

# SCOPE

Scope Industries Berhad  
(Company No: 591376-D)

## A. Notes To The Interim Financial Report For The Quarter Ended 31 Mar 2014

### 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.

# SCOPE

Scope Industries Berhad  
(Company No: 591376-D)

## **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.

# SCOPE

Scope Industries Berhad  
(Company No: 591376-D)

## 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)	
	31 Mar 2014 RM'000	31 Mar 2013 RM'000	31 Mar 2014 RM'000	31 Mar 2013 RM'000
Investment holding	2,058	1,422	1,758	(580)
Manufacturing	9,658	15,662	(1,387)	2,391
Plantation	6,960	2,878	(220)	(2,929)
Trading	16	59	2	(4)
	<u>18,692</u>	<u>20,021</u>	<u>153</u>	<u>(1,122)</u>
Less : Elimination	<u>(1,968)</u>	<u>(1,320)</u>	<u>(1,968)</u>	<u>(1,320)</u>
	<u>16,724</u>	<u>18,701</u>		
Operating profit			(1,815)	(2,442)
Interest income			58	131
Finance cost			(471)	(63)
Share of results of associated company			-	9
			<u>(2,228)</u>	<u>(2,365)</u>
Profit / (loss) before taxation			<u>(2,228)</u>	<u>(2,365)</u>
Taxation			<u>(124)</u>	<u>(128)</u>
Profit / (loss) after taxation			<u>(2,352)</u>	<u>(2,494)</u>

## 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.

# SCOPE

Scope Industries Berhad  
(Company No: 591376-D)

## **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.

# SCOPE

Scope Industries Berhad  
(Company No: 591376-D)

## B. Additional Notes Pursuant To The Listing Requirements of Bursa Securities For the ACE Market For The Quarter Ended 31 Mar 2014

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

#### Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Mar 2014 RM'000	31 Mar 2013 RM'000	31 Mar 2014 RM'000	31 Mar 2013 RM'000
Revenue	2,264	3,952	9,657	15,662
Profit / (Loss) after tax	(1,106)	55	(1,396)	2,259

The manufacturing division recorded revenue of RM2.26 million and net loss of RM1.11 million for the quarter ended 31 March 2014, these represent a decrease of 42.71% in revenue and 21.11 times in net profit over the corresponding quarter last year.

For the ninth month ended 31 March 2014, the manufacturing division recorded revenue of RM9.66 million and net loss of RM1.40 million which represents a corresponding decrease of 38.34% in revenue and decrease of 161.80% in net profit.

The loss recorded in manufacturing division was mainly due to the lower revenue reported.

#### Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
Revenue (RM'000)	2,452	1,056	6,960	N/A*
Profit / (Loss) after tax (RM'000)	(47)	(1,357)	(399)	N/A*
FFB Production (MT)	4,411	2,528	13,768	N/A*
Average FFB price (RM)	555.78	417.57	505.54	N/A*

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

The revenue in plantation division has increased by RM1.40 million to RM2.45 million as compared to the corresponding period of the preceding year. For the year to date, the plantation division recorded revenue of RM6.96 million and the total production in fresh fruit bunches ("FFB") was 13,768 metric tonnes ("MT").

The plantation division posted a lower loss after tax of RM0.05 million for the current quarter as compared to the loss after tax of RM1.36 million in the previous corresponding quarter. The increase in revenue and reduction in net loss were primarily due to increase in average FFB selling price coupled with higher production in FFB.

# SCOPE

Scope Industries Berhad  
(Company No: 591376-D)

## B2. Comparison With Immediate Preceding Quarter's Results

### Manufacturing division

	Individual quarter ended	
	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
Revenue	2,264	2,175
Profit / (Loss) after tax	(1,106)	(1,020)

For the 3<sup>rd</sup> financial quarter under review, the manufacturing division recorded revenue of RM2.26 million, representing an increase of 4.09% compared to the preceding quarter. The manufacturing division suffered loss of RM1.11 million is mainly due to the lower revenue reported.

### Plantation division

	Individual quarter ended	
	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
Revenue	2,452	2,712
Profit / (Loss) after tax	(47)	17

The plantation division posted 9.59% marginally lower revenue in the quarter under review of RM2.45 million as compared to RM2.71 million earned in the immediate preceding quarter. Consequently, the plantation division reported a net loss of RM0.05 million as against to net profit of RM0.02 million as compared to the preceding quarter.

The decrease in the current quarter's revenue is due to a combination of an increase in the average selling price and decrease in production of FFB as follows:

	Individual quarter ended		Variance
	31 Mar 2014	31 Dec 2013	
Average FFB price (RM)	555.78	508.50	9.30%
FFB Production (MT)	4,411	5,332	(17.27%)

# SCOPE

Scope Industries Berhad  
(Company No: 591376-D)

## B3. Prospects

### Manufacturing division

The market environment remains challenging and the management is continuously monitoring the manufacturing operational cost and efficiency to improve the profitability for this division.

### Plantation division

The selling price of FFB has improved since the fourth quarter of year 2013. Should this trend continues, it would have a corresponding effect on the financial performance for the financial year ending 30 June 2014.

## B4. Profit Forecast and Profit Guarantee

Not applicable.

## B5. Taxation

The taxation figures include the following :

	Current Quarter 31 Mar 2014 RM'000	Current Year To Date 31 Mar 2014 RM'000
Current year's tax	33	124

The effective tax rate of the Group for the period under review was higher than the statutory tax rate principally due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries.

## B6. Corporate Proposal

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

On 11 March 2014, the Board announce that Bursa Malaysia Securities Berhad had, vide its letter dated 11 March 2014, resolved to grant Scope an extension of time of up to 6 September 2014 to complete the Proposed Merger.

On 19 May 2014, the Board announced that the conditions precedent of the Business Merger Agreement dated 19 November 2012 have not been fulfilled on 18 May 2014 (i.e. being the extended cut-off date).

Scope had on 12 May 2014 written to Matang to seek for an extension of time to facilitate further re-negotiations of the terms of the Proposed Merger.

# SCOPE

Scope Industries Berhad  
(Company No: 591376-D)

## B7. Group Borrowings and Debt Securities

	As At 31 Mar 2014 RM'000
Short term - Secured - Hire purchase	695
Long term - Secured - Hire purchase	474
Total borrowings	<u>1,169</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 31 Mar 2014 is analysed as follows:-

	As at 31.3.2014 RM'000	As at 30.06.2013 RM'000
Total retained profits / (accumulated losses) of Scope Industries Berhad and its subsidiaries :		
- Realised	(5,014)	(2,406)
- Unrealised	-	(256)
	<u>(5,014)</u>	<u>(2,662)</u>
Less : Consolidation adjustments	(2,495)	(2,836)
Total group retained profits / (accumulated losses) as per consolidation accounts	<u>(7,509)</u>	<u>(5,498)</u>



# SCOPE

Scope Industries Berhad  
(Company No: 591376-D)

## 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	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
Net profit/(loss) attributable to owners of the Company (RM'000)	(1,324)	(1,874)	(2,011)	(1,605)
Weighted average number of ordinary shares in issue ('000)	500,484	378,993	500,484	378,993
Basic earnings / (loss) per share (sen)	(0.26)	(0.48)	(0.40)	(0.42)

(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	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
Net profit/(loss) attributable to owners of the Company (RM'000)	(1,324)	(1,874)	(2,011)	(1,605)
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)	*	(0.37)	*	(0.32)

\* 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.