

Condensed consolidated interim financial statements

For the first quarter period ended 30 June 2019

Condensed consolidated statements of comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		30 June 2019 (Unaudited) RM'000	30 June 2018 (Unaudited) RM'000	30 June 2019 (Unaudited) RM'000	30 June 2018 (Unaudited) RM'000
Revenue	7	362,545	430,518	362,545	430,518
Cost of sales		(320,123)	(380,406)	(320,123)	(380,406)
Gross profit		42,422	50,112	42,422	50,112
Other operating income		1,693	1,702	1,693	1,702
Operating expenses		(22,368)	(19,674)	(22,368)	(19,674)
Operating profit		21,747	32,140	21,747	32,140
Interest expense		(3)	(3)	(3)	(3)
Interest income		1,781	1,314	1,781	1,314
Profit before tax	9	23,525	33,451	23,525	33,451
Income tax expense	10	(5,411)	(7,714)	(5,411)	(7,714)
Profit for the period		18,114	25,737	18,114	25,737
Other comprehensive income		-	-	-	-
Total comprehensive income for the period, net of tax		18,114	25,737	18,114	25,737
Total comprehensive income for the period, net of tax attributable to:					
Owners of the Company		18,485	25,834	18,485	25,834
Non-controlling interests		(371)	(97)	(371)	(97)
		18,114	25,737	18,114	25,737
Earnings per share attributable to equity holders of the Company (sen per share) :					
-Basic	11	1.48	2.07	1.48	2.07
-Diluted	11	1.48	2.07	1.48	2.07

(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 period ended 30 June 2019

Condensed consolidated statements of financial position

	Note	30 June 2019 Unaudited RM'000	31 March 2019 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	195,323	186,844
Land use rights		15,800	15,939
Investment properties		1,537	1,543
Other investments	15,16	213	213
		<u>212,873</u>	<u>204,539</u>
Current assets			
Inventories	13	115,486	93,589
Trade and other receivables		312,359	312,302
Other current asset		8,830	11,232
Other investments	15,16	222,022	208,018
Tax recoverable		5,363	3,393
Cash and bank balances	14	35,713	40,035
		<u>699,773</u>	<u>668,569</u>
TOTAL ASSETS		<u>912,646</u>	<u>873,108</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		296,126	296,126
Merger deficit		(95,002)	(95,002)
Retained earnings		405,013	386,528
Non-controlling interests		641	1,012
Total equity		<u>606,778</u>	<u>588,664</u>
Non-current liabilities			
Borrowing	17	154	174
Deferred taxation		17,230	17,104
		<u>17,384</u>	<u>17,278</u>
Current liabilities			
Trade and other payables		284,370	265,552
Contract liabilities		4,018	1,513
Tax payable		-	-
Borrowing	17	96	101
		<u>288,484</u>	<u>267,166</u>
Total liabilities		<u>305,868</u>	<u>284,444</u>
TOTAL EQUITY AND LIABILITIES		<u>912,646</u>	<u>873,108</u>
Net assets per share (RM)		<u>0.48</u>	<u>0.47</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 period ended 30 June 2019****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 2018	296,126	(95,002)	354,181	1,666	556,971
Effect of adoption of new accounting standards	-	-	(964)	-	(964)
Opening balance at 1 April 2018 (restated)	296,126	(95,002)	353,217	1,666	556,007
Total comprehensive income	-	-	25,834	(97)	25,737
Closing balance at 30 June 2018	296,126	(95,002)	379,051	1,569	581,744
Opening balance at 1 April 2019	296,126	(95,002)	386,528	1,012	588,664
Total comprehensive income	-	-	18,485	(371)	18,114
Closing balance at 30 June 2019	296,126	(95,002)	405,013	641	606,778

(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 period ended 30 June 2019**
Condensed consolidated statements of cash flows

	Note	3 months ended	
		30 June 2019 (Unaudited) RM'000	30 June 2018 (Unaudited) RM'000
Cash flows from operating activities			
Profit before taxation		23,525	33,451
Adjustments for:			
Depreciation and amortisation		5,863	5,398
Property, plant and equipment written off		-	138
Gain on disposal of property, plant and equipment	12	(18)	(127)
(Gain)/Loss on unrealised foreign exchange		(12)	127
Interest expense		3	3
Interest income		(1,781)	(1,314)
Operating profit before working capital changes		27,580	37,676
(Increase)/Decrease in inventories		(21,897)	6,277
(Increase)/Decrease in receivables		(55)	43,808
Decrease/(Increase) in other current assets		2,402	(2,047)
Increase/(Decrease) in payables		21,343	(54,953)
Cash flows generated from operations		29,373	30,761
Taxes paid		(7,255)	(8,598)
Net cash flows generated from operating activities		22,118	22,163
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(14,284)	(6,794)
Proceeds from disposal of property, plant and equipment	12	105	163
Proceeds from disposal of other investments		-	19,228
Purchase of other investments		(14,004)	-
Interest received		1,781	1,314
Net cash flows (used in)/generated from investing activities		(26,402)	13,911
Cash flows from financing activities			
Repayment of finance lease liability	17	(25)	(25)
Interest expenses		(3)	(3)
Net cash flows used in financing activities		(28)	(28)
Net (decrease)/increase in cash and cash equivalents		(4,312)	36,046
Effects of foreign exchange rate changes		(10)	(186)
Cash and cash equivalents at beginning of year		40,035	63,078
Cash and cash equivalents at end of period	14	35,713	98,938

(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 first quarter period ended 30 June 2019**

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 29 August 2019.

2. Basis of preparation

These condensed interim financial statements, for the period ended 30 June 2019, 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 2019, 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 2019.

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 2019.

3. Changes in accounting policies

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

On 1 April 2019, the Company has adopted the following new and amended MFRS.

Description

MFRS 16 Leases
IC Interpretation 23 Uncertainty over Income Tax Treatments
Amendment to MFRS 9 Prepayment Features with Negative Compensation
Amendments to MFRS 128 Long-term interests in Associates and Joint Ventures
Amendment to MFRS 3 and MFRS 11 Previously Held Interest in a Joint Operation (Annual Improvements to MFRSs 2015 - 2017 Cycle)
Amendments to MFRS 112 Income Taxes Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements MFRSs 2015 - 2017 Cycle)
Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123 Borrowing Costs Eligible for Capitalisation (Annual Improvements to MFRSs 2015 - 2017 Cycle)

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, the Group a lessee will recognise a liability to make lease payments (i.e. lease liability) and an asset representing the right to use the underlying asset (i.e. the right-of-use asset) during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events such as a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments. The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15.

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

	Current quarter 3 months ended		Cumulative quarters 3 months ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Rental Income	45	45	45	45
Moulding and modification works	9,210	5,860	9,210	5,860
Sales of goods	353,290	424,613	353,290	424,613
Total revenue, representing revenue recognised at point of time	362,545	430,518	362,545	430,518

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 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Interest income	(1,781)	(1,314)	(1,781)	(1,314)
Interest expense	3	3	3	3
Depreciation and amortisation	5,863	5,398	5,863	5,398
Property, plant and equipment written off	-	138	-	138
Gain on disposal of property, plant and equipment	(18)	(127)	(18)	(127)
Gain on foreign exchange - realised	(980)	(999)	(980)	(999)
(Gain)/Loss on foreign exchange - unrealised	(12)	127	(12)	127

10. Income tax expense

	Current quarter 3 months ended		Cumulative quarters 3 months ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Current income tax				
- Malaysia income tax	5,285	7,483	5,285	7,483
Deferred tax				
- Origination and reversal of temporary difference	126	231	126	231
Income tax expense recognised in profit or loss	5,411	7,714	5,411	7,714

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 equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share amounts are calculated by dividing profit for the period, net of tax, attributable to equity holders of the Company 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 tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the period :

	Current quarter		Cumulative quarters	
	3 months ended		3 months ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit net of tax attributable to equity holders of the Company used in the computation of earnings per share (RM'000)	18,485	25,834	18,485	25,834
Weighted average number of ordinary shares in issue ('000)	1,250,189	1,250,189	1,250,189	1,250,189
Effects of dilution	-	-	-	-
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,250,189	1,250,189	1,250,189	1,250,189
Basic earnings per share (sen)	1.48	2.07	1.48	2.07
Diluted earnings per share (sen)	1.48	2.07	1.48	2.07

12. Property, plant and equipment

During the three months period ended 30 June 2019, the Group acquired assets at a cost of RM14.3 million (30 June 2018: RM6.8 million).

Assets with a carrying amount of RM87,000 were disposed off by the Group during the three months period ended 30 June 2019 (30 June 2018: RM36,000), resulting in a gain on disposal of RM18,000 (30 June 2018: RM127,000), 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 (30 June 2018: Nil).

14. Cash and cash equivalents

Cash and cash equivalents comprised of the following amounts:

	30 June	31 March
	2019	2019
	RM'000	RM'000
Cash at banks and on hand	33,029	34,035
Fixed deposits with licensed banks	2,684	6,000
Total cash and cash equivalents	35,713	40,035

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 instruments that are measured at fair value:

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 30 June 2019				
Non current				
Financial asset carried at amortised cost				
Fixed deposits with licensed banks	139	-	139	-
Current				
Fair value through profit or loss				
Investment in Malaysia				
- Cash management fund	222,022		222,022	-
At 31 March 2019				
Non current				
Financial asset carried at amortised cost				
Deposits with licensed banks	139	-	139	-
Current				
Fair value through profit or loss				
Investment in Malaysia				
- Cash management fund	207,990	-	207,990	-
Financial asset carried at amortised cost				
Fixed deposits with licensed banks	28	-	28	-

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.

16. Other Investments

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

17. Interest-bearing borrowing



	30 June 2019 RM'000	31 March 2019 RM'000
Current		
Secured:		
Obligation under finance lease	<u>96</u>	<u>101</u>
Non-Current		
Secured:		
Obligation under finance lease	<u>154</u>	<u>174</u>
Total borrowing	<u>250</u>	<u>275</u>

18. Dividends

No interim dividend has been declared for the financial period ended 30 June 2019 (30 June 2018: Nil).

On 24 July 2019, the Board of Directors had announced a final single-tier dividend of 3.84 sen per ordinary share for the financial year ended 31 March 2019 is subject to the shareholders' approval at the Nineteenth Annual General Meeting ("19th AGM") of the Company to be held on 27 September 2019.

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.

	30 June 2019 RM'000	31 March 2019 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	35,610	26,815
Approved and not contracted for:		
Property, plant and equipment	11,643	-

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 2019**

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 30 June 2019.

23. Performance review

	Current quarter		Variance (%)	Cumulative quarter		Variance (%)
	3 months ended			3 months ended		
	30 June 2019 RM'000	30 June 2018 RM'000		30 June 2019 RM'000	30 June 2018 RM'000	
Revenue	362,545	430,518	-15.8%	362,545	430,518	-15.8%
Operating profit	21,747	32,140	-32.3%	21,747	32,140	-32.3%
Profit before tax	23,525	33,451	-29.7%	23,525	33,451	-29.7%
Profit after tax	18,114	25,737	-29.6%	18,114	25,737	-29.6%
Profit attributable to equity holders of the Company	18,485	25,834	-28.4%	18,485	25,834	-28.4%

The Group recorded a turnover of RM362.5 million with profit before tax of RM23.5 million for the current financial period to date as compared to RM430.5 million and RM33.5 million in the preceding period respectively.

The decrease in revenue for the 3 months period of 15.8% and profit before tax of 29.7% was mainly due to the lower revenue recorded from existing key customers during the period as well as different products mix.

24. Comment on material change in profit before tax

	Current Quarter 30 June 2019 RM'000	Preceding Quarter 31 Mar 2019 RM'000	Variance (%)
Revenue	362,545	357,104	1.5%
Operating profit	21,747	21,524	1.0%
Profit before tax	23,525	24,064	-2.2%
Profit after tax	18,114	20,078	-9.8%
Profit attributable to equity holders of the Company	18,485	20,413	-9.4%

Compared with preceding quarter, the revenue had increased 1.5% from RM357.1 million to RM362.5 million. However, the profit before taxation decreased by 2.2% from RM24.1 million to RM23.5 million was mainly due to increase in operating expenses.

25. Commentary on prospects



Despite the challenges in the global market as a result of trade tensions, business sentiment of most of the Group's customers remain positive.

The Group is strategically well positioned in the Electronics Manufacturing Services ("EMS") industry and continue to pursue opportunities to grow its market share from existing customers. We will continue to expand our PCBA, injection moulding and engineering capabilities to take advantage of a widened product portfolio. The Group remains driven to achieve profitable growth, focusing on the continuous pursuit of operational excellence.

Going forward, using the Group's customer guidance, we anticipate higher capacity utilisation and improve production throughput. Barring any unforeseen circumstances, we expect revenue contribution from customers' orders to increase in the coming quarters.

Prospects remain good and the Board is optimistic and expects to achieve profit growth for the financial year ending 31 March 2020.

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 2019 or the previous financial year ended 31 March 2019.

32. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 30 June 2019 or the previous financial year ended 31 March 2019.

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 30 June 2019 and 31 March 2019.

34. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 March 2019 was not qualified.