

SCOPE

SCOPE INDUSTRIES BERHAD

(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Period Ended 31 March 2017

(The figures have not been audited)

| | Quarter ended | | Year to date | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 31 March 2017 RM'000 | 31 March 2016 RM'000 | 31 March 2017 RM'000 | 31 March 2016 RM'000 |
| Revenue | 4,211 | 4,287 | 17,799 | 16,580 |
| Cost of sales | (3,205) | (3,739) | (12,166) | (13,454) |
| Gross profit | <u>1,006</u> | <u>548</u> | <u>5,633</u> | <u>3,126</u> |
| Other income | 111 | 41 | 345 | 102 |
| Administrative expenses | (546) | (1,008) | (2,437) | (2,645) |
| Profit from operations | <u>571</u> | <u>(419)</u> | <u>3,541</u> | <u>583</u> |
| Finance costs | (13) | (156) | (167) | (475) |
| Profit before tax | <u>558</u> | <u>(575)</u> | <u>3,374</u> | <u>108</u> |
| Taxation | (174) | (198) | (467) | (370) |
| Profit for the period | <u>384</u> | <u>(773)</u> | <u>2,907</u> | <u>(262)</u> |
| Other comprehensive income | | | | |
| - Fair value changes of financial asset | - | (908) | - | (653) |
| Total comprehensive income | <u>384</u> | <u>(1,681)</u> | <u>2,907</u> | <u>(915)</u> |
| Profit / (loss) attributable to : | | | | |
| Owners of the Company | 325 | (745) | 2,723 | (240) |
| Non-controlling interests | 59 | (28) | 184 | (22) |
| | <u>384</u> | <u>(773)</u> | <u>2,907</u> | <u>(262)</u> |
| Total comprehensive income attributable to : | | | | |
| Owners of the Company | 325 | (1,653) | 2,723 | (893) |
| Non-controlling interests | 59 | (28) | 184 | (22) |
| | <u>384</u> | <u>(1,681)</u> | <u>2,907</u> | <u>(915)</u> |
| Earnings per share | | | | |
| Basic (sen) | 0.06 | (0.14) | 0.49 | (0.04) |
| Diluted (sen) | 0.05 | (0.13) | 0.46 | (0.04) |

(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 31 March 2017

| | As At 31 March 2017 RM'000 (Unaudited) | As At 30 June 2016 RM'000 (Audited) |
|---|---|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 78,842 | 80,700 |
| Biological assets | 9,559 | 9,513 |
| Goodwill on consolidation | 34,966 | 34,966 |
| Other investment | 369 | - |
| Prepaid land lease payment | 1,525 | 1,566 |
| | 125,261 | 126,745 |
| Current Assets | | |
| Inventories | 1,290 | 1,194 |
| Trade receivables | 1,559 | 3,106 |
| Other receivables, deposits and prepayments | 401 | 358 |
| Tax recoverable | 34 | 13 |
| Cash and bank balances | 9,425 | 4,414 |
| Total current assets | 12,709 | 9,085 |
| Current liabilities | | |
| Trade payables | 700 | 1,232 |
| Other payables and accruals | 3,863 | 4,226 |
| Short term borrowing | - | 48 |
| Provision for taxation | 276 | 101 |
| Total current liabilities | 4,839 | 5,607 |
| NET CURRENT ASSETS | <u>7,870</u> | <u>3,478</u> |
| | <u>133,131</u> | <u>130,223</u> |
| FINANCED BY : | | |
| Share capital | 55,548 | 55,548 |
| Reserves | 56,739 | 54,015 |
| | 112,287 | 109,563 |
| Non controlling interest | 6,081 | 5,897 |
| Shareholders' funds | <u>118,368</u> | <u>115,460</u> |
| Non-current liabilities | | |
| Deferred taxation | 14,763 | 14,763 |
| Long term borrowing | - | - |
| | 14,763 | 14,763 |
| | <u>133,131</u> | <u>130,223</u> |
| Net assets per share (RM) | <u>0.2131</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 March 2017

(The figures have not been audited)

| | 31 March 2017 RM'000 (Unaudited) | 31 March 2016 RM'000 (Unaudited) |
|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax | 3,374 | 108 |
| Adjustments for : | | |
| Non-cash items | 2,525 | 4,067 |
| Non-operating items | (14) | (369) |
| Operating profit before changes in working capital | 5,885 | 3,806 |
| Changes in working capital: | | |
| (Increase) / decrease in inventories | (96) | 106 |
| Decrease / (Increase) in receivables | 1,513 | (2,302) |
| (Decrease) / increase in payables | (1,049) | (3,424) |
| Cash generated from/(used in) operations | 6,253 | (1,814) |
| Dividend received | - | 159 |
| Income tax paid | (314) | (321) |
| Interest paid | - | (16) |
| Net cash from operating activities | 5,939 | (1,992) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Interest received | 168 | 20 |
| Purchase of property, plant and equipment | (217) | (2,939) |
| Plantation development expenditure incurred | (454) | (589) |
| Purchase of other investment | (369) | (118) |
| Proceed from disposal of other investment | - | 1,350 |
| Net cash used in investing activities | (872) | (2,276) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from private placement | - | 8,000 |
| Repayment of hire purchase creditors | (57) | (342) |
| Net cash (used in)/ generated from financing activities | (57) | 7,658 |
| Net Increase /(decrease) in Cash and Cash Equivalents | 5,010 | 3,390 |
| Cash and Cash Equivalents at beginning of period | 4,415 | 1,901 |
| Cash and Cash Equivalents at end of period | 9,425 | 5,291 |
| Cash and cash equivalents comprise the following: | | |
| Cash and bank balances | 9,425 | 5,291 |
| Bank overdraft | - | - |
| | 9,425 | 5,291 |

(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 March 2017

(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 |
| 2017 | | | | | | | | | | |
| 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 | - | - | - | - | - | - | 2,723 | 2,723 | 184 | 2,907 |
| Balance at 31 March 2017 | 55,548 | 35,350 | 4,056 | (4,056) | - | 28,002 | (6,613) | 112,287 | 6,081 | 118,368 |
| 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 |

(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 Third Quarter Ended 31 March 2017

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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Scope Industries Berhad
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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 2017 RM'000 | 31 Mar 2016 RM'000 | 31 Mar 2017 RM'000 | 31 Mar 2016 RM'000 |
| Investment holding | 463 | 1400 | 77 | 1,044 |
| Manufacturing | 10,535 | 9,773 | 1,702 | (625) |
| Plantation | 7,101 | 5,907 | 1,894 | 644 |
| | <u>18,099</u> | <u>17,080</u> | <u>3,673</u> | <u>1,063</u> |
| Less : Elimination | <u>(300)</u> | <u>(500)</u> | <u>(300)</u> | <u>(500)</u> |
| | <u>17,799</u> | <u>16,580</u> | | |
| Operating profit | | | 3,373 | 563 |
| Interest income | | | 168 | 20 |
| Finance cost | | | (167) | (475) |
| | | | <u>3,374</u> | <u>108</u> |
| Profit before taxation | | | 3,374 | 108 |
| Tax Expense | | | (467) | (370) |
| Profit after taxation | | | <u>2,907</u> | <u>(262)</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 2017

B1. Review of Performance

Manufacturing Division

| | <u>Quarter ended</u> | | <u>Year to date</u> | |
|---------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 31 March 2017 RM'000 | 31 March 2016 RM'000 | 31 March 2017 RM'000 | 31 March 2016 RM'000 |
| Revenue | 1,838 | 1,985 | 10,535 | 9,773 |
| Profit / (Loss) after tax | (43) | (947) | 1,503 | (632) |

Revenue for current quarter decreased by 7.4% to RM1.84 million compared to RM1.99 million in previous corresponding quarter. This division posted lower loss after tax at RM0.04 million compared to loss of RM0.95 million in previous corresponding quarter, mainly due to cost-cutting measures implemented in current quarter.

For financial year-to-date ended 31 March 2017, revenue increased by 7.8% to RM10.54 million compared to RM9.77 million in previous corresponding period, partly due to additional orders from new customers. This division registered profit after tax at RM1.50 million in current period compared to loss of RM0.63 million in previous corresponding period. This was mainly due to higher revenue achieved as well as cost-cutting measures implemented in current period.

Plantation Division

| | <u>Quarter ended</u> | | <u>Year to date</u> | |
|---------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 31 March 2017 RM'000 | 31 March 2016 RM'000 | 31 March 2017 RM'000 | 31 March 2016 RM'000 |
| Revenue | 2,303 | 1,605 | 7,101 | 5,907 |
| Profit / (Loss) after tax | 468 | (201) | 1,635 | 276 |
| FFB Production (MT) | 3,514 | 3,259 | 11,684 | 13,693 |
| Average FFB price (RM) | 656 | 492 | 608 | 431 |

For current quarter under review, plantation division's revenue increased considerably by 43.5% to RM2.30 million from RM1.61 million in previous corresponding quarter mainly due to higher FFB selling price. Profit after tax was RM0.47 million compared to loss of RM0.20 million in previous corresponding quarter mainly due to higher revenue recorded.

For financial year-to-date ended 31 March 2017, the division revenue increased by 20.2% to RM7.10 million from RM5.91 million, due to significant increase in average FFB price despite lower crop production by 14.7%. Profit after tax increase significantly to RM1.64 million from RM0.28 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 Mar 2017 RM'000 | 31 Dec 2016 RM'000 |
| Revenue | 1,838 | 3,134 |
| Profit / (Loss) after tax | (43) | 535 |

For the current quarter under review, the manufacturing division registered revenue of RM1.84 million, representing a decrease of 41.3% compared to the immediate preceding quarter ended 31 December 2016. This division posted a marginal loss after tax at RM0.04 million compared to profit of RM0.54 million, mainly due to lower revenue and cost-cutting measures implemented in current quarter.

Plantation division

| | Individual quarter ended | |
|---------------------------|--------------------------|-----------------------|
| | 31 Mar 2017 RM'000 | 31 Dec 2016 RM'000 |
| Revenue | 2,303 | 2,332 |
| Profit / (Loss) after tax | 468 | 559 |

The revenue for plantation division decreased slightly to RM2.30 million from RM2.33 million in immediate preceding quarter. This was mainly due to lower FFB production by 4.3% while average FFB price increased by 3.3%, which details are stated below.

| | Individual quarter ended | | |
|------------------------|--------------------------|-------------|----------|
| | 31 Mar 2017 | 31 Dec 2016 | Variance |
| Average FFB price (RM) | 656 | 635 | 3.3% |
| FFB Production (MT) | 3,514 | 3,671 | (4.3%) |

This division posted lower profit after tax at RM0.47 million compared to profit of RM0.56 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 profitable 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

Based on results for current period

Current tax expense

Current Year
to-date
31 Mar 2017
RM'000

467

For the financial period ended 31 March 2017, 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 Mar 2017 RM'000 |
|---|--------------------------------|
| Short term - Secured - Hire purchase | - |
| Long term - Secured - Hire purchase | - |
| Total borrowings | <u>0</u> |

B8. Material Litigation

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

B9. Dividend

A Single-Tier First Interim Dividend of 0.5 sen per ordinary share in respect of the financial year ending 30 June 2017 is declared on 16 May 2017.

B10. Realised and Unrealised Profits/Losses Disclosure

The retained profits / (accumulated losses) as at 31 March 2017 is analysed as follow:-

| | As at 31.3.2017 RM'000 | As at 30.6.2016 RM'000 |
|---|------------------------------|------------------------------|
| Total retained profits / (accumulated losses) of Scope Industries Berhad and its subsidiaries : | | |
| - Realised | (801) | (3,679) |
| - Unrealised | (202) | (230) |
| | <u>(1,003)</u> | <u>(3,909)</u> |
| Less : Consolidation adjustments | (5,610) | (5,427) |
| Total group retained profits / (accumulated losses) as per consolidation accounts | <u>(6,613)</u> | <u>(9,336)</u> |

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(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 | |
|--|-----------|-----------|--------------|-----------|
| | 31.3.2017 | 31.3.2016 | 31.3.2017 | 31.3.2016 |
| Net profit/(loss) attributable to owners of the Company (RM'000) | 325 | (745) | 2,723 | (240) |
| Weighted average number of ordinary shares in issue ('000) | 555,484 | 533,763 | 555,484 | 533,763 |
| Basic earnings / (loss) per share (sen) | 0.06 | (0.14) | 0.49 | (0.04) |

(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 | |
|--|-----------|-----------|--------------|-----------|
| | 31.3.2017 | 31.3.2016 | 31.3.2017 | 31.3.2016 |
| Net profit/(loss) attributable to owners of the Company (RM'000) | 325 | (745) | 2,723 | (240) |
| Weighted average number of ordinary shares in issue ('000) | 555,484 | 533,763 | 555,484 | 533,763 |
| Effects of warrants outstanding ('000) | 36,144 | 39,512 | 36,144 | 39,512 |
| Diluted earnings / (loss) per share (sen) | 0.05 | (0.13) | 0.46 | (0.04) |