

## Condensed consolidated interim financial statements

For the third quarter ended 31 December 2018

### Condensed consolidated statements of comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarter 9 months ended	
		31 December 2018 (Unaudited) RM'000	31 December 2017 (Unaudited) RM'000	31 December 2018 (Unaudited) RM'000	31 December 2017 (Unaudited) RM'000
<b>Revenue</b>	7	400,039	518,694	1,307,787	1,637,728
Cost of sales		(348,065)	(460,370)	(1,152,878)	(1,454,782)
<b>Gross profit</b>		51,974	58,324	154,909	182,946
Other operating income		1,702	1,282	4,079	5,710
Operating expenses		(24,350)	(20,695)	(62,575)	(60,559)
<b>Operating profit</b>		29,326	38,911	96,413	128,097
Interest expense		(3)	(420)	(10)	(1,695)
Interest income		1,796	1,035	4,758	3,163
<b>Profit before tax</b>	9	31,119	39,526	101,161	129,565
Tax expense	10	(7,980)	(9,487)	(24,279)	(31,096)
<b>Profit for the period</b>		23,139	30,039	76,882	98,469
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period, net of tax</b>		23,139	30,039	76,882	98,469
<b>Total comprehensive income for the period, net of tax attributable to:</b>					
Owners of the parent		23,265	30,048	77,201	98,488
Non-controlling interests		(126)	(9)	(319)	(19)
		23,139	30,039	76,882	98,469
<b>Earnings per share attributable to owners of the parent (sen):</b>					
-Basic	11	1.86	2.45	6.18	8.02
-Diluted	11	1.86	2.45	6.18	8.02

(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 third quarter ended 31 December 2018**
**Condensed consolidated statements of financial position**

	Note	31 December 2018 Unaudited RM'000	31 March 2018 Audited RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	180,823	184,735
Land use rights		16,047	16,337
Investment properties		1,548	1,567
Other investments	15,17	221	239
		<u>198,639</u>	<u>202,878</u>
<b>Current assets</b>			
Inventories	13	91,325	119,676
Trade and other receivables		325,515	395,831
Other current asset		8,305	4,134
Other investments	15,17	108,088	117,156
Tax recoverable		1,092	3,081
Cash and bank balances	14	112,964	63,078
		<u>647,289</u>	<u>702,956</u>
<b>TOTAL ASSETS</b>		<u><u>845,928</u></u>	<u><u>905,834</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	16	296,126	296,126
Merger deficit		(95,002)	(95,002)
Retained earnings		368,035	354,181
Non-controlling interests		1,347	1,666
<b>Total equity</b>		<u>570,506</u>	<u>556,971</u>
<b>Non-current liabilities</b>			
Borrowings	18	204	279
Deferred taxation		15,656	14,548
		<u>15,860</u>	<u>14,827</u>
<b>Current liabilities</b>			
Trade and other payables		259,466	333,579
Tax payable		-	361
Borrowings	18	96	96
		<u>259,562</u>	<u>334,036</u>
<b>Total liabilities</b>		<u>275,422</u>	<u>348,863</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>845,928</u></u>	<u><u>905,834</u></u>
Net assets per share (RM)		<u>0.46</u>	<u>0.44</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 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
<b>Opening balance at 1 April 2017</b>	271,335	(95,002)	279,310	-	455,643
<b>Total comprehensive income</b>	-	-	98,488	(19)	98,469
<b>Transactions with owners</b>					
Exercise of warrants	24,791	-	-	-	24,791
Increase in share capital in a subsidiary	-	-	-	1,250	1,250
Dividends	-	-	(51,883)	-	(51,883)
<b>Closing balance at 31 December 2017</b>	<u>296,126</u>	<u>(95,002)</u>	<u>325,915</u>	<u>1,231</u>	<u>528,270</u>
<b>Opening balance at 1 April 2018</b>	296,126	(95,002)	354,181	1,666	556,971
<b>Total comprehensive income</b>	-	-	77,201	(319)	76,882
<b>Transactions with owners</b>					
Dividends	-	-	(63,347)	-	(63,347)
<b>Closing balance at 31 December 2018</b>	<u>296,126</u>	<u>(95,002)</u>	<u>368,035</u>	<u>1,347</u>	<u>570,506</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 2018**
**Condensed consolidated statements of cash flows**

	Note	9 months ended	
		31 December 2018 (Unaudited) RM'000	31 December 2017 (Unaudited) RM'000
<b>Cash flows from operating activities</b>			
Profit before taxation		101,161	129,565
Adjustments for:			
Depreciation and amortisation		16,324	15,459
Property, plant and equipment written off		-	4
Gain on disposal of other investment		(13)	(4)
Gain on disposal of property, plant and equipment	12	(254)	(188)
Loss on unrealised foreign exchange		335	533
Interest expense		10	1,695
Interest income		(4,758)	(3,163)
Operating profit before working capital changes		112,805	143,901
Decrease in inventories		28,351	21,832
Decrease in receivables		70,093	128,074
Increase in other current assets		(4,171)	(3,815)
Increase in payables		(74,076)	(117,227)
Cash generated from operations		133,002	172,765
Taxes paid		(21,543)	(22,234)
Net cash flows generated from operating activities		111,459	150,531
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	12	(12,380)	(17,108)
Proceeds from disposal of property, plant and equipment	12	531	308
Decrease/(increase) in other investments		9,099	(25,658)
Interest received		4,758	3,163
Net cash flows generated from/(used in) investing activities		2,008	(39,295)
<b>Cash flows from financing activities</b>			
Repayment in term loan	18	-	(6,219)
Decrease in short term borrowings	18	-	(57,775)
Repayment of finance lease liabilities	18	(75)	-
Funds from non-controlling interests		-	1,250
Interest expenses		(10)	(1,695)
Proceeds from convertible warrants		-	24,791
Dividend paid	19	(63,347)	(51,883)
Net cash used in financing activities		(63,432)	(91,531)
<b>Net increase in cash and cash equivalents</b>		50,035	19,705
Effects of exchange rate changes		(149)	(494)
Cash and cash equivalents at beginning of year		63,078	45,775
<b>Cash and cash equivalents at end of period</b>	14	112,964	64,986

(The Condensed Consolidated Statements of Cash Flows 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 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 26 February 2019.

**2. Basis of preparation**

These condensed interim financial statements, for the period ended 30 September 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 the 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 has 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 of financial assets and financial liabilities, impairment of financial assets and on hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. 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 replaces 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 five-steps model 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 9 months ended	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
<b>Timing of revenue recognition</b>				
<b>Revenue</b>				
Goods transferred at a point in time	394,835	518,694	1,289,919	1,637,728
Services transferred over time	5,204	-	17,868	-
Total revenue from contracts with customers	<u>400,039</u>	<u>518,694</u>	<u>1,307,787</u>	<u>1,637,728</u>
<b>Cost of sales</b>				
Cost of goods sold	342,861	460,370	1,135,010	1,454,782
Carriage outward	5,204	-	17,868	-
Effect of MFRS 15	<u>348,065</u>	<u>460,370</u>	<u>1,152,878</u>	<u>1,454,782</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 9 months ended	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Interest income	(1,796)	(1,035)	(4,758)	(3,163)
Interest expense	3	420	10	1,695
Depreciation and amortisation	5,444	5,146	16,324	15,459
Property, plant and equipment written off	-	-	-	4
Gain on disposal of property, plant and equipment	(118)	(110)	(254)	(188)
Gain on foreign exchange - realised	(1,529)	(306)	(1,529)	(2,790)
Loss on foreign exchange - unrealised	294	454	335	533

#### 10. Income tax expense

	Current quarter 3 months ended		Cumulative quarters 9 months ended	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Current income tax				
- Malaysia income tax	7,433	9,012	23,171	29,542
Deferred tax				
- Origination and reversal of temporary difference	547	475	1,108	1,554
Income tax expense recognised in profit or loss	<u>7,980</u>	<u>9,487</u>	<u>24,279</u>	<u>31,096</u>

The effective tax rate of the Group for the current quarter and financial period to-date is lower than the statutory income tax rate due to 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:

	<b>Current quarter</b>		<b>Cumulative quarters</b>	
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit net of tax attributable to owners of the parent used in the computation of earnings per share (RM'000)	23,265	30,048	77,201	98,488
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)	1.86	2.45	6.18	8.02
Diluted earnings per share (sen per share)	1.86	2.45	6.18	8.02

\* There is no effect of dilution due to the expiry of warrants on 27 June 2017.

## 12. Property, plant and equipment

During the nine months period ended 31 December 2018, the Group acquired assets at a cost of RM12.4 million (31 December 2017: RM17.1 million).

Assets with a carrying amount of RM227,000 were disposed off by the Group during the nine months period ended 31 December 2018 (31 December 2017: RM120,000), resulting in a gain on disposal of RM254,000 (31 December 2017: RM188,000), recognised as 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 (31 December 2017: Nil).

## 14. Cash and cash equivalents

Cash and cash equivalents comprised of the following amounts:

	<b>31 December</b>	<b>31 March</b>
	<b>2018</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash at banks and on hand	32,780	63,078
Deposits with licensed commercial banks	80,184	-
Total cash and cash equivalents	112,964	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
<b>At 31 December 2018</b>				
<b>Non current</b>				
<b>Available-for-sale financial assets</b>				
Unquoted investment - Golf club memberships	92	-	92	-
<b>Held-to-maturity investment</b>				
Deposits with licensed banks	139	-	139	-
	<u>231</u>	<u>-</u>	<u>231</u>	<u>-</u>
<b>Current</b>				
<b>Fair value through profit or loss</b>				
Investment in Malaysia				
- Cash management fund	108,088	108,088	-	-
	<u>108,088</u>	<u>108,088</u>	<u>-</u>	<u>-</u>
<b>At 31 March 2018</b>				
<b>Non current</b>				
<b>Available-for-sale financial assets</b>				
Unquoted investment - Golf club memberships	181	-	181	-
<b>Held-to-maturity investment</b>				
Deposits with licensed banks	139	-	139	-
	<u>320</u>	<u>-</u>	<u>320</u>	<u>-</u>
<b>Current</b>				
<b>Fair value through profit or loss</b>				
Investment in Malaysia				
- Cash management fund	117,129	117,129	-	-
	<u>117,129</u>	<u>117,129</u>	<u>-</u>	<u>-</u>
<b>Held-to-maturity investment</b>				
Deposits with licensed banks	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

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



	<b>31 December 2018 RM'000</b>	31 March 2018 RM'000
<b>Short term borrowings</b>		
Secured:		
Obligation under finance lease	<u>96</u>	<u>96</u>
<b>Long term borrowings</b>		
Secured:		
Obligation under finance lease	<u>204</u>	<u>279</u>
<b>Total loans and borrowings</b>	<u>300</u>	<u>375</u>

## 19. Dividends

No interim dividend has been declared for the financial period ended 31 December 2018 (31 December 2017: Nil).

On 18 July 2018, the Board of Directors had announced a single-tier final dividend of 5.067 sen per ordinary share for the financial year ended 31 March 2018, subject to the shareholders' approval at the Eighteenth General Meeting ("18th AGM") of the Company.

On 27 September 2018, the Board announced that all resolutions (include the abovementioned proposed final dividend) as per the 18th AGM were duly approved by the shareholders of the Company and the dividend was paid on 26 October 2018.

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.

	<b>31 December 2018 RM'000</b>	31 March 2018 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	4,000	-
Approved and not contracted for:		
Property, plant and equipment	30,200	-

## 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 nine-month period ended 31 December 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 September 2018.

**24. Performance review**

	Current quarter		Variance (%)	Cumulative quarter		Variance (%)
	3 months ended			9 months ended		
	31 December 2018 RM'000	31 December 2017 RM'000		31 December 2018 RM'000	31 December 2017 RM'000	
Revenue	400,039	518,694	-22.9%	1,307,787	1,637,728	-20.1%
Operating profit	29,326	38,911	-24.6%	96,413	128,097	-24.7%
Profit before tax	31,119	39,526	-21.3%	101,161	129,565	-21.9%
Profit after tax	23,139	30,039	-23.0%	76,882	98,469	-21.9%
Profit attributable to owners of the company	23,265	30,048	-22.6%	77,201	98,488	-21.6%

The Group recorded a turnover of RM1.3 billion with profit before tax of RM101.2 million for the current financial period to date as compared to RM1.6 billion and RM129.6 million in the preceding year corresponding period respectively.

The decrease in revenue for the 9 months period of 20.1% and profit before tax of 21.9% was mainly due to the lower revenue recorded from existing key customers during the period as well as different products mix.

**25. Comment on material change in profit before tax**

	Current Quarter 31 December 2018 RM'000	Preceding Quarter 30 September 2018 RM'000	Variance (%)
Revenue	400,039	477,230	-16.2%
Operating profit	29,326	34,947	-16.1%
Profit before tax	31,119	36,591	-15.0%
Profit after tax	23,139	28,006	-17.4%
Profit attributable to owners of the company	23,265	28,102	-17.2%

Compared with preceding quarter, the revenue had decreased by 16.2% from RM477.2 million to RM400.0 million. In view thereof, the profit before taxation had also decreased by 15.0% from RM36.6 million to RM31.1 million as a result of lower sales.

## **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 ending 31 March 2019.

Going forward, SKP shall keep its sight firmly to develop its market further in the Electronic Manufacturing Services 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 19 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 31 December 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 31 December 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 31 December 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.