SKP RESOURCES BHD

(Company No: 524297-T)

Explanatory notes pursuant to MFRS 134
For the twelve-month period ended 31 March 2013

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 28 May 2013.

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

These condensed interim financial statements, for the period ended 31 December 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 busibess 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.

Explanatory notes pursuant to MFRS 134
For the twelve-month period ended 31 March 2013

5. Changes in composition of the Group

There were no chnages in composition of the Group for the current financial quarter.

6. Segment information

Segment information is not prepared as the Group is principally involved in manufacturing of plastic products, which is predominantly carried out in Malaysia.

7. Seasonality of operations

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

8. Profit before tax

Included in the profit before tax are the following items :

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 March 2013 RM'000	31 March 2012 RM'000	**31 March 2013 RM'000**	31 March 2012 RM'000
Interest income	(614)	(570)	(2,238)	(1,450)
Other income (including investment income)	(1,912)	(1,776)	(4,752)	(5,272)
Interest expense	-	-	-	4
Depreciation and amortisation	2,165	2,165	8,755	8,891
Amortisation of intangible assets	-		-	223
(Gain) / Loss on disposal of property, plant and equipment	(1)	137	(17)	(122)
(Gain) / loss on foreign exchange - realised	(320)	-	(1,005)	-
(Gain) / loss on foreign exchange - unrealised	(124)	(115)	(124)	(264)

9. Income tax expense

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 March 2013 RM'000	31 March 2012 RM'000	**31 March 2013 RM'000**	31 March 2012 RM'000
Current income tax				
- Malaysia income tax	2,252	4,236	13,710	13,204
- Overprovision in respect of previous years	-	(95)	-	(160)
	2,252	4,141	13,710	13,044
Deferred tax				
- Origination and reversal of temporary difference	(81)	(458)	119	(250)
- (Over) / Under provision in respect of previous years	-	-	-	8
	(81)	(458)	119	(242)
Income tax expense recognised in profit or loss	2,171	3,683	13,829	12,802

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

10. Earnings Per Share

Basic earnings per share amounts are calculated by dividing profit for the period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period held by the Company.

Diluted earnings per share amounts are calculated by dividing profit for the period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflect the profit and share data used in the computation of basic and diluted earnings per share:

	Current quarter 3 months ended			Cumulative quarters 12 months ended		
	31 March 2013 RM'000	31 March 2012 RM'000		**31 March 2013 RM'000**	31 March 2012 RM'000	
Profit net of tax attributable to owners of the parent used in the computation of earnings per share (RM'000	7,048	11,950		40,605	36,844	
Weighted average number of ordinary shares in issue ('000)	900,000	900,000	*	900,000	900,000	*
Effects of dilution : Warrants	-	-		-	-	
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	900,000	900,000		900,000	900,000	
Basic earnings per share (sen per share)	0.78	1.33	*	4.51	4.09	*
Diluted earnings per share (sen per share)	0.78	1.33		4.51	4.09	

* For comparative purpose, the Earnings Per Share for the corresponding quarter and year to date ended 31 March 2012 had been adjusted to reflect the bonus issue of 300,000,000 ordinary shares of RM0.10 each in the Company on 25 June 2012.

The effect on the basic earnings per share for the current financial period arising from the assumed conversion of the warrants is anti-dilutive. Accordingly, the diluted earnings per share for the current period is presented as equaled to the basic earnings per share.

11. Property, plant and equipment

During the twelve months ended 31 March 2013, the Group acquired assets at a cost of RM7,315,000 (31 March 2012: RM10,086,000).

Assets with a carrying amount of RM450,000 were disposed of by the Group during the twelve months ended 31 March 2013 (31 March 2012: RM3,309,000), resulting in a gain on disposal of RM17,000 (31 March 2012: RM122,000), recognised and included in other income in the statement of comprehensive income.

12. Intangible assets

	Customer relationships RM'000
Cost :	
At 31 March 2012 / 2013	2,675
Accumulated amortisation	
At 1 April 2011	2,452
Amortisation for the year	223
At 31 March 2012 and 1 April 2012	2,675
Amortisation for the year	-
At 31 March 2013	2,675
Net carrying amount	
At 31 March 2012	-
At 31 March 2013	-

Customer relationship

Customer relationship has been allocated to the Group's subsidiary in business combinations and is fully amortised during the financial year ended 31 March 2012. The amortisation of customer relationship is included in the 'Administrative expenses' line items in the statement of comprehensive income.

13. Inventories

There was no write-down of inventories to net realisable value for the current quarter (31 March 2012: Nil).

14. Cash and cash equivalents

Cash and cash equivalents comprised of the following amounts:

	31 March 2013 RM'000	31 March 2012 RM'000
Cash at bank and in hand	23,093	8,986
Fixed deposits with licensed banks	69,417	52,900
Total cash and cash equivalents	92,510	61,886

15. Fair value hierarchy

The Group uses the following hierarchy for determining the fair vale of all financial instruments carried at fair vale:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – Inputs that are based on observable market data, either directly or indirectly
Level 3 – Inputs that are not based on observable market data

As at the reporting date, the Group held the following financial assets that are measured at fair value:

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31 March 2013				
Available-for-sale financial assets				
Quoted bond fund	1,456	1,456	-	-
31 March 2012				
Available-for-sale financial assets				
Quoted bond fund	-	-	-	-

No transfers between any levels of the fair value hierarchy took place during the current interim period and the comparative period. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

The Group does not hold credit enhancements or collateral to mitigate credit risk. The carrying amount of financial assets therefore represents the potential credit risk.

There were no assets being disposed off during the fourth quarter 2013 and preceding quarter.

16. Interest-bearing loans and borrowings

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

There was no group borrowing as at 31 March 2013.

17. Dividends

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.

18. Commitment

The Group did not have any material commitment for contracted capital expenditure which might have a material impact on the financial position or business of the Group.

19. Contingencies

There were no contingent assets and no changes in the contingent liability for the Group for the current financial period to date.

Explanatory notes pursuant to Bursa Malaysia Listing Requirement: Chapter 9, Appendix 9B, Part A
For the twelve-month period ended 31 March 2013

20. Related party transactions

Transactions that have been entered into are in the normal course of business and have been established under mutually agreed terms that are not materially different from those obtainable in transactions with unrelated parties.

21. Events after the reporting period

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

22. Performance review

The Group recorded a turnover of RM422.48 million with profit before tax of RM54.43 million for the current financial year to date as compared to RM414.83 million and RM49.64 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.

23. Comment on material change in profit before tax

	Current Quarter 2013 RM'000	Preceding Quarter 31/12/2012 RM'000	Variance %
Revenue	88,112	90,474	-2.6%
Profit before taxation	9,219	13,125	-29.8%

Compared with preceding quarter, the revenue had marginally reduced by 2.6% from RM90.47 million to RM88.11 million. However, profit before tax reduced from RM13.12 million in last quarter to RM9.22 million mainly due to reduction in sales intake by customers during the festive season as well as the increase in labour costs as a result of implementation of minimum wage policy during this quarter.

24. Commentary on 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 2014.

25. Profit forecast or profit guarantee

Not applicable as no profit forecast or profit guarantee announced as at the date of this quarterly report.

26. Corporate proposals

There were no corporate proposals announced but not completed as at to date.

27. Changes in material litigation

There were no material litigation as at the date of this quarterly report.

28. Dividend payable

No dividend was paid during the current quarter.

29. Disclosure of nature of outstanding derivatives

There are no outstanding derivative as at reporting period.

Explanatory notes pursuant to Bursa Malaysia Listing Requirement: Chapter 9, Appendix 9B, Part A
For the twelve-month period ended 31 March 2013

30. Rationale for entering into derivatives

The Group did not enter into any derivatives during the financial year ended 31 March 2013.

31. Risks and policies of derivatives

The Group did not enter into any derivatives during the financial year ended 31 March 2013.

32. Disclosure of gains / losses arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measured at fair value through profit or loss as at 31 March 2013 and 31 March 2012.

33. Breakdown of realised and unrealised profits or losses

The breakdown of the retained profits of the Group as at 31 March 2013 and 31 March 2012 into realised and unrealised profits is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysia Institute of Accountants.

The breakdown of the retained profits of the Group as at 31 March 2013 into realised and unrealised profits, is as follows :

	Current quarter ended 31 March 2013 RM'000	**Previous financial year ended** 31 March 2012 RM'000
Total retained profits of the Group		
- Realised	166,829	176,549
- Unrealised	(7,146)	(6,665)
	159,683	169,884
Less : Consolidated adjustment	(50,128)	(49,958)
Total group retained earnings as per financial statements	109,555	119,926

34. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 March 2012 was not qualified.