

SCOPE

SCOPE INDUSTRIES BERHAD

(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Period Ended 31 December 2017

(The figures have not been audited)

	Quarter ended		Year to date	
	31 Dec 2017 RM'000	31 Dec 2016 RM'000	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Revenue	5,446	5,528	13,291	13,588
Cost of sales	(4,027)	(3,678)	(9,579)	(8,961)
Gross profit	<u>1,419</u>	<u>1,850</u>	<u>3,712</u>	<u>4,627</u>
Other income	101	118	186	234
Administrative expenses	(1,018)	(793)	(2,255)	(1,891)
Profit from operations	<u>502</u>	<u>1,175</u>	<u>1,643</u>	<u>2,970</u>
Finance costs	-	(77)	-	(154)
Profit/(loss) before tax	<u>502</u>	<u>1,098</u>	<u>1,643</u>	<u>2,816</u>
Taxation	(120)	(92)	(244)	(293)
Profit/(loss) for the period	<u>382</u>	<u>1,006</u>	<u>1,399</u>	<u>2,523</u>
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>382</u>	<u>1,006</u>	<u>1,399</u>	<u>2,523</u>
Profit / (loss) attributable to :				
Owners of the Company	226	969	1,213	2,398
Non-controlling interests	156	37	186	125
	<u>382</u>	<u>1,006</u>	<u>1,399</u>	<u>2,523</u>
Total comprehensive income attributable to :				
Owners of the Company	226	969	1,213	2,398
Non-controlling interests	156	37	186	125
	<u>382</u>	<u>1,006</u>	<u>1,399</u>	<u>2,523</u>
Earnings/(loss) per share				
Basic (sen)	0.04	0.17	0.22	0.43
Diluted (sen)	0.04	0.16	0.21	0.41

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2017)

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SCOPE INDUSTRIES BERHAD

(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	As At 31 Dec 2017 RM'000 (Unaudited)	As At 30 June 2017 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	79,326	80,265
Biological assets	9,296	9,536
Goodwill on consolidation	34,966	34,966
Prepaid land lease payment	1,485	1,512
Other investments	405	424
	125,478	126,703
Current Assets		
Inventories	1,517	1,859
Trade receivables	1,410	2,810
Other receivables, deposits and prepayments	350	553
Tax recoverable	1	14
Cash and bank balances	7,970	6,859
Total current assets	11,248	12,095
Current liabilities		
Trade payables	983	1,347
Other payables and accruals	1,439	4,473
Short term borrowing	-	-
Provision for taxation	114	187
Total current liabilities	2,536	6,007
NET CURRENT ASSETS	<u>8,712</u>	<u>6,088</u>
	<u>134,190</u>	<u>132,791</u>
FINANCED BY :		
Share capital	91,648	91,648
Reserves	21,564	20,351
	113,212	111,999
Non controlling interest	6,437	6,251
Shareholders' funds	<u>119,649</u>	<u>118,250</u>
Non-current liabilities		
Other payables	-	-
Deferred taxation	14,541	14,541
Long term borrowing	-	-
	14,541	14,541
	<u>134,190</u>	<u>132,791</u>
Net assets per share (RM)	<u>0.2135</u>	<u>0.2110</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2017)

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SCOPE INDUSTRIES BERHAD

(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For The Period Ended 31 December 2017

(The figures have not been audited)

	6 Months Ended 31/12/2017 RM'000 (Unaudited)	6 Months Ended 31/12/2016 RM'000 (Unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	1,643	2,816
Adjustments for :		
Non-cash items	1,743	1,687
Non-operating items	(97)	56
Operating profit before changes in working capital	3,289	4,559
Changes in working capital:		
Decrease / (increase) in inventories	341	(139)
Decrease / (increase) in receivables	830	868
(Decrease) / increase in payables	(2,624)	553
Cash (used in)/generated from operations	1,836	5,841
Income tax paid	(317)	(157)
Income tax refund	14	-
Net cash from operating activities	1,533	5,684
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	91	98
Proceeds from disposal of property, plant and equipment	6	-
Purchase of property, plant and equipment	(443)	(203)
Plantation development expenditure incurred	(95)	(309)
Loss /(Gain) on fair value changes in other investments	19	-
Net cash used in investing activities	(422)	(414)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of hire purchase creditors	-	(53)
Net cash generated from /(used in) financing activities	-	(53)
Net Increase /(decrease) in Cash and Cash Equivalents	1,111	5,217
Cash and Cash Equivalents at beginning of period	6,859	4,414
Cash and Cash Equivalents at end of period	7,970	9,631
Cash and cash equivalents comprise the following:		
Cash and bank balances	7,970	9,631
Bank overdraft	-	-
	7,970	9,631

(The Condensed Consolidated Statements of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2017)

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SCOPE INDUSTRIES BERHAD

(Company No: 591376-D)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For The Period Ended 31 December 2017

(The figures have not been audited)

	<----- Attributable to owners of the Company ----->									
	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
<u>For financial year 2018</u>										
Balance at 1 July 2017	91,648	-	3,878	(3,878)	-	28,003	(7,652)	111,999	6,251	118,250
Total comprehensive income	-	-	-	-	-	-	1,213	1,213	186	1,399
Balance at 31 December 2017	91,648	-	3,878	(3,878)	-	28,003	(6,439)	113,212	6,437	119,649
<u>For financial year 2017</u>										
Balance at 1 July 2016	55,548	35,350	4,056	(4,056)	-	28,003	(9,336)	109,565	5,897	115,462
Total comprehensive income	-	-	-	-	-	-	2,398	2,398	125	2,523
Balance at 31 December 2016	55,548	35,350	4,056	(4,056)	-	28,003	(6,938)	111,963	6,022	117,985

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2017)

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A. Notes to the Interim Financial Report For The Second Quarter Ended 31 December 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 financial year ended 30 June 2017. 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 2017.

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 2017.

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 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 Dec 2017 RM'000	31 Dec 2016 RM'000	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Investment holding	86	393	(232)	173
Manufacturing	8,345	8,697	476	1,661
Plantation	4,860	4,798	1,308	1,338
	<u>13,291</u>	<u>13,888</u>	<u>1,552</u>	<u>3,172</u>
Less : Elimination	-	(300)	-	(300)
	<u>13,291</u>	<u>13,588</u>		
Operating profit			1,552	2,872
Interest income			91	98
Finance cost			-	(154)
			<u>1,643</u>	<u>2,816</u>
Profit / (loss) before taxation			1,643	2,816
Tax Expense			(244)	(293)
Profit / (loss) after taxation			<u>1,399</u>	<u>2,523</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 Second Quarter Ended 31 December 2017

B1. Review of Performance

Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Dec 2017 RM'000	31 Dec 2016 RM'000	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Revenue	2,776	3,134	8,345	8,697
Profit / (Loss) after tax	(343)	535	403	1,546

The manufacturing division's revenue for current quarter decreased by 11.4% to RM2.78 million compared to RM3.13 million in previous corresponding quarter, mainly due to lower sales volume. This division posted loss after tax of RM0.34 million for current quarter compared to profit after tax of RM0.54 million in previous corresponding quarter mainly due to lower revenue generated and higher cost of goods manufactured for current quarter.

For 6 months period ended 31 December 2017, revenue decreased by 4.0% to RM8.34 million compared to RM8.69 million in previous corresponding period. Profit after tax was lower at RM0.40 million compared to RM1.55 million in previous corresponding period, mainly due to higher cost of goods manufactured and lower revenue.

Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Dec 2017 RM'000	31 Dec 2016 RM'000	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Revenue	2,617	2,332	4,860	4,798
Profit / (Loss) after tax	774	559	1,145	1,167
FFB Production (MT)	4,854	3,671	8,999	8,170
Average FFB price (RM)	539	635	540	587

For current quarter under review, plantation division's revenue increased by 12.2% to RM2.62 million from RM2.33 million in previous corresponding quarter. This was due to increase in FFB production by 32.2% while average FFB price decreased by 15.1%. As a result of higher revenue generated, this division recorded higher profit after tax at RM0.77 million compared to profit of RM0.56 million in previous corresponding quarter.

For 6 months period ended 31 December 2017, this division recorded profit after tax of RM1.15 million compared to RM1.17 million in previous corresponding period. Decrease in average FFB price by 8.0% during the period was offset by higher FFB production by 10.1%.

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B2. Variation of Results against Immediate Preceding Quarter

Manufacturing division

	Individual quarter ended	
	31 Dec 2017 RM'000	30 Sep 2017 RM'000
Revenue	2,776	5,569
Profit / (Loss) after tax	(343)	746

For the current quarter under review, the manufacturing division registered lower revenue at RM2.78 million compared to RM5.57 million in immediate preceding quarter ended 30 September 2017 mainly due to lower sales volume. As a result of lower revenue recorded, this division registered loss after tax of RM0.34 million in current quarter.

Plantation division

	Individual quarter ended	
	31 Dec 2017 RM'000	30 Sep 2017 RM'000
Revenue	2,617	2,243
Profit / (Loss) after tax	774	371

The plantation division recorded higher revenue at RM2.62 million for current quarter under review compared to RM2.24 million in immediate preceding quarter. This was due to increase in FFB production by 17.1% as stated below.

	Individual quarter ended		
	31 Dec 2017	30 Sep 2017	Variance
Average FFB price (RM)	539	541	(0.4%)
FFB Production (MT)	4,854	4,145	17.1%

This division posted higher profit after tax at RM0.77 million for current quarter compared to profit of RM0.37 million in immediate preceding quarter mainly due to higher revenue recorded.

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B3. Prospects

Manufacturing division

The directors anticipate the challenging environment to persist over the medium-term. Based on the latest sales forecast, the company expects decreased orders from a major customer towards the end of current financial year. The company is continuously monitoring the operational costs as well as expanding its customer base to mitigate the impact arising from the expected lower sales volume in this division.

Plantation division

The performance of this division would continue to be driven by CPO price which is dependent on the world edible oils market and economic situation. The management is continuously improving 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 2018.

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 2017
RM'000

Based on results for the year:

Current tax expense

244

For the financial period ended 31 December 2017, the effective tax rate of the Group is lower than 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 2017 RM'000
Short term	
- Bank borrowing	-
Long term	
- Bank borrowing	-
Total borrowing	<u>-</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 2017 is analysed as follow:-

	As at 31.12.2017 RM'000	As at 30.6.2017 RM'000
Total retained profits / (accumulated losses) of Scope Industries Berhad and its subsidiaries:		
- Realised	321	(1,089)
- Unrealised	(171)	(160)
	<u>150</u>	<u>(1,249)</u>
Less : Consolidation adjustments	(6,589)	(6,403)
Total group retained profits / (accumulated losses) as per consolidation accounts	<u>(6,439)</u>	<u>(7,652)</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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Net profit/(loss) attributable to owners of the Company (RM'000)	226	969	1,213	2,398
Weighted average number of ordinary shares in issue ('000)	558,580	555,484	558,580	555,484
Basic earnings / (loss) per share (sen)	0.04	0.17	0.22	0.43

(ii) Diluted earnings / (loss) per share

The calculation of diluted earnings per share was based on profit attributed to shareholders of the Company and on the weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary shares as follows:

	Quarter		Year to date	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Net profit/(loss) attributable to owners of the Company (RM'000)	226	969	1,213	2,398
Weighted average number of ordinary shares in issue ('000)	558,580	555,484	558,580	555,484
Dilutive effect of warrants outstanding ('000)	32,831	32,456	32,831	32,456
Diluted earnings / (loss) per share (sen)	0.04	0.16	0.21	0.41