

SKP RESOURCES BHD
(Company No: 524297-T)
Incorporated in Malaysia under the Companies Act, 1965

Explanatory notes pursuant to MFRS 134
For the six-month period ended 30 September 2012

1. Corporate information

SKP Resources Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 5 November 2012.

2. First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

These condensed interim financial statements, for the period ended 30 September 2012, have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards board. For the periods upto and including the year ended 31 March 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

The consolidated financial statements of the Group for the year ended 31 March 2012, which were prepared under FRS are available upon request from the Company registered office at Suite 11.1A, Level 11, Menara Weld, 76, Jalan Raja Chulan, 50200 Kuala Lumpur.

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 March 2013. MFRS 1 First-Time Adoption of Malaysia Financial Reporting Standards ("MFRS 1") has been applied.

The explanatory notes attached to these condensed consolidated 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 the Group since the year ended 31 March 2012.

Adoption of the above standards did not have any effect on the financial performance or position of the Group.

3. Significant accounting policies and application of MFRS 1

The audited financial statements of the Group for the year ended 31 March 2012 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 March 2012 except as discussed below:

(a) Business combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of

- (i) The classification of former business combinations under FRS is maintained.
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (iii) The carrying amount of goodwill recognised under FRS is not adjusted.

(b) Estimates

The estimates at 1 April 2011 and at 31 March 2012 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 April 2011, the date of transition to MFRS and as of 31 March 2012.

4. Change in estimates

There were no significant changes in estimates that have had a material effect in the current interim results.

5. Qualification of financial statements

There were no audit qualifications on the annual financial statements for the year ended 31 March 2012.

6. Seasonal or cyclical factors

The business operations of the Group are not significantly affected by any seasonal or cyclical factors.

7. Unusual items

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence during the current quarter.

8. Issuance, cancellation, repurchase, resale and repayment of debt and equity securities

There were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities for the current quarter under review.

9. Dividend paid

No dividend was paid during the current quarter.

10. Segmental reporting for the current year to date***By business segments***

	Investment holding and provision of management services <u>RM'000</u>	Plastic injection moulding & secondary processes <u>RM'000</u>	Letting of property <u>RM'000</u>	Dormant <u>RM'000</u>	Elimination <u>RM'000</u>	Total <u>RM'000</u>
Revenue						
External sales	-	243,847	54	-	-	243,901
Inter-segment sales	-	16,302	534	-	(16,836)	-
Total	-	260,149	588	-	(16,836)	243,901
Results						
Operating profit	(364)	30,957	434	44		31,071
Interest expense						-
Interest income						1,019
Profit before taxation						32,090
Tax expense						(8,288)
Profit after taxation						23,802

11. Valuation of property, plant and equipment

There was no revaluation for property, plant and equipment of the Group.

12. Material events subsequent to the end of the current quarter

There were no material events subsequent to the end of the current quarter.

13. Effect of changes in the composition of the Group

There were no material changes in the composition of the Group for the quarter under review and financial year to-date.

14. Changes in contingent liabilities or contingent assets

There were no contingent liabilities for the Group for the current financial period to date.

15. Review of performance of the Company and its principal subsidiaries

The Group recorded a turnover of RM243.9 million with profit before tax of RM32.09 million for the current financial year to date as compared to RM169.11 million and RM19.7 million in the preceding year corresponding period respectively.

Profit before tax was higher mainly due to the higher revenue recorded from existing customers during the period. The increase in revenue was contributed by the strong surge in demand for the plastic injection moulding segment as well as value added services such as assemblies of plastic products and components for the electrical and electronics industry.

16. Comparison with preceding quarter's results

	Current Quarter 30/09/2012 RM'000	Preceding Quarter 30/06/2012 RM'000	Variance %
Revenue	121,179	122,722	-1.3%
Profit before taxation	16,328	15,762	3.6%

Compared with preceding quarter, the revenue had marginally reduced by 1.3% from RM122.72 million to RM121.18 million. However, profit before tax increased from RM15.76 million in last quarter to RM16.33 million mainly due to different products mix during this quarter. Both revenue and profit remained strong mainly due to strong demand for certain manufactured plastic products and components.

17. (a) Company's Prospects

The Board of Directors expects the Group to remain profitable. Prospects remain promising and the Board is optimistic and expect orders from existing and new customers to contribute significantly to the Group's performance for the financial year ending 31 March 2013.

(b) Status of Profit Estimate, Forecast or Internal Targets

The Group has not provided any profit estimate, forecast or internal targets during the quarter under review.

18. Variance of actual and forecasted profit

The Group has not provided any quarterly profit forecast and therefore no variance information is available for presentation.

19. Taxation

	Individual period		Cummulative period	
	Current year quarter 30/09/2012 RM'000	Preceding year corresponding quarter 30/09/2011 RM'000	Current year to- date 30/09/2012 RM'000	Preceding year corresponding period 30/09/2011 RM'000
Current taxation	4,243	3,514	8,188	5,075
Transfer to/(from) deferred taxation	100	200	100	200
Under/(Over) provision of income tax in prior year	-	-	-	-
Under/(Over) provision of deferred taxation in prior year	-	-	-	-
	4,343	3,714	8,288	5,275

The effective tax rate of the Group for the current quarter and financial year to-date is close to the statutory income tax rate.

20. Status of corporate proposal

On 19 March 2012, it was announced that the Group proposed to implement the following :

- (a) a bonus issue of up to 300,000,000 new ordinary shares of RM0.10 each on the basis of one (1) Bonus Share for every two (2) existing shares held at an entitlement date to be determined later ("Proposed Bonus Issue"); and
- (b) an issuance of up to 180,000,000 free warrants on the basis of one (1) Free Warrant for every five (5) SKP Shares held after the Proposed Bonus Issue.

Bursa Malaysia Securities Berhad has approved the listing application for the Bonus Shares and Free Warrants to be issued as well as the new SKP Shares to be issued arising from the exercise of the Free Warrants, with conditions on 8 May 2012.

On 28 May 2012, an Extraordinary General Meeting ("EGM") for the corporate proposal was held at Cempaka Room, Level 3, Hotel Equatorial Bangi-Putrajaya at 10.30 am for the approval of shareholders. The shareholders of SKP had approved all the resolutions at the EGM.

On 25 June 2012, a total of 300,000,000 new ordinary shares of RM0.10 each and 180,000,000 free warrants were issued pursuant to the above corporate proposal.

21. Borrowings and debt securities

The company did not issue any debt securities or long term borrowing during the quarter period.

There was no group borrowing as at 30 September 2012.

22. Material litigation

There are no material litigations as at the date of this quarterly report.

23. Dividend

On 29 February 2012, the Board of Directors announced that the Company has adopted a dividend policy where SKP will endeavour to distribute a minimum of 50% of its after tax profits annually to shareholders with effect from the financial year ending 31 March 2012.

The Company will endeavour to maintain the dividend policy subject to amongst others, factors such as the availability of distributable reserves as well as the Company's future cash flow or capital expenditure requirements, investment opportunities, regulatory and statutory restrictions and market conditions.

The Board of Directors has declared an interim tax exempt (single tier) dividend of 1.3 sen per share in respect of the financial year ending 31 March 2013. The entitlement date is fixed on 22 November 2012 and payment will be made on 21 December 2012.

24. Disclosure of realised and unrealised profits

The breakdown of the retained profits of the Group as at 30 September 2012 into realised and unrealised profits, is as follows :

	As at the end of current quarter 30/09/2012 RM'000	As at the end of financial year 31/03/2012 RM'000
Total retained profits / (accumulated losses) of the Group		
- Realised	170,974	176,549
- Unrealised	(7,029)	(6,665)
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	163,945	169,884
Less : Consolidated adjustment	(50,043)	(49,958)
Total retained earnings as per condensed consolidated statement of changes in equity	<hr/>	<hr/>
	113,902	119,926

25. Notes to the Statement of Comprehensive Income

Profit before taxation is arrived at after crediting/(charging) the following income/(expenses) :

	Individual period		Cummulative period	
	Current year quarter	Preceding year corresponding quarter	Current year to-date	Preceding year correspondin g period
	30/09/2012 RM'000	30/09/2011 RM'000	30/09/2012 RM'000	30/09/2011 RM'000
Interest income	(540)	(358)	(1,019)	(613)
Other income (including investment income)	(769)	(1,259)	(1,481)	(2,671)
Interest expense	-	-	-	-
Depreciation and amortisation	2,226	2,240	4,394	4,524
Amortisation of intangible assets	-	223	-	223
Property, plant and equipment written off	-	-	-	-
Provision for and write-off of receivables	-	-	-	-
Provision for and write-off of inventories	-	-	-	-
Loss/(gain) on disposal of investment securities	-	-	-	-
Loss/(gain) on disposal of property, plant and equipment	(14)	396	(16)	236
Impairment of assets	-	-	-	-
Loss/(gain) on foreign exchange	-	-	-	-
Loss/(gain) on derivatives	-	-	-	-
Exceptional items	-	-	-	-

26. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the net profit for the period by the number of ordinary shares in issue during the

	Current year quarter 30/09/2012	Current year to date 30/09/2012
Net profit for the period (RM'000)	11,985	23,802
Number of ordinary shares in issue ('000)	900,000	900,000
Basic earnings per share (sen)	1.33	2.64

(b) Diluted

N/A

N/A

There is no diluted earnings per share as the Group does not have any convertible financial instruments as at the current quarter and current year to date.