

Condensed consolidated interim financial statements For the first quarter period ended 30 June 2023

Condensed consolidated statements of comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		30 June 2023 (Unaudited) RM'000	30 June 2022 (Unaudited) RM'000	30 June 2023 (Unaudited) RM'000	30 June 2022 (Unaudited) RM'000
Revenue	7	431,610	555,162	431,610	555,162
Cost of sales		(368,410)	(467,987)	(368,410)	(467,987)
Gross profit		63,200	87,175	63,200	87,175
Other operating income		657	1,111	657	1,111
Operating expenses		(36,388)	(39,751)	(36,388)	(39,751)
Operating profit		27,469	48,535	27,469	48,535
Finance costs		(687)	(84)	(687)	(84)
Interest income		1,214	366	1,214	366
Profit before tax	9	27,996	48,817	27,996	48,817
Income tax expense	10	(6,411)	(11,652)	(6,411)	(11,652)
Total comprehensive income for the year, net of tax		21,585	37,165	21,585	37,165
Total comprehensive income for the period, net of tax attributable to:					
Owners of the Company		21,585	37,165	21,585	37,165
Non-controlling interests		-	-	-	-
		21,585	37,165	21,585	37,165
Earnings per share attributable to equity holders of the Company (sen per share) :					
-Basic/Diluted	11	1.38	2.38	1.38	2.38

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 first quarter period ended 30 June 2023

Condensed consolidated statements of financial position

	Note	30 June 2023 Unaudited RM'000	31 March 2023 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	360,259	362,628
Right of use assets		66,664	68,251
Investment properties		2,060	2,067
Other investments	15	139	139
Other non-current asset		74	74
Prepayment		4,344	4,344
		<u>433,540</u>	<u>437,503</u>
Current assets			
Inventories	13	241,427	252,836
Trade and other receivables		498,489	475,025
Contract assets		1,189	2,090
Prepayments		12,783	9,082
Other investments	15,17	131,378	70,099
Cash and bank balances	14	48,499	46,907
		<u>933,765</u>	<u>856,039</u>
TOTAL ASSETS		<u>1,367,305</u>	<u>1,293,542</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		690,378	668,793
Total equity		<u>889,906</u>	<u>868,321</u>
Non-current liabilities			
Trade and other payables		222	222
Loan and borrowings	18	11,200	11,950
Lease liabilities		1,338	2,185
Deferred tax liabilities		17,264	17,137
		<u>30,024</u>	<u>31,494</u>
Current liabilities			
Trade and other payables		348,299	312,215
Contract liabilities		45,798	25,029
Tax payable		605	2,663
Loan and borrowings	18	48,000	48,720
Lease liabilities		4,673	5,100
		<u>447,375</u>	<u>393,727</u>
Total liabilities		<u>477,399</u>	<u>425,221</u>
TOTAL EQUITY AND LIABILITIES		<u>1,367,305</u>	<u>1,293,542</u>
Net assets per share (RM)		<u>0.57</u>	<u>0.56</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 2023****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 RESERVE RM'000	RETAINED EARNINGS RM'000	
Opening balance at 1 April 2022	296,126	(95,002)	(208)	(1,388)	614,986	814,514
Profit for the financial period	-	-	-	-	37,165	37,165
Closing balance at 30 June 2022	<u>296,126</u>	<u>(95,002)</u>	<u>(208)</u>	<u>(1,388)</u>	<u>652,151</u>	<u>851,679</u>
Opening balance at 1 April 2023	296,126	(95,002)	(208)	(1,388)	668,793	868,321
Profit for the financial period	-	-	-	-	21,585	21,585
Closing balance at 30 June 2023	<u>296,126</u>	<u>(95,002)</u>	<u>(208)</u>	<u>(1,388)</u>	<u>690,378</u>	<u>889,906</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 2023**
Condensed consolidated statements of cash flows

	Note	3 months ended	
		30 June 2023 (Unaudited) RM'000	30 June 2022 (Unaudited) RM'000
Operating activities			
Profit before taxation		27,993	48,817
Adjustments for:			
Depreciation and amortisation		11,535	10,665
Fair value gain on financial assets at fair value through profit and loss		-	(41)
Gain on disposal of other investments		(30)	-
Gain on disposal of property, plant and equipment	12	(70)	(724)
Gain on unrealised foreign exchange		(184)	(16)
Interest expense		687	84
Interest income		(1,214)	(366)
Operating profit before working capital changes		38,717	58,419
Decrease/(increase) in inventories		11,409	(36,612)
(Increase)/decrease in receivables		(23,368)	30,856
(Increase)/decrease in prepayments		(3,701)	11,231
Decrease in contract assets		901	115
(Increase)/decrease in contract liabilities		20,769	(606)
Increase in payables		36,057	18,297
Cash flows generated from operations		80,784	81,700
Interest paid		(687)	(84)
Tax paid		(8,339)	(7,384)
Net cash flows generated from operating activities		71,758	74,232
Investing activities			
Purchase of property, plant and equipment	12	(7,639)	(33,663)
Proceeds from disposal of property, plant and equipment		137	878
Placement of other investments		(61,249)	(73,431)
Interest received		1,214	366
Net cash flows used in investing activities		(67,537)	(105,850)
Financing activities			
(Repayment of)/proceeds from borrowings		(1,470)	23,983
Payment of principal portion of lease liabilities		(1,274)	(1,059)
Net cash flows (used in)/generated from financing activities		(2,744)	22,924
Net increase/(decrease) in cash and cash equivalents		1,477	(8,694)
Effects of foreign exchange rate changes		115	-
Cash and cash equivalents at beginning of year		46,907	51,260
Cash and cash equivalents at end of period		48,499	42,566

(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 first quarter period ended 30 June 2023

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 25 August 2023.

2. Basis of preparation

These condensed consolidated interim financial statements, for the period ended 30 June 2023, 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 2023 which were prepared under MFRS are available upon request from the registered office of the Company 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 2023.

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 2023.

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 June 2023 and for the financial year ended 31 March 2023.

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 first quarter period ended 30 June 2023****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 3 months ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Rental Income	-	11	-	11
Moulding and modification works	5,960	7,102	5,960	7,102
Sales of goods	425,650	548,049	425,650	548,049
Total revenue	<u>431,610</u>	<u>555,162</u>	<u>431,610</u>	<u>555,162</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 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Interest income	(1,214)	(366)	(1,214)	(366)
Interest expense	687	84	687	84
Depreciation and amortisation	11,535	10,665	11,535	10,665
Fair value gain on financial assets at fair value through profit or loss	-	(41)	-	(41)
Gain on disposal of property, plant and equipment	(70)	(724)	(70)	(724)
Gain on disposal of other investment	(30)	-	(30)	-
Loss on foreign exchange - realised	467	176	467	176
Gain on foreign exchange - unrealised	(184)	(16)	(184)	(16)

10. Income tax expense

	Current quarter 3 months ended		Cumulative quarters 3 months ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Income tax				
- Malaysian income tax	6,281	10,903	6,281	10,903
Deferred tax				
- Origination and reversal of temporary difference	130	749	130	749
Income tax expense recognised in profit or loss	<u>6,411</u>	<u>11,652</u>	<u>6,411</u>	<u>11,652</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 recognition of reinvestment allowance arising from acquisition of property, plant and equipment which in turn resulted in reduction of tax expenses.

SKP RESOURCES BHD.

Company No. : 200001021690 (524297-T)

Explanatory notes pursuant to MFRS 134 For the first quarter period ended 30 June 2023

11. Earnings Per Share

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the parent 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 owners of the parent by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares held by the Company, 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 3 months ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Profit net of tax attributable to equity holders of the Company used in the computation of earnings per share (RM'000)	21,585	37,165	21,585	37,165
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)	1.38	2.38	1.38	2.38

(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 three months period ended 30 June 2023, the Group acquired assets at a cost of approximately RM7.6 million (30 June 2022: RM33.7 million).

Assets with a carrying amount of RM67,000 (30 June 2022: RM154,000) were disposed off by the Group during the three months period ended 30 June 2023, resulting in a gain on disposal of RM70,000 (30 June 2022: RM724,000), 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 2023: RM20,000).

SKP RESOURCES BHD.

Company No. : 200001021690 (524297-T)

**Explanatory notes pursuant to MFRS 134
For the first quarter period ended 30 June 2023****14. Cash and cash equivalents**

Cash and cash equivalents comprised of the following amounts:

	30 June 2023 RM'000	31 March 2023 RM'000
Cash at banks and on hand	<u>48,499</u>	<u>46,907</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 2023				
Assets measured at fair value:				
Investment in cash management funds	70,068	-	70,068	-
Assets for which fair value information are disclosed:				
Investment properties	2,420	-	820	1,600
At 30 June 2023				
Assets measured at fair value:				
Investment in cash management funds	131,378	-	131,378	-
Assets for which fair value information are disclosed:				
Investment properties	2,420	-	820	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 year ended 31 March 2023.

As at 30 June 2023, 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 first quarter period ended 30 June 2023****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. Interest-bearing loan and borrowings

	30 June 2023 RM'000	31 March 2023 RM'000
Current		
<u>Secured:</u>		
Revolving credits	45,000	45,000
Bankers' acceptance	-	720
Term loan	3,000	3,000
Total current loan and borrowings	<u>48,000</u>	<u>48,720</u>
Non-Current		
<u>Secured:</u>		
Term loan	<u>11,200</u>	<u>11,950</u>
Total loan and borrowings	<u><u>59,200</u></u>	<u><u>60,670</u></u>

19. Dividends

On 27 July 2023, the directors have approved a final single-tier dividend in respect of the financial year ended 31 March 2023 amounting to a dividend payable of approximately RM70,306,000 (4.50 sen per ordinary share for 1,562,360,337 shares which excluded 375,000 treasury shares), payable on 26 October 2023.

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

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

	30 June 2023 RM'000	31 March 2023 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	21,239	23,471
Approved and not contracted for:		
Property, plant and equipment	2,600	2,600

21. 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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Company No. 200001021690 (524297-T)

**Explanatory notes pursuant to Bursa Malaysia Listing Requirement: Chapter 9, Appendix 9B, Part A
For the three month period ended 30 June 2023****22. Significant related party transactions**

There were no significant recurrent related party transactions.

23. Events after the reporting period

There was no material events that have arisen subsequent to the financial period ended 30 June 2023 until the date of this report.

24. Performance review

	Current quarter		Variance (%)	Cumulative quarter		Variance (%)
	3 months ended			3 months ended		
	30 June 2023 RM'000	30 June 2022 RM'000		30 June 2023 RM'000	30 June 2022 RM'000	
Revenue	431,610	555,162	-22.3%	431,610	555,162	-22.3%
Operating profit	27,469	48,535	-43.4%	27,469	48,535	-43.4%
Profit before tax	27,996	48,817	-42.7%	27,996	48,817	-42.7%
Profit after tax, representing profit attributable to equity holders of the Company	21,585	37,165	-41.9%	21,585	37,165	-41.9%

For the current quarter ended 30 June 2023, the Group recorded a revenue of approximately RM431.6 million, representing a decrease of 22.3% or RM123.6 million as compared to previous year corresponding quarter.

The compression in general profitability measures such as gross profit margin of 14.6% (gross profit margin of 15.7% for previous year corresponding quarter) and profit before tax margin of 6.5% (profit before tax margin of 8.8% for previous year corresponding quarter) for the current quarter ended 30 June 2023 in comparison to the same period in previous financial year were attributable to softening market demand coupled with rising production costs.

The Group incurred significant overhead costs, primarily in regards of manpower costs as a result of lower utilisation rate of manufacturing capacity of the Group which correlates with softer order books.

The Group will continue its concerted efforts in managing manpower, supply chain management and also, implementation of other cost optimisation measures at existing manufacturing bases of the Group.

SKP RESOURCES BHD.

Company No. 200001021690 (524297-T)

**Explanatory notes pursuant to Bursa Malaysia Listing Requirement: Chapter 9, Appendix 9B, Part A
For the three month period ended 30 June 2023****25. Comment on material change in profit before tax**

	Current Quarter 30 June 2023 RM'000	Preceding Quarter 31 March 2023 RM'000	Variance (%)
Revenue	431,610	500,003	-13.7%
Operating profit	27,469	21,918	25.3%
Profit before tax	27,996	21,573	29.8%
Profit after tax, representing profit attributable to equity holders of the Company	21,585	20,090	7.4%

For the current quarter ended 30 June 2023, the Group recorded a revenue of approximately RM431.6 million, representing a decrease of 13.7% or RM68.4 million as compared to the preceding quarter. Meanwhile, profit before tax increased by 29.8% or RM6.4 million to RM28.0 million as compared to preceding quarter due to favourable product assortment.

Muted financial results for current quarter ended 30 June 2023 as compared to the preceding quarter is attributed to factors as per explanation in Note 24.

26. Commentary on prospects

In view of challenging macroeconomic outlook, the Group will remain vigilant with future order book received from customers and continues to apply its concerted effort which primarily focuses on manpower and supply chain management in addition to other cost optimisation measures.

As of the date of this report, the Group successfully obtained certificate of completion and compliance in regards of the new factory building constructed on a piece of land at Negeri Johor having land size of approximately 6.4 acres.

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

Meanwhile, the Group is mindful of significant credit concentration risk that may arise from major customer and continuously seek to diversify its customer base. All in all, against the aforementioned headwinds, the Board is positive that the Group will sustain its resilience by maintaining robust financial position at all time.

SKP RESOURCES BHD.

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**Explanatory notes pursuant to Bursa Malaysia Listing Requirement: Chapter 9, Appendix 9B, Part A
For the three month period ended 30 June 2023**

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

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 further details.

31. Disclosure of nature of outstanding derivatives

There is 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 2023 or the previous financial year ended 31 March 2023.

33. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 30 June 2023 or the previous financial year ended 31 March 2023.

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 2023 and 31 March 2023.

35. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 March 2023 was not qualified.