

Condensed consolidated interim financial statements
For the second quarter period ended 30 September 2022

Condensed consolidated statements of comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarter 6 months ended	
		30 September 2022 (Unaudited) RM'000	30 September 2021 (Unaudited) RM'000	30 September 2022 (Unaudited) RM'000	30 September 2021 (Unaudited) RM'000
Revenue	7	736,461	553,736	1,291,623	1,068,870
Cost of sales		(633,766)	(470,794)	(1,101,753)	(916,226)
Gross profit		<u>102,695</u>	<u>82,942</u>	<u>189,870</u>	<u>152,644</u>
Other operating income		777	865	1,888	2,704
Operating expenses		(42,499)	(31,881)	(82,250)	(61,005)
Operating profit		<u>60,973</u>	<u>51,926</u>	<u>109,508</u>	<u>94,343</u>
Interest expense		(290)	(38)	(374)	(82)
Interest income		494	864	860	1,163
Profit before tax	9	<u>61,177</u>	<u>52,752</u>	<u>109,994</u>	<u>95,424</u>
Income tax expense	10	(14,683)	(12,633)	(26,335)	(22,849)
Profit for the period		<u>46,494</u>	<u>40,119</u>	<u>83,659</u>	<u>72,575</u>
Other comprehensive income		-	-	-	-
Total comprehensive income for the period, net of tax		<u><u>46,494</u></u>	<u><u>40,119</u></u>	<u><u>83,659</u></u>	<u><u>72,575</u></u>
Total comprehensive income for the period, net of tax attributable to:					
Owners of the Company		46,494	40,119	83,659	72,575
Non-controlling interests		-	-	-	-
		<u><u>46,494</u></u>	<u><u>40,119</u></u>	<u><u>83,659</u></u>	<u><u>72,575</u></u>
Earnings per share attributable to equity holders of the Company (sen per share) :					
-Basic/Diluted	11	2.98	2.57	5.35	4.65

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 2022

Condensed consolidated statements of financial position

	Note	30 September 2022 Unaudited RM'000	31 March 2022 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	333,837	289,963
Right of use assets		67,240	69,891
Investment properties		2,865	2,885
Other investments	15	139	139
Other non-current asset		74	74
		404,155	362,952
Current assets			
Inventories	13	346,989	254,658
Trade and other receivables		696,037	533,189
Contract assets		3,063	10,176
Prepayments		13,843	18,351
Other investments	15,17	65,394	21,566
Cash and bank balances	14	34,413	51,260
		1,159,739	889,200
TOTAL ASSETS		1,563,894	1,252,152
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		698,645	614,986
Total equity		898,173	814,514
Non-current liabilities			
Lease liabilities		2,214	3,444
Deferred tax liabilities		19,451	17,527
		21,665	20,971
Current liabilities			
Trade and other payables		599,467	406,406
Contract liabilities		3,443	4,528
Tax payable		15,789	1,439
Borrowing	18	21,994	-
Lease liabilities		3,363	4,294
		644,056	416,667
Total liabilities		665,721	437,638
TOTAL EQUITY AND LIABILITIES		1,563,894	1,252,152
Net assets per share (RM)		0.57	0.52

(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 2022****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	TREASUREY SHARES RM'000	OTHER RESERVES RM'000	RETAINED EARNINGS RM'000	
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>
Opening balance at 1 April 2022	296,126	(95,002)	(208)	(1,388)	614,986	814,514
Profit for the financial period	-	-	-	-	83,659	83,659
Closing balance at 30 September 2022	<u>296,126</u>	<u>(95,002)</u>	<u>(208)</u>	<u>(1,388)</u>	<u>698,645</u>	<u>898,173</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 2022**
Condensed consolidated statements of cash flows

	Note	6 months ended	
		30 September 2022 (Unaudited) RM'000	30 September 2021 (Unaudited) RM'000
Operating activities			
Profit before taxation		109,994	95,424
Adjustments for:			
Depreciation and amortisation		21,494	18,154
Fair value gain on financial assets at fair value through profit and loss		(4)	-
Gain on disposal of other investments		(33)	(30)
Gain on disposal of property, plant and equipment	12	(1,177)	(851)
Gain on unrealised foreign exchange		134	(31)
Interest expense		374	82
Interest income		(860)	(1,163)
Property, plant and equipment written off		159	-
Operating profit before working capital changes		130,081	111,585
Increase in inventories		(92,331)	(11,169)
Increase in receivables		(162,645)	(168,982)
Decrease in prepayments		5,738	1,691
Decrease/(increase) in contract assets		7,113	(2,281)
Decrease in contract liabilities		(1,230)	(2,343)
Increase in payables		191,527	77,438
Cash flows generated from operations		78,253	5,939
Interest paid		(374)	(82)
Taxes paid		(10,061)	(16,379)
Net cash flows generated from/(used in) operating activities		67,818	(10,522)
Investing activities			
Purchase of property, plant and equipment	12	(64,731)	(17,951)
Proceeds from disposal of property, plant and equipment		3,052	1,653
(Purchase)/withdrawal of other investments		(43,791)	20,007
Interest received		860	1,163
Net cash flows (used in)/generated from investing activities		(104,610)	4,872
Financing activities			
Proceeds from short term borrowing		21,994	-
Payment of principal portion of lease liabilities		(2,161)	(1,026)
Net cash flows generated from/(used in) financing activities		19,833	(1,026)
Net decrease in cash and cash equivalents		(16,959)	(6,676)
Effects of foreign exchange rate changes		112	15
Cash and cash equivalents at beginning of period		51,260	56,613
Cash and cash equivalents at end of period		34,413	49,952

(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 2022

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 30 November 2022.

2. Basis of preparation

These condensed consolidated interim financial statements, for the period ended 30 September 2022, 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 2022 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 2022.

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 2022.

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 30 September 2022 and for the financial year ended 31 March 2022.

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.

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Company No. : 200001021690 (524297-T)

**Explanatory notes pursuant to MFRS 134
For the second quarter period ended 30 September 2022****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 2022	30 September 2021	30 September 2022	30 September 2021
	RM'000	RM'000	RM'000	RM'000
Rental Income	-	38	11	79
Moulding and modification works	11,194	10,329	18,296	19,415
Sales of goods	725,267	543,369	1,273,316	1,049,376
Total revenue	<u>736,461</u>	<u>553,736</u>	<u>1,291,623</u>	<u>1,068,870</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 2022	30 September 2021	30 September 2022	30 September 2021
	RM'000	RM'000	RM'000	RM'000
Interest income	(494)	(864)	(860)	(1,163)
Interest expense	290	38	374	82
Depreciation and amortisation	10,829	9,322	21,494	18,154
Gain on disposal of property, plant and equipment	(453)	(326)	(1,177)	(851)
Loss on foreign exchange - realised	3,217	160	3,393	262
Loss/(gain) on foreign exchange - unrealised	150	(10)	134	(31)

10. Income tax expense

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 September 2022	30 September 2021	30 September 2022	30 September 2021
	RM'000	RM'000	RM'000	RM'000
Income tax				
- Malaysia income tax	13,508	12,566	24,411	22,731
Deferred tax				
- Origination and reversal of temporary difference	1,175	67	1,924	118
Income tax expense recognised in profit or loss	<u>14,683</u>	<u>12,633</u>	<u>26,335</u>	<u>22,849</u>

The effective tax rate of the Group for the current quarter and financial year to date is lower than the statutory income tax due to recognition of reinvestment allowance arising from acquisition of property, plant and equipment which in turn resulted in reduction of tax expenses.

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**Explanatory notes pursuant to MFRS 134
For the second quarter period ended 30 September 2022****11. Earnings Per Share**

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares held by the Company.

Diluted earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year, 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 year:

(a) Basic Earnings Per Share

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 September 2022 RM'000	30 September 2021 RM'000	30 September 2022 RM'000	30 September 2021 RM'000
Profit net of tax attributable to equity holders of the Company used in the computation of earnings per share (RM'000)	46,494	40,119	83,659	72,575
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)	2.98	2.57	5.35	4.65

(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 of warrant. 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 2022, the Group acquired assets at a cost of approximately RM64.7 million (30 September 2021: RM18.0 million).

Assets with a carrying amount of RM1,875,000 (30 September 2021: RM802,000) were disposed off by the Group during the six months period ended 30 September 2022, resulting in a gain on disposal of RM1,177,000 (30 September 2021: RM851,000), 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 2022: Nil).

**Explanatory notes pursuant to MFRS 134
For the second quarter period ended 30 September 2022**

14. Cash and cash equivalents

Cash and cash equivalents comprised of the following amounts:

	30 September 2022 RM'000	31 March 2022 RM'000
Cash at banks and on hand	<u>34,413</u>	<u>51,260</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 of 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 are disclosed at fair value:

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 31 March 2022				
Assets measured at fair value:				
Investment in cash management funds	21,538	-	21,538	-
Assets for which fair value information are disclosed:				
Investment properties	5,050	-	3,450	1,600
At 30 September 2022				
Assets measured at fair value:				
Investment in cash management funds	65,394	-	65,394	-
Assets for which fair value information are disclosed:				
Investment properties	5,050	-	3,450	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 23 September 2022, 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 effect from 23 September 2022 until the conclusion of the 23rd AGM of the Company to be convened in Year 2023.

There were no issuance, cancellation, repurchase, resale and repayment of treasury shares for the current financial quarter and period ended 30 September 2022.

As at 30 September 2022, 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. The repurchase of these shares were financed by internally generated funds.

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Explanatory notes pursuant to MFRS 134 For the second quarter period ended 30 September 2022

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 July 2022, the directors have approved a final single-tier dividend in respect of the financial year ended 31 March 2022 amounting to a dividend payable of approximately RM86,711,000 (5.55 sen per ordinary share for 1,562,360,337 shares which excluded 375,000 treasury shares), which was paid on 28 October 2022.

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 2022 RM'000	31 March 2022 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	35,438	77,193
Approved and not contracted for:		
Property, plant and equipment	1,635	2,293

20. Contingencies

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

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**Explanatory notes pursuant to Bursa Malaysia Listing Requirement: Chapter 9, Appendix 9B, Part A
For the six month period ended 30 September 2022****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 2022 until the date of this report.

23. Performance review

	Current quarter		Variance (%)	Cumulative quarter		Variance (%)
	3 months ended			6 months ended		
	30 September 2022 RM'000	30 September 2021 RM'000		30 September 2022 RM'000	30 September 2021 RM'000	
Revenue	736,461	553,736	33.0%	1,291,623	1,068,870	20.8%
Operating profit	60,973	51,926	17.4%	109,508	94,343	16.1%
Profit before tax	61,177	52,752	16.0%	109,994	95,424	15.3%
Profit after tax, representing profit attributable to equity holders of the Company	46,494	40,119	15.9%	83,659	72,575	15.3%

For the current financial period ended 30 September 2022, the Group registered record revenue of approximately RM736.5 million (preceding financial period: approximately RM553.7 million) with a profit before tax of approximately RM61.2 million (preceding financial period: approximately RM52.8 million).

The significant increase in revenue for the current financial period ended 30 September 2022 in relative percentage by approximately 33% as compared to preceding financial period ended 30 September 2021 is in line with the fulfillment of increasing demands received from major customer.

In view of increasing demands from major customer, the management remains committed in implementing its expansion plans to increase its existing production capacity.

The slight decrease in general profitability measures such as gross profit margin of 13.94% and profit before tax margin of 8.31% for the current financial period ended 30 September 2022 as compared to preceding financial period ended 30 September 2021 (gross profit margin and net profit margin for the preceding financial period ended 30 September 2021: 14.98% and 9.53% respectively) is mainly attributable to different product assortment.

The Group will continue to pursue excellence in the manufacturing process over time.

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**Explanatory notes pursuant to Bursa Malaysia Listing Requirement: Chapter 9, Appendix 9B, Part A
For the six month period ended 30 September 2022****24. Comment on material change in profit before tax**

	Current Quarter 30 September 2022 RM'000	Preceding Quarter 30 June 2022 RM'000	Variance (%)
Revenue	736,461	555,162	32.7%
Operating profit	60,973	48,535	25.6%
Profit before tax	61,177	48,817	25.3%
Profit after tax, representing profit attributable to equity holders of the Company	46,494	37,165	25.1%

For the current quarter ended 30 September 2022, the Group registered record revenue of approximately RM736.5 million (preceding quarter ended 30 June 2022: approximately RM555.2 million) and profit before tax of approximately RM61.2 million (preceding quarter ended 30 June 2022: approximately RM48.8 million).

The Group achieved slightly lower profit after tax margin of 6.31% in current quarter ended 30 September 2022 as compared to the profit after tax margin achieved by the Group of 6.69% in preceding quarter ended 30 June 2022. The slight decrease in the profit after tax margin is mainly attributable to lower contribution due to different product assortment.

25. Commentary on prospects

The encouraging trend towards demands for electrical & electronics products is expected to sustain in near future. With this, the Group's existing capacity is projected to be utilised in near future.

The construction of the new factory building on a newly acquired land at Negeri Johor having land size of approximately 6.4 acres has commenced from January 2022 onwards and is expected to be completed by first quarter of calendar year 2023.

As at the date of this report, the Group has achieved 81% of completion in regards of the above mentioned construction of new factory building and is on track to achieve timely completion of the construction of new factory building, barring any unforeseen circumstances.

We will continue to expand our Printed Circuit Board Assembly ("PCBA"), injection moulding and engineering capabilities to take advantage of a widened product assortment.

Prospects remain good and barring unforeseen circumstances, the Board expects to achieve profit growth for the financial year ending 31 March 2023.

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**Explanatory notes pursuant to Bursa Malaysia Listing Requirement: Chapter 9, Appendix 9B, Part A
For the six month period ended 30 September 2022**

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 2022 or the previous financial year ended 31 March 2022.

32. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 30 September 2022 or the previous financial year ended 31 March 2022.

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 2022 and 31 March 2022.

34. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 March 2022 was not qualified.