

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

A. Notes to the Interim Financial Report For The First Quarter Ended 30 September 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 2018. 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 2018.

A2. Changes in Accounting Policies

The financial statements of the Group for the financial period ended 30 September 2018 are the first set of interim financial statements prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS Framework”). Adoption of the MFRS Framework by the Group is on 1 January 2018.

The Group has consistently applied the same accounting policies as those applied by the Group in its latest audited financial statements, in its opening MFRS statement of financial position as at 1 July 2017 and throughout all comparable interim periods presented, as if these policies had always been in effect. Certain comparative information in these interim financial statements have been restated to give effect to the application of the MFRS Framework.

The MFRS standard applied by the Group for the first time in these interim financial statements that has financial impact to the financial statements is disclosed as follows:

MFRS 116 Property, Plant and Equipment and MFRS 141 Agriculture

The amendments to *MFRS 116 Property, Plant and Equipment* and *MFRS 141 Agriculture* introduce a new category of biological asset, i.e. the bearer plants. A bearer plant is a living plant that is used in the production and supply of agricultural produce, is expected to bear produce for more than one period, and has remote likelihood of being sold as agricultural produce (except for incidental scrap sales).

Bearer plants are seen as similar to an item of machinery in a manufacturing plant, and therefore are treated the same way under *MFRS 116 Property, Plant and Equipment*. Therefore, bearer plants are measured either at cost or revalued amounts, less accumulated depreciation and impairment losses.

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

A2. Changes in Accounting Policies (Cont'd)

MFRS 116 Property, Plant and Equipment and MFRS 141 Agriculture (cont'd)

Agricultural produce growing on bearer plants are measured at fair value less costs to sell, with fair value changes recognised in profit or loss as the produce grows.

The effect of the changes in accounting policy on the comparatives are as follows:

	As at 30 June 2018			As at 1 July 2017		
	Previously reported under FRS RM '000	Effects on adoption of MFRS RM '000	Reported under MFRS RM '000	Previously reported under FRS RM '000	Effects on adoption of MFRS RM '000	Reported under MFRS RM '000
<u>Current assets</u>						
Biological assets	-	309	309	-	339	339
<u>Equity attributable to owners</u>						
Reserves	18,991	309	19,300	20,351	339	20,690

Condensed Consolidated Statement of Comprehensive Income:

	Corresponding quarter		
	Under FRS 30 Sep 2017 RM '000	Adjustments RM '000	Under MFRS 30 Sep 2017 RM '000
Other operating income	85	23	108
Profit before tax	1,141	23	1,164
Profit after tax	1,017	23	1,040

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.

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

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.

A9. Segment Information

	Year to date Revenue		Year to date Operating profit / (loss)	
	30 Sep 2018 RM'000	30 Sep 2017 RM'000	30 Sep 2018 RM'000	30 Sep 2017 RM'000
Investment holding	47	33	(68)	(133)
Manufacturing	3,380	5,569	110	775
Plantation	1,223	2,243	(624)	486
	<u>4,650</u>	<u>7,845</u>	<u>(582)</u>	<u>1,128</u>
Less : Elimination	-	-	-	-
	<u>4,650</u>	<u>7,845</u>		
Operating profit			(582)	1,128
Interest income			48	36
Finance cost			-	-
			<u>(534)</u>	<u>1,164</u>
Profit / (loss) before taxation			(534)	1,164
Tax Expense			(47)	(124)
Profit / (loss) after taxation			<u>(581)</u>	<u>1,040</u>

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

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 2018

B1. Review of Performance

Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Sep 2018 RM'000	30 Sep 2017 RM'000	30 Sep 2018 RM'000	30 Sep 2017 RM'000
Revenue	3,380	5,569	3,380	5,569
Profit / (Loss) after tax	96	746	96	746

The manufacturing division's revenue for current quarter decreased by 39.3% to RM3.38 million compared to RM5.57 million in previous corresponding quarter, mainly due to lower sales volume. This division posted profit after tax of RM0.09 million for current quarter compared to profit of RM0.75 million in previous corresponding quarter mainly due to lower revenue generated for current quarter.

Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Sep 2018 RM'000	30 Sep 2017 RM'000	30 Sep 2018 RM'000	30 Sep 2017 RM'000
Revenue	1,223	2,243	1,223	2,243
Profit / (Loss) after tax	(619)	371	(619)	371
FFB Production (MT)	2,890	4,145	2,890	4,145
Average FFB price (RM)	423	541	423	541

Plantation division's revenue for current quarter decreased by 45.5% to RM1.22 million from RM2.24 million in previous corresponding quarter. This was due to decrease in both FFB production and average FFB price by 30.3% and 21.8% respectively. This division posted loss after tax at RM0.62 million compared to profit of RM0.37 million in previous corresponding quarter, mainly due to lower revenue recorded.

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

B2. Variation of Results against Immediate Preceding Quarter

Manufacturing division

	Individual quarter ended	
	30 Sep 2018 RM'000	30 June 2018 RM'000
Revenue	3,380	2,693
Profit / (Loss) after tax	96	54

For current quarter under review, the manufacturing division's revenue increased by 25.5% to RM3.38 million compared to RM2.69 million in immediate preceding quarter ended 30 June 2018 mainly due to higher sales volume. Profit after tax increased by a mere RM42,000 despite revenue increased by 25.5%. This was mainly due to the operations incurred staffing costs in preparation for accepting new orders from new customers.

Plantation division

	Individual quarter ended	
	30 Sep 2018 RM'000	30 June 2018 RM'000
Revenue	1,223	2,100
Profit / (Loss) after tax	(619)	79

The plantation division recorded lower revenue at RM1.22 million for current quarter under review compared to RM2.10 million in immediate preceding quarter. This was due to decrease in average FFB price and FFB production as stated below:

	Individual quarter ended		
	30 Sep 2018	30 Jun 2018	Variance
Average FFB price (RM)	423	460	(8.0%)
FFB Production (MT)	2,890	4,561	(36.6%)

This division registered loss after tax for current quarter at RM0.62 million compared to profit after tax of RM0.08 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 over the immediate coming months. Nevertheless, the operations are currently in negotiation with new potential customers to bring in new orders that could fill up the unutilised capacity resulted from lower loadings from the abovementioned major customer. In addition, the company is continuously monitoring the operational costs to mitigate the impact arising from the current transitional period.

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.

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 2018
RM'000

Based on results for the period:

Current tax expense

47

For the financial period ended 30 September 2018, the Group reported tax expense despite having loss after tax as certain subsidiary registered profitable results.

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 2018 RM'000
Short term	
- Bank borrowing	-
Long term	
- Bank borrowing	-
Total borrowing	-

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. 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		Period to date	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
Net profit/(loss) attributable to owners of the Company (RM'000)	(432)	1,010	(432)	1,010
Weighted average number of ordinary shares in issue ('000)	560,484	557,320	560,484	557,320
Basic earnings / (loss) per share (sen)	(0.08)	0.18	(0.08)	0.18

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

(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		Period to date	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
Net profit/(loss) attributable to owners of the Company (RM'000)	(432)	1,010	(432)	1,010
Weighted average number of ordinary shares in issue ('000)	560,484	557,320	560,484	557,320
Dilutive effect of warrants outstanding ('000)	6,787	38,188	6,787	38,188
Diluted earnings / (loss) per share (sen)	(0.08)	0.17	(0.08)	0.17