

SCOPE

SCOPE INDUSTRIES BERHAD

(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Period Ended 31 December 2016

(The figures have not been audited)

	Quarter ended		Year to date	
	31 Dec 2016 RM'000	31 Dec 2015 RM'000	31 Dec 2016 RM'000	31 Dec 2015 RM'000
Revenue	5,528	5,157	13,588	12,293
Cost of sales	(3,678)	(4,842)	(8,961)	(9,715)
Gross profit	<u>1,850</u>	<u>315</u>	<u>4,627</u>	<u>2,578</u>
Other income	118	27	234	61
Administrative expenses	(793)	(736)	(1,891)	(1,637)
Profit from operations	<u>1,175</u>	<u>(394)</u>	<u>2,970</u>	<u>1,002</u>
Finance costs	(77)	(158)	(154)	(319)
Profit before tax	<u>1,098</u>	<u>(552)</u>	<u>2,816</u>	<u>683</u>
Taxation	(92)	146	(293)	(172)
Profit for the period	<u>1,006</u>	<u>(406)</u>	<u>2,523</u>	<u>511</u>
Other comprehensive income				
- Fair value changes of financial asset	-	(257)	-	255
Total comprehensive income	<u>1,006</u>	<u>(663)</u>	<u>2,523</u>	<u>766</u>
Profit / (loss) attributable to :				
Owners of the Company	969	(443)	2,398	505
Non-controlling interests	37	37	125	6
	<u>1,006</u>	<u>(406)</u>	<u>2,523</u>	<u>511</u>
Total comprehensive income attributable to :				
Owners of the Company	969	(700)	2,398	760
Non-controlling interests	37	37	125	6
	<u>1,006</u>	<u>(663)</u>	<u>2,523</u>	<u>766</u>
Earnings per share				
Basic (sen)	0.17	(0.08)	0.43	0.10
Diluted (sen)	0.16	(0.08)	0.41	0.09

(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)

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SCOPE INDUSTRIES BERHAD

(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	As At 31 Dec 2016 RM'000 (Unaudited)	As At 30 June 2016 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	79,517	80,700
Biological assets	9,549	9,513
Goodwill on consolidation	34,966	34,966
Prepaid land lease payment	1,539	1,566
	125,571	126,745
Current Assets		
Inventories	1,334	1,194
Trade receivables	1,316	3,106
Other receivables, deposits and prepayments	659	358
Tax recoverable	14	13
Cash and bank balances	9,631	4,414
Total current assets	12,954	9,085
Current liabilities		
Trade payables	861	1,232
Other payables and accruals	4,674	4,226
Short term borrowing	4	48
Provision for taxation	239	101
Total current liabilities	5,778	5,607
NET CURRENT ASSETS	<u>7,176</u>	<u>3,478</u>
	<u>132,747</u>	<u>130,223</u>
FINANCED BY :		
Share capital	55,548	55,548
Reserves	56,414	54,015
	111,962	109,563
Non controlling interest	6,022	5,897
Shareholders' funds	<u>117,984</u>	<u>115,460</u>
Non-current liabilities		
Deferred taxation	14,763	14,763
Long term borrowing	-	-
	14,763	14,763
	<u>132,747</u>	<u>130,223</u>
Net assets per share (RM)	<u>0.2124</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)

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SCOPE INDUSTRIES BERHAD

(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For The Period Ended 31 December 2016

(The figures have not been audited)

	31 December 2016 RM'000 (Unaudited)	31 December 2015 RM'000 (Unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	2,816	683
Adjustments for :		
Non-cash items	1,687	3,049
Non-operating items	56	145
Operating profit before changes in working capital	4,559	3,877
Changes in working capital:		
(Increase) / decrease in inventories	(139)	(6)
(Increase) / decrease in receivables	868	(1,325)
(Decrease) / increase in payables	553	(3,979)
Cash generated from/(used in) operations	5,841	(1,433)
Dividend received	-	159
Income tax paid	(157)	(124)
Interest paid	-	(12)
Net cash from operating activities	5,684	(1,410)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	98	15
Purchase of property, plant and equipment	(203)	(2,909)
Purchase of biological assets	(309)	(302)
Purchase of other investment	-	(118)
Net cash used in investing activities	(414)	(3,314)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from private placement	-	8,000
Repayment of hire purchase creditors	(53)	(251)
Net cash (used in)/ generated from financing activities	(53)	7,749
Net Increase /(decrease) in Cash and Cash Equivalents	5,217	3,025
Cash and Cash Equivalents at beginning of period	4,414	1,901
Cash and Cash Equivalents at end of period	9,631	4,926
Cash and cash equivalents comprise the following:		
Cash and bank balances	9,631	4,926
Bank overdraft	-	-
	9,631	4,926

(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)

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SCOPE INDUSTRIES BERHAD

(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For The Period Ended 31 December 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	-	-	-	-	-	-	2,398	2,398	125	2,523
Balance at 31 December 2016	55,548	35,350	4,056	(4,056)	-	28,002	(6,938)	111,962	6,022	117,984
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	-	-	-	-	255	-	505	760	6	766
Balance at 31 December 2015	55,548	35,350	4,056	(4,056)	908	28,002	(10,416)	109,392	5,892	115,284

(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)

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Scope Industries Berhad
(Company No: 591376-D)

A. Notes to the Interim Financial Report For The Second Quarter Ended 31 December 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.

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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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Scope Industries Berhad
(Company No: 591376-D)

A9. Segment Information

	Year to date Revenue		Year to date Operating profit / (loss)	
	31 Dec 2016 RM'000	31 Dec 2015 RM'000	31 Dec 2016 RM'000	31 Dec 2015 RM'000
Investment holding	393	703	173	520
Manufacturing	8,697	7,788	1,661	321
Plantation	4,798	4,302	1,338	646
	<hr/>	<hr/>	<hr/>	<hr/>
	13,888	12,793	3,172	1,487
Less : Elimination	(300)	(500)	(300)	(500)
	<hr/>	<hr/>	<hr/>	<hr/>
	13,588	12,293		
Operating profit			2,872	987
Interest income			98	15
Finance cost			(154)	(319)
			<hr/>	<hr/>
Profit before taxation			2,816	683
Tax Expense			(293)	(172)
Profit after taxation			<hr/>	<hr/>
			2,523	511

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 Second Quarter Ended 31 December 2016

B1. Review of Performance

Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Dec 2016 RM'000	31 Dec 2015 RM'000	31 Dec 2016 RM'000	31 Dec 2015 RM'000
Revenue	3,134	2,782	8,697	7,788
Profit / (Loss) after tax	535	(540)	1,546	315

Revenue for current quarter increased by 12.6% to RM3.13 million compared to RM2.78 million in previous corresponding quarter. This division posted higher profit after tax at RM0.53 million in current quarter compared to loss of RM0.54 million in previous corresponding quarter, partly due to write-off of property, plant and equipment in previous corresponding quarter amounted to RM0.82 million.

For financial year-to-date ended 31 December 2016, revenue increased by 11.6% to RM8.69 million compared to RM7.79 million in previous corresponding period. As a result of higher revenue achieved, this division registered higher profit after tax at RM1.55 million compared to profit of RM0.31 million in previous corresponding period.

Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Dec 2016 RM'000	31 Dec 2015 RM'000	31 Dec 2016 RM'000	31 Dec 2015 RM'000
Revenue	2,332	2,341	4,798	4,302
Profit / (Loss) after tax	559	332	1,167	477
FFB Production (MT)	3,671	5,468	8,170	10,433
Average FFB price (RM)	635	428	587	412

For current quarter under review, the revenue in plantation division decreased slightly to RM2.33 million from RM2.34 million in previous corresponding quarter. Profit after tax was higher at RM0.56 million compared to profit of RM0.33 million in previous corresponding quarter mainly due to higher FFB selling price.

For financial year-to-date ended 31 December 2016, this division recorded higher profit after tax at RM1.17 million mainly due to higher revenue achieved.

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B2. Variation of Results against Immediate Preceding Quarter

Manufacturing division

	Individual quarter ended	
	31 Dec 2016 RM'000	30 Sep 2016 RM'000
Revenue	3,134	5,563
Profit / (Loss) after tax	535	1,011

For the current quarter under review, the manufacturing division registered revenue of RM3.13 million, representing a decrease of 43.6% compared to the immediate preceding quarter ended 30 September 2016. This was due to lower order from existing customers. As a result of lower revenue recorded, profit after tax decreased by 47.1% to RM0.54 million.

Plantation division

	Individual quarter ended	
	31 Dec 2016 RM'000	30 Sep 2016 RM'000
Revenue	2,332	2,466
Profit / (Loss) after tax	559	608

The revenue for plantation division decreased by 5.4% to RM2.33 million compared to the immediate preceding quarter. This was due to lower FFB production by 18.4% which was partially offset by higher average FFB price by 15.8% as stated below.

	Individual quarter ended		
	31 Dec 2016	30 Sep 2016	Variance
Average FFB price (RM)	635	548	15.8%
FFB Production (MT)	3,671	4,499	(18.4%)

This division posted lower profit after tax at RM0.56 million for current quarter compared to profit of RM0.61 million in immediate preceding quarter mainly due to lower revenue recorded.

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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. 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 31 Dec 2016 RM'000
Based on results for current period	
Current tax expense	<u>293</u>

For the financial period ended 31 December 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.

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B7. Group Borrowings and Debt Securities

	As at 31 Dec 2016 RM'000
Short term - Secured - Hire purchase	4
Long term - Secured - Hire purchase	-
Total borrowings	<u>4</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 31 December 2016 is analysed as follow:-

	As at 31.12.2016 RM'000	As at 30.6.2016 RM'000
Total retained profits / (accumulated losses) of Scope Industries Berhad and its subsidiaries :		
- Realised	(1,223)	(3,679)
- Unrealised	(163)	(230)
	<u>(1,386)</u>	<u>(3,909)</u>
Less : Consolidation adjustments	(5,552)	(5,427)
Total group retained profits / (accumulated losses) as per consolidation accounts	<u>(6,938)</u>	<u>(9,336)</u>

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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	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Net profit/(loss) attributable to owners of the Company (RM'000)	969	(443)	2,398	505
Weighted average number of ordinary shares in issue ('000)	555,484	521,331	555,484	521,331
Basic earnings / (loss) per share (sen)	0.17	(0.08)	0.43	0.10

(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	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Net profit/(loss) attributable to owners of the Company (RM'000)	969	(443)	2,398	505
Weighted average number of ordinary shares in issue ('000)	555,484	521,331	555,484	521,331
Dilutive effect of conversion of warrants ('000)	32,456	46,722	32,456	46,722
Diluted earnings / (loss) per share (sen)	0.16	(0.08)	0.41	0.09