SCOPE

Scope Industries Berhad
(Company No: 591376-D)

A. Notes To The Interim Financial Report For The Quarter Ended 30 June 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.

On 7 August 2013, MASB announced to allow Transitioning to defer the adoption of the MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2015.

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 2016. 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.

On 20 June 2013, the Company had allotted 116.10 million Ordinary Shares to Benua Mutiara Sdn Bhd's (BMSB) vendors being consideration for the acquisition of 100 percent (100%) of equity interest in BMSB.

A8. Dividends Paid

There was no dividend paid during the period under review.

A9. Segment Information

	Year to date Revenue		Year to date Operating profit / (loss)	
	30 Jun 2013 RM'000	30 Jun 2012 RM'000	30 Jun 2013 RM'000	30 Jun 2012 RM'000
Investment holding	3,089	8,707	599	8,429
Manufacturing	21,179	18,196	3,403	1,070
Plantation	3,805	-	(4,961)	-
Trading	95	24	15	(151)
	28,168	26,927	(944)	9,348
Less : Elimination	(2,934)	(8,540)	(2,934)	(8,540)
	25,234	18,387		
Operating profit			(3,878)	808
Interest income			185	155
Finance cost			(94)	(70)
Share of results of associated company			-	(148)
Profit / (loss) before taxation			(3,787)	745
Taxation			(251)	(156)
Profit / (loss) after taxation			(4,038)	589

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.

d) On 20 June 2013, the acquisition of BMSB had been completed and BMSB is now wholly owned subsidiary of Scope

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 30 June 2013

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

Manufacturing Division

	Quarter ended		Year to date	
	30 Jun 2013 RM'000	30 Jun 2012 RM'000	30 Jun 2013 RM'000	30 Jun 2012 RM'000
Revenue	5,517	4,950	21,179	18,196
Profit / (Loss) after tax	802	551	3,061	862

The manufacturing division recorded revenue of RM5.52 million and net profit of RM0.80 million for the quarter ended 30 June 2013. This represent an increase of 11.45% and 45.55% in revenue and net profit respectively over the corresponding quarter last year.

For the year to date, the manufacturing division recorded revenue of RM21.18 million and net profit of RM3.06 million which represents a corresponding increase of 16.39% in revenue and increase of 255.10% in net profit respectively.

The increase in the profit was mainly due to increase in sales.

Plantation Division

	Quarter ended		Year to date	
	30 Jun 2013 RM'000	30 Jun 2012 RM'000	30 Jun 2013 RM'000	30 Jun 2012 RM'000
Revenue	927	N/A	3,805	N/A
Profit / (Loss) after tax	(1,959)	N/A	(4,923)	N/A

Revenue derived from plantation division for the current quarter and year to date was RM0.93 million and RM3.81 million respectively. The total production in fresh fruit bunches ('FFB") for the year to date was 9,490 metric tonnes ("MT"). The plantation division is still loss-making due to the on-going efforts and expenses invested to improve the infrastructure and other facilities of the plantation.

B2. Comparison With Immediate Preceding Quarter's Results

Manufacturing division

	Individual quarter ended	
	30 Jun 2013	31 Mar 2013
	RM'000	RM'000
Revenue	5,517	3,952
Profit / (Loss) after tax	802	55

For the 4th financial quarter under review, the Group recorded revenue of RM5.52 million, representing an increase of 39.60% compared to the immediate preceding quarter. The increase in the net profit of 1,358.18% mainly due to increased sales volume for the quarter under review.

Plantation division

	Individual quarter ended	
	30 Jun 2013	31 Mar 2013
	RM'000	RM'000
Revenue	927	1,056
Profit / (Loss) after tax	(1,959)	(1,357)

The plantation division posted 12.22% marginally lower revenue in 4th financial quarter under review of RM0.93 million as compared to RM1.06 million earned in the immediate preceding quarter primarily due to the decline in FFB production, i.e. a reduction of 17.00%.

B3. Prospects

Manufacturing division
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 the next financial year.

Plantation division
On 20 June 2013, the total palm oil plantation land bank of the Company increased from 3,496 acres to 4,289 acres. The Group will continue to manage its costs effectively through sharing of common resources, group procurement of plantation materials and equipment as well as the consolidation of estate management best practices.

However, in view of the cost associated with the ongoing improvement exercise and new development on unplanted area, the plantation division is not expected to contribute positive result to the Group in the next financial year.

B4. Profit Forecast and Profit Guarantee

Not applicable.

B5. Taxation

The taxation figures include the following :

	Current Quarter 30 Jun 2013 RM'000	Current Year To Date 30 Jun 2013 RM'000
Current year's tax	123	251

The above taxation was mainly due to profit derived from manufacturing segment. The effective rates of taxation of the manufacturing segment 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 August 2013, the Board announced the announce that the Company nd Matang had mutually agreed to extend the time period of the Business Merger Agreement dated 19 November 2012 for a further period of nine (9) months from 19 August 2013 to facilitate further discussions and re-negotiations of the terms of the Proposed Merger.

B7. Group Borrowings and Debt Securities

	As At 30 June 2013 RM'000
Short term - Secured	
- Hire purchase	752
Long term - Secured	
- Hire purchase	727
Total borrowings	1,479

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 30 June 2012 and 30 June 2013 is analysed as follows:-

	As at 30.6.2012 RM'000	As at 30.06.2013 RM'000
Total retained profits / (accumulated losses) of Scope Industries Berhad and its subsidiaries :		
- Realised	10,482	(2,382)
- Unrealised	(2)	(256)
	10,480	(2,638)
Less : Consolidation adjustments	(12,742)	(2,860)
	(2,262)	(5,498)
Total share of results of associates		
- Realised	(675)	-
Total group retained profits / (accumulated losses) as per consolidation accounts	(2,937)	(5,498)

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	
	30.6.2013	30.6.2012	30.6.2013	30.6.2012
Net profit/(loss) attributable to owners of the Company (RM'000)	(956)	366	(2,561)	589
Weighted average number of ordinary shares in issue ('000)	383,472	276,112	383,472	276,112
Basic earnings / (loss) per share (sen)	(0.25)	0.13	(0.67)	0.21

(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	
	30.6.2013	30.6.2012	30.6.2013	30.6.2012
Net profit/(loss) attributable to owners of the Company (RM'000)	(956)	366	(2,561)	589
Weighted average number of ordinary shares in issue ('000)	383,472	276,112	383,472	276,112
Dilutive effect of conversion of warrants ('000)	118,596	-	118,596	-
Diluted (loss) / earnings per share (sen)	(0.19)	-	(0.51)	-