SCOPE

Scope Industries Berhad
(Company No: 591376-D)

A. Notes To The Interim Financial Report For The Quarter Ended 31 March 2013

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 2012. 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 2012.

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 2012.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 "Agriculture" and IC Interpretation 15 "Agreements for the Construction of Real Estate", including its parent, significant investor and venturer (herein called "Transitioning Entities"). Transitioning Entities were originally allowed to defer adoption of the new MFRS Framework for an additional year.

However, on 30 June 2012, MASB decided to allow Transitioning Entities to further defer the adoption of the MFRS Framework for another year, thereby making the adoption of the MFRS Framework by Transitioning Entities mandatory for annual periods beginning on or after 1 January 2014.

A2. Changes in Accounting Policies (Cont'd)

The Group falls within the scope definition of Transitioning Entities and accordingly, will adopt the MFRS Framework for the financial year ending 30 June 2015. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. Adjustments required on transition, if any, will be made retrospectively against opening retained earnings.

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 Cyclicality 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 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

Save as below, 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.

A7. Issuances, Cancellations, Repurchase, Resale and Repayments of Debts and Equity Securities (Cont'd)

On 19 July 2012, the Company had allotted 89.40 million Ordinary Shares and 59.60 million Consideration Warrants to Wah Len Enterprise Sdn Bhd (WLE) being part consideration for the acquisition of 70 percent (70%) of equity interest in Pioneer Glow Sdn Bhd ("PGSB").

Apart from the above, the Company also allotted 58,996,361 Free Warrants 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 on 19 July 2012.

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)	
	31 Mar 2013 RM'000	31 Mar 2012 RM'000	31 Mar 2013 RM'000	31 Mar 2012 RM'000
Investment holding	1,422	7,696	(580)	7,482
Manufacturing	15,662	13,246	2,391	408
Plantation	2,878	-	(2,929)	-
Trading	59	16	(4)	0
	20,021	20,958	(1,122)	7,890
Less : Elimination	(1,320)	(7,567)	(1,320)	(7,567)
	18,701	13,391		
Operating profit			(2,442)	323
Interest income			131	2
Finance cost			(63)	(70)
Share of results of associated company			9	(3)
Profit / (loss) before taxation			(2,365)	252
Taxation			(128)	(28)
Profit / (loss) after taxation			(2,494)	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.

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 current financial year to date except for the following :

a) On 19 July 2012, the acquisition of PGSB had been completed and PGSB is now a seventy percent (70%) owned subsidiary of Scope.

b) Paramit Scope Snd Bhd, an associate company was dissolved on 23 October 2012.

c) Trans Industry Sdn Bhd ("TISB"), a wholly owned subsidiary of Scope, had on 30 November 2012 submitted an application to Companies Commission of Malaysia to strike off the name of TISB from the register pursuant to Section 308 of the Companies Act, 1965.

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.

B. Additional Notes Pursuant To The Listing Requirements of Bursa Securities For the ACE Market For The Quarter Ended 31 March 2013

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

Manufacturing

	Quarter ended		Year to date	
	31 Mar 2013 RM'000	31 Mar 2012 RM'000	31 Mar 2013 RM'000	31 Mar 2012 RM'000
Revenue	3,952	3,061	15,662	13,246
Profit / (Loss) after tax	55	(482)	2,259	311

The manufacturing segment recorded revenue of RM3.95 million and net profit of RM0.06 million for the quarter ended 31 March 2013, these represent a increase of 29.11% and 111.41% in revenue and net profit respectively over the corresponding quarter last year.

For the nine month ended 31 March 2013, the manufacturing segment recorded revenue of RM15.66 million and net profit of RM2.26 million which represents a corresponding increase of 18.24% in revenue and increase of 626.37% in net profit respectively.

The increase in the profit margin was mainly due to economies of scale arising from better utilisation of fixed factory overheads following the increase in revenue.

Plantation

	Quarter ended		Year to date	
	31 Mar 2013 RM'000	31 Mar 2012 RM'000	31 Mar 2013 RM'000	31 Mar 2012 RM'000
Revenue	1,056	N/A	2,878	N/A
Profit / (Loss) after tax	(1,357)	N/A	(2,964)	N/A

Revenue derived from plantation segment for the current quarter and year to date was RM1.06 million and RM2.88 million respectively. The total production in fresh fruit bunches ('FFB") for the year to date was 7,390 metric tonne ("MT"). The plantation segment is still loss-making due to the on-going efforts and expenses incurred to rehabilitate the plantation land.

B2. Comparison With Immediate Preceding Quarter's Results

Manufacturing

	Individual quarter ended	
	31 Mar 2013	31 Dec 2012
	RM'000	RM'000
Revenue	3,952	5,497
Profit / (Loss) after tax	55	1,056

For the 3rd financial quarter under review, the Group recorded revenue of RM3.95 million, representing a decline of 28.10% compared to the immediate preceding quarter. This decrease is normal following the sales peak to cater for the year end festival seasons.

Plantation

	Individual quarter ended	
	31 Mar 2013	31 Dec 2012
	RM'000	RM'000
Revenue	1,056	1,134
Profit / (Loss) after tax	(1,357)	(983)

The plantation segment posted 6.88% marginally lower revenue in 3rd financial quarter under review of RM1.06 million as compared to the of RM1.13 million primarily due to the decline in FFB production.

B3. Prospects

Manufacturing
The Group will continue to improve the efficiency and cost reduction measures in manufacturing operations to achieve the necessary competitive edge in the market. Barring any unforeseen circumstances, the Board is optimistic of achieving better performance in financial year 2013.

Plantation
As a result of the rehabilitation of the plantation land, the plantation segment is not expected to contribute positive result to the Group in financial year 2013.

B4. Profit Forecast and Profit Guarantee

Not applicable.

B5. Taxation

The taxation figures include the following :

	Current Quarter 31 Mar 2013 RM'000	Current Year To Date 31 Mar 2013 RM'000
Current year's tax	15	128

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 reinvestment allowance in manufacturing segment.

B6. Corporate Proposal

Save as below, there was no corporate proposal announced but not completed as at the date of this report.

On 19 November 2012, the Board announced the following proposals:

(i) Proposed merger of the businesses of Scope and Matang Holdings Berhad ("Matang") through the transfer of the entire business and undertakings, including all assets and liabilities, of Matang to Scope for a total consideration of RM145,000,000;

(ii) Proposed acquisition of 100% equity interest in Benua Mutiara Sdn Bhd ("Benua") for a purchase consideration of RM31,720,000;

(iii) Proposed exemption under Paragraph 16, Practice Note 9 of the Malaysian Code on Take-overs and Mergers, 2010 to Matang and parties acting in concert with Matang from the obligation to extend a take-over offer for all the remaining Scope shares not already held by them pursuant to the proposed merger; and

(iv) Proposed increase in authorised share capital from RM100,000,000 comprising 1,000,000,000 ordinary shares of RM0.10 each in Scope ("Scope shares") to RM200,000,000 comprising 2,000,000,000 Scope shares.

On 23 January 2013, the Board proposes that the name of the Company be changed to Matang Scope Berhad. The Proposed Change of Name is subject to shareholders' approval and will be made effective on the Completion Date of the Proposed Merger.

B6. Corporate Proposal (Cont'd)

On 18 April 2013, shareholders of the Company have at the Extraordinary General Meeting ("EGM") approved the resolutions as set out in the Notice of EGM dated 27 March 2013 in respect of the following:-

(a) Proposed Merger;
(b) Proposed Benua Acquisition;
(c) Proposed Exemption;
(d) Proposed Increase in Authorised Share Capital; and
(e) Proposed Change of Name.

On 31 May 2013, the Board announced that the resolution in relation to the Proposed Merger was not approved by shareholders of Matang in the EGM held on even date.

B7. Group Borrowings and Debt Securities

	As At 31 March 2013 RM'000
Short term - Secured	
- Hire purchase	684
Long term - Secured	
- Hire purchase	739
Total borrowings	1,423

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 December 2012 and 31 March 2013 is analysed as follows:-

	As at 31.3.2013 RM'000	As at 31.12.2012 RM'000
Total retained profits / (accumulated losses) of Scope Industries Berhad and its subsidiaries :		
- Realised	(3,117)	(1,142)
- Unrealised	2	1
	(3,115)	(1,141)
Less : Consolidation adjustments	(1,427)	(852)
	(4,542)	(1,993)
Total share of results of associates		
- Realised	-	(675)
Total group retained profits / (accumulated losses) as per consolidation accounts	(4,542)	(2,668)

B11. Earnings / (Loss) Per Share

(i) Basic (loss) / earnings per share

The basic earnings per share is calculated by dividing the net (loss)/profit attributable to shareholders for the financial period by the weighted average number of ordinary shares in issue.

	Quarter		Year to date	
	31.3.2013	31.3.2012	31.3.2013	31.3.2012
Net profit/(loss) attributable to owners of the Company (RM'000)	(1,874)	(551)	(1,605)	224
Weighted average number of ordinary shares in issue ('000)	378,993	294,982	378,993	294,982
Basic earnings / (loss) per share (sen)	(0.48)	(0.19)	(0.42)	0.08

(ii) Diluted (loss) / earnings per share

The diluted (loss)/earnings per share is calculated by dividing the net (loss)/profit attributable to the shareholders for the financial period by the weighted average number of ordinary shares that would have been in issue upon full exercise of the warrants.

	Quarter		Year to date	
	31.3.2013	31.3.2012	31.3.2013	31.3.2012
Net profit/(loss) attributable to owners of the Company (RM'000)	(1,874)	(551)	(1,605)	224
Weighted average number of ordinary shares in issue ('000)	378,993	294,982	378,993	294,982
Dilutive effect of conversion of warrants ('000)	118,596	-	118,596	-
Diluted (loss) / earnings per share (sen)	(0.37)	-	(0.32)	-