

Condensed consolidated interim financial statements
For the third quarter period ended 31 December 2019

Condensed consolidated statements of comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarter 9 months ended	
		31 December 2019 (Unaudited) RM'000	31 December 2018 (Unaudited) RM'000	31 December 2019 (Unaudited) RM'000	31 December 2018 (Unaudited) RM'000
Revenue	7	551,316	400,039	1,400,720	1,307,787
Cost of sales		(490,230)	(348,065)	(1,243,765)	(1,152,878)
Gross profit		61,086	51,974	156,955	154,909
Other operating income		94	1,702	3,268	4,079
Operating expenses		(30,309)	(24,350)	(77,351)	(62,575)
Operating profit		30,871	29,326	82,872	96,413
Interest expense		(4)	(3)	(10)	(10)
Interest income		1,565	1,796	4,960	4,758
Profit before tax	9	32,432	31,119	87,822	101,161
Income tax expense	10	(7,459)	(7,980)	(20,199)	(24,279)
Profit for the period		24,973	23,139	67,623	76,882
Other comprehensive income		-	-	-	-
Total comprehensive income for the period, net of tax		24,973	23,139	67,623	76,882
Total comprehensive income for the period, net of tax attributable to:					
Owners of the Company		25,251	23,265	68,648	77,201
Non-controlling interests		(278)	(126)	(1,025)	(319)
		24,973	23,139	67,623	76,882
Earnings per share attributable to equity holders of the Company (sen per share) :					
-Basic	11	2.02	1.86	5.49	6.18
-Diluted	11	2.02	1.86	5.49	6.18

(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 period ended 31 December 2019

Condensed consolidated statements of financial position

	Note	31 December 2019 Unaudited RM'000	31 March 2019 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	224,472	186,844
Land use rights		16,934	15,939
Investment properties		1,522	1,543
Other investments	15,17	213	213
		<u>243,141</u>	<u>204,539</u>
Current assets			
Inventories	13	130,257	93,589
Trade and other receivables		468,600	312,302
Other current asset		18,468	11,232
Other investments	15,17	147,427	208,018
Tax recoverable		3,019	3,393
Cash and bank balances	14	41,490	40,035
		<u>809,261</u>	<u>668,569</u>
TOTAL ASSETS		<u><u>1,052,402</u></u>	<u><u>873,108</u></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		407,169	386,528
Other reserve		(1,388)	-
		<u>606,905</u>	<u>587,652</u>
Non-controlling interests		-	1,012
Total equity		<u>606,905</u>	<u>588,664</u>
Non-current liabilities			
Borrowing	18	104	174
Deferred tax liabilities		17,623	17,104
		<u>17,727</u>	<u>17,278</u>
Current liabilities			
Trade and other payables		424,768	265,552
Contract liabilities		2,906	1,513
Borrowing	18	96	101
		<u>427,770</u>	<u>267,166</u>
Total liabilities		<u>445,497</u>	<u>284,444</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,052,402</u></u>	<u><u>873,108</u></u>
Net assets per share (RM)		<u>0.49</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. : 200001021690 (524297-T)

**Condensed consolidated interim financial statements
For the third quarter period ended 31 December 2019****Condensed consolidated statements of changes in equity**

	ATTRIBUTABLE TO OWNERS OF THE PARENT			NON-CONTROLLING INTERESTS	EQUITY, TOTAL	
	NON-DISTRIBUTABLE	DISTRIBUTABLE				
	SHARE CAPITAL RM'000	MERGER DEFICIT RM'000	OTHER RESERVE RM'000	RETAINED EARNINGS 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	-	-	-	77,201	(319)	76,882
Transactions with owners						
Dividends	-	-	-	(63,347)	-	(63,347)
Closing balance at 31 December 2018	296,126	(95,002)	-	367,071	1,347	569,542
Opening balance at 1 April 2019	296,126	(95,002)	-	386,528	1,012	588,664
Total comprehensive income	-	-	-	68,648	(1,025)	67,623
Transactions with owners						
Dividends	-	-	-	(48,007)	-	(48,007)
Acquisition of non-controlling interests	-	-	-	-	13	13
Premium paid on acquisition of non-controlling interests	-	-	(1,388)	-	-	(1,388)
Closing balance at 31 December 2019	296,126	(95,002)	(1,388)	407,169	-	606,905

(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 period ended 31 December 2019

Condensed consolidated statements of cash flows

	Note	9 months ended	
		31 December 2019 (Unaudited) RM'000	31 December 2018 (Unaudited) RM'000
Cash flows from operating activities			
Profit before taxation		87,822	101,161
Adjustments for:			
Depreciation and amortisation		19,211	16,324
Gain on disposal of other investment		-	(13)
Gain on disposal of property, plant and equipment	12	(764)	(254)
Loss on unrealised foreign exchange		77	335
Interest expense		10	10
Interest income		(4,960)	(4,758)
Operating profit before working capital changes		101,396	112,805
(Increase)/Decrease in inventories		(36,668)	28,351
(Increase)/Decrease in receivables		(156,340)	70,093
Increase in other current assets		(7,236)	(4,171)
Increase/(Decrease) in payables		160,615	(74,076)
Cash flows generated from operations		61,767	133,002
Taxes paid		(19,306)	(21,543)
Net cash flows generated from operating activities		42,461	111,459
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(56,378)	(12,380)
Purchase of land used rights		(1,898)	-
Acquisition of non-controlling interests	5	(1,375)	-
Proceeds from disposal of property, plant and equipment	12	1,227	531
Proceeds from disposal of other investments		-	9,099
Purchase of other investments		60,591	-
Interest received		4,960	4,758
Net cash flows generated from investing activities		7,127	2,008
Cash flows from financing activities			
Repayment of finance lease liability	18	(75)	(75)
Interest expenses		(10)	(10)
Dividend paid	18	(48,007)	(63,347)
Net cash flows used in financing activities		(48,092)	(63,432)
Net increase in cash and cash equivalents			
		1,496	50,035
Effects of foreign exchange rate changes		(41)	(149)
Cash and cash equivalents at beginning of year		40,035	63,078
Cash and cash equivalents at end of period	14	41,490	112,964

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the accompany explanatory notes attached to these interim financial statements.)

**Explanatory notes pursuant to MFRS 134
For the third quarter period ended 31 December 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 27 February 2020.

2. Basis of preparation

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

**Explanatory notes pursuant to MFRS 134
For the third quarter period ended 31 December 2019**

3. Changes in accounting policies (Cont'd)

Lessors 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

On 4 December 2019, the Group's subsidiary company, Goodhart Premium Sdn. Bhd. ("GHP"), acquired an additional 25% equity interest in SKP BM Electronics Sdn. Bhd. ("SKP BM") from its non-controlling interests for a cash consideration of RM1,375,000. As a result of this acquisition, SKP BM became a wholly-owned subsidiary of the Group.

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 9 months ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Rental Income	47	47	139	139
Moulding and modification works	15,620	4,456	30,545	15,599
Sales of goods	535,649	395,536	1,370,036	1,292,049
Total revenue, representing revenue recognised at point of time	551,316	400,039	1,400,720	1,307,787

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 2019	31 December 2018	31 December 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Interest income	(1,565)	(1,796)	(4,960)	(4,758)
Interest expense	4	3	10	10
Depreciation and amortisation	7,041	5,444	19,211	16,324
Gain on disposal of property, plant and equipment	(466)	(118)	(764)	(254)
Loss/(Gain) on foreign exchange - realised	1,504	(1,529)	(322)	(961)
Loss on foreign exchange - unrealised	129	294	77	335

**Explanatory notes pursuant to MFRS 134
For the third quarter period ended 31 December 2019**

10. Income tax expense

	Current quarter 3 months ended		Cumulative quarters 9 months ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Current income tax				
- Malaysia income tax	7,209	7,433	19,680	23,171
Deferred tax				
- Origination and reversal of temporary difference	250	547	519	1,108
Income tax expense recognised in profit or loss	<u>7,459</u>	<u>7,980</u>	<u>20,199</u>	<u>24,279</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 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 3 months ended		Cumulative quarters 9 months ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Profit net of tax attributable to equity holders of the Company used in the computation of earnings per share (RM'000)	25,251	23,265	68,648	77,201
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)	<u>1,250,189</u>	<u>1,250,189</u>	<u>1,250,189</u>	<u>1,250,189</u>
Basic earnings per share (sen)	<u>2.02</u>	<u>1.86</u>	<u>5.49</u>	<u>6.18</u>
Diluted earnings per share (sen)	<u>2.02</u>	<u>1.86</u>	<u>5.49</u>	<u>6.18</u>

12. Property, plant and equipment

During the nine months period ended 31 December 2019, the Group acquired assets at a cost of RM56.4 million (31 December 2018: RM12.4 million).

Assets with a carrying amount of RM463,000 were disposed off by the Group during the nine months period ended 31 December 2019 (31 December 2018: RM277,000), resulting in a gain on disposal of RM764,000 (31 December 2018: RM 254,000), recognised as other income in the statement of comprehensive income.

**Explanatory notes pursuant to MFRS 134
For the third quarter period ended 31 December 2019**

13. Inventories

There was no write-down of inventories to net realisable value for the current quarter (31 December 2018: Nil).

14. Cash and cash equivalents

Cash and cash equivalents comprised of the following amounts:

	31 December 2019 RM'000	31 March 2019 RM'000
Cash at banks and on hand	41,323	34,035
Fixed deposits with licensed banks	167	6,000
Total cash and cash equivalents	<u>41,490</u>	<u>40,035</u>

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 31 December 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	147,427	-	147,427	-
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. Share capital

At the AGM held on 27 September 2019, the Proposed Share Buy-Back Authority to purchase and/or hold its own shares up to ten per centum (10%) of the total number of issued shares of the Company ("Proposed Share Buy-Back Authority") was approved by the shareholders, with effective from 27 September 2019 until the conclusion of the 20th AGM of the Company to be convened in Year 2020.

During the current quarter ended 31 December 2019, there were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities.

**Explanatory notes pursuant to MFRS 134
For the third quarter period ended 31 December 2019**

17. Other Investments

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

18. Interest-bearing borrowing

	31 December 2019 RM'000	31 March 2019 RM'000
Current		
Secured:		
Obligation under finance lease	96	101
Non-Current		
Secured:		
Obligation under finance lease	104	174
Total borrowing	200	275

19. Dividends

No interim dividend has been declared for the financial period ended 31 December 2019 (31 December 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.

On 27 September 2019, the Board announced that all resolutions (include the abovementioned proposed final dividend) tabled at the 19th AGM were duly approved by the shareholders of the Company and the dividend was paid on 25 October 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.

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.

	31 December 2019 RM'000	31 March 2019 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	35,325	26,815
Approved and not contracted for:		
Property, plant and equipment	7,300	-

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 2019**

22. Significant Related party transactions

There were no significant recurrent related party transactions.

23. Events after the reporting period

There were no material events that have arisen subsequent to the financial period ended 31 December 2019.

24. Performance review

	Current quarter		Variance (%)	Cumulative quarter		Variance (%)
	3 months ended			9 months ended		
	31 December 2019 RM'000	31 December 2018 RM'000		31 December 2019 RM'000	31 December 2018 RM'000	
Revenue	551,316	400,039	37.8%	1,400,720	1,307,787	7.1%
Operating profit	30,871	29,326	5.3%	82,872	96,413	-14.0%
Profit before tax	32,432	31,119	4.2%	87,822	101,161	-13.2%
Profit after tax	24,973	23,139	7.9%	67,623	76,882	-12.0%
Profit attributable to equity holders of the Company	25,251	23,265	8.5%	68,648	77,201	-11.1%

The Group recorded a turnover of RM1.4 billion with profit before tax of RM87.8 million for the current financial period to date as compared to RM1.3 billion and RM101.2 million in the preceding period respectively.

The increase in revenue for the 9 months period of 7.1% was due to the higher revenue recorded from existing key customers, whereas the decrease in profit before tax of 13.2% was mainly due to the different products mix.

25. Comment on material change in profit before tax

	Current Quarter 31 December 2019 RM'000	Preceding Quarter 30 September 2019 RM'000	Variance (%)
Revenue	551,316	486,859	13.2%
Operating profit	30,871	30,254	2.0%
Profit before tax	32,432	31,865	1.8%
Profit after tax	24,973	24,536	1.8%
Profit attributable to equity holders of the Company	25,251	24,912	1.4%

Compared with preceding quarter, the revenue had increased by 13.2% from RM486.9 million to RM551.3 million. The profit before tax has increased by 1.8% from RM31.9 million to RM32.4 million mainly due to different products mix.

**Explanatory notes pursuant to Bursa Malaysia Listing Requirement: Chapter 9, Appendix 9B, Part A
For the nine-month period ended 31 December 2019**

26. Commentary on prospects

Despite the challenges in the global market as a result of trade tensions as well as the Covid-19 outbreak in China, 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.

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 2019 or the previous financial year ended 31 March 2019.

33. Risks and policies of derivatives

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

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 2019 and 31 March 2019.

35. Auditors' report on preceding annual financial statements

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