

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

A. Notes To The Interim Financial Report For The Quarter Ended 30 Sep 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 2013. 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 2013.

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 2013.

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.

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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 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 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.

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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 Sep 2013 RM'000	30 Sep 2012 RM'000	30 Sep 2013 RM'000	30 Sep 2012 RM'000
Investment holding	987	1,346	904	745
Manufacturing	5,218	6,213	783	1,166
Plantation	1,797	688	(313)	(619)
Trading	2	37	0	39
	<hr/>	<hr/>	<hr/>	<hr/>
	8,004	8,284	1,374	1,331
Less : Elimination	(967)	(1,320)	(967)	(1,320)
	<hr/>	<hr/>		
	7,037	6,964		
Operating profit			407	11
Interest income			24	52
Finance cost			(158)	(18)
Share of results of associated company			-	7
			<hr/>	<hr/>
Profit / (loss) before taxation			273	52
Taxation			(86)	(9)
Profit / (loss) after taxation			<hr/>	<hr/>
			187	43

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.

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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 that Trans Industry Sdn Bhd (“TISB”), a wholly owned subsidiary of Scope, had on 8 November 2013 received the notice dated 24 October 2013 in relation to the striking off of its company name pursuant to Section 308(4) of the Companies Act, 1965 (“Section 308(4) Notice”) from Suruhanjaya Syarikat Malaysia. With this, TISB shall be dissolved on the publication of the Section 308(4) Notice in the Gazette.

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 Sep 2013

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

Manufacturing Division

	Quarter & year to date 30 Sep 2013 RM'000	Quarter & year to date 30 Sep 2012 RM'000
Revenue	5,218	6,213
Profit / (Loss) after tax	731	1,148

Revenue for the current quarter and year to date reduced to approximately RM5.22 million as compared to RM6.21 million in the preceding year corresponding period. Accordingly, the manufacturing division achieved lower profit after tax of RM0.73 million as compared to RM1.15 million in the preceding year corresponding period. The decrease in profit after tax was primarily attributable to lower sales volume.

Plantation Division

	Quarter & year to date 30 Sep 2013 RM'000	Quarter & year to date 30 Sep 2012 RM'000
Revenue	1,797	N/A*
Profit / (Loss) after tax	(369)	N/A*

* No comparable figures as only two months record for the period.

Revenue derived from the plantation division for the current quarter and year to date was RM1.80 million. The total production in fresh fruit bunches ('FFB') for the period was 4,124 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.

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B2. Comparison With Immediate Preceding Quarter's Results

Manufacturing division

	Individual quarter ended	
	30 Sep 2013	30 June 2013
	RM'000	RM'000
Revenue	5,218	5,517
Profit / (Loss) after tax	731	802

For the 1st financial quarter under review, the manufacturing division recorded revenue of RM5.22 million, representing a decline of 5.42% compared to the preceding quarter. The net profit for the current quarter was RM0.73 million as compared to RM0.80 million in the immediate preceding quarter. The decline in the net profit of 8.85% was mainly due to lower sales volume for the quarter under review.

Plantation division

	Individual quarter ended	
	30 Sep 2013	30 Jun 2013
	RM'000	RM'000
Revenue	1,797	927
Profit / (Loss) after tax	(369)	(1,959)

The plantation division posted 93.85% marginally higher revenue in the quarter under review of RM1.80 million as compared to RM0.93 million earned in the immediate preceding quarter. The net loss reduced from RM1.96 million to RM0.37 million, representing an improvement of 81.16% as compared to the preceding quarter.

The increase in revenue and decline in net loss were primarily due to increase in oil palm planted area coupled with the increase in FFB production.

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 financial year ending 30 June 2014.

Plantation division

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 financial year ending 30 June 2014.

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B4. Profit Forecast and Profit Guarantee

Not applicable.

B5. Taxation

The taxation figures include the following :

	Quarter ended 30 Sep 2013 RM'000	Year To Date 30 Sep 2013 RM'000
Manufacturing division	50	50
Plantation division	35	35
Investment holding division	1	1
Total current year's tax	<u>86</u>	<u>86</u>

Manufacturing division

The effective rates of taxation for the period under review are lower than the statutory rate of taxation principally due to utilisation of unabsorbed reinvestment allowance in manufacturing division.

Plantation division

The taxation for plantation division was derived from profitable plantation subsidiary, namely Benua Mutiara Sdn Bhd.

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 that the Company and 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.

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B7. Group Borrowings and Debt Securities

	As At 30 Sep 2013 RM'000
Short term - Secured - Hire purchase	715
Long term - Secured - Hire purchase	577
Total borrowings	<u>1,292</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.

B10. Realised and Unrealised Profits/Losses Disclosure

The retained profits / (accumulated losses) as at 30 Jun 2013 and 30 Sep 2013 is analysed as follows:-

	As at 30.9.2013 RM'000	As at 30.06.2013 RM'000
Total retained profits / (accumulated losses) of Scope Industries Berhad and its subsidiaries :		
- Realised	(2,358)	(2,406)
- Unrealised	(118)	(256)
	<u>(2,476)</u>	<u>(2,662)</u>
Less : Consolidation adjustments	(2,634)	(2,836)
Total group retained profits / (accumulated losses) as per consolidation accounts	<u>(5,119)</u>	<u>(5,498)</u>

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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	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
Net profit/(loss) attributable to owners of the Company (RM'000)	379	216	379	216
Weighted average number of ordinary shares in issue ('000)	500,484	378,993	500,484	378,993
Basic earnings / (loss) per share (sen)	0.08	0.06	0.08	0.06

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B11. Earnings / (Loss) Per Share (Cont'd)

(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	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
Net profit/(loss) attributable to owners of the Company (RM'000)	379	216	379	216
Weighted average number of ordinary shares in issue ('000)	500,484	378,993	500,484	378,993
Dilutive effect of conversion of warrants ('000)	118,596	118,596	118,596	118,596
Diluted (loss) / earnings per share (sen)	0.08 *	0.04	0.08 *	0.04

** There is no diluted earnings per share as it is assumed that there will not be any conversion of outstanding warrants as the exercise price of the convertible financial instrument exceeds the average market price.*