

Condensed consolidated interim financial statements For the second quarter period ended 30 September 2021

Condensed consolidated statements of comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarter 6 months ended	
		30 September 2021 (Unaudited) RM'000	30 September 2020 (Unaudited) RM'000	30 September 2021 (Unaudited) RM'000	30 September 2020 (Unaudited) RM'000
Revenue	7	553,736	726,308	1,068,870	1,124,856
Cost of sales		(470,794)	(644,084)	(916,226)	(1,005,613)
Gross profit		82,942	82,224	152,644	119,243
Other operating income		865	2,139	2,704	3,209
Operating expenses		(31,881)	(27,058)	(61,005)	(52,918)
Operating profit		51,926	57,305	94,343	69,534
Interest expense		(38)	(99)	(82)	(150)
Interest income		864	592	1,163	1,618
Profit before tax	9	52,752	57,798	95,424	71,002
Income tax expense	10	(12,633)	(13,729)	(22,849)	(16,898)
Profit for the period		40,119	44,069	72,575	54,104
Other comprehensive income		-	-	-	-
Total comprehensive income for the period, net of tax		40,119	44,069	72,575	54,104
Total comprehensive income for the period, net of tax attributable to:					
Owners of the Company		40,119	44,069	72,575	54,104
Non-controlling interests		-	-	-	-
		40,119	44,069	72,575	54,104

Earnings per share attributable to equity holders of the Company (sen per share) :

-Basic/Diluted	11	2.57	2.82 *	4.65	3.46 *
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* For comparative purpose, the earnings per share for quarter and period to date ended 30 September 2020 has been adjusted to reflect the bonus issue of 1 for every 4 existing ordinary share which was completed on 23 April 2021.

Note :

The Group does not have any potential dilutive ordinary shares as the market price of the share was lower than exercise price of warrant. As a result, these warrants are anti-dilutive in nature and have not been considered in the computation of diluted earnings per share.

(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 second quarter period ended 30 September 2021

Condensed consolidated statements of financial position

	Note	30 September 2021 Unaudited RM'000	31 March 2021 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	267,666	267,265
Right of used assets		30,377	31,756
Investment properties		3,844	3,871
Other investments	15,17	139	139
Other non-current asset		74	74
Deferred tax assets		892	892
		<u>302,992</u>	<u>303,997</u>
Current assets			
Inventories	13	232,667	221,498
Trade and other receivables		507,225	338,250
Contract assets		4,054	1,773
Prepayments		8,723	10,414
Other investments	15,17	96,244	116,221
Cash and bank balances	14	49,952	56,613
		<u>898,865</u>	<u>744,769</u>
TOTAL ASSETS		<u><u>1,201,857</u></u>	<u><u>1,048,766</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		580,878	508,303
Total equity		<u>780,406</u>	<u>707,831</u>
Non-current liabilities			
Lease liabilities		1,185	2,169
Deferred tax liabilities		14,091	13,973
		<u>15,276</u>	<u>16,142</u>
Current liabilities			
Trade and other payables		390,022	312,607
Contract liabilities		3,999	6,342
Tax payable		10,158	3,806
Lease liabilities		1,996	2,038
		<u>406,175</u>	<u>324,793</u>
Total liabilities		<u>421,451</u>	<u>340,935</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,201,857</u></u>	<u><u>1,048,766</u></u>
Net assets per share (RM)		<u>0.50</u>	<u>0.45</u> *

* For comparative purpose, the net assets per share attributed to ordinary equity holders of the parent as at 30 September 2020 had been adjusted to reflect the bonus issue of 1 for every 4 existing ordinary share which was completed on 23 April 2021.

(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 second quarter period ended 30 September 2021****Condensed consolidated statements of changes in equity**

	ATTRIBUTABLE TO OWNERS OF THE PARENT					EQUITY, TOTAL RM'000
	NON DISTRIBUTABLE			DISTRIBUTABLE		
	SHARE CAPITAL RM'000	MERGER DEFICIT RM'000	TREASURY SHARES RM'000	OTHER RESERVES RM'000	RETAINED EARNINGS RM'000	
Opening balance at 1 April 2020	296,126	(95,002)	(208)	(1,388)	411,682	611,210
Profit for the financial period	-	-	-	-	54,104	54,104
Closing balance at 30 September 2020	<u>296,126</u>	<u>(95,002)</u>	<u>(208)</u>	<u>(1,388)</u>	<u>465,786</u>	<u>665,314</u>
Opening balance at 1 April 2021	296,126	(95,002)	(208)	(1,388)	508,303	707,831
Profit for the financial period	-	-	-	-	72,575	72,575
Closing balance at 30 September 2021	<u>296,126</u>	<u>(95,002)</u>	<u>(208)</u>	<u>(1,388)</u>	<u>580,878</u>	<u>780,406</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 second quarter period ended 30 September 2021**
Condensed consolidated statements of cash flows

	Note	6 months ended	
		30 September 2021 (Unaudited) RM'000	30 September 2020 (Unaudited) RM'000
Operating activities			
Profit before taxation		95,424	71,002
Adjustments for:			
Depreciation and amortisation		18,154	17,181
Gain on disposal of other investments		(30)	(115)
Gain on disposal of property, plant and equipment	12	(851)	(105)
(Gain)/loss on unrealised foreign exchange		(31)	82
Interest expense		82	150
Interest income		(1,163)	(1,618)
Operating profit before working capital changes		111,585	86,577
Increase in inventories		(11,169)	(5,723)
Increase in receivables		(171,263)	(238,073)
Decrease/(increase) in prepayments		1,691	(8,468)
Increase in payables		75,095	148,756
Cash flows generated from/(used in) operations		5,939	(16,931)
Interest paid		(82)	(150)
Taxes paid		(16,379)	(12,712)
Net cash flows used in operating activities		(10,522)	(29,793)
Investing activities			
Purchase of property, plant and equipment	12	(17,951)	(23,908)
Proceeds from disposal of property, plant and equipment		1,653	114
Withdrawal of other investments		20,007	37,600
Interest received		1,163	1,618
Net cash flows generated from investing activities		4,872	15,424
Financing activities			
Repayment of finance lease liability		-	(50)
Payment of principal portion of lease liabilities		(1,026)	(942)
Net cash flows used in financing activities		(1,026)	(992)
Net decrease in cash and cash equivalents		(6,676)	(15,361)
Effects of foreign exchange rate changes		15	(23)
Cash and cash equivalents at beginning of year		56,613	55,339
Cash and cash equivalents at end of period	14	49,952	39,955

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

SKP RESOURCES BHD.

Company No. : 200001021690 (524297-T)

Explanatory notes pursuant to MFRS 134 For the second quarter period ended 30 September 2021

1. Corporate information

SKP Resources Berhad is a public limited liability company which incorporated and domiciled in Malaysia, and is listed on Main Market of Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 26 November 2021.

2. Basis of preparation

These condensed consolidated interim financial statements, for the period ended 30 September 2021, have been prepared in accordance with Malaysian Financial Reporting Standard ("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 International Accounting Standards ("IAS") 34: Interim Financial Reporting issued by the IAS Board.

The consolidated financial statements of the Group for the year ended 31 March 2021 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 2021.

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 2021.

3. Changes in accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the financial year ended 31 March 2021.

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.

SKP RESOURCES BHD.

Company No. : 200001021690 (524297-T)

**Explanatory notes pursuant to MFRS 134
For the second quarter period ended 30 September 2021****6. Segment information**

The Group is an Electronics Manufacturing Services ("EMS") provider which principally involved in manufacturing of plastic products and fabrication of moulds which are predominantly carried out in Malaysia. Segment information is not presented as other segments such as the manufacturing of moulds segment is insignificant to the Group.

7. Revenue

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
	RM'000	RM'000	RM'000	RM'000
Rental Income	38	29	79	58
Moulding and modification works	10,329	10,306	19,415	14,949
Sales of goods	543,369	715,973	1,049,376	1,109,849
Total revenue, representing revenue recognised at point of time	<u>553,736</u>	<u>726,308</u>	<u>1,068,870</u>	<u>1,124,856</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 6 months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
	RM'000	RM'000	RM'000	RM'000
Interest income	(864)	(592)	(1,163)	(1,618)
Interest expense	38	99	82	150
Depreciation and amortisation	9,322	8,877	18,154	17,181
Gain on disposal of property, plant and equipment	(326)	(57)	(851)	(105)
Loss/(gain) on foreign exchange - realised	160	(1,249)	262	(1,254)
(Gain)/loss on foreign exchange - unrealised	(10)	90	(31)	82

10. Income tax expense

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- Malaysia income tax	12,566	13,699	22,731	16,748
Deferred tax				
- Origination and reversal of temporary difference	67	30	118	150
Income tax expense recognised in profit or loss	<u>12,633</u>	<u>13,729</u>	<u>22,849</u>	<u>16,898</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 due to acquisition of new property, plant and equipments.

**Explanatory notes pursuant to MFRS 134
For the second quarter period ended 30 September 2021****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 outstanding during the financial period, excluding treasury shares held by the Company.

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 financial 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 financial period :

(a) Basic Earnings Per Share

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 September 2021 RM'000	30 September 2020 RM'000	30 September 2021 RM'000	30 September 2020 RM'000
Profit net of tax attributable to equity holders of the Company used in the computation of earnings per share (RM'000)	40,119	44,069	72,575	54,104
Weighted average number of ordinary shares in issue ('000)	1,562,360	1,562,360	1,562,360	1,562,360
Basic earnings per share (sen)	2.57	2.82 *	4.65	3.46 *

* For comparative purpose, the earnings per share for quarter and period to date ended 30 September 2020 has been adjusted to reflect the bonus issue of 1 for every 4 existing ordinary share which was completed on 23 April 2021.

(b) Diluted Earnings Per Shares

The Group does not have any potential dilutive ordinary shares as the market price of the share was lower than the exercise price. These warrants have not been considered in the computation of diluted earnings per share as these warrants are anti-dilutive in nature.

12. Property, plant and equipment

During the six months period ended 30 September 2021, the Group acquired assets at a cost of approximately RM18.0 million (30 September 2020: RM23.9 million).

Assets with a carrying amount of RM802,000 (30 September 2020: RM9,000) were disposed off by the Group during the three months period ended 30 September 2021, resulting in a gain on disposal of RM851,000 (30 September 2020: RM105,000), 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 2021 : RM469,000).

SKP RESOURCES BHD.

Company No. : 200001021690 (524297-T)

**Explanatory notes pursuant to MFRS 134
For the second quarter period ended 30 September 2021****14. Cash and cash equivalents**

Cash and cash equivalents comprised of the following amounts:

	30 September 2021 RM'000	31 March 2021 RM'000
Cash at banks and on hand	<u>49,952</u>	<u>56,613</u>

15. Fair value hierarchy

The Group classifies fair value measurement using the fair value hierarchy that reflects the significance of the inputs used in the making the measurements. The fair value hierarchy has the following levels:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As at the reporting date, the Group held the following assets that are measured or information is disclosed at fair value:

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 31 March 2021				
Assets measured at fair value:				
Investment in cash management funds	116,193	-	116,193	-
Assets for which fair value information are disclosed:				
Investment properties	11,020	-	9,420	1,600
At 30 September 2021				
Assets measured at fair value:				
Investment in cash management funds	96,244	-	96,244	-
Assets for which fair value information are disclosed:				
Investment properties	11,020	-	9,420	1,600

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. Treasury shares

At the Annual General Meeting ("AGM") held on 29 September 2021, 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 29 September 2021 until the conclusion of the 22nd AGM of the Company to be convened in Year 2022.

As at 30 September 2021, the Company repurchased a total of 375,000 (inclusive bonus issue) of its issued ordinary shares from the open market for a total consideration of RM208,000. 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.

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Company No. : 200001021690 (524297-T)

Explanatory notes pursuant to MFRS 134 For the second quarter period ended 30 September 2021

17. Other investments

Investment in cash management funds are placed with licensed investment banks and asset management companies in Malaysia which are highly liquid and not readily convertible to known amounts of cash.

18. Dividends

On 25 August 2021, the directors have approved a final single-tier dividend in respect of the financial year ended 31 March 2021 amounting to a dividend payable of approximately RM66,713,000 (4.27 sen per ordinary share for 1,562,360,337 shares which excluded 375,000 treasury shares), payable on 29 Oct 2021.

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

Authorised capital expenditures not provided for in the financial statement are as follows:

	30 September 2021 RM'000	31 March 2021 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	2,424	25,763
Approved and not contracted for:		
Property, plant and equipment	100,000	1,068

20. Contingencies

There were neither contingent asset recognised nor any changes in the contingent liability for the Group for the current financial period to date.

SKP RESOURCES BHD.

Company No. 200001021690 (524297-T)

**Explanatory notes pursuant to Bursa Malaysia Listing Requirement: Chapter 9, Appendix 9B, Part A
For the six month period ended 30 September 2021****21. Significant related party transactions**

There were no significant recurrent related party transactions.

22. Events after the reporting period

There was no material events that have arisen subsequent to the financial period ended 30 September 2021 till the date of this report.

23. Performance review

	Current quarter		Variance (%)	Cumulative quarter		Variance (%)
	3 months ended			6 months ended		
	30 September 2021 RM'000	30 September 2020 RM'000		30 September 2021 RM'000	30 September 2020 RM'000	
Revenue	553,736	726,308	-23.8%	1,068,870	1,124,856	-5.0%
Operating profit	51,926	57,305	-9.4%	94,343	69,534	35.7%
Profit before tax	52,752	57,798	-8.7%	95,424	71,002	34.4%
Profit after tax, representing profit attributable to equity holders of the Company	40,119	44,069	-9.0%	72,575	54,104	34.1%

As Electrical & Electronics sector is one of the approved essential services, the Group is allowed to operate with a restriction of 60% headcount capacity throughout the implementation of nationwide 'total lockdown' from 1 June 2021 to 31 August 2021.

Due to the 60% headcount restriction, the Group recorded a revenue of RM553.7 million with profit before tax of RM52.8 million for the current quarter as compared to RM726.3 million and RM57.8 million in the preceding year corresponding quarter respectively.

For the current financial year to date, the Group recorded a revenue of RM1.07 billion with profit before tax of RM95.4 million compared to RM1.12 billion and RM71.0 million in the preceding year respectively. Despite lower revenue, profit before tax was higher than preceding year as last year performance was affected by the mandatory closure of business operations by Government from 18 March 2020 until end of April 2020 ("MCO 1.0") to curb the outbreak of covid-19 pandemic.

SKP RESOURCES BHD.

Company No. 200001021690 (524297-T)

**Explanatory notes pursuant to Bursa Malaysia Listing Requirement: Chapter 9, Appendix 9B, Part A
For the six month period ended 30 September 2021****24. Comment on material change in profit before tax**

	Current Quarter 30 September 2021 RM'000	Preceding Quarter 30 June 2021 RM'000	Variance (%)
Revenue	553,736	515,134	7.5%
Operating profit	51,926	42,417	22.4%
Profit before tax	52,752	42,672	23.6%
Profit after tax, representing profit attributable to equity holders of the Company	40,119	32,456	23.6%

The Group operated with 60% headcount restriction for two months from July 2021 to August 2021 in current quarter as compared to one month (June 2021) in preceding quarter.

Despite the longer period of imposition of 60% headcount restriction, the Group managed to record higher revenue by 7.5% from RM515.1 million to RM553.7 million.

Meanwhile, profit before tax has improved from RM42.7 million to RM52.8 million mainly due to better products mix and improvement in operational efficiencies and cost controls.

25. Commentary on prospects

As Malaysia grapples with the alarming spike in Covid-19 cases, the Government has implemented various extent of travel restriction and other precautionary measures as a response to mitigate rapid escalation of Covid-19 cases.

On 15 August 2021, Ministry of International Trade and Industry ("MITI") announced that manufacturing sector companies listed as essential services in National Recovery Plan ("NRP")'s Phase 1, 2 and 3 areas are allowed to increase their capacity based on the rate of fully vaccinated workers. As at date of report, the Group is allowed to operate with maximum capacity of headcount as the rate of fully vaccinated workers exceeded 80% as prescribed by MITI.

With the outbreak of Covid-19 pandemic which still remains as a threat to overall economic climate, the Group continues to focus on implementing preventive measures and strict compliance with Standard Operating Procedures in our operations to safeguard the health and safety of employees. Other than keeping our employees safe at workplace, the Group is also mindful of other operational challenges such as supply chain disruptions, etc.

The Group has taken relevant actions to minimise the impact of the Covid-19 pandemic to its operations and will continue to pay close attention to developments and evaluate their impact on the financial position, operating results and cash flows of the Group.

The Group is strategically well positioned in the EMS industry and continue to pursue opportunities to grow its market share from existing customers. Notwithstanding the current market conditions, the Group continues to receive enquiries from both existing and potential new customers for new projects.

The encouraging trend towards increased demands for electrical & electronic products is expected to sustain in the near future. With this, the Group's existing capacity is projected to be utilised in near future. As a preparation for future expansion, the Group plans to increase its plant capacity on the newly acquired industrial land at Negeri Johor having land size area of approximately 6.4 acres via purchase consideration of approximately RM14.2 million.

In addition, the Group is in the midst of acquiring a separate piece of industrial land at Negeri Johor with a size area of approximately 7.9 acres via indicative purchase price of RM19.9 million.

We will continue to expand our Printed Circuit Board Assembly ("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.

Prospects remain good and barring unforeseen circumstances, the Board expects to achieve profit growth for the financial year ending 31 March 2022.

SKP RESOURCES BHD.

Company No. 200001021690 (524297-T)

**Explanatory notes pursuant to Bursa Malaysia Listing Requirement: Chapter 9, Appendix 9B, Part A
For the six month period ended 30 September 2021**

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 other corporate proposal announced and not completed as at the date of this report.

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 further details.

30. Disclosure of nature of outstanding derivatives

There is 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 September 2021 or the previous financial year ended 31 March 2021.

32. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 30 September 2021 or the previous financial year ended 31 March 2021.

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 September 2021 and 31 March 2021.

34. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 March 2021 was not qualified.