

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

A. Notes To The Interim Financial Report For The Quarter Ended 30 June 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 for the current financial year to date.

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 30 June 2012	Manufacturing RM'000	Investment holding RM'000	Trading RM'000	Elimination RM'000	Group RM'000
Revenue					
External sales	18,196	174	17	-	18,387
Inter-segment sales	-	8,533	7	(8,540)	-
Total segment Revenue	18,196	8,707	24	(8,540)	18,387
Result					
Segment result	1,070	8,414	(158)	(8,533)	793
Interest income					155
Finance cost					(70)
Share of results of associated company					(148)
Profit before tax					730
Income tax expense					(156)
Net profit for the period					574

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 30 June 2012

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

Revenue for the current quarter increased to approximately RM5.00 million as compared to RM4.38 million in the preceding year corresponding quarter. The Group posted profit before tax of RM0.48 million for the current quarter as compared to loss before tax of RM0.31 million for the preceding year corresponding quarter. The increase in profit was mainly due to increased sale volume for the quarter under review.

For the year ended 30 June 2012, the Group recorded revenue of RM18.39 million and profit before tax of RM0.73 million, which represent decrease of 14.38% and 65.66% respectively over the preceding year. The decline in revenue and profit before tax was principally attributable to the March 2011 Japanese tsunami and flood disaster in Thailand which affected the material supply chain.

B2. Comparison With Immediate Preceding Quarter's Results

	Individual quarter ended	
	30 Jun 2012	31 Mar 2012
	RM'000	RM'000
Revenue	4,997	3,120
Profit / (Loss) after tax	351	(551)

The revenue for the 4th quarter under review was approximately RM5.00 million, representing an increase of 60.16% compared to the immediate preceding quarter. The group recorded a net profit of RM0.35 million for the current quarter compared to a net loss of RM0.55 million in the immediate preceding quarter. The increase in net profit is mainly due to increased sale volume for the quarter under review.

B3. Prospects

The Board anticipates that the manufacturing business will remain challenging for the next financial year ending 30 June 2013. Hence, the Board has diversified the existing core business to include oil palm plantation business. Accordingly, the Board believes that barring any unforeseen circumstances, the oil palm plantation business may expect to contribute positively to the profits of the Group in future.

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B4. Profit Forecast and Profit Guarantee

Not applicable.

B5. Taxation

The taxation figures include the following :

	Current Quarter 30.6.2012 RM'000	Current Year To Date 30.6.2012 RM'000
Current year's tax	128	156

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

As at the date of this report, the status of corporate proposal announced by the Company and completed are summarised below :

- (i) *Acquisition of 70% equity interest in Pioneer Glow Sdn Bhd ("Pioneer") from Wah Len Enterprise Sdn Bhd ("WLE") for a total purchase consideration of RM28,700,000 ("Acquisition") satisfied by RM15.29 million in cash and RM13.41 million via the issuance of 89.40 million new ordinary shares of RM0.10 each in Scope ("Scope Shares") together with 59.60 million warrants ("Consideration Warrants") in Scope.*

The Acquisition, which was initially announced on 1 March 2012, had been completed on 19 July 2012 following the issuance and allotment of the 89.40 million Scope Shares and 59.60 million Consideration Warrants to WLE. Consequent thereto, Pioneer had been a 70 percent (70%) owned subsidiary of Scope notwithstanding the deferred cash amount of RM13.29 million still remain payable by the Company to WLE pursuant to the terms and conditions of SPA;

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- (ii) *Issue of up to 58,996,363 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 ("Free Warrants Issue").*

The Free Warrants Issue, which was initially announced on 1 March 2012, had been completed on 23 July 2012 following the admission, listing and quotation of 58,996,361 Free Warrants on the Ace Market Bursa Securities.

- (iii) *Increase in authorised share capital RM50,000,000 comprising 500,000,000 Scope Shares to RM100,000,000 comprising 1,000,000,000 Scope Shares ("Increase In Authorised Share Capital").*

The Increase In Authorised Share Capital, which was initially announced on 1 March 2012, had been completed on 28 June 2012 following the approval from the shareholders of the Company at the Extraordinary General Meeting held.

- (iv) *Diversification of the existing core business of Scope and its subsidiaries to include oil palm plantation business ("Diversification")*

The Diversification, which was announced on 12 June 2012, had been completed on 19 July 2012. Consequent thereto, the core businesses of Scope and its subsidiaries are trading and manufacturing of electronic components and products as well as the oil palm plantation business.

B7. Group Borrowings and Debt Securities

	As At 30.6.2012 RM'000
Short term - Secured	
- Hire purchase	281
- Term Loan	111
	392
Long term - Secured	
- Hire purchase	-
- Term Loan	-
	-
Total borrowings	<u>392</u>

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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. Realised and Unrealised Profits/Losses Disclosure

The retained profits / (accumulated losses) as at 31 March 2012 and 30 June 2012 is analysed as follows:-

	As at 30.6.2012 RM'000	As at 31.3.2012 RM'000
Total retained profits / (accumulated losses) of Scope Industries Berhad and its subsidiaries :		
- Realised	10,467	9,751
- Unrealised	(2)	-
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	10,465	9,751
Less : Consolidation adjustments	(12,742)	(12,475)
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	(2,217)	9,173
Total share of results of associates		
- Realised	(675)	(578)
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Total group retained profits / (accumulated losses) as per consolidation accounts	(2,952)	(3,302)
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B11. Basic Earnings / (Loss) Per Share

	Quarter		Year to date	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Basic earnings / (loss) per share:				
Net profit / (loss) for the period (RM'000)	351	2,517	574	5,213
Weighted average number of ordinary shares in issue ('000)	276,112	268,182	276,112	268,182
Basic earnings / (loss) per share (sen)	0.13	0.94	0.21	1.94

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.