

Condensed consolidated interim financial statements
For the third quarter ended 31 December 2017

Condensed consolidated statements of comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarter 9 months ended	
		31 December 2017 (Unaudited) RM'000	31 December 2016 (Unaudited) RM'000	31 December 2017 (Unaudited) RM'000	31 December 2016 (Unaudited) RM'000
Revenue		518,694	580,018	1,637,728	1,357,024
Cost of sales		(460,370)	(515,119)	(1,454,782)	(1,205,673)
Gross profit		58,324	64,899	182,946	151,351
Other operating income		1,282	1,311	5,710	3,378
Operating expenses		(20,695)	(26,062)	(60,559)	(60,241)
Operating profit		38,911	40,148	128,097	94,488
Interest expense		(420)	(793)	(1,695)	(2,399)
Interest income		1,035	670	3,163	1,843
Profit before tax	8	39,526	40,025	129,565	93,932
Tax expense	9	(9,487)	(9,606)	(31,096)	(22,544)
Profit for the period		30,039	30,419	98,469	71,388
Other comprehensive income		-	-	-	-
Total comprehensive income for the period, net of tax		30,039	30,419	98,469	71,388
Total comprehensive income for the period, net of tax attributable to:					
Owners of the parent		30,048	30,419	98,488	71,388
Non-controlling interests		(9)	-	(19)	-
		30,039	30,419	98,469	71,388
Earnings per share attributable to owners of the parent (sen):					
-Basic	10	2.45	2.58	8.02	6.05
-Diluted	10	2.45	2.50	8.02	5.88

Condensed consolidated interim financial statements
For the third quarter ended 31 December 2017

Condensed consolidated statements of financial position

	Note	31 December 2017 Unaudited RM'000	31 March 2017 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	182,319	180,411
Land use rights		16,372	16,736
Investment properties		1,574	1,593
Other investments	14,16	200	200
		<u>200,465</u>	<u>198,940</u>
Current assets			
Inventories	12	139,013	160,845
Trade and other receivables		439,043	567,208
Other current asset		10,637	6,822
Other investments	14,16	96,189	70,527
Tax recoverable		-	2,985
Cash and bank balances	13	64,986	45,775
		<u>749,868</u>	<u>854,162</u>
TOTAL ASSETS		<u><u>950,333</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		325,915	279,310
Non-controlling interests		1,231	-
Total equity		<u>528,270</u>	<u>455,643</u>
Non-current liabilities			
Borrowings	17	1,089	7,383
Deferred taxation		19,675	18,121
		<u>20,764</u>	<u>25,504</u>
Current liabilities			
Trade and other payables		387,671	504,950
Tax payable		5,245	922
Borrowings	17	8,383	66,083
		<u>401,299</u>	<u>571,955</u>
Total liabilities		<u>422,063</u>	<u>597,459</u>
TOTAL EQUITY AND LIABILITIES		<u><u>950,333</u></u>	<u><u>1,053,102</u></u>
Net assets per share (RM)		<u>0.43</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.)

SKP RESOURCES BHD.

(Company No: 524297-T)

**Condensed consolidated interim financial statements
For the third quarter ended 31 December 2017****Condensed consolidated statements of changes in equity**

	ATTRIBUTABLE TO OWNERS OF THE PARENT				NON-CONTROLLING INTERESTS RM'000	EQUITY, TOTAL RM'000
	NON DISTRIBUTABLE		DISTRIBUTABLE			
	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)	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	<u>118,118</u>	<u>133,155</u>	<u>(95,002)</u>	<u>247,382</u>	-	<u>403,653</u>
Opening balance at 1 April 2017	271,335	-	(95,002)	279,310	-	455,643
Total comprehensive income	-	-	-	98,488	(19)	98,469
Transactions with owners						
Exercise of warrants	24,791	-	-	-	-	24,791
Increase in share capital in a subsidiary	-	-	-	-	1,250	1,250
Dividends	-	-	-	(51,883)		(51,883)
Closing balance at 31 December 2017	<u>296,126</u>	<u>-</u>	<u>(95,002)</u>	<u>325,915</u>	<u>1,231</u>	<u>528,270</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 third quarter ended 31 December 2017

Condensed consolidated statements of cash flows

	Note	9 months ended	
		31 December 2017 (Unaudited) RM'000	31 December 2016 (Unaudited) RM'000
Cash flows from operating activities			
Profit before taxation		129,565	93,932
Adjustments for:			
Depreciation and amortisation		15,459	15,325
Property, plant and equipment written off		4	255
Gain on disposal of other investment		(4)	-
Gain on disposal of property, plant and equipment	11	(188)	(30)
Unrealised foreign exchange loss/(gain)		533	(1,268)
Interest expense		1,695	2,399
Interest income		(3,163)	(1,843)
Operating profit before working capital changes		143,901	108,770
Decrease/(increase) in inventories		21,832	(51,470)
Decrease/(increase) in receivables		128,074	(311,178)
Increase in other current assets		(3,815)	(6,788)
(Decrease)/increase in payables		(117,227)	309,527
Cash generated from operations		172,765	48,861
Taxes paid		(22,234)	(17,374)
Net cash flows generated from operating activities		150,531	31,487
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(17,108)	(16,453)
Proceeds from disposal of property, plant and equipment	11	308	522
Increase in other investments		(25,658)	(24,069)
Interest received		3,163	1,843
Net cash flows used in investing activities		(39,295)	(38,157)
Cash flows from financing activities			
Repayment in term loan	17	(6,219)	(6,219)
(Decrease)/increase in short term borrowings	17	(57,775)	14,200
Funds from non-controlling interests		1,250	-
Interest expenses		(1,695)	(2,399)
Proceeds from convertible warrants		24,791	35,023
Dividend paid		(51,883)	(41,000)
Net cash used in financing activities		(91,531)	(395)
Net increase/(decrease) in cash and cash equivalents		19,705	(7,065)
Effects of exchange rate changes		(494)	350
Cash and cash equivalents at beginning of year		45,775	45,579
Cash and cash equivalents at end of period	13	64,986	38,864

(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 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 22 February 2018.

2. Basis of preparation

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

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 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 9 months ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Interest income	(1,035)	(670)	(3,163)	(1,843)
Interest expense	420	793	1,695	2,399
Depreciation and amortisation	5,146	5,157	15,459	15,325
Property, plant and equipment written off	-	-	4	-
(Gain)/loss on disposal of property, plant and equipment	(110)	251	(188)	(30)
Gain on foreign exchange - realised	(306)	(450)	(2,790)	(1,204)
Loss/(gain) on foreign exchange - unrealised	454	(798)	533	(1,268)

9. Income tax expense

	Current quarter 3 months ended		Cumulative quarters 9 months ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- Malaysia income tax	9,012	9,578	29,542	21,816
Deferred tax				
- Origination and reversal of temporary difference	475	28	1,554	728
Income tax expense recognised in profit or loss	9,487	9,606	31,096	22,544

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 9 months ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	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)	30,048	30,419	98,488	71,388
Weighted average number of ordinary shares in issue ('000)	1,228,637	1,179,975	1,228,637	1,179,975
Effects of dilution : Warrants *	-	36,351	-	35,116
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,228,637	1,216,326	1,228,637	1,215,091
Basic earnings per share (sen per share)	2.45	2.58	8.02	6.05
Diluted earnings per share (sen per share)	2.45	2.50	8.02	5.88

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

11. Property, plant and equipment



During the nine months ended 31 December 2017, the Group acquired assets at a cost of RM17.1 million (31 December 2016: RM16.5 million).

Assets with a carrying amount of RM120,000 were disposed of by the Group during the nine months ended 31 December 2017 (31 December 2016: RM492,000), resulting in a gain on disposal of RM188,000 (31 December 2016: RM30,000), 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 (31 December 2016: Nil).

13. Cash and cash equivalents

Cash and cash equivalents comprised of the following amounts:

	31 December 2017 RM'000	31 March 2017 RM'000
Cash at banks and on hand	44,941	45,775
Deposits with licensed commercial banks	20,045	-
Total cash and cash equivalents	<u>64,986</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 31 December 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	96,189	96,189	-	-
	<u>96,189</u>	<u>96,189</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>68,171</u>	<u>2,415</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

	31 December 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 31 December 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

	31 December 2017 RM'000	31 March 2017 RM'000
Short term borrowings		
Secured:		
Bankers' acceptance	-	57,700
Obligation under finance lease	91	91
RM bank loans at iCOF + 0.75% p.a.	<u>8,292</u>	<u>8,292</u>
	<u>8,383</u>	<u>66,083</u>
Long term borrowing		
Secured:		
Obligation under finance lease	309	384
RM bank loans at iCOF + 0.75% p.a.	<u>780</u>	<u>6,999</u>
	<u>1,089</u>	<u>7,383</u>
Total loans and borrowings	<u>9,472</u>	<u>73,466</u>

18. Dividends

No interim dividend has been declared for the financial period ended 31 December 2017 (31 December 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 Seventeenth Annual General Meeting ("17th AGM") of the Company.

On 29 September 2017, the Board announced that all resolutions (include the abovementioned proposed final dividend) as per the 17th AGM were duly approved by the shareholders of the Company and the dividend was paid on 27 October 2017.

The Company will endeavour to maintain the dividend policy of minimum 50% payout 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.

	31 December 2017 RM'000	31 March 2017 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	5,868	-
Approved and not contracted for:		
Property, plant and equipment	2,000	-

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 nine-month period ended 31 December 2017**

21. Related party transactions

There were no recurrent related party transactions.

22. Events after the reporting period

There were no material events that have arisen subsequent to the financial period ended 31 December 2017.

23. Performance review

	Current quarter		Variance (%)	Cumulative quarter		Variance (%)
	3 months ended			9 months ended		
	31 December 2017 RM'000	31 December 2016 RM'000		31 December 2017 RM'000	31 December 2016 RM'000	
Revenue	518,694	580,018	-10.6%	1,637,728	1,357,024	20.7%
Operating profit	38,911	40,148	-3.1%	128,097	94,488	35.6%
Profit before tax	39,526	40,025	-1.2%	129,565	93,932	37.9%
Profit after tax	30,039	30,419	-1.2%	98,469	71,388	37.9%
Profit attributable to owners of the company	30,048	30,419	-1.2%	98,488	71,388	38.0%

The Group recorded a turnover of RM1.6 billion with profit before tax of RM129.6 million for the current financial period to date as compared to RM1.4 billion and RM93.9 million in the preceding year corresponding period respectively.

The increase in revenue for the 9 months period of 20.7% and profit before tax of 37.9% 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 31 December 2017 RM'000	Preceding Quarter 30 September 2017 RM'000	Variance (%)
Revenue	518,694	594,158	-12.7%
Operating profit	38,911	45,571	-14.6%
Profit before tax	39,526	46,150	-14.4%
Profit after tax	30,039	35,074	-14.4%
Profit attributable to owners of the company	30,048	35,084	-14.4%

Compared with preceding quarter, the revenue had marginally decreased by 12.7% from RM594.2 million to RM518.7 million and Profit before taxation had also decreased by 14.4% from RM46.2 million to RM39.5 million as a result of the drop in revenue during the period as well as different products mix.

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 31 December 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 31 December 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 December 2017 and 31 March 2017.

34. Breakdown of realised and unrealised profits or losses

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

	Current period ended 31 December 2017 RM'000	Previous financial year ended 31 March 2017 RM'000
Total retained profits of the Group		
- Realised	520,486	440,391
- Unrealised	(20,208)	(13,913)
	<hr/> 500,278	<hr/> 426,478
Less : Consolidated adjustment	(174,363)	(147,168)
Total group retained earnings as per financial statements	<hr/> 325,915	<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.