

# SKP RESOURCES BHD

(Company No: 524297-T)

## Explanatory notes pursuant to MFRS 134 For the nine-month period ended 31 December 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 17 February 2014.

### 2. Basis of preparation

These condensed interim financial statements, for the period ended 31 December 2013, 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.

The consolidated financial statements of the Group for the year ended 31 March 2013, which were prepared under MFRS are available upon request from the Company registered office at Level 7, Menara Milenium Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur.

The interim financial statements should be read in conjunction with the Group's annual audited financial statements for the year ended 31 March 2013.

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 2013.

### 3. Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and revised MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013:

#### MFRSs, Amendments to FRSS and Interpretations

MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101).  
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)  
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)  
MFRS 10 Consolidated Financial Statements  
MFRS 11 Joint Arrangements  
MFRS 12 Disclosure of interests in Other Entities  
MFRS119 Employee Benefits  
MFRS 127 Separate Financial Statements  
MFRS 128 Investment in Associate and Joint Ventures  
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)  
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)  
IC Interpretation 20 Stripping Costs in the Production Phase of a surface Mine  
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Assets and Financial Liabilities  
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans  
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – (Annual Improvements 2009-2011 Cycle)  
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)  
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)  
Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)  
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance  
Amendments to MFRS 11: Joint Arrangement: Transition Guidance  
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance

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#### Standards, amendments and interpretations issued but not yet effective

Standards, amendments and interpretations issued but not yet effective up to the date of issuance of the Group's and Company's financial statements are listed below. The Group intends to adopt, where applicable, these standards, amendments and interpretations

##### (a) Effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities  
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities

##### (b) Effective for annual periods beginning on or after 1 January 2015

MFRS 9 Financial Instruments

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

#### 4. Change in estimates

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

#### 5. Changes in composition of the Group

There were no changes 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 9 months ended	
	31 Dec 2013 <u>RM'000</u>	31 Dec 2012 <u>RM'000</u>	31 Dec 2013 <u>RM'000</u>	31 Dec 2012 <u>RM'000</u>
Interest income	(346)	(605)	(1,160)	(1,624)
Other income (including investment income)	(1,010)	(1,359)	(2,350)	(2,840)
Interest expense	-	-	-	-
Depreciation and amortisation	2,112	2,196	6,301	6,590
(Gain) / Loss on disposal of property, plant and equipment	(24)	-	(5)	(16)
(Gain) / loss on foreign exchange - realised	13	-	96	-

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#### 9. Income tax expense

	Current quarter 3 months ended		Cumulative quarters 9 months ended	
	31 Dec 2013 RM'000	31 Dec 2012 RM'000	31 Dec 2013 RM'000	31 Dec 2012 RM'000
Current income tax				
- Malaysia income tax	1,896	3,370	7,210	11,657
- Overprovision in respect of previous years	-	-	-	-
	<u>1,896</u>	<u>3,370</u>	<u>7,210</u>	<u>11,657</u>
Deferred tax				
- Origination and reversal of temporary difference	-	-	-	-
- (Over) / Under provision in respect of previous years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income tax expense recognised in profit or loss	<u>1,896</u>	<u>3,370</u>	<u>7,210</u>	<u>11,657</u>

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 9 months ended	
	31 Dec 2013 RM'000	31 Dec 2012 RM'000	31 Dec 2013 RM'000	31 Dec 2012 RM'000
Profit net of tax attributable to owners of the parent used in the computation of earnings per share (RM'000)	<u>5,414</u>	<u>9,755</u>	<u>21,833</u>	<u>33,556</u>
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)	<u>900,000</u>	<u>900,000</u>	<u>900,000</u>	<u>900,000</u>
Basic earnings per share (sen per share)	<u>0.60</u>	<u>1.08</u>	<u>2.43</u>	<u>3.73</u>
Diluted earnings per share (sen per share)	<u>0.60</u>	<u>1.08</u>	<u>2.43</u>	<u>3.73</u>

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.

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#### 11. Property, plant and equipment

During the nine months ended 31 December 2013, the Group acquired assets at a cost of RM4,023,000 (31 December 2012: RM6,881,000).

Assets with a carrying amount of RM226,000 were disposed of by the Group during the nine months ended 31 December 2013 (31 December 2012: RM318,000), resulting in a gain on disposal of RM5,000 (31 December 2012: gain of RM16,000), recognised and included in other income in the statement of comprehensive income.

#### 12. Intangible assets

	<b>Customer relationships RM'000</b>
<b>Cost :</b>	
At 31 March 2011 / 2012	<u>2,675</u>
<b>Accumulated amortisation</b>	
At 1 April 2010	2,452
Amortisation for the year	<u>223</u>
At 31 March 2011 and 1 April 2011	2,675
Amortisation for the year	<u>-</u>
At 31 March 2012	<u>2,675</u>
<b>Net carrying amount</b>	
At 31 March 2012	<u>-</u>
At 31 March 2013	<u>-</u>
At 31 December 2013	<u>-</u>

#### 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 December 2012: Nil).

#### 14. Cash and cash equivalents

Cash and cash equivalents comprised of the following amounts:

	<b>31 Dec 2013 RM'000</b>	<b>31 Mar 2013 RM'000</b>
Cash at bank and in hand	20,166	19,835
Fixed deposits with licensed banks	6,800	71,781
Short term deposits with financial institution	<u>71,527</u>	<u>-</u>
Total cash and cash equivalents	<u>98,493</u>	<u>91,616</u>

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#### 15. Fair value hierarchy

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

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 December 2013				
<b>Available-for-sale financial assets</b>				
Quoted investment - Bond Fund	1,456	1,456	-	-
<b>Held-to-maturity investment</b>				
Fixed deposits with licensed bank	237	237	-	-
	<u>1,693</u>	<u>1,693</u>	-	-
31 March 2013				
<b>Available-for-sale financial assets</b>				
Quoted investment - Bond Fund	1,456	1,456	-	-
<b>Held-to-maturity investment</b>				
Fixed deposits with licensed bank	850	850	-	-
	<u>2,306</u>	<u>2,306</u>	-	-

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 third quarter 2014 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 December 2013.

#### 17. Dividends

No interim dividend has been declared for the financial period ended 31 December 2013 (31 December 2012: Nil)

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

	31 Dec 2013 RM'000	31 Mar 2013 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	6,000	-
Approved and not contracted for:		
Property, plant and equipment	-	-

#### 19. Contingencies

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

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#### 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 RM302.23 million with profit before tax of RM29.04 million for the current financial year to date as compared to RM334.37 million and RM45.21 million in the preceding year corresponding period respectively.

Compared to last year, profit before tax was lower mainly due to the drop in revenue recorded from existing customers during the period as well as the impact from implementation of minimum wage policy this year.

#### 23. Comment on material change in profit before tax

	Current Quarter 2013 <u>RM'000</u>	Preceding Quarter 30/9/2013 <u>RM'000</u>	Variance <u>%</u>
Revenue	87,782	106,154	-17.3%
Profit before taxation	7,310	9,570	-23.6%

Compared with preceding quarter, the revenue had reduced by 17.3% from RM106.15 million to RM87.78 million. Profit before tax also reduced from RM9.57 million in last quarter to RM7.31 million mainly due to drop in revenue during the period as well as different products mix.

#### 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 positively 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

On 4 September 2013, the Board of Directors had announced a Final Tax Exempt Dividend of 0.9 sen per share amounting to RM8,100,000 in respect of the financial year ended 31 March 2013 and the dividend was paid on 15 November 2013.

#### 29. Disclosure of nature of outstanding derivatives

There are no outstanding derivative as at reporting period.

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#### 30. Rationale for entering into derivatives

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

#### 31. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 31 December 2013 or the previous 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 December 2013 and 31 March 2013.

#### 33. Breakdown of realised and unrealised profits or losses

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

	<b>Current quarter ended 31 Dec 2013 RM'000</b>	<b>Previous financial year ended 31 March 2013 RM'000</b>
Total retained profits of the Group		
- Realised	180,084	166,352
- Unrealised	(7,396)	(7,524)
	<u>172,689</u>	<u>158,828</u>
Less : Consolidated adjustment	(50,456)	(50,328)
Total group retained earnings as per financial statements	<u>122,233</u>	<u>108,500</u>

#### 34. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 March 2013 was not qualified.