

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

A. Notes to the Interim Financial Report For The Fourth Quarter Ended 30 June 2018

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.

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 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

A Single-Tier Interim Dividend of 0.5 sen per ordinary share in respect of the financial year ended 30 June 2018 were paid on 18 July 2018.

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

A9. Segment Information

| | Year to date Revenue | | Year to date Operating profit / (loss) | |
|---------------------------------|-------------------------|-----------------------|---|-----------------------|
| | 30 Jun 2018 RM'000 | 30 Jun 2017 RM'000 | 30 Jun 2018 RM'000 | 30 Jun 2017 RM'000 |
| Investment holding | 1,522 | 1,733 | 881 | 1,228 |
| Manufacturing | 12,500 | 15,692 | (29) | 2,778 |
| Plantation | 9,569 | 10,181 | 2,042 | 2,907 |
| | <u>23,591</u> | <u>27,606</u> | <u>2,894</u> | <u>6,913</u> |
| Less : Elimination | <u>(1,300)</u> | <u>(1,500)</u> | <u>(1,300)</u> | <u>(1,500)</u> |
| | <u>22,291</u> | <u>26,106</u> | | |
| Operating profit | | | 1,594 | 5,413 |
| Interest income | | | 222 | 234 |
| Finance cost | | | - | (183) |
| | | | <u>1,816</u> | <u>5,464</u> |
| Profit / (loss) before taxation | | | 1,816 | 5,464 |
| Tax Expense | | | (15) | (556) |
| Profit / (loss) after taxation | | | <u>1,801</u> | <u>4,908</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 Fourth Quarter Ended 30 June 2018

B1. Review of Performance

Manufacturing Division

| | <u>Quarter ended</u> | | <u>Year to date</u> | |
|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2018 RM'000 | 30 June 2017 RM'000 | 30 June 2018 RM'000 | 30 June 2017 RM'000 |
| Revenue | 2,693 | 5,157 | 12,500 | 15,692 |
| Profit / (Loss) after tax | 54 | 1,072 | 75 | 2,575 |

The manufacturing division's revenue for current quarter decreased by 47.8% to RM2.69 million compared to RM5.16 million in previous corresponding quarter, mainly due to lower sales volume. This division posted profit after tax of RM0.05 million for current quarter compared to profit of RM1.07 million in previous corresponding quarter mainly due to lower revenue generated for current quarter.

For financial year-to-date ended 30 June 2018, revenue decreased by 20.3% to RM12.50 million compared to RM15.69 million in previous corresponding year, mainly due to lower sales volume. Profit after tax was lower at RM0.07 million compared to RM2.57 million in previous corresponding year, mainly due to lower revenue recorded.

Plantation Division

| | <u>Quarter ended</u> | | <u>Year to date</u> | |
|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2018 RM'000 | 30 June 2017 RM'000 | 30 June 2018 RM'000 | 30 June 2017 RM'000 |
| Revenue | 2,100 | 3,080 | 9,569 | 10,181 |
| Profit / (Loss) after tax | 79 | 931 | 1,716 | 2,566 |
| FFB Production (MT) | 4,561 | 5,692 | 18,903 | 17,376 |
| Average FFB price (RM) | 460 | 541 | 506 | 586 |

Plantation division's revenue for current quarter decreased by 31.8% to RM2.10 million from RM3.08 million in previous corresponding quarter. This was due to decrease in FFB production by 19.9% while average FFB price decreased by 14.9%. This division posted lower profit after tax at RM0.07 million compared to profit of RM0.93 million in previous corresponding quarter, mainly due to lower revenue recorded.

For financial year-to-date ended 30 June 2018, this division recorded lower revenue at RM9.57 million compared to RM10.18 million in previous corresponding year. Profit after tax was lower at RM1.72 million compared to profit of RM2.57 million in previous corresponding year, mainly due to lower average FFB price for the current year.

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

B2. Variation of Results against Immediate Preceding Quarter

Manufacturing division

| | Individual quarter ended | |
|---------------------------|--------------------------|-----------------------|
| | 30 June 2018 RM'000 | 31 Mar 2018 RM'000 |
| Revenue | 2,693 | 1,462 |
| Profit / (Loss) after tax | 54 | (382) |

For current quarter under review, the manufacturing division registered higher revenue at RM2.69 million compared to RM1.46 million in immediate preceding quarter ended 31 March 2018 mainly due to higher sales volume. As a result of higher revenue achieved, this division posted a profit after tax at RM0.05 million for current quarter compared to loss of RM0.38 million in immediate preceding quarter.

Plantation division

| | Individual quarter ended | |
|---------------------------|--------------------------|-----------------------|
| | 30 June 2018 RM'000 | 31 Mar 2018 RM'000 |
| Revenue | 2,100 | 2,609 |
| Profit / (Loss) after tax | 79 | 492 |

The plantation division recorded lower revenue at RM2.10 million for current quarter under review compared to RM2.61 million in immediate preceding quarter. This was due to decrease in average FFB price and FFB production as stated below:

| | Individual quarter ended | | |
|------------------------|--------------------------|-------------|----------|
| | 30 Jun 2018 | 31 Mar 2018 | Variance |
| Average FFB price (RM) | 460 | 488 | (5.7%) |
| FFB Production (MT) | 4,561 | 5,343 | (14.6%) |

Profit after tax for current quarter was RM0.07 million compared to profit of RM0.49 million in immediate preceding quarter mainly due to lower revenue recorded.

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

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. On-going efforts has been taken to secure new orders from new customers. In addition, the company is continuously monitoring the operational costs 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 next financial year ending 30 June 2019.

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 June 2018 RM'000 |
|--------------------------------|---|
| Based on results for the year: | |
| Current tax | 377 |
| Deferred tax | (219) |
| | <hr/> |
| | 158 |
| Overprovision in prior year | (143) |
| | <hr/> |
| Current tax expense | <u>15</u> |

For the financial year-to-date ended 30 June 2018, the effective tax rate of the Group is lower than statutory tax rate mainly due to availability of tax losses carried forward in plantation 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 June 2018 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. Realised and Unrealised Profits/Losses Disclosure

The retained profits / (accumulated losses) as at 30 June 2018 is analysed as follow:-

| | As at 30.6.2018 RM'000 | As at 30.6.2017 RM'000 |
|--|------------------------------|------------------------------|
| Total retained profits / (accumulated losses) of Scope Industries Berhad and its subsidiaries: | | |
| - Realised | (2,080) | (1,089) |
| - Unrealised | (171) | (160) |
| | <u>(2,251)</u> | <u>(1,249)</u> |
| Less : Consolidation adjustments | (6,743) | (6,403) |
| Total group retained profits / (accumulated losses) as per consolidation accounts | <u>(8,994)</u> | <u>(7,652)</u> |

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

B10. 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 | |
|--|-----------|-----------|--------------|-----------|
| | 30.6.2018 | 30.6.2017 | 30.6.2018 | 30.6.2017 |
| Net profit/(loss) attributable to owners of the Company (RM'000) | 280 | 1,831 | 1,460 | 4,554 |
| Weighted average number of ordinary shares in issue ('000) | 560,484 | 556,060 | 560,484 | 556,060 |
| Basic earnings / (loss) per share (sen) | 0.05 | 0.33 | 0.26 | 0.82 |

(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 | |
|--|-----------|-----------|--------------|-----------|
| | 30.6.2018 | 30.6.2017 | 30.6.2018 | 30.6.2017 |
| Net profit/(loss) attributable to owners of the Company (RM'000) | 280 | 1,831 | 1,460 | 4,554 |
| Weighted average number of ordinary shares in issue ('000) | 560,484 | 556,060 | 560,484 | 556,060 |
| Dilutive effect of warrants outstanding ('000) | 15,514 | 43,276 | 15,514 | 43,276 |
| Diluted earnings / (loss) per share (sen) | 0.05 | 0.31 | 0.25 | 0.76 |