

SCOPE

Scope Industries Berhad
(Company No: 591376-D)

A. Notes To The Interim Financial Report For The Fourth Quarter Ended 30 June 2015

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 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 financial 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.

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.

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A2. Changes in Accounting Policies (Cont'd)

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 nature and amount of estimates reported 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.

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)	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
Investment holding	1,819	2,101	1,487	1,603
Manufacturing	10,202	12,837	(1,791)	(1,782)
Plantation	8,226	9,610	(549)	(58)
Trading	24	23	1	1
	<u>20,271</u>	<u>24,571</u>	<u>(852)</u>	<u>(236)</u>
Less : Elimination	<u>(1,502)</u>	<u>(1,968)</u>	<u>(1,501)</u>	<u>(1,968)</u>
	<u>18,769</u>	<u>22,603</u>		
Operating profit / (loss)			(2,353)	(2,204)
Interest income			70	111
Finance cost			(890)	(610)
			<u>(3,173)</u>	<u>(2,702)</u>
Profit / (loss) before taxation			(3,173)	(2,702)
Tax Expense			(254)	(164)
Profit / (loss) after taxation			<u>(3,427)</u>	<u>(2,866)</u>

A10. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment during the period under review.

A11. Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the end of the interim period that have not been reflected in this interim financial report.

A12. Changes in Composition of the Group

On 19 June 2015, SCOPE disposed 95,000 ordinary shares of RM1 each, representing 95% equity interest in Scope Sales & Services Sdn Bhd ("SSSSB"). Consequently, SSSSB ceased to be wholly-owned subsidiary of the Company.

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 ACE Market Listing Requirements For The Fourth Quarter Ended 30 June 2015

B1. Review of Performance

Manufacturing Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
Revenue	2,688	3,179	10,202	12,837
Profit / (Loss) after tax	(253)	(397)	(1,799)	(1,793)

The manufacturing division recorded revenue of RM2.69 million in the current quarter as compared to RM3.18 million in the previous corresponding quarter, representing a decrease of 15.4%. Net loss for the division reduced to RM0.25 million from previous corresponding quarter of RM0.40 million.

For the financial year ended 30 June 2015, the manufacturing division recorded revenue of RM10.20 million as compared to RM12.84 million in the previous corresponding year, representing a decrease of 20.5%. Despite decrease in revenue, the division recorded net loss of RM1.79 million which approximated that of previous corresponding year due to cost-saving measures implemented by the Group.

Plantation Division

	<u>Quarter ended</u>		<u>Year to date</u>	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
Revenue	2,018	2,650	8,226	9,610
Profit / (Loss) after tax	(140)	128	(830)	(272)
FFB Production (MT)	4,569	4,838	18,442	18,606
Average FFB price (RM)	441.67	547.77	446.03	516.51

For the quarter under review, the revenue in plantation division has reduced by RM0.63 million to RM2.02 million as compared to previous corresponding quarter of RM2.65 million. For the year to date, the plantation division recorded revenue of RM8.23 million representing a decline of 14.4% from previous corresponding year, mainly due to lower average prevailing FFB price.

Net loss for the division in current financial year is RM0.83 million as compared to loss of RM0.27 million in previous corresponding year, mainly due to lower average prevailing FFB price.

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B2. Variation of Results Against Immediate Preceding Quarter

Manufacturing division

	Individual quarter ended	
	30 Jun 2015 RM'000	31 Mar 2015 RM'000
Revenue	2,688	1,217
Profit / (Loss) after tax	(253)	(1,572)

For the current quarter under review, the manufacturing division recorded revenue of RM2.69 million as compared to RM1.22 million in the immediate preceding quarter ended 31 March 2015. As a result of higher revenue achieved, the division posted a substantially lower net loss at RM0.25 million as compared to loss of RM1.57 million in the immediate preceding quarter.

Plantation division

	Individual quarter ended	
	30 Jun 2015 RM'000	31 Mar 2015 RM'000
Revenue	2,018	1,803
Profit / (Loss) after tax	(140)	(906)

The plantation division posted 11.9% marginally higher revenue in the current quarter at RM2.02 million as compared to RM1.80 million in the immediate preceding quarter. The increase in the current quarter's revenue is due to increase in production of FFB despite marginal decrease in average selling price as follows:

	Individual quarter ended		
	30 Jun 2015	31 Mar 2015	Variance
Average FFB price (RM)	441.67	457.33	(3.4%)
FFB Production (MT)	4,569	3,943	15.9%

Net loss for plantation division decreased by RM0.77 million to RM0.14 million in current quarter despite revenue increased 11.9% marginally. This was mainly due to expenses incurred in the immediate preceding quarter to improve the infrastructure and other facilities of the plantation.

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B3. Prospects

Manufacturing division

The market environment remains challenging and the management is continuously monitoring the manufacturing operational cost as well as expanding customer base to improve financial performance of this division. Barring unforeseen circumstances, the Board has the view that the manufacturing will register better results in the next financial year ending 30 June 2016.

Plantation division

The performance of this division would continue to be driven by the CPO price which is dependent on the world edible oil market, and economic situation. The Management is of the opinion that crop production is likely to increase in the next financial year.

B4. Variance from Profit Forecast and Profit Guarantee

The Group has not provided any profit forecast or profit guarantee in public document.

B5. Tax Expense

	Current Quarter 30 Jun 2015 RM'000	Current Year To Date 30 Jun 2015 RM'000
Tax based on results for current period:		
Current tax expense	(51)	254

For the financial year ended 30 June 2015, the effective tax rate of the Group is higher than that of statutory tax rate, due to certain subsidiary company recorded profit before tax.

B6. Status of Corporate Proposal

On 17 August 2015, SCOPE had announced a proposed private placement of up to 10% of the issued and paid-up share capital of SCOPE excluding treasury shares, to third party investor(s) to be identified and at an issue price to be determined later ("Proposed Private Placement").

Further, SCOPE had on 18 August 2015, submitted the additional listing application in relation to the Proposed Private Placement to Bursa Securities for its approval. On 24 August 2015, Bursa Securities had granted its approval for the listing of and quotation for up to 61,908,079 new shares pursuant to the Proposed Private Placement subject to the conditions that were spell out in SCOPE's announcement dated 24 August 2015.

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B7. Group Borrowings and Debt Securities

	As At 30 Jun 2015 RM'000
Short term - Secured - Hire purchase	413
Long term - Secured - Hire purchase	48
Total borrowings	<u>461</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 June 2014 and 30 June 2015 is analysed as follows:-

	As at 30.6.2015 RM'000	As at 30.6.2014 RM'000
Total retained profits / (accumulated losses) of Scope Industries Berhad and its subsidiaries :		
- Realised	(7,714)	(4,683)
- Unrealised	(4)	(225)
	<u>(7,718)</u>	<u>(4,908)</u>
Less : Consolidation adjustments	(3,190)	(3,127)
Total group retained profits / (accumulated losses) as per consolidation accounts	<u>(10,908)</u>	<u>(8,035)</u>

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B11. Earnings / (Loss) Per Share

(i) Basic earnings / (loss) per share

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

	Quarter		Year to date	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
Net profit/(loss) attributable to owners of the Company (RM'000)	(628)	(526)	(2,873)	(2,537)
Weighted average number of ordinary shares in issue ('000)	505,484	500,580	505,484	500,580
Basic earnings / (loss) per share (sen)	(0.12)	(0.11)	(0.57)	(0.51)

(ii) Diluted earnings / (loss) per share

The diluted earnings per share is calculated by dividing the net profit/(loss) 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	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
Net profit/(loss) attributable to owners of the Company (RM'000)	(628)	(526)	(2,873)	(2,537)
Weighted average number of ordinary shares in issue ('000)	505,484	500,580	505,484	500,580
Dilutive effect of conversion of warrants ('000)	60,580	63,282	60,580	63,282
Diluted earnings / (loss) per share (sen)	(0.11)	(0.09)	(0.51)	(0.45)