

SKP RESOURCES BHD

(Company No: 524297-T)

**Condensed consolidated interim financial statements
For the first quarter ended 30 June 2016****Condensed consolidated statements of comprehensive income**

	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		30 June 2016 (Unaudited) RM'000	30 June 2015 (Unaudited) RM'000	30 June 2016 (Unaudited) RM'000	30 June 2015 (Unaudited) RM'000
Revenue		320,558	243,062	320,558	243,062
Cost of sales		(279,440)	(209,124)	(279,440)	(209,124)
Gross profit		41,118	33,938	41,118	33,938
Other operating income		1,135	2,664	1,135	2,664
Operating expenses		(17,976)	(12,551)	(17,976)	(12,551)
Operating profit		24,277	24,051	24,277	24,051
Interest expense		(754)	(714)	(754)	(714)
Interest income		488	207	488	207
Profit before tax	8	24,011	23,544	24,011	23,544
Tax expense	9	(5,763)	(5,640)	(5,763)	(5,640)
Total comprehensive income for the period, net of tax		18,248	17,904	18,248	17,904
Total comprehensive income attributable to:					
Owners of the parent		18,248	17,904	18,248	17,904
Non-controlling interests		-	-	-	-
		18,248	17,904	18,248	17,904
Earnings per share attributable to owners of the parent (sen):					
-Basic	10	1.61	1.67	1.61	1.67
-Diluted	10	1.55	1.66	1.55	1.66

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.)

SKP RESOURCES BHD

(Company No: 524297-T)

**Condensed consolidated interim financial statements
For the first quarter ended 30 June 2016****Condensed consolidated statements of financial position**

	Note	30 June 2016 Unaudited RM'000	31 March 2016 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	175,113	175,998
Land use rights		17,038	17,136
Investment properties		1,612	1,617
Other investments	14,15	200	200
		193,963	194,951
Current assets			
Inventories	12	118,551	89,780
Trade and other receivables		299,485	191,138
Other current asset		5,511	2,776
Tax recoverable		2,626	3,867
Other investments	14,15	65,382	27,496
Cash and bank balances	13	43,109	45,579
		534,664	360,636
TOTAL ASSETS		728,627	555,587
Equity attributable to equity holders of the Company			
Share capital		117,012	111,950
Share premium		127,076	104,300
Merger deficit		(95,002)	(95,002)
Retained earnings		235,242	216,994
Total equity		384,328	338,242
Non-current liabilities			
Interest-bearing loans and borrowings	16	13,218	15,291
Deferred taxation		16,678	16,378
		29,896	31,669
Current liabilities			
Interest-bearing loans and borrowings	16	54,192	38,192
Trade and other payables	17	260,211	147,484
		314,403	185,676
Total liabilities		344,299	217,345
TOTAL EQUITY AND LIABILITIES		728,627	555,587
Net assets per share (RM)		0.33	0.30

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.)

SKP RESOURCES BHD

(Company No: 524297-T)

Condensed consolidated interim financial statements**For the first quarter ended 30 June 2016****Condensed consolidated statements of changes in equity**

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 August 2016.	NON DISTRIBUTABLE				DISTRIBUTABLE	
	SHARE CAPITAL	SHARE PREMIUM	MERGER DEFICIT	FAIR VALUE ADJUSTMENT RESERVE	RETAINED EARNINGS	EQUITY, TOTAL
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening balance at 1 April 2015	90,000	351	(95,002)	(69)	156,743	152,023
Total comprehensive income	-	-	-	-	17,904	17,904
Transactions with owners						
Shares issued for acquisition of new subsidiaries	17,241	82,759	-	-	-	100,000
Exercise of warrants	250	1,122	-	-	-	1,372
Closing balance at 30 June 2015	<u>107,491</u>	<u>84,232</u>	<u>(95,002)</u>	<u>(69)</u>	<u>174,647</u>	<u>271,299</u>
Opening balance at 1 April 2016	111,950	104,300	(95,002)	-	216,994	338,242
Total comprehensive income	-	-	-	-	18,248	18,248
Transactions with owners						
Exercise of warrants	5,062	22,776	-	-	-	27,838
Closing balance at 30 June 2016	<u>117,012</u>	<u>127,076</u>	<u>(95,002)</u>	<u>-</u>	<u>235,242</u>	<u>384,328</u>

(The Condensed Consolidated Statements of Changes In Equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.)

SKP RESOURCES BHD

(Company No: 524297-T)

**Condensed consolidated interim financial statements
For the first quarter ended 30 June 2016****Condensed consolidated statements of cash flows**

		3 months ended	
		30 June 2016	30 June 2015
		(Unaudited) RM'000	(Unaudited) RM'000
These condensed consolidated interim financial statements were	Note		
Cash flows from operating activities			
Profit before taxation		24,011	23,544
Adjustments for:			
Depreciation and amortisation		5,093	4,661
Property, plant and equipment written off		1	-
Fair value gain on financial assets at fair value through profit and loss		-	(118)
Gain on disposal of property, plant and equipment	11	(41)	(60)
Unrealised foreign exchange (gain)/loss		(156)	505
Interest expense		754	714
Interest income		(488)	(89)
Operating profit before working capital changes		29,174	29,157
Increase in inventories		(28,771)	(8,140)
(Increase)/decrease in receivables		(108,269)	882
(Increase)/decrease in other current assets		(2,735)	5,715
Increase/(decrease) in payables		112,744	(126,676)
Cash generated from/(used in) operations		2,143	(99,062)
Interest paid		(754)	(714)
Taxes paid		(4,222)	(4,169)
Net cash flows used in operating activities		(2,833)	(103,945)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(4,221)	(5,197)
Proceeds from disposal of property, plant and equipment	11	156	77
(Increase)/decrease in other investments		(37,886)	3,801
Interest received		488	89
Net cash flows used in investing activities		(41,463)	(1,230)
Cash flows from financing activities			
(Repayment)/drawdown in term loan		(2,073)	23,583
Increase in short term borrowings		16,000	24,818
Proceeds from convertible warrants		27,838	1,372
Net cash generated from financing activities		41,765	49,773
Net decrease in cash and cash equivalents		(2,531)	(55,402)
Effects of exchange rate changes		61	(796)
Cash and cash equivalents at beginning of year		45,579	76,722
Cash and cash equivalents at end of period	13	43,109	20,524

(The Condensed Consolidated Statements of Cash Flow should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.)

Explanatory notes pursuant to MFRS 134
For the three-month period ended 30 June 2016

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 29 August 2016.

2. Basis of preparation

These condensed interim financial statements, for the period ended 30 June 2016, 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 2016, 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 2016.

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 2016.

3. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 April 2016, the Company adopted the following new and amended MFRS.

Description

Annual Improvements to MFRSs 2012 – 2014 Cycle
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operation
Amendments to MFRS 127: Equity Method in Separate Financial Statements
Amendments to MFRS 101: Disclosure Initiatives
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception
MFRS 14 Regulatory Deferral Accounts

The adoption of the above standards 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 significant changes in composition of the Group for the current financial quarter.

6. Segment information

The Group is principally involved in manufacturing of plastic products and fabrication of moulds which is predominantly carried out in Malaysia. Segment information is not prepared as the manufacturing of moulds is insignificant to the Group.

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 3 months ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Interest income	(488)	(89)	(488)	(89)
Interest expense	754	714	754	714
Depreciation and amortisation	5,093	4,661	5,093	4,661
Fair value gain on financial assets at fair value through profit or loss	-	(118)	-	(118)
Gain on disposal of property, plant and equipment	(41)	(60)	(41)	(60)
Gain on foreign exchange - realised	(612)	(40)	(612)	(40)
(Gain)/loss on foreign exchange - unrealised	(156)	505	(156)	505

9. Income tax expense

	Current quarter 3 months ended		Cumulative quarters 3 months ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Current income tax				
- Malaysia income tax	5,463	5,472	5,463	5,472
Deferred tax				
- Origination and reversal of temporary difference	300	168	300	168
Income tax expense recognised in profit or loss	<u>5,763</u>	<u>5,640</u>	<u>5,763</u>	<u>5,640</u>

The effective tax rate of the Group for the current quarter and financial period to-date is slightly lower than the statutory income tax rate due to utilisation of special reinvestment allowances of subsidiaries and acquisition of new property, plant and equipments.

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		Cumulative quarters	
	3 months ended		3 months ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit net of tax attributable to owners of the parent used in the computation of earnings per share (RM'000)	18,248	17,904	18,248	17,904
Weighted average number of ordinary shares in issue ('000) *	1,134,559	1,072,410	1,134,559	1,072,410
Effects of dilution : Warrants	40,936	2,500	40,936	2,500
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,175,495	1,074,910	1,175,495	1,074,910
Basic earnings per share (sen per share)	1.61	1.67	1.61	1.67
Diluted earnings per share (sen per share)	1.55	1.66	1.55	1.66

11. Property, plant and equipment

During the three months ended 30 June 2016, the Group acquired assets at a cost of RM4.22 million (31 March 2015: RM5.20 million).

Assets with a carrying amount of RM115,000 were disposed of by the Group during the three months ended 30 June 2016 (30 June 2015: RM17,000), resulting in a gain on disposal of RM41,000 (30 June 2015: RM60,000), recognised and included in other income in the statement of comprehensive income.

12. Inventories

There was no write-down of inventories to net realisable value for the current quarter (30 June 2015: Nil).

13. Cash and cash equivalents

Cash and cash equivalents comprised of the following amounts:

	30 June	31 March
	2016	2016
	RM'000	RM'000
Cash at banks and on hand	43,099	42,079
Deposits with licensed commercial banks	10	3,500
Total cash and cash equivalents	<u>43,109</u>	<u>45,579</u>

14. 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
At 30 June 2016				
Non current				
Available-for-sale financial assets				
Unquoted investment - Golf club memberships	100	-	100	-
Held-to-maturity investment				
Deposits with licensed bank	100	-	100	-
	<u>200</u>	<u>-</u>	<u>200</u>	<u>-</u>
Current				
Fair value through profit or loss				
Investment in income trust funds in Malaysia	65,382	65,382	-	-
	<u>65,382</u>	<u>65,382</u>	<u>-</u>	<u>-</u>
At 31 March 2016				
Non current				
Available-for-sale financial assets				
Unquoted investment - Golf club memberships	100	-	100	-
Held-to-maturity investment				
Deposits with licensed bank	100	-	100	-
	<u>200</u>	<u>-</u>	<u>200</u>	<u>-</u>
Current				
Fair value through profit or loss				
Investment in Malaysia				
- Cash management fund	27,496	27,496	-	-
	<u>27,496</u>	<u>27,496</u>	<u>-</u>	<u>-</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.

15. Other Investments

Investment in income trust funds and cash management fund are placed with licensed investment banks and asset management companies in Malaysia which are highly liquid and readily convertible to cash.

16. Interest-bearing loans and borrowings

	30 June 2016 RM'000	31 March 2016 RM'000
Short term borrowings		
Secured	54,192	38,192
Long term borrowing		
Secured	13,218	15,291
	<u>67,410</u>	<u>53,483</u>

17. Dividends

No interim dividend has been declared for the financial period ended 30 June 2016 (30 June 2015: Nil).

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.

	30 June 2016 RM'000	30 June 2015 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	5,200	5,000
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.

Explanatory notes pursuant to Bursa Malaysia Listing Requirement: Chapter 9, Appendix 9B, Part A
For the three-month period ended 30 June 2016

20. Related party transactions

There were no recurrent related party transactions.

21. Events after the reporting period

There were no material events that have arisen subsequent to the financial period ended 30 June 2016.

22. Performance review

The Group recorded a turnover of RM320.56 million with profit before tax of RM24.01 million for the current financial period to date as compared to RM243.06 million and RM23.54 million in the preceding year corresponding period respectively.

The increase in revenue was mainly due to the higher revenue recorded from existing key customers during the period. Despite the increase in revenue, profit before tax margin was lower mainly due to impact from higher labour costs incurred in hiring higher cost contract workers as a result of the Government's decision to freeze the hiring of foreign labour in the beginning of the year.

23. Comment on material change in profit before tax

	Current Quarter 30/06/2016 RM'000	Preceding Quarter 31/03/2016 RM'000	Variance <u>%</u>
Revenue	320,558	231,968	38.2%
Profit before taxation	24,011	25,133	-4.5%

Compared with preceding quarter, the revenue had increased by 38.2% from RM231.97 million to RM320.56 million as a result of the increase in sales intake by existing key customers. Profit before tax decreased marginally from RM25.13 million in last quarter to RM24.01 million mainly due to higher labour costs incurred as a result of relying on higher cost contract workers to cater for the increase in sales orders.

24. Commentary on prospects

The Board of Directors expects the Group to remain profitable fuels by existing order books from customers which will contribute positively to the Group's performance for the financial year ending 31 March 2017.

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 to date.

27. Changes in material litigation

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

28. Dividend payable

Please refer to Note 17 for details.

29. Disclosure of nature of outstanding derivatives

There are no outstanding derivative as at reporting period.

30. Rationale for entering into derivatives

The Group did not enter into any derivatives during the period ended 30 June 2016 or the previous financial year ended 31 March 2016.

31. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 30 June 2016 or the previous financial year ended 31 March 2016.

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 30 June 2016 and 31 March 2016.

33. Breakdown of realised and unrealised profits or losses

The breakdown of the retained profits of the Group as at 30 June 2016 and 31 March 2016 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 30 June 2016 into realised and unrealised profits, is as follows :

	Current year ended 30 June 2016 RM'000	Previous financial year ended 31 March 2016 RM'000
Total retained profits of the Group		
- Realised	404,148	381,754
- Unrealised	(16,522)	(17,752)
	<u>387,626</u>	<u>364,002</u>
Less : Consolidated adjustment	(152,384)	(147,008)
Total group retained earnings as per financial statements	<u>235,242</u>	<u>216,994</u>

34. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 March 2016 was not qualified.