

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

A. Notes To The Interim Financial Report For The Quarter Ended 31 March 2012

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 year ended 30 June 2011. 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 wholly-owned subsidiary companies (hereinafter referred to as the “Group”) since the financial year ended 30 June 2011.

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 year ended 30 June 2011 except for those standards, amendments and interpretations which are effective for financial periods beginning on or after 1 July 2011. The adoption of these standards, amendments and interpretations has no material impact to these interim financial statements.

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 Cyclicalities of Operations

Generally, the sales for the Group’s products are higher in the first and second quarters of the financial year due to higher demand for the year end festive seasons.

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.

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A6. Changes in the Estimates

There were no changes in the estimates of amounts reported in prior financial years 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.

A8. Dividends Paid

On 15 December 2011, a single tier final dividend of 5% per share amounting to RM1,340,909 was paid in respect of the financial year ended 30 June 2011.

A9. Segment Information

Year to date 31 Mar 2012	Manufacturing RM'000	Investment holding RM'000	Trading RM'000	Elimination RM'000	Group RM'000
Revenue					
External sales	13,246	129	16	-	13,391
Inter-segment sales	-	7,567		(7,567)	-
Total segment Revenue	13,246	7,696	16	(7,567)	13,391
Result					
Segment result	408	7,482	-	(7,567)	323
Interest income					2
Finance cost					(70)
Share of results of associated company					(3)
Profit before tax					252
Income tax expense					(28)
Net profit for the period					224

A10. Valuation of Property, Plant and Equipment Brought Forward

There was no revaluation of property, plant and equipment brought forward from the previous financial year.

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A11. Material Events Subsequent to End of Reporting Period.

Save for Section B6, there were no material events subsequent to the end of the current quarter that have not been reflected in the financial statement for the current quarter.

A12. Effect of Changes in Composition of the Group

There were no changes in the composition of the Group for the period under review.

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 Listing Requirements of Bursa Securities For the ACE Market For The Quarter Ended 31 March 2012

B1. Review of Results for the Quarter and Year To Date

The Group recorded revenue of RM3.12 million for the current quarter and RM13.39 million for financial year to date ended 31 March 2012. This represents a decrease of 11.26% and 21.12% in group revenue as compared to the corresponding quarter and preceding year respectively.

The Group posted lower profit before tax for the year to date of RM0.25 million as compared profit before tax of RM2.44 million in the preceding year.

The decline in the revenue and profit of the Group was principally attributable to reduced sales volume.

B2. Comparison With Immediate Preceding Quarter's Results

	Individual quarter ended	
	31 Mar 2012	31 Dec 2011
	RM'000	RM'000
Revenue	3,120	3,902
Profit / (Loss) after tax	(551)	(368)

For the 3rd financial quarter under review, the Group recorded revenue of RM3.12 million, representing a decline of 20.04% compared to the preceding quarter. This decrease is normal following the sales peak to cater for the year end festival seasons.

B3. Prospects

The Board anticipates that the manufacturing business will remain challenging for the financial year ending 30 June 2012 given the uncertain macro-economic outlook. Hence, the Board has through the Proposed Acquisition as mentioned in Section B6 proposed to diversify its business into the oil palm plantation business.

B4. Profit Forecast and Profit Guarantee

Not applicable.

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B5. Taxation

The taxation figures include the following :

	Current Quarter 31.3.2012 RM'000	Current Year To Date 31.3.2012 RM'000
Current year's tax	21	28

The effective rates of taxation of the Group for the period under review are lower than the statutory rate of taxation principally due to utilisation of unabsorbed capital allowance as well as unabsorbed reinvestment allowance.

B6. Corporate Proposal

The status of corporate proposal announced by the Company and completed is summarised below :

(i) Proposed Private Placement

On 29 February 2012, the Board announced that the Company proposed to issue new ordinary shares of RM0.10 each in the Company of up to 10% of the issued and paid-up share capital of Scope through a private placement exercise.

On 14 March 2012, the Board announced that the Bursa Malaysia Securities Berhad ("Bursa Securities") had vide its letter dated 14 March 2012, approved the application in relation to the listing of and quotation for up to 26,818,182 new ordinary shares of RM0.10 each in Scope, representing ten percent (10%) of the issued and paid-up share capital of Scope to be issued pursuant to the Proposed Private Placement, on the ACE Market of Bursa Securities.

On 16 March 2012, the Board announced that intended to place out 26,800,000 Placement Shares only. The Private Placement has been completed on even date with the listing of and quotation for 26,800,000 Placement Shares on the ACE Market of Bursa Securities.

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The status of corporate proposal announced by the Company but not completed are summarised below :

(i) Proposed acquisition of 70% equity interest in Pioneer Glow Sdn Bhd ("Pioneer") for a total purchase consideration of RM28,700,000 ("Proposed Acquisition")

On 1 March 2012, the Board announced that Scope had on 1 March 2012 entered into a conditional Share Purchase Agreement ("SPA") with Wah Len Enterprise Sdn Bhd ("WLE") to acquire 7,420,000 ordinary shares of RM1.00 each in Pioneer, representing 70% of the issued and paid-up share capital of Pioneer ("Sale Shares") for a total purchase consideration of RM28,700,000.

On 22 March 2012, the Board announced that the Company had on even date, entered into the Supplemental Agreement for Scope to pay a deposit of RM2.0 million to WLE upon execution of the Supplemental Agreement as part of the purchase consideration for the Proposed Acquisition. WLE had concurrently remitted the Cash Deposit to Pioneer in the form of an interest-free advancement for Pioneer's working capital requirements.

On 19 April 2012, the Board announced that the valuation report for the Plantation Land held by Pioneer had been submitted to Bursa Securities on even date.

(ii) Proposed issue of up to 59,000,000 free warrants in Scope ("free warrants") on the basis of two (2) free warrants for every ten (10) ordinary shares of RM0.10 each held in Scope ("Proposed Free Warrants")

On 1 March 2012, the Board announced that it propose to issue of up to 59,000,000 free warrants in Scope on the basis of two (2) Free Warrants for every ten (10) ordinary shares of RM0.10 each held by the entitled shareholders of the Company at an entitlement date to be determined and announced later.

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B7. Group Borrowings and Debt Securities

	As At 31.3.2012 RM'000
Short term - Secured	
- Hire purchase	450
- Term Loan	278
	<u>728</u>
Long term - Secured	
- Hire purchase	-
- Term Loan	-
	-
Total borrowings	<u><u>728</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.

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B10. Realised and Unrealised Profits/Losses Disclosure

The retained profits / (accumulated losses) as at 31 December 2011 and 31 March 2012 is analysed as follows:-

	As at 31.3.2012 RM'000	As at 31.12.2011 RM'000
Total retained profits / (accumulated losses) of Scope Industries Berhad and its subsidiaries :		
- Realised	9,751	10,259
- Unrealised	-	2
	<hr/>	<hr/>
	9,751	10,261
Total share of results of associates		
- Realised	(578)	(578)
	<hr/>	<hr/>
	9,173	9,683
Less : Consolidation adjustments	(12,475)	(12,433)
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Total group retained profits / (accumulated losses) as per consolidation accounts	(3,302)	(2,750)
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B11. Basic Earnings / (Loss) Per Share

	Quarter		Year to date	
	31.3.2012	31.3.2011	31.3.2012	31.3.2011
Basic earnings / (loss) per share:				
Net profit / (loss) for the period (RM'000)	(551)	(579)	224	2,696
Weighted average number of ordinary shares in issue ('000)	294,982	268,182	294,982	268,182
Basic earnings / (loss) per share (sen)	(0.19)	(0.22)	0.08	1.01

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the current year quarter and current year to date.