

# SCOPE

Scope Industries Berhad  
(Company No: 591376-D)

## A. Notes to the Interim Financial Report For The Second Quarter Ended 31 December 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 were 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 was 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 the interim financial statements that has financial impact to the financial statements was 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 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
<b><u>Current assets</u></b>						
Biological assets	-	309	309	-	339	339
<b><u>Equity attributable to owners</u></b>						
Reserves	18,991	309	19,300	20,351	339	20,690

Condensed Consolidated Statement of Comprehensive Income:

	3 Months Ended 31 December 2017		
	Under FRS 31 Dec 2017 RM '000	Adjustments RM '000	Under MFRS 31 Dec 2017 RM '000
Other operating income	101	(32)	69
Profit before tax	502	(32)	470
Profit after tax	382	(32)	350

	6 Months Ended 31 December 2017		
	Under FRS 31 Dec 2017 RM '000	Adjustments RM '000	Under MFRS 31 Dec 2017 RM '000
Other operating income	186	(9)	177
Profit before tax	1,643	(9)	1,634
Profit after tax	1,399	(9)	1,390

# SCOPE

Scope Industries Berhad  
(Company No: 591376-D)

## **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.

# SCOPE

Scope Industries Berhad  
(Company No: 591376-D)

## A9. Segment Information

	Year to date Revenue		Year to date Operating profit / (loss)	
	31 Dec 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000
Investment holding	82	86	(158)	(232)
Manufacturing	5,596	8,345	(651)	476
Plantation	2,813	4,860	(771)	1,299
	<u>8,491</u>	<u>13,291</u>	<u>(1,580)</u>	<u>1,543</u>
Less : Elimination	-	-	-	-
	<u>8,491</u>	<u>13,291</u>		
Operating profit			(1,580)	1,543
Interest income			84	91
Finance cost			(1)	-
			<u>(1,497)</u>	<u>1,634</u>
Profit / (loss) before taxation			(1,497)	1,634
Tax Expense			(158)	(244)
Profit / (loss) after taxation			<u>(1,655)</u>	<u>1,390</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 Second Quarter Ended 31 December 2018

### B1. Review of Performance

#### Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Dec 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000
Revenue	2,216	2,776	5,596	8,345
Profit / (Loss) after tax	(785)	(343)	(689)	403

The manufacturing division's revenue for current quarter decreased by 20.1% to RM2.22 million compared to RM2.78 million in previous corresponding quarter, mainly due to lower sales volume. This division posted higher loss after tax at RM0.79 million for current quarter compared to loss of RM0.34 million in previous corresponding quarter mainly due to lower revenue generated for current quarter.

For 6 months period ended 31 December 2018, revenue decreased by 32.9% to RM5.59 million compared to RM8.34 million in previous corresponding period, mainly due to lower sales volume which resulted from low demand for one of our product offering. As a result of lower revenue generated, this division posted loss after tax of RM0.69 million in current period under review.

#### Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Dec 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000
Revenue	1,590	2,617	2,813	4,860
Profit / (Loss) after tax	(269)	774	(888)	1,145
FFB Production (MT)	4,536	4,854	7,426	8,999
Average FFB price (RM)	351	539	378	540

Plantation division's revenue for current quarter decreased by 39.2% to RM1.59 million from RM2.61 million in previous corresponding quarter. This was due to decrease in both FFB production and average FFB price by 6.5% and 34.8% respectively. This division posted loss after tax at RM0.26 million compared to profit of RM0.77 million in previous corresponding quarter, mainly due to lower revenue recorded.

For 6 months period ended 31 December 2018, revenue decreased by 42.1% to RM2.81 million. This was due to decrease in both FFB production and average FFB price by 17.5% and 30.0% respectively. As a result of lower revenue generated, this division posted loss after tax of RM0.88 million in current period under review.

# SCOPE

Scope Industries Berhad  
(Company No: 591376-D)

## B2. Variation of Results against Immediate Preceding Quarter

### Manufacturing division

	Individual quarter ended	
	31 Dec 2018 RM'000	30 Sep 2018 RM'000
Revenue	2,216	3,380
Profit / (Loss) after tax	(785)	96

For current quarter under review, the manufacturing division registered lower revenue at RM2.21 million compared to RM3.38 million in immediate preceding quarter ended 30 September 2018, mainly due to lower sales volume. This division posted loss after tax at RM0.78 million compared to profit of RM0.09 million in immediate preceding quarter, mainly due to lower revenue generated.

### Plantation division

	Individual quarter ended	
	31 Dec 2018 RM'000	30 Sep 2018 RM'000
Revenue	1,590	1,223
Profit / (Loss) after tax	(269)	(619)

The plantation division recorded higher revenue at RM1.59 million for current quarter under review compared to RM1.22 million in immediate preceding quarter. This was due to increase in FFB production with its effect being partially offset by lower average FFB price. The above explanation is depicted as follow:-

	Individual quarter ended		
	31 Dec 2018	30 Sep 2018	Variance
Average FFB price (RM)	351	423	(17.0%)
FFB Production (MT)	4,536	2,890	56.9%

This division registered lower loss after tax for current quarter at RM0.26 million compared to loss of RM0.61 million in immediate preceding quarter, mainly due to higher 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 have secured a new customer during current quarter under review. Trial-run of production for this new customer was successfully carried out in January 2019. The Management will be monitoring mass production for this customer which commenced in February 2019. On the other hand, 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  
31 Dec 2018  
RM'000

Based on results for the period:

Current tax expense

158

For the financial period ended 31 December 2018, the Group reported tax expense despite having loss after tax as certain subsidiary registered profitable results.

## B6. Status of Corporate Proposal

On 14 February 2019, SCOPE had announced a proposed private placement of up to 10% of the total number of issued shares in SCOPE excluding treasury shares, to third party investor(s) to be identified and at an issue price to be determined later ("Proposed Private Placement"). Further, SCOPE had on 15 February 2019, submitted the additional listing application in relation to the Proposed Private Placement to Bursa Securities for its approval.

# SCOPE

Scope Industries Berhad  
(Company No: 591376-D)

## B7. Group Borrowings and Debt Securities

	As at 31 Dec 2018 RM'000
Short term	
- Bank overdraft	143
Long term	
- Bank borrowing	-
Total borrowing	<u>143</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. 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	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Net profit/(loss) attributable to owners of the Company (RM'000)	(1,053)	194	(1,485)	1,204
Weighted average number of ordinary shares in issue ('000)	560,484	558,580	560,484	558,580
Basic earnings / (loss) per share (sen)	(0.19)	0.03	(0.26)	0.22



# 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	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Net profit/(loss) attributable to owners of the Company (RM'000)	(1,053)	194	(1,485)	1,204
Weighted average number of ordinary shares in issue ('000)	560,484	558,580	560,484	558,580
Dilutive effect of warrants outstanding ('000)	3,503	32,831	3,503	32,831
Diluted earnings / (loss) per share (sen)	(0.19)	0.03	(0.26)	0.20