

Condensed consolidated interim financial statements
For the first quarter ended 30 June 2018

Condensed consolidated statements of comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		30 June 2018 (Unaudited) RM'000	30 June 2017 (Unaudited) RM'000	30 June 2018 (Unaudited) RM'000	30 June 2017 (Unaudited) RM'000
Revenue	7	430,518	524,876	430,518	524,876
Cost of sales		(388,274)	(464,947)	(388,274)	(464,947)
Gross profit		42,244	59,929	42,244	59,929
Other operating income		1,702	2,972	1,702	2,972
Operating expenses		(11,806)	(19,286)	(11,806)	(19,286)
Operating profit		32,140	43,615	32,140	43,615
Interest expense		(3)	(685)	(3)	(685)
Interest income		1,314	959	1,314	959
Profit before tax	9	33,451	43,889	33,451	43,889
Tax expense	10	(7,714)	(10,533)	(7,714)	(10,533)
Profit for the period		25,737	33,356	25,737	33,356
Other comprehensive income		-	-	-	-
Total comprehensive income for the period, net of tax		25,737	33,356	25,737	33,356
Total comprehensive income for the period, net of tax attributable to:					
Owners of the parent		25,834	33,356	25,834	33,356
Non-controlling interests		(97)	-	(97)	-
		25,737	33,356	25,737	33,356
Earnings per share attributable to owners of the parent (sen):					
-Basic	11	2.07	2.71	2.07	2.71
-Diluted	11	2.07	2.71	2.07	2.71

(The Condensed Consolidated Statements of Comprehensive Income 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 2018

Condensed consolidated statements of financial position

	Note	30 June 2018 Unaudited RM'000	31 March 2018 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	186,062	184,735
Land use rights		16,238	16,337
Investment properties		1,561	1,567
Other investments	15,17	221	239
		<u>204,082</u>	<u>202,878</u>
Current assets			
Inventories	13	113,399	119,676
Trade and other receivables		352,081	395,831
Other current asset		6,181	4,134
Other investments	15,17	97,946	117,156
Tax recoverable		3,835	3,081
Cash and bank balances	14	98,938	63,078
		<u>672,380</u>	<u>702,956</u>
TOTAL ASSETS		<u><u>876,462</u></u>	<u><u>905,834</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	16	296,126	296,126
Merger deficit		(95,002)	(95,002)
Retained earnings		380,015	354,181
Non-controlling interests		1,569	1,666
Total equity		<u>582,708</u>	<u>555,305</u>
Non-current liabilities			
Borrowings	18	254	279
Deferred taxation		14,779	14,548
		<u>15,033</u>	<u>16,493</u>
Current liabilities			
Trade and other payables		278,625	333,579
Tax payable		-	361
Borrowings	18	96	96
		<u>278,721</u>	<u>334,036</u>
Total liabilities		<u>293,754</u>	<u>350,529</u>
TOTAL EQUITY AND LIABILITIES		<u><u>876,462</u></u>	<u><u>905,834</u></u>
Net assets per share (RM)		<u>0.47</u>	<u>0.46</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 first quarter ended 30 June 2018****Condensed consolidated statements of changes in equity**

	ATTRIBUTABLE TO OWNERS OF THE PARENT			NON- CONTROLLING INTERESTS	EQUITY, TOTAL
	NON DISTRIBUTABLE	DISTRIBUTABLE			
	SHARE CAPITAL	MERGER DEFICIT	RETAINED EARNINGS		
	RM'000	RM'000	RM'000	RM'000	RM'000
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>(95,002)</u>	<u>312,666</u>	-	<u>513,790</u>
Opening balance at 1 April 2018	296,126	(95,002)	354,181	1,666	556,971
Total comprehensive income	-	-	25,834	(97)	25,737
Closing balance at 30 June 2018	<u>296,126</u>	<u>(95,002)</u>	<u>380,015</u>	<u>1,569</u>	<u>582,708</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 2018

Condensed consolidated statements of cash flows

	Note	3 months ended	
		30 June 2018 (Unaudited) RM'000	30 June 2017 (Unaudited) RM'000
Cash flows from operating activities			
Profit before taxation		33,451	43,889
Adjustments for:			
Depreciation and amortisation		5,398	5,187
Property, plant and equipment written off		138	4
Gain on disposal of property, plant and equipment	12	(127)	(4)
Loss/(gain) on unrealised foreign exchange		127	(50)
Interest expense		3	685
Interest income		(1,314)	(959)
Operating profit before working capital changes		37,676	48,752
Decrease/(increase) in inventories		6,277	(16,965)
Decrease in receivables		43,808	129,433
Increase in other current assets		(2,047)	(1,073)
Increase in payables		(54,953)	(95,000)
Cash generated from operations		30,761	65,147
Taxes paid		(8,598)	(8,765)
Net cash flows generated from operating activities		22,163	56,382
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(6,794)	(2,780)
Proceeds from disposal of property, plant and equipment	12	163	56
Decrease/(increase) in other investments		19,228	(40,299)
Interest received		1,314	959
Net cash flows generated from/(used in) investing activities		13,911	(42,064)
Cash flows from financing activities			
Repayment in term loan	18	-	(2,073)
(Decrease)/increase in short term borrowings	18	-	(25,925)
Repayment of finance lease liabilities	18	(25)	-
Interest expenses		(3)	(685)
Proceeds from convertible warrants		-	24,791
Net cash used in financing activities		(28)	(3,892)
Net increase in cash and cash equivalents		36,046	10,426
Effects of exchange rate changes		(186)	(28)
Cash and cash equivalents at beginning of year		63,078	45,775
Cash and cash equivalents at end of period	14	98,938	56,173

(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 2018**

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 24 August 2018.

2. Basis of preparation

These condensed interim financial statements, for the period ended 30 June 2018, 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 2018, 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 2018.

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 2018.

3. Changes in accounting policies

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

On 1 April 2018, the Company adopted the following new and amended MFRS.

Description

MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
MFRS 9 Financial Instruments
MFRS 15 Revenue from Contracts with Customers
MFRS 140 Transfer of Investment Property (Amendments to MFRS 140)
Annual Improvement to MFRS Standards 2014 - 2016 Cycle
(i) Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
(ii) Amendments to MFRS 128 Investments in Associates and Joint Ventures
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018. The three principal classifications categories for financial assets are measured at amortised cost fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

MFRS 15 Revenue from Contracts with Customer

MFRS 15 replace MFRS 111 Construction Contracts, MFRS 118 Revenue and related interpretations and it applied to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. A new 5 steps is applied before revenue can be recognised. The 5 steps are to identify contracts with customers, to identify the separate performance obligations, to determine the transaction price of the contract, to allocate the transaction price to each of the separate performance obligations and to recognise the revenue as each performance obligation is satisfied.

Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group elected to adopt the modified retrospective method.

Please refer to note 7 for the disclosure of the impact on the Group's revenue.

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. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Current quarter 3 months ended		Cumulative quarters 3 months ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Timing of revenue recognition				
Goods transferred at a point in time	424,505	524,876	424,505	524,876
Services transferred over time	6,013	-	6,013	-
Total revenue from contracts with customers	<u>430,518</u>	<u>524,876</u>	<u>430,518</u>	<u>524,876</u>

	Current quarter 3 months ended		Cumulative quarters 3 months ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Cost of sales				
Cost of goods sold	382,261	464,947	382,261	464,947
Carriage outward	6,013	-	6,013	-
Effect of MFRS 15	<u>388,274</u>	<u>464,947</u>	<u>388,274</u>	<u>464,947</u>

8. Seasonality of operations

The business operations of the Group are not significantly affected by any seasonal factors.

9. 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 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Interest income	(1,314)	(959)	(1,314)	(959)
Interest expense	3	685	3	685
Depreciation and amortisation	5,398	5,187	5,398	5,187
Property, plant and equipment written off	138	4	138	4
Gain on disposal of property, plant and equipment	(127)	(4)	(127)	(4)
Gain on foreign exchange - realised	(999)	(2,127)	(999)	(2,127)
Loss/(gain) on foreign exchange - unrealised	127	(50)	127	(50)

10. Income tax expense

	Current quarter 3 months ended		Cumulative quarters 3 months ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Current income tax				
- Malaysia income tax	7,483	10,006	7,483	10,006
Deferred tax				
- Origination and reversal of temporary difference	231	527	231	527
Income tax expense recognised in profit or loss	<u>7,714</u>	<u>10,533</u>	<u>7,714</u>	<u>10,533</u>

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

11. 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
	2018	2017	2018	2017
	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)	25,834	33,356	25,834	33,356
Weighted average number of ordinary shares in issue ('000)	1,250,189	1,228,637	1,250,189	1,228,637
Effects of dilution : Warrants *	-	-	-	-
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,250,189	1,228,637	1,250,189	1,228,637
Basic earnings per share (sen per share)	2.07	2.71	2.07	2.71
Diluted earnings per share (sen per share)	2.07	2.71	2.07	2.71

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

12. Property, plant and equipment

During the three months ended 30 June 2018, the Group acquired assets at a cost of RM6.8 million (30 June 2018: RM2.8 million).

Assets with a carrying amount of RM36,000 were disposed of by the Group during the three months ended 30 June 2018 (30 June 2017: RM100,000), resulting in a gain on disposal of RM127,000 (30 June 2017: RM4,000), recognised and included in other income in the statement of comprehensive income.

13. Inventories

There was no write-down of inventories to net realisable value for the current quarter (30 June 2018: Nil).

14. Cash and cash equivalents

Cash and cash equivalents comprised of the following amounts:

	30 June	31 March
	2018	2018
	RM'000	RM'000
Cash at banks and on hand	32,793	63,078
Deposits with licensed commercial banks	66,145	-
Total cash and cash equivalents	98,938	63,078

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
At 30 June 2018				
Non current				
Available-for-sale financial assets				
Unquoted investment - Golf club memberships	92	-	92	-
Held-to-maturity investment				
Deposits with licensed bank	139	-	139	-
	<u>231</u>	<u>-</u>	<u>231</u>	<u>-</u>
Current				
Fair value through profit or loss				
Investment in Malaysia				
- Cash management fund	97,946	97,946	-	-
	<u>97,946</u>	<u>97,946</u>	<u>-</u>	<u>-</u>
At 31 March 2018				
Non current				
Available-for-sale financial assets				
Unquoted investment - Golf club memberships	181	-	181	-
Held-to-maturity investment				
Deposits with licensed bank	139	-	139	-
	<u>320</u>	<u>-</u>	<u>320</u>	<u>-</u>
Current				
Fair value through profit or loss				
Investment in Malaysia				
- Cash management fund	117,129	117,129	-	-
Held-to-maturity investment				
Deposits with licensed bank	27	-	27	-
	<u>117,156</u>	<u>117,129</u>	<u>27</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.

16. Share capital and share premium

	30 June 2018 RM'000	31 March 2018 RM'000
<u>Share capital</u>		
Balance as at 1 April	296,126	271,335
Exercise of warrants	-	24,791
Balance as at 31 March	<u>296,126</u>	<u>296,126</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.

17. 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.

18. Interest-bearing loans and borrowings



	30 June 2018 RM'000	31 March 2018 RM'000
Short term borrowings		
Secured:		
Bankers' acceptance	-	57,700
Obligation under finance lease	96	91
RM bank loans at iCOF + 0.75% p.a.	-	8,292
	<u>96</u>	<u>66,083</u>
Long term borrowings		
Secured:		
Obligation under finance lease	254	384
RM bank loans at iCOF + 0.75% p.a.	-	6,999
	<u>254</u>	<u>7,383</u>
Total loans and borrowings	<u>350</u>	<u>73,466</u>

19. Dividends

No interim dividend has been declared for the financial period ended 30 June 2018 (30 June 2017: Nil).

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.

20. 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 2018 RM'000	31 March 2018 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	3,000	-
Approved and not contracted for:		
Property, plant and equipment	4,000	-

21. 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 2018**

22. Related party transactions

There were no recurrent related party transactions.

23. Events after the reporting period

There were no material events that have arisen subsequent to the financial period ended 30 June 2018.

24. Performance review

	Current quarter		Variance (%)	Cumulative quarter		Variance (%)
	3 months ended			3 months ended		
	30 June 2018 RM'000	30 June 2017 RM'000		30 June 2018 RM'000	30 June 2017 RM'000	
Revenue	430,518	524,876	-18.0%	430,518	524,876	-18.0%
Operating profit	32,140	43,615	-26.3%	32,140	43,615	-26.3%
Profit before tax	33,451	43,889	-23.8%	33,451	43,889	-23.8%
Profit after tax	25,737	33,356	-22.8%	25,737	33,356	-22.8%
Profit attributable to owners of the company	25,834	33,356	-22.6%	25,834	33,356	-22.6%

The Group recorded a turnover of RM430.5 million with profit before tax of RM33.5 million for the current financial period to date as compared to RM524.9 million and RM43.9 million in the preceding year corresponding period respectively.

The decrease in revenue for the 3 months period of 18.0% and profit before tax of 23.8% was mainly due to the lower revenue recorded from existing key customers during the period.

25. Comment on material change in profit before tax

	Current Quarter 30 June 2018 RM'000	Preceding Quarter 31 March 2018 RM'000	Variance (%)
Revenue	430,518	466,779	-7.8%
Operating profit	32,140	31,273	2.8%
Profit before tax	33,451	32,729	2.2%
Profit after tax	25,737	28,549	-9.8%
Profit attributable to owners of the company	25,834	28,613	-9.7%

Compared with preceding quarter, the revenue had decreased by 7.8% from RM466.8 million to RM430.5 million. However, the profit before taxation had increased by 2.2% from RM32.7 million to RM33.5 million due to different products mix.

26. Commentary on prospects



The Board of Directors expects the Group to remain profitable. Prospects remain good and the Board is optimistic and expects orders from existing and new customers to contribute positively to the Group's performance for the financial year ended 31 March 2019.

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

27. Profit forecast or profit guarantee

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

28. Corporate proposals

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

29. Changes in material litigation

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

30. Dividend payable

Please refer to Note 18 for details.

31. Disclosure of nature of outstanding derivatives

There are no outstanding derivative as at reporting period.

32. Rationale for entering into derivatives

The Group did not enter into any derivatives during the period ended 30 June 2018 or the previous financial year ended 31 March 2018.

33. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 30 June 2018 or the previous financial year ended 31 March 2018.

34. 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 2018 and 31 March 2018.

35. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 March 2018 was not qualified.