

SKP RESOURCES BHD.

(Company No: 524297-T)

**Condensed consolidated interim financial statements
For the third quarter ended 31 December 2016****Condensed consolidated statements of comprehensive income**

	Note	Current quarter 3 months ended		Cumulative quarter 9 months ended	
		31 December 2016 (Unaudited) RM'000	31 December 2015 (Unaudited) RM'000	31 December 2016 (Unaudited) RM'000	31 December 2015 (Unaudited) RM'000
Revenue		580,018	314,767	1,357,024	819,059
Cost of sales		(515,119)	(270,971)	(1,205,673)	(705,071)
Gross profit		64,899	43,796	151,351	113,988
Other operating income		1,311	760	3,378	4,155
Operating expenses		(26,062)	(12,302)	(60,241)	(37,247)
Operating profit		40,148	32,254	94,488	80,896
Interest expense		(793)	(801)	(2,399)	(2,124)
Interest income		670	305	1,843	749
Profit before tax	8	40,025	31,758	93,932	79,521
Tax expense	9	(9,606)	(7,611)	(22,544)	(19,053)
Total comprehensive income for the period, net of tax		30,419	24,147	71,388	60,468
Total comprehensive income attributable to:					
Owners of the parent		30,419	24,147	71,388	60,468
Non-controlling interests		-	-	-	-
		30,419	24,147	71,388	60,468
Earnings per share attributable to owners of the parent (sen):					
-Basic	10	2.58	2.20	6.05	5.58
-Diluted	10	2.50	2.04	5.88	5.20

SKP RESOURCES BHD.

(Company No: 524297-T)

Condensed consolidated interim financial statements**For the third quarter ended 31 December 2016****Condensed consolidated statements of financial position**

	Note	31 December 2016 Unaudited RM'000	31 March 2016 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	176,693	175,998
Land use rights		16,840	17,136
Investment properties		1,599	1,617
Other investments	14,15	200	200
		<u>195,332</u>	<u>194,951</u>
Current assets			
Inventories	12	141,250	89,780
Trade and other receivables		503,173	191,138
Other current asset		9,564	2,776
Tax recoverable		-	3,867
Other investments	14,15	51,565	27,496
Cash and bank balances	13	38,864	45,579
		<u>744,416</u>	<u>360,636</u>
TOTAL ASSETS		<u><u>939,748</u></u>	<u><u>555,587</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		118,118	111,950
Share premium		133,155	104,300
Merger deficit		(95,002)	(95,002)
Retained earnings		247,382	216,994
Total equity		<u>403,653</u>	<u>338,242</u>
Non-current liabilities			
Interest-bearing loans and borrowings	16	9,072	15,291
Deferred taxation		17,106	16,378
		<u>26,178</u>	<u>31,669</u>
Current liabilities			
Interest-bearing loans and borrowings	16	52,392	38,192
Trade and other payables		456,950	147,484
Income tax payable		575	-
Total liabilities		<u>509,917</u>	<u>185,676</u>
		<u>536,095</u>	<u>217,345</u>
TOTAL EQUITY AND LIABILITIES		<u><u>939,748</u></u>	<u><u>555,587</u></u>
Net assets per share (RM)		<u>0.34</u>	<u>0.30</u>

(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 third quarter ended 31 December 2016****Condensed consolidated statements of changes in equity**

	NON DISTRIBUTABLE				DISTRIBUTABLE	EQUITY, TOTAL RM'000
	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	MERGER DEFICIT RM'000	FAIR VALUE ADJUSTMENT RESERVE RM'000	RETAINED EARNINGS RM'000	
	Opening balance at 1 April 2015	90,000	351	(95,002)	(69)	
Total comprehensive income	-	-	-	-	60,468	60,468
Transactions with owners						
Shares issued for acquisition of new subsidiaries	17,241	82,759	-	-	-	100,000
Exercise of warrants	4,003	18,013	-	-	-	22,016
Dividends	-	-	-	-	(21,231)	(21,231)
Closing balance at 31 December 2015	111,244	101,123	(95,002)	(69)	195,980	313,276
Opening balance at 1 April 2016	111,950	104,300	(95,002)	-	216,994	338,242
Total comprehensive income	-	-	-	-	71,388	71,388
Transactions with owners						
Exercise of warrants	6,168	28,855	-	-	-	35,023
Dividends	-	-	-	-	(41,000)	(41,000)
Closing balance at 31 December 2016	118,118	133,155	(95,002)	-	247,382	403,653

(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 third quarter ended 31 December 2016****Condensed consolidated statements of cash flows**

	Note	9 months ended	
		31 December 2016 (Unaudited) RM'000	31 December 2015 (Unaudited) RM'000
Cash flows from operating activities			
Profit before taxation		93,932	79,521
Adjustments for:			
Depreciation and amortisation		15,325	14,137
Property, plant and equipment written off		255	-
Impairment of trade receivables		-	39
(Gain)/loss on disposal of property, plant and equipment	11	(30)	134
Unrealised foreign exchange gain		(1,268)	622
Interest expense		2,399	2,124
Interest income		(1,842)	(749)
Operating profit before working capital changes		108,771	95,828
Increase in inventories		(51,470)	(11,509)
Increase in receivables		(311,178)	(50,650)
(Increase)/decrease in other current assets		(6,788)	2,673
Increase/(decrease) in payables		309,527	(86,689)
Cash generated from/(used in) operations		48,862	(50,347)
Interest paid		(2,399)	(2,124)
Taxes paid		(17,374)	(15,557)
Net cash flows generated from/(used in) operating activities		29,089	(68,028)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(16,453)	(18,484)
Proceeds from disposal of property, plant and equipment	11	522	472
Increase in other investments		(24,069)	(10,957)
Interest received		1,842	749
Net cash flows used in investing activities		(38,158)	(28,220)
Cash flows from financing activities			
(Repayment)/drawdown in term loan		(6,219)	23,583
Increase in short term borrowings		14,200	45,000
Proceeds from convertible warrants		35,023	22,016
Dividend paid		(41,000)	(21,231)
Net cash generated from financing activities		2,004	69,368
Net decrease in cash and cash equivalents		(7,065)	(26,880)
Effects of exchange rate changes		350	(409)
Cash and cash equivalents at beginning of year		45,579	76,722
Cash and cash equivalents at end of period	13	38,864	49,433

(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 nine-month period ended 31 December 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 28 February 2017.

2. Basis of preparation

These condensed interim financial statements, for the period ended 31 December 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 9 months ended	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Interest income	(668)	(562)	(1,842)	(749)
Interest expense	793	801	2,399	2,124
Depreciation and amortisation	5,157	4,804	15,325	14,137
Loss/(gain) on disposal of property, plant and equipment	251	240	(30)	134
Gain on foreign exchange - realised	(450)	(3,453)	(1,204)	(2,602)
(Gain)/loss on foreign exchange - unrealised	(798)	1,051	(1,268)	622
Impairment of trade receivables	-	-	-	39

9. Income tax expense

	Current quarter 3 months ended		Cumulative quarters 9 months ended	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Current income tax				
- Malaysia income tax	9,578	7,052	21,816	18,124
Deferred tax				
- Origination and reversal of temporary difference	28	559	728	929
Income tax expense recognised in profit or loss	<u>9,606</u>	<u>7,611</u>	<u>22,544</u>	<u>19,053</u>

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 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Profit net of tax attributable to owners of the parent used in the computation of earnings per share (RM'000)	<u>30,419</u>	<u>24,147</u>	<u>71,388</u>	<u>60,468</u>
Weighted average number of ordinary shares in issue ('000) *	1,179,975	1,098,521	1,179,975	1,084,102
Effects of dilution : Warrants	<u>36,351</u>	<u>84,957</u>	<u>35,116</u>	<u>78,551</u>
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	<u>1,216,326</u>	<u>1,183,478</u>	<u>1,215,091</u>	<u>1,162,653</u>
Basic earnings per share (sen per share)	<u>2.58</u>	<u>2.20</u>	<u>6.05</u>	<u>5.58</u>
Diluted earnings per share (sen per share)	<u>2.50</u>	<u>2.04</u>	<u>5.88</u>	<u>5.20</u>

11. Property, plant and equipment

During the nine months ended 31 December 2016, the Group acquired assets at a cost of RM16.5 million (31 December 2015: RM18.5 million).

Assets with a carrying amount of RM492,000 were disposed of by the Group during the nine months ended 31 December 2016 (31 December 2015: RM607,000), resulting in a gain/(loss) on disposal of RM30,000 (31 December 2015: (RM134,000)), recognised and included in other income/(operating expenses) in the statement of comprehensive income.

12. Inventories

There was no write-down of inventories to net realisable value for the current quarter (31 December 2015: Nil).

13. Cash and cash equivalents

Cash and cash equivalents comprised of the following amounts:

	31 December 2016 RM'000	31 March 2016 RM'000
Cash at banks and on hand	38,864	42,079
Deposits with licensed commercial banks	<u>-</u>	<u>3,500</u>
Total cash and cash equivalents	<u>38,864</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 31 December 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	51,565	51,565	-	-
	<u>51,565</u>	<u>51,565</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

	31 December 2016 RM'000	31 March 2016 RM'000
Short term borrowings		
Secured	52,392	38,192
Long term borrowing		
Secured	9,072	15,291
	<u>61,464</u>	<u>53,483</u>

17. Dividends

No interim dividend has been declared for the financial period ended 31 December 2016 (31 December 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.

	31 December 2016 RM'000	31 March 2016 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	6,041	38,192
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 nine-month period ended 31 December 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 September 2016.

22. Performance review

The Group recorded a turnover of RM1.35 billion with profit before tax of RM93.9 million for the current financial period to date as compared to RM819.1 million and RM79.5 million in the preceding year corresponding period respectively.

The increase in revenue of 66% and profit before tax of 18% was mainly due to the higher revenue recorded from existing key customers during the period.

23. Comment on material change in profit before tax

	Current Quarter 31/12/2016 RM'000	Preceding Quarter 30/09/2016 RM'000	Variance %
Revenue	580,018	456,448	27.1%
Profit before taxation	40,025	29,896	33.9%

Compared with preceding quarter, the revenue had increased by 27.1% from RM456.4 million to RM580.0 million and Profit before taxation had also increased by 33.9% from RM29.9 million to RM40.0 million as a result of the increase in sales to existing key customers.

24. Commentary on prospects

The Board of Directors expects the Group to remain profitable fuels by strong order books from existing 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 31 December 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 31 December 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 31 December 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 31 December 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 31 December 2016 into realised and unrealised profits, is as follows:

	Current year ended 31 December 2016 RM'000	Previous financial year ended 31 March 2016 RM'000
Total retained profits of the Group		
- Realised	425,627	381,754
- Unrealised	(15,838)	(17,752)
	<hr/> 409,789	<hr/> 364,002
Less : Consolidated adjustment	(162,407)	(147,008)
Total group retained earnings as per financial statements	<hr/> 247,382	<hr/> 216,994

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.