

SCOPE

SCOPE INDUSTRIES BERHAD

(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Period Ended 30 September 2016

(The figures have not been audited)

	Quarter ended		Year to date	
	30 Sep 2016 RM'000	30 Sep 2015 RM'000	30 Sep 2016 RM'000	30 Sep 2015 RM'000
Revenue	8,060	7,136	8,060	7,136
Cost of sales	(5,283)	(4,873)	(5,283)	(4,873)
Gross profit	<u>2,777</u>	<u>2,263</u>	<u>2,777</u>	<u>2,263</u>
Other income	116	34	116	34
Administrative expenses	(1,098)	(901)	(1,098)	(901)
Profit from operations	<u>1,795</u>	<u>1,396</u>	<u>1,795</u>	<u>1,396</u>
Finance costs	(77)	(161)	(77)	(161)
Profit before tax	<u>1,718</u>	<u>1,235</u>	<u>1,718</u>	<u>1,235</u>
Taxation	(201)	(318)	(201)	(318)
Profit for the period	<u>1,517</u>	<u>917</u>	<u>1,517</u>	<u>917</u>
Other comprehensive income				
- Fair value changes of financial asset upon disposal	-	512	-	512
Total comprehensive income	<u>1,517</u>	<u>1,429</u>	<u>1,517</u>	<u>1,429</u>
Profit / (loss) attributable to :				
Owners of the Company	1,429	948	1,429	948
Non-controlling interests	88	(31)	88	(31)
	<u>1,517</u>	<u>917</u>	<u>1,517</u>	<u>917</u>
Total comprehensive income attributable to :				
Owners of the Company	1,429	1,460	1,429	1,460
Non-controlling interests	88	(31)	88	(31)
	<u>1,517</u>	<u>1,429</u>	<u>1,517</u>	<u>1,429</u>
Earnings per share				
Basic (sen)	0.26	0.19	0.26	0.19
Diluted (sen)	0.24	0.17	0.24	0.17

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2016)

SCOPE

SCOPE INDUSTRIES BERHAD

(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	As At 30 Sep 2016 RM'000 (Unaudited)	As At 30 June 2016 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	80,204	80,700
Biological assets	9,502	9,513
Goodwill on consolidation	34,966	34,966
Prepaid land lease payment	1,553	1,566
	126,225	126,745
Current Assets		
Inventories	1,492	1,194
Trade receivables	2,515	3,106
Other receivables, deposits and prepayments	395	358
Tax recoverable	13	13
Cash and bank balances	7,219	4,414
Total current assets	11,634	9,085
Current liabilities		
Trade payables	1,376	1,232
Other payables and accruals	4,480	4,226
Short term borrowing	23	48
Provision for taxation	239	101
Total current liabilities	6,118	5,607
NET CURRENT ASSETS	<u>5,516</u>	<u>3,478</u>
	<u>131,741</u>	<u>130,223</u>
FINANCED BY :		
Share capital	55,548	55,548
Reserves	55,445	54,015
	110,993	109,563
Non controlling interest	5,985	5,897
Shareholders' funds	<u>116,978</u>	<u>115,460</u>
Non-current liabilities		
Deferred taxation	14,763	14,763
Long term borrowing	-	-
	14,763	14,763
	<u>131,741</u>	<u>130,223</u>
Net assets per share (RM)	<u>0.2106</u>	<u>0.2079</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 2016)

SCOPE

SCOPE INDUSTRIES BERHAD

(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For The Period Ended 30 September 2016

(The figures have not been audited)

	30 Sep 2016 RM'000 (Unaudited)	30 Sep 2015 RM'000 (Unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	1,718	1,235
Adjustments for :		
Non-cash items	842	1,128
Non-operating items	44	(10)
Operating profit before changes in working capital	2,604	2,353
Changes in working capital:		
(Increase) / decrease in inventories	(297)	(113)
(Increase) / decrease in receivables	203	(2,249)
(Decrease) / increase in payables	681	(3,121)
Cash (used in)/generated from operations	3,191	(3,130)
Dividend received	-	159
Income tax paid	(65)	(67)
Interest paid	-	(8)
Net cash from operating activities	3,126	(3,046)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	33	12
Purchase of property, plant and equipment	(194)	(2,442)
Purchase of biological assets	(127)	(122)
Purchase of other investment	-	(119)
Net cash used in investing activities	(288)	(2,671)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from private placement	-	8,000
Repayment of hire purchase creditors	(33)	(140)
Net cash generated from /(used in) financing activities	(33)	7,860
Net Increase /(decrease) in Cash and Cash Equivalents	2,805	2,143
Cash and Cash Equivalents at beginning of period	4,414	1,901
Cash and Cash Equivalents at end of period	7,219	4,044
Cash and cash equivalents comprise the following:		
Cash and bank balances	7,219	4,044
Bank overdraft	-	-
	7,219	4,044

(The Condensed Consolidated Statements of Cash Flow should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2016)

SCOPE

SCOPE INDUSTRIES BERHAD

(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For The Period Ended 30 September 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 2016	55,548	35,350	4,056	(4,056)	-	28,002	(9,336)	109,564	5,897	115,461
Total comprehensive income							1,429	1,429	88	1,517
Balance at 30 September 2016	55,548	35,350	4,056	(4,056)	-	28,002	(7,907)	110,993	5,985	116,978
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

(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 2016)

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

A. Notes to the Interim Financial Report For The First Quarter Ended 30 September 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 2016. 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 2016.

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 2016.

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.

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

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.

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

A9. Segment Information

	Year to date Revenue		Year to date Operating profit / (loss)	
	30 Sep 2016 RM'000	30 Sep 2015 RM'000	30 Sep 2016 RM'000	30 Sep 2015 RM'000
Investment holding	31	669	(54)	562
Manufacturing	5,563	5,006	1,100	1,137
Plantation	2,466	1,961	716	185
	<u>8,060</u>	<u>7,636</u>	<u>1,762</u>	<u>1,884</u>
Less : Elimination	-	(500)	-	(500)
	<u>8,060</u>	<u>7,136</u>		
Operating profit			1,762	1,384
Interest income			33	12
Finance cost			(77)	(161)
			<u>1,718</u>	<u>1,235</u>
Profit before taxation			1,718	1,235
Tax Expense			(201)	(318)
Profit after taxation			<u>1,517</u>	<u>917</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.

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

B. Additional Notes Pursuant to the ACE Market Listing Requirements For The First Quarter Ended 30 September 2016

B1. Review of Performance

Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Sep 2016 RM'000	30 Sep 2015 RM'000	30 Sep 2016 RM'000	30 Sep 2015 RM'000
Revenue	5,563	5,006	5,563	5,006
Profit / (Loss) after tax	1,011	855	1,011	855

Revenue for current quarter increased by 11.1% to RM5.56 million compared to RM5.01 million in previous corresponding quarter, mainly due to additional orders from existing and new customers. As a result of higher revenue recorded in current quarter, this division posted higher profit after tax at RM1.01 million compared to profit of RM0.86 million in previous corresponding quarter.

Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Sep 2016 RM'000	30 Sep 2015 RM'000	30 Sep 2016 RM'000	30 Sep 2015 RM'000
Revenue	2,466	1,961	2,466	1,961
Profit / (Loss) after tax	608	145	608	145
FFB Production (MT)	4,499	4,966	4,499	4,966
Average FFB price (RM)	548	395	548	395

For the quarter under review, the revenue in plantation division increased considerably by 25.8% to RM2.47 million from RM1.96 million in previous corresponding quarter. This was due to increase in average FFB price by 38.7%, while crop production decreased by 9.4%. This division recorded higher profit after tax at RM0.61 million in current quarter, mainly due to higher revenue achieved.

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

B2. Variation of Results against Immediate Preceding Quarter

Manufacturing division

	Individual quarter ended	
	30 Sep 2016 RM'000	30 June 2016 RM'000
Revenue	5,563	5,645
Profit / (Loss) after tax	1,011	1,476

For the current quarter under review, the manufacturing division registered revenue of RM5.56 million, representing a slight decrease of 1.5% compared to the immediate preceding quarter ended 30 June 2016. This division posted lower profit after tax at RM1.01 million for current quarter as compared to profit of RM1.48 million in the quarter ended 30 June 2016. This was mainly due to certain orders with higher margin were completed in the quarter ended 30 June 2016.

Plantation division

	Individual quarter ended	
	30 Sep 2016 RM'000	30 June 2016 RM'000
Revenue	2,466	2,301
Profit / (Loss) after tax	608	252

The plantation division recorded revenue for current quarter of RM2.47 million which increased by 7.2% from immediate preceding quarter. This was due to increase in both FFB production and average FFB price as stated below.

	Individual quarter ended		
	30 Sep 2016	30 June 2016	Variance
Average FFB price (RM)	548	541	1.3%
FFB Production (MT)	4,499	4,255	5.7%

The division posted higher profit after tax at RM0.61 million for current quarter compared to profit of RM0.25 million in immediate preceding quarter mainly due to higher cultivation expenses incurred in the quarter ended 30 June 2016.

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

B3. Prospects

Manufacturing division

The Directors anticipate the challenging environment to persist over the medium term. The management is continuously monitoring the manufacturing operational cost as well as expanding customer base to improve financial performance of this division. Barring unforeseen circumstances, the Management expects the results of this division to remain positive for the financial year ending 30 June 2017.

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 sustain well in remaining months of 2016 and first half of 2017. There was addition of new harvesting area in July 2016, while the Management strives to improve crop yield for all harvesting area. Barring unforeseen circumstances, the Management expects this division to deliver positive results for the financial year ending 30 June 2017.

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 2016 RM'000
Based on results for current period	
Current tax expense	<u>201</u>

For the financial period ended 30 September 2016, the effective tax rate of the Group is lower than that of statutory tax rate mainly due to availability of Reinvestment Allowance incentive in manufacturing segment.

B6. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at the date of this report.

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

B7. Group Borrowings and Debt Securities

	As at 30 Sep 2016 RM'000
Short term - Secured - Hire purchase	23
Long term - Secured - Hire purchase	-
Total borrowings	<u>23</u>

B8. Material Litigation

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

B9. Dividend

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

B10. Realised and Unrealised Profits/Losses Disclosure

The retained profits / (accumulated losses) as at 30 June 2016 is analysed as follow:-

	As at 30.9.2016 RM'000	As at 30.6.2016 RM'000
Total retained profits / (accumulated losses) of Scope Industries Berhad and its subsidiaries :		
- Realised	(2,397)	(3,679)
- Unrealised	5	(230)
	<u>(2,392)</u>	<u>(3,909)</u>
Less : Consolidation adjustments	(5,515)	(5,427)
Total group retained profits / (accumulated losses) as per consolidation accounts	<u>(7,907)</u>	<u>(9,336)</u>

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

B11. 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	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
Net profit/(loss) attributable to owners of the Company (RM'000)	1,429	948	1,429	948
Weighted average number of ordinary shares in issue ('000)	555,484	508,763	555,484	508,763
Basic earnings / (loss) per share (sen)	0.26	0.19	0.26	0.19

(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	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
Net profit/(loss) attributable to owners of the Company (RM'000)	1,429	948	1,429	948
Weighted average number of ordinary shares in issue ('000)	555,484	508,763	555,484	508,763
Dilutive effect of conversion of warrants ('000)	32,456	51,589	32,456	51,589
Diluted earnings / (loss) per share (sen)	0.24	0.17	0.24	0.17