

Condensed consolidated interim financial statements
For the first quarter ended 30 June 2017
Condensed consolidated statements of comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		30 June 2017 (Unaudited) RM'000	30 June 2016 (Unaudited) RM'000	30 June 2017 (Unaudited) RM'000	30 June 2016 (Unaudited) RM'000
Revenue		524,876	320,558	524,876	320,558
Cost of sales		(464,947)	(279,440)	(464,947)	(279,440)
Gross profit		59,929	41,118	59,929	41,118
Other operating income		2,972	1,135	2,972	1,135
Operating expenses		(19,286)	(17,976)	(19,286)	(17,976)
Operating profit		43,615	24,277	43,615	24,277
Interest expense		(685)	(754)	(685)	(754)
Interest income		959	488	959	488
Profit before tax	8	43,889	24,011	43,889	24,011
Tax expense	9	(10,533)	(5,763)	(10,533)	(5,763)
Profit for the period		33,356	18,248	33,356	18,248
Other comprehensive income		-	-	-	-
Total comprehensive income for the period, net of tax		33,356	18,248	33,356	18,248
Total comprehensive income attributable to:					
Owners of the parent		33,356	18,248	33,356	18,248
Non-controlling interests		-	-	-	-
		33,356	18,248	33,356	18,248
Earnings per share attributable to owners of the parent (sen):					
-Basic	10	2.71	1.61	2.71	1.61
-Diluted	10	2.71	1.55	2.71	1.55

Condensed consolidated interim financial statements

For the first quarter ended 30 June 2017

Condensed consolidated statements of financial position

	Note	30 June 2017 Unaudited RM'000	31 March 2017 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	178,052	180,411
Land use rights		16,639	16,736
Investment properties		1,586	1,593
Other investments	14,16	200	200
		<u>196,477</u>	<u>198,940</u>
Current assets			
Inventories	12	177,810	160,845
Trade and other receivables		437,764	567,208
Other current asset		7,895	6,822
Other investments	14,16	110,826	70,527
Tax recoverable		822	2,985
Cash and bank balances	13	56,173	45,775
		<u>791,290</u>	<u>854,162</u>
TOTAL ASSETS		<u><u>987,767</u></u>	<u><u>1,053,102</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	15	296,126	271,335
Merger deficit		(95,002)	(95,002)
Retained earnings		312,666	279,310
Total equity		<u>513,790</u>	<u>455,643</u>
Non-current liabilities			
Borrowings	17	5,285	18,121
Deferred taxation		18,648	7,383
Minority interest		-	-
		<u>23,933</u>	<u>25,504</u>
Current liabilities			
Trade and other payables		409,861	504,950
Tax payable		-	922
Borrowings	17	40,183	66,083
		<u>450,044</u>	<u>571,955</u>
Total liabilities		<u>473,977</u>	<u>597,459</u>
TOTAL EQUITY AND LIABILITIES		<u><u>987,767</u></u>	<u><u>1,053,102</u></u>
Net assets per share (RM)		<u>0.41</u>	<u>0.38</u>

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

Condensed consolidated interim financial statements

For the first quarter ended 30 June 2017

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	RETAINED EARNINGS RM'000	
	Opening balance at 1 April 2016	111,950	104,300	(95,002)	
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>235,242</u>	<u>384,328</u>
Opening balance at 1 April 2017	271,335	-	(95,002)	279,310	455,643
Total comprehensive income	-	-	-	33,356	33,356
Transactions with owners					
Exercise of warrants	24,791	-	-	-	24,791
Closing balance at 30 June 2017	<u>296,126</u>	<u>-</u>	<u>(95,002)</u>	<u>312,666</u>	<u>513,790</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.)

Condensed consolidated interim financial statements

For the first quarter ended 30 June 2017

Condensed consolidated statements of cash flows

	Note	3 months ended	
		30 June 2017 (Unaudited) RM'000	30 June 2016 (Unaudited) RM'000
Cash flows from operating activities			
Profit before taxation		43,889	24,011
Adjustments for:			
Depreciation and amortisation		5,187	5,093
Property, plant and equipment written off		4	1
Gain on disposal of property, plant and equipment	11	(4)	(41)
Unrealised foreign exchange gain		(50)	(156)
Interest expense		685	754
Interest income		(959)	(488)
Operating profit before working capital changes		48,752	29,174
Increase in inventories		(16,965)	(28,771)
Decrease/(increase) in receivables		129,433	(108,269)
Increase in other current assets		(1,073)	(2,735)
(Decrease)/increase in payables		(95,000)	112,744
Cash generated from operations		65,147	2,143
Taxes paid		(8,765)	(4,222)
Net cash flows generated from/(used in) operating activities		56,382	(2,079)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(2,780)	(4,221)
Proceeds from disposal of property, plant and equipment	11	56	156
Increase in other investments		(40,299)	(37,886)
Interest received		959	488
Net cash flows used in investing activities		(42,064)	(41,463)
Cash flows from financing activities			
Repayment in term loan	17	(2,073)	(2,073)
(Decrease)/increase in short term borrowings	17	(25,925)	16,000
Interest expenses		(685)	(754)
Proceeds from convertible warrants		24,791	27,838
Net cash (used in)/generated from financing activities		(3,892)	41,011
Net increase/(decrease) in cash and cash equivalents		10,426	(2,531)
Effects of exchange rate changes		(28)	61
Cash and cash equivalents at beginning of year		45,775	45,579
Cash and cash equivalents at end of period	13	56,173	43,109

(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 2017**

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 25 August 2017.

2. Basis of preparation

These condensed interim financial statements, for the period ended 30 June 2017, 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 2017, 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 2017.

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 2017.

3. Changes in accounting policies

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

On 1 April 2017, the Company adopted the following new and amended MFRS.

Description

MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)
MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)
Annual Improvements to MFRSs 2014 -2016 Cycle (Amendments to MFRS 12)

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

On 21 April 2017, the Board has announced that the Group had on 20 April 2017 acquired the following new subsidiaries:-

]	Name of the Company	% of Shareholdings	No. of Ordinary Shares Acquired
1	Goodhart World Sdn. Bhd. ("GWSB")	100%	2
2	Goodhart Premier Sdn. Bhd. ("GPSB")	100%	2
3	SKP BM Electronics Sdn. Bhd. ("SKP BM")	66.67%	2

These three (3) subsidiaries are principally engage in Printed Circuit Board Assembly (PCBA) and other Electronic Manufacturing Service related services (EMS).

On 17 July 2017, SKP BM increased its issued and paid up share capital by way of issuance of 4,999,997 ordinary shares. GPSB and GWSB acquired 2,549,999 and 1,199,999 ordinary shares in SKP BM respectively. As a result, SKP BM became a 75% owned subsidiary of the Company.

6. Segment information

The Group is principally involved in manufacturing of plastic products and fabrication of moulds, which are 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 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Interest income	(959)	(488)	(959)	(488)
Interest expense	685	754	685	754
Depreciation and amortisation	5,187	5,093	5,187	5,093
Property, plant and equipment written off	4	1	4	1
Gain on disposal of property, plant and equipment	(4)	(41)	(4)	(41)
Gain on foreign exchange - realised	(2,127)	(612)	(2,127)	(612)
Gain on foreign exchange - unrealised	(50)	(156)	(50)	(156)

9. Income tax expense

	Current quarter 3 months ended		Cumulative quarters 3 months ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Current income tax				
- Malaysia income tax	10,006	5,463	10,006	5,463
Deferred tax				
- Origination and reversal of temporary difference	527	300	527	300
Income tax expense recognised in profit or loss	<u>10,533</u>	<u>5,763</u>	<u>10,533</u>	<u>5,763</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 3 months ended		Cumulative quarters 3 months ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Profit net of tax attributable to owners of the parent used in the computation of earnings per share (RM'000)	<u>33,356</u>	<u>18,248</u>	<u>33,356</u>	<u>18,248</u>
Weighted average number of ordinary shares in issue ('000)	1,228,637	1,134,559	1,228,637	1,134,559
Effects of dilution : Warrants *	-	40,936	-	40,936
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	<u>1,228,637</u>	<u>1,175,495</u>	<u>1,228,637</u>	<u>1,175,495</u>
Basic earnings per share (sen per share)	<u>2.71</u>	<u>1.61</u>	<u>2.71</u>	<u>1.61</u>
Diluted earnings per share (sen per share)	<u>2.71</u>	<u>1.55</u>	<u>2.71</u>	<u>1.55</u>

* There is no diluted effect due to the warrants was expired on 27 June 2017.

11. Property, plant and equipment

During the three months ended 30 June 2017, the Group acquired assets at a cost of RM2.8 million (30 June 2016: RM4.2 million).

Assets with a carrying amount of RM0.1 million were disposed of by the Group during the three months ended 30 June 2017 (30 June 2016: RM0.1 million), resulting in a gain on disposal of RM4,000 (30 June 2016: RM41,000), 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 2016: Nil).

13. Cash and cash equivalents

Cash and cash equivalents comprised of the following amounts:

	30 June 2017 RM'000	31 March 2017 RM'000
Cash at banks and on hand	56,173	45,775
Total cash and cash equivalents	<u>56,173</u>	<u>45,775</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 2017				
Non current				
Available-for-sale financial assets				
Unquoted investment - Golf club memberships	141	-	141	-
Held-to-maturity investment				
Deposits with licensed bank	100	-	100	-
	<u>241</u>	<u>-</u>	<u>241</u>	<u>-</u>
Current				
Fair value through profit or loss				
Investment in Malaysia				
- Cash management fund	110,826	110,826	-	-
	<u>110,826</u>	<u>110,826</u>	<u>-</u>	<u>-</u>
At 31 March 2017				
Non current				
Available-for-sale financial assets				
Unquoted investment - Golf club memberships	141	-	141	-
Held-to-maturity investment				
Deposits with licensed bank	100	-	100	-
	<u>241</u>	<u>-</u>	<u>241</u>	<u>-</u>
Current				
Fair value through profit or loss				
Investment in Malaysia				
- Cash management fund	68,171	68,171	-	-
Held-to-maturity investment				
Deposits with licensed bank	2,415	2,415	-	-
	<u>70,586</u>	<u>70,586</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. Share capital and share premium

	30 June 2017 RM'000	31 March 2017 RM'000
<u>Share capital</u>		
Balance as at 1 April 2017/1 January 2017	271,335	111,950
Exercise of warrants	24,791	25,108
Transfer from share premium accounts	-	134,277
Balance as at 30 June 2017/31 March 2017	<u>296,126</u>	<u>271,335</u>

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Section 74 of the Act states that all shares issued before or after 31 January 2017 shall have no par or nominal value. Section 618(2) of the Act states that upon the commencement of Section 74, the share premium accounts shall become part of the share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement or any of the members as a result of this transition.

16. Other Investments

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

17. Interest-bearing loans and borrowings

	30 June 2017 RM'000	30 June 2016 RM'000
Short term borrowings		
Secured:		
Bankers' acceptance	31,800	45,900
Obligation under finance lease	91	-
RM bank loans at iCOF + 0.75% p.a.	<u>8,292</u>	<u>8,292</u>
	<u>40,183</u>	<u>54,192</u>
Long term borrowing		
Secured:		
Obligation under finance lease	359	-
RM bank loans at iCOF + 0.75% p.a.	<u>4,926</u>	<u>13,218</u>
	<u>5,285</u>	<u>13,218</u>
Total loans and borrowings	<u>45,468</u>	<u>67,410</u>

18. Dividends

No interim dividend has been declared for the financial period ended 30 June 2017 (30 June 2016: Nil).

On 21 July 2017, the Board of Directors had announced a final single-tier dividend of 4.15 sen per share of the financial year ended 31 March 2017, subject to shareholders' approval at the forthcoming Seventeenth Annual General Meeting ("AGM") of the Company.

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.

19. 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 2017 RM'000	31 March 2017 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	6,248	-
Approved and not contracted for:		
Property, plant and equipment	500	-

20. 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 2017**

21. Related party transactions

There were no recurrent related party transactions.

22. Events after the reporting period

On 17 July 2017, the Company proposed to establish a new employees' share option scheme ("ESOS") of up to 15% of the total number of issued shares of the Company for the eligible executive Directors and employees of the Group. The ESOS is subject to approval of the shareholders at the forthcoming Extraordinary General Meeting.

23. Performance review

	Current quarter		Variance (%)	Cumulative quarter		Variance (%)
	3 months ended			3 months ended		
	30 June 2017 RM'000	30 June 2016 RM'000		30 June 2017 RM'000	30 June 2016 RM'000	
Revenue	524,876	320,558	63.7%	524,876	320,558	63.7%
Operating profit	43,615	24,277	79.7%	43,615	24,277	79.7%
Profit before tax	43,889	24,011	82.8%	43,889	24,011	82.8%
Profit after tax	33,356	18,248	82.8%	33,356	18,248	82.8%
Profit attributable to owners of the company	33,356	18,248	82.8%	33,356	18,248	82.8%

The Group recorded a turnover of RM524.9 million with profit before tax of RM43.9 million for the current financial period to date as compared to RM320.6 million and RM24.0 million in the preceding year corresponding period respectively.

The increase in revenue of 63.7% and profit before tax of 82.8% was mainly due to the higher revenue recorded from existing key customers during the period.

24. Comment on material change in profit before tax

	Current Quarter 30 June 2017 RM'000	Preceding Quarter 31 March 2017 RM'000	Variance (%)
Revenue	524,876	586,540	-10.5%
Operating profit	43,615	44,041	-1.0%
Profit before tax	43,889	44,534	-1.4%
Profit after tax	33,356	33,126	0.7%
Profit attributable to owners of the company	33,356	33,126	0.7%

Compared with preceding quarter, the revenue had reduced 10.5% from RM586.5 million to RM524.9 million mainly due to lower sales recorded in June 2017 as a result of Hari Raya festive holidays. Despite this, profit before taxation had decreased marginally by 1.4% from RM44.5 million to RM43.9 million as a result of improved margin due to operational efficiency.

25. Commentary on prospects

SKP Group is confident to report consistent positive growth in the bottom line moving forward, backed by the strong order books from its existing customers and operational efficiency.

Going forward, SKP shall keep its sight firmly to develop its market further in the EMS sector and continue to pursue vertical integration status.

26. Profit forecast or profit guarantee

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

27. Corporate proposals

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

28. Changes in material litigation

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

29. Dividend payable

Please refer to Note 18 for details.

30. Disclosure of nature of outstanding derivatives

There are no outstanding derivative as at reporting period.

31. Rationale for entering into derivatives

The Group did not enter into any derivatives during the period ended 30 June 2017 or the previous financial year ended 31 March 2017.

32. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 30 June 2017 or the previous financial year ended 31 March 2017.

33. 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 2017 and 31 March 2016.

34. Breakdown of realised and unrealised profits or losses

The breakdown of the retained profits of the Group as at 30 June 2017 and 31 March 2017 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 2017 into realised and unrealised profits, is as follows:

	Current year ended 30 June 2017 RM'000	Previous financial year ended 31 March 2017 RM'000
Total retained profits of the Group		
- Realised	488,687	440,391
- Unrealised	(18,598)	(13,913)
	<hr/> 470,089	<hr/> 426,478
Less : Consolidated adjustment	(157,423)	(147,168)
Total group retained earnings as per financial statements	<hr/> 312,666	<hr/> 279,310

35. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 March 2017 was not qualified.