

# SCOPE

Scope Industries Berhad  
(Company No: 591376-D)

## A. Notes to the Interim Financial Report For The Fourth Quarter Ended 30 June 2019

### 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 ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“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.

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## 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
<b><u>Current assets</u></b>						
Biological assets	-	249	249	-	272	272
<b><u>Equity attributable to owners</u></b>						
Reserves	18,991	249	19,240	20,351	272	20,623

Condensed Consolidated Statement of Comprehensive Income:

	3 Months Ended 30 June 2018		
	Under FRS 30 June 2018 RM '000	Adjustments RM '000	Under MFRS 30 June 2018 RM '000
Administrative expenses	(874)	(38)	(912)
Profit/(loss) before tax	(40)	(38)	(78)
Profit/(loss) after tax	281	(38)	243

	12 Months Ended 30 June 2018		
	Under FRS 30 June 2018 RM '000	Adjustments RM '000	Under MFRS 30 June 2018 RM '000
Administrative expenses	(3,818)	(24)	(3,842)
Profit/(loss) before tax	1,793	(24)	1,769
Profit/(loss) after tax	1,778	(24)	1,754

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## **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 except for following changes in share capital:-

- i) Pursuant to completion of Private Placement Exercise, 56,048,443 units of ordinary shares were allotted on 14 March 2019.
- ii) During the fourth quarter ended 30 June 2019, a total of 2,600,000 units of ordinary shares were issued in consequent to exercise of warrant by warrant holders.

Other than the events mentioned above, there was 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)	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Investment holding	162	1,522	(399)	(422)
Manufacturing	9,127	12,500	(3,942)	(29)
Plantation	6,262	9,569	(920)	1,998
	<u>15,551</u>	<u>23,591</u>	<u>(5,261)</u>	<u>1,547</u>
Less : Elimination	-	(1,300)	-	-
	<u>15,551</u>	<u>22,291</u>		
Operating profit			(5,261)	1,547
Interest income			173	222
Finance cost			(121)	-
			<u>(5,209)</u>	<u>1,769</u>
Profit / (loss) before taxation			(5,209)	1,769
Tax Expense			122	(15)
Profit / (loss) after taxation			<u>(5,087)</u>	<u>1,754</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 Fourth Quarter Ended 30 June 2019

### B1. Review of Performance

#### Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Revenue	1,935	2,693	9,127	12,500
Profit / (Loss) after tax	(1,703)	54	(4,047)	75

The manufacturing division's revenue for current quarter decreased by 28.1% to RM1.94 million compared to RM2.69 million in previous corresponding quarter, mainly due to lower sales volume. This division posted loss after tax at RM1.70 million for current quarter compared to profit of RM0.05 million in previous corresponding quarter mainly due to lower revenue generated as well as additional workforce, depreciation and other operational expenses incurred to set up new production facilities that cater for new customer requirements.

For financial year-to-date ended 30 June 2019, revenue decreased by 27.0% to RM9.13 million compared to RM12.50 million in previous corresponding year, mainly due to lower sales volume. This division posted loss after tax at RM4.05 million in current financial year mainly due to lower revenue generated coupled with additional workforce and expenses incurred to set up new production facilities to meet requirements of customers.

#### Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Revenue	1,540	2,100	6,262	9,569
Profit / (Loss) after tax	(108)	79	(798)	1,716
FFB Production (MT)	4,415	4,561	17,138	18,903
Average FFB price (RM)	349	460	365	506

Plantation division's revenue and profit after tax were lower as compared to previous corresponding quarter, mainly due to decrease in average FFB price by 24.1%.

For financial year-to-date ended 30 June 2019, revenue decreased by 34.6% to RM6.26 million. This was due to decrease in both FFB production and average FFB price by 9.3% and 27.9% respectively. As a result of lower revenue generated, this division posted loss after tax of RM0.80 million in current year under review.

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## B2. Variation of Results against Immediate Preceding Quarter

### Manufacturing division

	Individual quarter ended	
	30 June 2019 RM'000	31 March 2019 RM'000
Revenue	1,935	1,596
Profit / (Loss) after tax	(1,703)	(1,655)

For current quarter under review, the manufacturing division registered higher revenue at RM1.93 million compared to RM1.59 million in immediate preceding quarter ended 31 March 2019, mainly due to higher sales volume. Despite having higher revenue, this division reported higher loss after tax at RM1.70 million, mainly due to additional depreciation and finance cost as well as lower miscellaneous income in current quarter under review. Increase in depreciation was due to purchase of additional machines.

### Plantation division

	Individual quarter ended	
	30 June 2019 RM'000	31 March 2019 RM'000
Revenue	1,540	1,909
Profit / (Loss) after tax	(108)	2

The plantation division recorded lower revenue at RM1.54 million for current quarter under review compared to RM1.91 million in immediate preceding quarter. This was due to decrease in both FFB production and average FFB price by 16.6% and 3.1% respectively. The above explanation is depicted as follow:-

	Individual quarter ended		
	30 Jun 2019	31 Mar 2019	Variance
Average FFB price (RM)	349	360	(3.1%)
FFB Production (MT)	4,415	5,297	(16.6%)

This division registered loss after tax for current quarter at RM0.1 million, mainly due to lower revenue recorded.

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## B3. Prospects

### Manufacturing division

The challenging business environment is expected to persist over the medium term. The Company has secured new business in this current financial year and will continue its efforts to improve its revenue and profitability.

### 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 June 2019 RM'000
Based on results for the year:	
Current tax	123
Deferred tax	(236)
	<hr/>
	(113)
Overprovision in prior year	(9)
	<hr/>
Current taxation position	<hr/> <hr/> (122)

For the financial year ended 30 June 2019, the Group reported tax income position mainly due to deferred tax in certain subsidiary companies.

## 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. Utilisation of Proceeds from Private Placement

On 18 March 2019, the Company completed Private Placement Exercise and raised gross proceeds of RM 8,407,266. The status of utilisation of the proceeds as at 30 June 2019 is as follows:

Description	Proposed Utilisation RM	Actual Utilisation RM	Balance to be Utilised RM	Timeframe for Utilisation
1. Expansion of electronic manufacturing business	4,000,000	2,500,000	1,500,000	Within 12 months
2. Working capital	4,327,266	1,420,000	2,907,266	Within 12 months
3. Expenses in relation to Private Placement	80,000	79,098	*902	Within 6 months
TOTAL	8,407,266	3,999,098	4,408,168	

\*The balance amount, RM902 is adjusted in the category of working capital.

## B8. Group Borrowings and Debt Securities

	As at 30 June 2019 RM'000
<u>Short term</u>	
- Hire purchase	1,638
<u>Long term</u>	
- Hire purchase	5,005
Total borrowing	<u>6,643</u>

## B9. Material Litigation

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

## B10. Dividend

No dividend has been recommended for the current quarter under review.



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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	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
Net profit/(loss) attributable to owners of the Company (RM'000)	(1,569)	230	(4,839)	1,419
Weighted average number of ordinary shares in issue ('000)	577,548	560,484	577,548	560,484
Basic earnings / (loss) per share (sen)	(0.27)	0.05	(0.84)	0.25

### (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	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
Net profit/(loss) attributable to owners of the Company (RM'000)	(1,569)	230	(4,839)	1,419
Weighted average number of ordinary shares in issue ('000)	577,548	560,484	577,548	560,484
Dilutive effect of warrants outstanding ('000)	22,315	15,514	22,315	15,514
Diluted earnings / (loss) per share (sen)	(0.26)	0.04	(0.81)	0.25