>(2,676)</u>
Total comprehensive income attributable to :				
Owners of the Company	(1,653)	(2,135)	(893)	(1,877)
Non-controlling interests	(28)	(329)	(22)	(431)
	<u>(1,681)</u>	<u>(2,464)</u>	<u>(915)</u>	<u>(2,308)</u>
Earnings/(loss) per share				
Basic (sen)	(0.14)	(0.42)	(0.04)	(0.44)
Diluted (sen)	(0.13)	(0.38)	(0.04)	(0.40)

(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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(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For The Period Ended 31 March 2016

(The figures have not been audited)

	31 March 2016 RM'000 (Unaudited)	31 March 2015 RM'000 (Unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	108	(2,372)
Adjustments for :		
Non-cash items	4,067	3,871
Non-operating items	(369)	373
	<hr/>	<hr/>
Operating profit before changes in working capital	3,806	1,872
Changes in working capital:		
(Increase) / decrease in inventories	106	103
(Increase) / decrease in receivables	(2,302)	869
(Decrease) / increase in payables	(3,424)	(3,544)
	<hr/>	<hr/>
Cash (used in)/generated from operations	(1,814)	(700)
Dividend received	159	-
Income tax paid	(321)	(459)
Interest paid	(16)	(45)
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Net cash from operating activities	(1,992)	(1,204)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	20	62
Proceeds from disposal of property, plant and equipment	-	1
Proceeds from disposal of other investment	1,350	-
Purchase of property, plant and equipment	(2,939)	(416)
Purchase of biological assets	(589)	(546)
Purchase of other investment	(118)	-
	<hr/>	<hr/>
Net cash used in investing activities	(2,276)	(899)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from private placement	8,000	-
Repayment of hire purchase creditors	(342)	(585)
	<hr/>	<hr/>
Net cash generated from /(used in) financing activities	7,658	(585)
Net Increase /(decrease) in Cash and Cash Equivalents	3,390	(2,688)
Cash and Cash Equivalents at beginning of period	1,901	4,586
	<hr/>	<hr/>
Cash and Cash Equivalents at end of period	5,291	1,898
Cash and cash equivalents comprise the following:		
Cash and bank balances	5,291	1,898
Bank overdraft	-	-
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	5,291	1,898

(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 31 March 2016

(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	Accumulated loss	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
2016										
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	-	-	-	-	(653)	-	(240)	(893)	(22)	(915)
Balance at 31 March 2016	55,548	35,350	4,056	(4,056)	-	28,002	(11,161)	107,739	5,864	113,603
2015										
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	-	-	-	-	368	-	(2,245)	(1,877)	(431)	(2,308)
Balance at 31 March 2015	50,548	32,350	4,056	(4,056)	669	28,002	(10,280)	101,289	6,020	107,309

(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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Scope Industries Berhad
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A. Notes to the Interim Financial Report For The Third Quarter Ended 31 March 2016

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)	
	31 Mar 2016 RM'000	31 Mar 2015 RM'000	31 Mar 2016 RM'000	31 Mar 2015 RM'000
Investment holding	1,400	796	1,044	666
Manufacturing	9,773	7,514	(625)	(1,538)
Plantation	5,907	6,207	644	(357)
Trading	0	22	0	-
	<u>17,080</u>	<u>14,539</u>	<u>1,063</u>	<u>(1,229)</u>
Less : Elimination	<u>(500)</u>	<u>(501)</u>	<u>(500)</u>	<u>(501)</u>
	<u>16,580</u>	<u>14,038</u>		
Operating profit			563	(1,730)
Interest income			20	30
Finance cost			(475)	(671)
Profit before taxation			<u>108</u>	<u>(2,371)</u>
Tax Expense			<u>(370)</u>	<u>(305)</u>
Profit / (loss) after taxation			<u>(262)</u>	<u>(2,676)</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 Third Quarter Ended 31 March 2016

B1. Review of Performance

Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 Mar 2015 RM'000
Revenue	1,985	1,217	9,773	7,514
Profit / (Loss) after tax	(947)	(1,572)	(632)	(1,546)

The manufacturing division's revenue for current quarter was RM1.99 million which increased by 63.1% compared to previous corresponding quarter of RM1.22 million. As a result of improvement in revenue, the division registered lower loss after tax at RM0.95 million compared to loss of RM1.57 million in previous corresponding quarter.

For financial year-to-date ended 31 March 2016, revenue increased by 30.1% to RM9.77 million compared to RM7.51 million in the previous corresponding period. The division registered loss after tax of RM0.63 million compared to loss of RM1.55 million in previous corresponding period. Year-to-date loss after tax of RM0.63 million was mainly due to a write-off of property, plant and equipment amounted to RM0.82 million.

Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 Mar 2015 RM'000
Revenue	1,605	1,803	5,907	6,207
Profit / (Loss) after tax	(201)	(906)	276	(690)
FFB Production (MT)	3,259	3,943	13,693	13,873
Average FFB price (RM)	492	457	431	447

For the quarter under review, the revenue in plantation division decreased by 10.9% to RM1.61 million from RM1.80 million in previous corresponding quarter. Average FFB price for current quarter was RM492 compared to RM457 in previous corresponding quarter. However, the impact of higher FFB price has been offset by lower production volume. Despite lower revenue achieved, this division recorded a lower loss after tax at RM0.20 million, mainly due to improved agricultural practice.

For 9 months period ended 31 March 2016, this division recorded higher profit after tax at RM0.27 million despite lower revenue achieved mainly due to cost saving measures.

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B2. Variations of Results against Immediate Preceding Quarter

Manufacturing division

	Individual quarter ended	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Revenue	1,985	2,782
Profit / (Loss) after tax	(947)	(540)

For the current quarter under review, the manufacturing division registered revenue of RM1.99 million, representing a decline of 28.6% compared to the immediate preceding quarter ended 31 December 2015. This division reported loss after tax of RM0.95 million for current quarter as compared to loss of RM0.54 million in immediate preceding quarter, mainly due to lower revenue achieved.

Plantation division

	Individual quarter ended	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Revenue	1,605	2,341
Profit / (Loss) after tax	(201)	332

The plantation division recorded revenue for current quarter of RM1.61 million which decreased by 31.4% from immediate preceding quarter. The decrease in current quarter's revenue was due to reduction in FFB production that was partially offset by increase in average FFB price and these are stated as below.

	Individual quarter ended		
	31 Mar 2016	31 Dec 2015	Variance
Average FFB price (RM)	492	428	14.9%
FFB Production (MT)	3,259	5,468	(40.4%)

The division posted loss after tax of RM0.20 million for current quarter compared to profit after tax of RM0.33 million in immediate preceding quarter mainly due to lower revenue generated.

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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 Management is cautiously optimistic of the results for the fourth quarter ending 30 June 2016.

Plantation division

The performance of this division would continue to be driven by CPO price which is dependent on the world edible oil market and economic situation. CPO price is anticipated to bottom out from its recent near-term low and likely to sustain well in 2016. The impact of El Nino dry weather on production volume is yet to be seen in coming months. FFB production starts to improve in April compared to average monthly production for third quarter ended 31 March 2016.

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 31 March 2016 RM'000
Based on results for current period:	
Current tax expense	<u>370</u>

For the financial year-to-date ended 31 March 2016, 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 31 March 2016 is as follows:

	Description	Proposed Utilisation RM	Actual Utilisation RM	Deviations RM	Balance RM	Timeframe for Utilisation
1.	Working capital and/or development of the oil palm plantation and manufacturing businesses.	7,910,000	6,086,004	25,954 *	1,849,950	Within 12 months
2.	Expenses in relation to the Private Placement.	90,000	64,046	(25,954) *	-	Within 6 months
	TOTAL	8,000,000	6,150,050	-	1,849,950	

* Actual listing expenses incurred were less than the estimated listing expenses by RM25,954. In accordance to the Private Placement Proposal, the excess is allocated for working capital purposes.

B8. Group Borrowings and Debt Securities

	As at 31 March 2016 RM'000
Short term - Secured	
- Hire purchase	119
Long term - Secured	
- Hire purchase	-
Total borrowings	<u>119</u>

B9. Material Litigation

As at the date of this report, the Group does not have any pending material litigation.

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B10. Dividend

No dividend has been recommended for the current quarter under review.

B11. Realised and Unrealised Profits/Losses Disclosure

The retained profits / (accumulated losses) as at 31 March 2016 is analysed as follow:-

	As at 31.3.2016 RM'000	As at 30.6.2015 RM'000
Total retained profits / (accumulated losses) of Scope Industries Berhad and its subsidiaries :		
- Realised	(6,325)	(5,905)
- Unrealised	(59)	(216)
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	(6,384)	(6,121)
Less : Consolidation adjustments	(4,777)	(4,800)
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Total group retained profits / (accumulated losses) as per consolidation accounts	(11,161)	(10,921)
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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	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
Net profit/(loss) attributable to owners of the Company (RM'000)	(745)	(2,126)	(240)	(2,245)
Weighted average number of ordinary shares in issue ('000)	533,763	505,484	533,763	505,484
Basic earnings / (loss) per share (sen)	(0.14)	(0.42)	(0.04)	(0.44)

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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	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
Net profit/(loss) attributable to owners of the Company (RM'000)	(745)	(2,126)	(240)	(2,245)
Weighted average number of ordinary shares in issue ('000)	533,763	505,484	533,763	505,484
Dilutive effect of conversion of warrants ('000)	39,512	60,580	39,512	60,580
Diluted earnings / (loss) per share (sen)	(0.13)	(0.38)	(0.04)	(0.40)