

Condensed consolidated interim financial statements
For the first quarter period ended 30 June 2020

Condensed consolidated statements of comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		30 June 2020 (Unaudited) RM'000	30 June 2019 (Unaudited) RM'000	30 June 2020 (Unaudited) RM'000	30 June 2019 (Unaudited) RM'000
Revenue	7	398,548	362,545	398,548	362,545
Cost of sales		(361,529)	(320,123)	(361,529)	(320,123)
Gross profit		37,019	42,422	37,019	42,422
Other operating income		1,070	1,693	1,070	1,693
Operating expenses		(25,860)	(22,368)	(25,860)	(22,368)
Operating profit		12,229	21,747	12,229	21,747
Interest expense		(51)	(3)	(51)	(3)
Interest income		1,026	1,781	1,026	1,781
Profit before tax	9	13,204	23,525	13,204	23,525
Income tax expense	10	(3,169)	(5,411)	(3,169)	(5,411)
Profit for the period		10,035	18,114	10,035	18,114
Other comprehensive income		-	-	-	-
Total comprehensive income for the period, net of tax		10,035	18,114	10,035	18,114
Total comprehensive income for the period, net of tax attributable to:					
Owners of the Company		10,035	18,485	10,035	18,485
Non-controlling interests		-	(371)	-	(371)
		10,035	18,114	10,035	18,114
Earnings per share attributable to equity holders of the Company (sen per share) :					
-Basic	11	0.80	1.48	0.80	1.48
-Diluted	11	0.80	1.48	0.80	1.48

(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 2020

Condensed consolidated statements of financial position

	Note	30 June 2020 Unaudited RM'000	31 March 2020 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	250,778	248,492
Right of used assets		29,378	29,916
Investment properties		3,648	3,662
Other investments	15,17	139	139
Other non-current asset		74	74
Deferred tax assets		2,268	2,268
		<u>286,285</u>	<u>284,551</u>
Current assets			
Inventories	13	172,270	164,138
Trade and other receivables		382,904	358,680
Other current asset		20,519	8,743
Other investments	15,17	71,372	126,125
Tax recoverable		8,394	5,033
Cash and bank balances	14	40,549	55,339
		<u>696,008</u>	<u>718,058</u>
TOTAL ASSETS		<u><u>982,293</u></u>	<u><u>1,002,609</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)
Treasury share	16	(208)	(208)
Other reserve		(1,388)	(1,388)
Retained earnings		421,717	411,682
Total equity		<u>621,245</u>	<u>611,210</u>
Non-current liabilities			
Borrowing	18	44	69
Lease liabilities		2,176	3,300
Deferred tax liabilities		17,608	17,488
		<u>19,828</u>	<u>20,857</u>
Current liabilities			
Trade and other payables		318,784	363,359
Contract liabilities		7,763	5,257
Borrowing	18	12,106	106
Lease liabilities		2,567	1,820
		<u>341,220</u>	<u>370,542</u>
Total liabilities		<u>361,048</u>	<u>391,399</u>
TOTAL EQUITY AND LIABILITIES		<u><u>982,293</u></u>	<u><u>1,002,609</u></u>
Net assets per share (RM)		<u>0.50</u>	<u>0.49</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 first quarter period ended 30 June 2020

Condensed consolidated statements of changes in equity

	ATTRIBUTABLE TO OWNERS OF THE PARENT					NON-CONTROLLING INTERESTS RM'000	EQUITY, TOTAL RM'000
	NON-DISTRIBUTABLE		DISTRIBUTABLE				
	SHARE CAPITAL RM'000	MERGER DEFICIT RM'000	TREASUREY SHARE RM'000	OTHER RESERVE RM'000	RETAINED EARNINGS RM'000		
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	<u>296,126</u>	<u>(95,002)</u>	<u>-</u>	<u>-</u>	<u>405,013</u>	<u>641</u>	<u>606,778</u>
Opening balance at 1 April 2020	296,126	(95,002)	(208)	(1,388)	411,682	-	611,210
Total comprehensive income	-	-	-	-	10,035	-	10,035
Closing balance at 30 June 2020	<u>296,126</u>	<u>(95,002)</u>	<u>(208)</u>	<u>(1,388)</u>	<u>421,717</u>	<u>-</u>	<u>621,245</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 period ended 30 June 2020**
Condensed consolidated statements of cash flows

	Note	3 months ended	
		30 June 2020 (Unaudited) RM'000	30 June 2019 (Unaudited) RM'000
Cash flows from operating activities			
Profit before taxation		13,204	23,525
Adjustments for:			
Depreciation and amortisation		8,304	5,863
Gain on disposal of other investment		(70)	
Gain on disposal of property, plant and equipment	12	(48)	(18)
Gain on unrealised foreign exchange		(8)	(12)
Interest expense		51	3
Interest income		(1,026)	(1,781)
Operating profit before working capital changes		<u>20,407</u>	<u>27,580</u>
Increase in inventories		(8,132)	(21,897)
Increase in receivables		(51,338)	(55)
Decrease in other current assets		15,356	2,402
(Decrease)/Increase in payables		(42,065)	21,343
Cash flows generated from operations		<u>(65,772)</u>	<u>29,373</u>
Taxes paid		(6,410)	(7,255)
Net cash flows (used in)/generated from operating activities		<u>(72,182)</u>	<u>22,118</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(10,047)	(14,284)
Proceeds from disposal of property, plant and equipment	12	57	105
Proceeds from disposal/(Purchase of) other investments		54,823	(14,004)
Interest received		1,026	1,781
Net cash flows generated from/(used in) investing activities		<u>45,859</u>	<u>(26,402)</u>
Cash flows from financing activities			
Repayment of finance lease liability	18	(25)	(25)
Proceeds from short term borrowing		12,000	-
Payment of principal portion of lease liabilities		(377)	-
Interest expenses		(51)	(3)
Net cash flows generated from/(used in) financing activities		<u>11,547</u>	<u>(28)</u>
Net decrease in cash and cash equivalents		(14,776)	(4,312)
Effects of foreign exchange rate changes		(14)	(10)
Cash and cash equivalents at beginning of year		55,339	40,035
Cash and cash equivalents at end of period	14	<u>40,549</u>	<u>35,713</u>

(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 2020****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 28 August 2020.

2. Basis of preparation

These condensed interim financial statements, for the period ended 30 June 2020, 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 2020, 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 2020.

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 2020.

3. Changes in accounting policies

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

On 1 April 2020, the Company has adopted the following new and amended MFRS.

Description

Amendments to MFRS 3 Business Combination - Definition of a Business
Amendments to MFRS 7, MFRS 9 and MFRS 139 Interest Rate Benchmark Reform
Amendments to MFRS 101 Presentation of Financial Statements - Definition of Material
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material
Amendments to MFRS 16 Covid-19 - Related Rent Concessions

The directors are of opinion that the Standard and Amendments above would not have any material impact on the financial statements in the year of initial adoption.

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.

**Explanatory notes pursuant to MFRS 134
For the first quarter period ended 30 June 2020**

7. Revenue

	Current quarter 3 months ended		Cumulative quarters 3 months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Rental Income	29	45	29	45
Moulding and modification works	4,643	9,210	4,643	9,210
Sales of goods	393,876	353,290	393,876	353,290
Total revenue, representing revenue recognised at point of time	<u>398,548</u>	<u>362,545</u>	<u>398,548</u>	<u>362,545</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 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Interest income	(1,026)	(1,781)	(1,026)	(1,781)
Interest expense	51	3	51	3
Depreciation and amortisation	8,304	5,863	8,304	5,863
Gain on disposal of property, plant and equipment	(48)	(18)	(48)	(18)
Gain on foreign exchange - realised	(5)	(980)	(5)	(980)
Gain on foreign exchange - unrealised	(8)	(12)	(8)	(12)

10. Income tax expense

	Current quarter 3 months ended		Cumulative quarters 3 months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- Malaysia income tax	3,049	5,285	3,049	5,285
Deferred tax				
- Origination and reversal of temporary difference	120	126	120	126
Income tax expense recognised in profit or loss	<u>3,169</u>	<u>5,411</u>	<u>3,169</u>	<u>5,411</u>

The effective tax rate of the Group for the current quarter and financial period-to-date is slightly lower than the statutory income tax rate due to acquisition of new property, plant and equipments.

**Explanatory notes pursuant to MFRS 134
For the first quarter period ended 30 June 2020**

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 3 months ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Profit net of tax attributable to equity holders of the Company used in the computation of earnings per share (RM'000)	10,035	18,485	10,035	18,485
Weighted average number of ordinary shares in issue ('000)	1,249,889	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)	1,249,889	1,250,189	1,250,189	1,250,189
Basic earnings per share (sen)	0.80	1.48	0.80	1.48
Diluted earnings per share (sen)	0.80	1.48	0.80	1.48

12. Property, plant and equipment

During the three months period ended 30 June 2020, the Group acquired assets at a cost of RM10.0 million (30 June 2019: RM14.3 million).

Assets with a carrying amount of RM9,000 were disposed off by the Group during the three months period ended 30 June 2020 (30 June 2019: RM87,000), resulting in a gain on disposal of RM48,000 (30 June 2019: RM18,000), 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 March 2020: Nil).

14. Cash and cash equivalents

Cash and cash equivalents comprised of the following amounts:

	30 June 2020 RM'000	31 March 2020 RM'000
Cash at banks and on hand	40,521	55,339
Fixed deposits with licensed banks	28	-
Total cash and cash equivalents	40,549	55,339

**Explanatory notes pursuant to MFRS 134
For the first quarter period ended 30 June 2020**

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 March 2020				
Assets measured at fair value:				
Investment in cash management fund	126,097	-	126,097	-
Assets for which fair value information is disclosed:				
Investment properties	8,150	-	3,930	4,220
At 30 June 2020				
Assets measured at fair value:				
Investment in cash management fund	71,372	-	71,372	-
Assets for which fair value information is disclosed:				
Investment properties	8,150	-	3,930	4,220

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.

**Explanatory notes pursuant to MFRS 134
For the first quarter period ended 30 June 2020**

16. Share capital and treasury shares

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.

As at 30 June 2020, the Company repurchased a total of 300,000 of its issued ordinary shares from the open market for a total consideration of RM208,320. All these repurchased shares are being held as Treasury Shares in accordance with Section 127 of the Companies Act, 2016 and no Treasury Shares have been cancelled or resold to date. The repurchase of these shares were financed by internally generated funds.

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

	30 June 2020 RM'000	31 March 2020 RM'000
Current		
<u>Secured:</u>		
Bankers' acceptance	12,000	-
Obligation under finance lease	<u>106</u>	<u>106</u>
	<u>12,106</u>	<u>106</u>
Non-Current		
<u>Secured:</u>		
Obligation under finance lease	<u>44</u>	<u>69</u>
Total borrowing	<u><u>12,150</u></u>	<u><u>175</u></u>

19. Dividends

On 25 August 2020, the directors have approved a final single-tier dividend in respect of the financial year ended 31 March 2020 amounting to a dividend payable of approximately RM36,622,000 (2.93 sen per ordinary share for 1,249,888,549 shares which excluded 300,000 treasury shares) to shareholders whose names appear in the Record of Depositors on 25 September 2020, being the Book Closure Date ("BCD"). The dividend payment date will be on 23 October 2020.

On the assumption that as announced to date, the Treasury Shares of 300,000 (which are not entitled to dividends), remained the same as at BCD, the dividend pay-out on 1,249,888,549 shares.

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.

**Explanatory notes pursuant to MFRS 134
For the first quarter period ended 30 June 2020****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 2020 RM'000	31 March 2020 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	6,087	11,612
Approved and not contracted for:		
Property, plant and equipment	-	140

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 2020**

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 year ended 31 March 2020.

24. Performance review

	Current quarter		Variance (%)	Cumulative quarter		Variance (%)
	3 months ended			3 months ended		
	30 June 2020 RM'000	30 June 2019 RM'000		30 June 2020 RM'000	30 June 2019 RM'000	
Revenue	398,548	362,545	9.9%	398,548	362,545	9.9%
Operating profit	12,229	21,747	-43.8%	12,229	21,747	-43.8%
Profit before tax	13,204	23,525	-43.9%	13,204	23,525	-43.9%
Profit after tax	10,035	18,114	-44.6%	10,035	18,114	-44.6%
Profit attributable to equity holders of the Company	10,035	18,485	-45.7%	10,035	18,485	-45.7%

During the Movement Control Order ("MCO") from 18 March until end April 2020 by the Malaysia Government, the Group shut down majority of its factory operation except for 2 factories which were classified under essential services that cater mainly to the Food and Beverage Industries as well as the Medical segment.

At the end of April 2020, the Group obtained approval from the relevant authorities to resume its operation and gradually improve its level of production back to normal level especially during Recovery Movement Control Order ("RMCO") period.

The Group recorded a turnover of RM398.5 million with profit before tax of RM13.2 million for the current financial period to date as compared to RM362.5 million and RM23.5 million in the preceding year respectively.

The increase in revenue for the 3 months period of 9.9% was due to the strong orders recorded from existing key customers after the resumption of operations during the Conditional MCO and Recovery MCO period.

Meanwhile, the profit before tax had decreased by 43.9% mainly due to lower utilisation of production capacity as a result of the MCO in April 2020.

25. Comment on material change in profit before tax

	Current Quarter 30 June 2020 RM'000	Preceding Quarter 31 March 2020 RM'000	Variance (%)
Revenue	398,548	426,013	-6.4%
Operating profit	12,229	9,898	23.6%
Profit before tax	13,204	11,400	15.8%
Profit after tax	10,035	7,045	42.4%
Profit attributable to equity holders of the Company	10,035	7,045	42.4%

Compared to preceding quarter, the revenue had decreased by 6.4% from RM426.0 million to RM398.5 million due to the MCO. However profit before tax had increased by 15.8% from RM11.4 million to RM13.2 million due to different products mix and improvement in operational efficiencies and cost controls after the resumption of operations.

**Explanatory notes pursuant to Bursa Malaysia Listing Requirement: Chapter 9, Appendix 9B, Part A
For the three-month period ended 30 June 2020****26. Commentary on prospects**

The outbreak of Covid-19 pandemic worldwide has prompted many countries to impose temporary lockdown measures.

When MCO was initiated by our Government on 18 March 2020, the Group fully complied and implemented various standard operating procedures and health precautionary measures.

Following the relaxation of MCO at the end of April 2020, the Group resumed its business operations to normal and export markets remain resilient post MCO period.

Despite the challenges in the global market as a result of trade tensions as well as the Covid-19 outbreak, 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 2021.

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 30 June 2020 or the previous financial year ended 31 March 2020.

33. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 30 June 2020 or the previous financial year ended 31 March 2020.

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 2020 and 31 March 2020.

35. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 March 2020 was not qualified.