

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

A. Notes To The Interim Financial Report For The Quarter Ended 30 September 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 2014. 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 2014.

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 2014.

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 period 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 Construction of Real Estate, including its parent, significant investor and venturer (“Transitioning Entities”).

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2017.

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A2. Changes in Accounting Policies (Cont'd)

The Company and certain subsidiaries fall within the definition of Transitioning Entities and have opted to defer the adoption of MFRS Framework. However for subsidiaries which financial statements are prepared in accordance with MFRSs were converted to FRSs for the purpose of the preparation of the Group financial statements.

In presenting its first MFRS financial statements i.e. financial statements for the financial year ending 30 June 2018, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group and the Company expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 30 June 2018.

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.

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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

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 2014 RM'000	30 Sep 2013 RM'000	30 Sep 2014 RM'000	30 Sep 2013 RM'000
Investment holding	513	987	464	904
Manufacturing	4,182	5,218	730	783
Plantation	1,997	1,797	76	(313)
Trading	5	2	1	0
	<u>6,697</u>	<u>8,004</u>	<u>1,270</u>	<u>1,374</u>
Less : Elimination	<u>(500)</u>	<u>(967)</u>	<u>(500)</u>	<u>(967)</u>
	<u>6,197</u>	<u>7,037</u>		
Operating profit / (loss)			770	407
Interest income			14	24
Finance cost			(227)	(158)
			<u>557</u>	<u>273</u>
Profit / (loss) before taxation				
Taxation			(343)	(86)
Profit / (loss) after taxation			<u>214</u>	<u>187</u>

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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.

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.

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 September 2014

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

Manufacturing Division

	Quarter & year to date 30 Sep 2014 RM'000	Quarter & year to date 30 Sep 2013 RM'000
Revenue	4,182	5,218
Profit / (Loss) after tax	546	730

Revenue for the current quarter and year to date reduced to approximately RM4.18 million as compared to RM5.22 million in the preceding year corresponding period. Accordingly, the manufacturing division achieved lower profit after tax of RM0.55 million as compared to RM0.73 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 2014	Quarter & year to date 30 Sep 2013
Revenue (RM'000)	1,997	1,797
Profit / (Loss) after tax (RM'000)	(97)	(369)
FFB Production (MT)	4,517	4,024
Average FFB price (RM)	444	446

The revenue in plantation division has increased by RM0.20 million to RM2.00 million as compared to the corresponding period of the preceding year. This was mainly due to increase in fresh fruit bunches ("FFB") production of 12.25% as compared to last year corresponding quarter. As a result, the plantation division registered lower loss after tax from RM0.37 million for the first quarter of last year to RM0.10 million for the current quarter under review.

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B2. Comparison With Immediate Preceding Quarter's Results

Manufacturing division

	Individual quarter ended	
	30 Sep 2014	30 Jun 2014
	RM'000	RM'000
Revenue	4,182	3,179
Profit / (Loss) after tax	546	(397)

For the 1st financial quarter under review, the manufacturing division recorded revenue of RM4.18 million, representing an increase of 31.55% compared to the preceding quarter. The manufacturing division reported a profit after tax of RM0.55 million for the quarter under review as against to loss after tax of RM0.40 million in the preceding quarter. This was mainly due to increased sales volume for the quarter under review.

Plantation division

	Individual quarter ended	
	30 Sep 2014	30 Jun 2014
	RM'000	RM'000
Revenue	1,997	2,650
Profit / (Loss) after tax	(97)	128

The plantation division posted 24.64% marginally lower revenue in the quarter under review of RM2.00 million as compared to RM2.65 million earned in the immediate preceding quarter. Consequently, the plantation division reported a net loss of RM0.10 million in the quarter under review as against to net profit of RM0.13 million in the preceding quarter.

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

	Individual quarter ended		
	30 Sep 2014	30 Jun 2014	Variance
Average FFB price (RM)	444.33	547.77	(18.88%)
FFB Production (MT)	4,517	4,838	(6.63%)

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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. Barring any unforeseen circumstances, the Board hopes that the manufacturing will register a better performance in the financial year ending 30 June 2015.

Plantation division

The price of crude palm oil (CPO) is well on the road to recovery with the average price targeted at RM2,350 to RM2,400 per tonne for year 2014, and may extend its climb to touch RM2,500 per tonne in the first quarter of year 2015. Should this trend continues, it would have a corresponding effect on the financial performance for the financial year ending 30 June 2015.

B4. Profit Forecast and Profit Guarantee

Not applicable.

B5. Taxation

The taxation figures include the following:

	30 Sep 2014 RM'000
Current year's tax	<u>343</u>

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 8 September 2014, the Board announced that the extension of time granted by Bursa Securities up to 6 September 2014 to complete the Proposed Merger has lapsed and Scope had on even date notified Matang of the termination of the Business Merger Agreement with no further claims against each other.

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B7. Group Borrowings and Debt Securities

	As At 30 Sep 2014 RM'000
Short term - Secured - Hire purchase	708
Long term - Secured - Hire purchase	321
Total borrowings	<u>1,029</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 2014 and 30 Sep 2014 is analysed as follows:-

	As at 30.9.2014 RM'000	As at 30.6.2014 RM'000
Total retained profits / (accumulated losses) of Scope Industries Berhad and its subsidiaries :		
- Realised	(4,907)	(4,683)
- Unrealised	(2)	(225)
	<u>(4,909)</u>	<u>(4,908)</u>
Less : Consolidation adjustments	(2,658)	(3,127)
Total group retained profits / (accumulated losses) as per consolidation accounts	<u>(7,567)</u>	<u>(8,035)</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	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
Net profit/(loss) attributable to owners of the Company (RM'000)	287	379	287	379
Weighted average number of ordinary shares in issue ('000)	505,484	500,484	505,484	500,484
Basic earnings / (loss) per share (sen)	0.06	0.08	0.06	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	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
Net profit/(loss) attributable to owners of the Company (RM'000)	287	379	287	379
Weighted average number of ordinary shares in issue ('000)	505,484	500,484	505,484	500,484
Dilutive effect of conversion of warrants ('000)	60,580	63,246	60,580	63,246
Diluted (loss) / earnings per share (sen)	0.05	0.07	0.05	0.07