

SKP RESOURCES BERHAD

[Registration No. 200001021690 (524297-T)]
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTY-FIRST ANNUAL GENERAL MEETING OF THE COMPANY HELD ON A FULLY VIRTUAL BASIS VIDE THE ONLINE MEETING PLATFORM HOSTED ON SECURITIES SERVICES E-PORTAL AT [HTTPS://SSHSB.NET.MY/](https://sshsb.net.my/) PROVIDED BY SS E SOLUTIONS SDN. BHD. IN MALAYSIA ON WEDNESDAY, 29 SEPTEMBER 2021 AT 3:00 P.M.

DIRECTORS	: Dato' Gan Kim Huat Mr. Gan Poh San Mr. Koh Chin Koon Mr. Koh Song Heng Ms. Anita Chew Cheng Im Mr. Goh Kah Im	<i>(Executive Chairman cum Managing Director)</i> <i>(Chairman of the Meeting) /</i> <i>(Executive Director)</i> <i>(Non-Independent Non-Executive Director)</i> <i>(Independent Non-Executive Director)</i> <i>(Independent Non-Executive Director)</i> <i>(Independent Non-Executive Director)</i>
MEMBERS	: As per Attendance List	
PROXY HOLDERS	: As per Attendance List	
INVITEES	: As per Attendance List	
IN ATTENDANCE	: Mr. Kau Wai Faun Ms. Lee Ming Li Ms. Chua Siew Chuan Ms. Yau Jye Yee Ms. Rachel Chong Ms. Alya Atiqah Binti Shaharul Nizam	<i>(Group Financial Controller)</i> <i>(External Auditors)</i> <i>(Company Secretary)</i> <i>(Assisting the Company Secretary)</i> <i>(Assisting the Company Secretary)</i> <i>(Assisting the Company Secretary)</i>

LETTER RECEIVED FROM MINORITY SHAREHOLDERS WATCH GROUP

The Chairman highlighted that the Company had received a letter from the Minority Shareholders Watch Group ("**MSWG**") dated 22 September 2021.

For the benefit of all present, the Company Secretary read and presented the questions raised by the MSWG as well as the reply in response to the questions raised. A copy of MSWG's letter dated 22 September 2021 together with the Company's written reply dated 28 September 2021 is attached herein as "**Appendix A**".

SUMMARY OF KEY MATTERS DISCUSSED AT THE PROPOSED TWENTY-FIRST ANNUAL GENERAL MEETING

The following are the key questions that were raised by shareholders during the Meeting, which were adequately responded by the Chairman of the Meeting:-

1. Question:

- (i) What is the Company's future outlook?;
- (ii) How much was the impact of the Company due to the Movement Control Order ("**MCO**")?;
- (iii) How much is the cost saving of this virtual AGM as compared to the physical AGM?;
and
- (iv) Any door gifts such as e-vouchers or e-wallet for those who participated in the AGM?

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(Summary of Minutes of the Twenty-First Annual General Meeting held on 29 September 2021 - cont'd)

Answer:

- (i) The Management believed that the Company is able to tackle the challenges which has been proven in the 2021 financial results of the Group with the best recorded profit and revenue as compared to the past years. The Management foresee the Company's prospect remains bright with the hard work of the stakeholders to overcome all the challenges;
- (ii) There was no material impact to the Company due to the MCO announced by the Government;
- (iii) There was not much cost difference between virtual AGM and physical AGM; and
- (iv) The Company has no policy to provide door gifts to shareholders who participated in annual general meeting. The Company would reward its shareholders equally with better rate of dividends.

2. Question:

Any significant order received recently and any new customers?

Answer:

The Company had received orders from several new customers for non-Electronics Manufacturing Services ("**EMS**") segment and the Management hope to remain profitable in subsequent years.

3. Question:

SKP Group reported a very encouraging results for the 1st Quarter 2022 with a 223% increase in Profit Before Tax and 29% increase in Revenue.

- (i) Due to the disruption caused by the pandemic since June 2021, can the Group continue to achieve similar results in the remaining quarters of financial year 2022?
- (ii) Has there been an improvement since trade Receivables as at 30 June 2021 amounted to RM451 million while inventories remained high at more than RM200 million?

Answer:

- (i) Barring unforeseen circumstances, the Company is in good position to continue to achieve similar results in the remaining quarters of financial year 2022.
- (ii) The improvement in trade receivable is quite in line with the increase in sales of the Group. The control of inventories is always a priority to the Group and the Management are always mindful to monitor the inventories of the Group on monthly basis to ensure the inventories are well control.

4. Question:

The Company has communicated in its latest quarterly results that it will continue to expand its Printed Circuit Board Assembly ("**PCBA**") business. Is the PCBA business form part of the existing EMS business or a new business segment? If it is a new business segment, what is current revenue contribution from PCBA?

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Answer:

The Group started with the PCBA business several years ago and it is part of EMS business of the Group and which is now become a one-stop EMS service provider and it has yielded an encouraging result from the past years. With the current revenue of RM150 million, the Group targeted to achieve the revenue of RM250 million next year and it is a good revenue contribution to the Group.

5. Question:

Who are the five (5) new customers?

Answer:

The five (5) new customers are from non-EMS sector, namely Kerry International, Kerry Ingredients Sdn. Bhd., Automotive Valeo Japan, Koito Japan and Malaysia and Kent Precision.

1.0 AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND THE AUDITORS THEREON

The Shareholders received the Audited Financial Statements for the financial year ended 31 March 2021 together with the Reports of the Directors and the Auditors thereon.

2.0 APPROVAL OF RESOLUTIONS

The Shareholders at the meeting resolved and approved the following resolutions by way of poll:-

**ORDINARY RESOLUTION 1
RE-ELECTION OF MR. KOH CHIN KOON WHO RETIRES IN ACCORDANCE WITH
CLAUSE 119 OF THE COMPANY'S CONSTITUTION**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
In favour	971,589,061	95.2404
Against	48,555,001	4.7596
TOTAL		100.0000

**ORDINARY RESOLUTION 2
RE-ELECTION OF MS. ANITA CHEW CHENG IM WHO RETIRES IN ACCORDANCE
WITH CLAUSE 118 OF THE COMPANY'S CONSTITUTION**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
In favour	1,077,365,229	99.6763
Against	3,498,633	0.3237

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(Summary of Minutes of the Twenty-First Annual General Meeting held on 29 September 2021 - cont'd)

TOTAL	100.0000
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**ORDINARY RESOLUTION 3
RE-ELECTION OF MR. GOH KAH IM WHO RETIRES IN ACCORDANCE WITH
CLAUSE 118 OF THE COMPANY'S CONSTITUTION**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
In favour	1,079,992,104	99.9193
Against	871,758	0.0807
TOTAL		100.0000

**ORDINARY RESOLUTION 4
PAYMENT OF DIRECTORS' FEES OF RM184,356.00 FOR THE FINANCIAL YEAR
ENDED 31 MARCH 2021**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
In favour	1,080,682,590	99.9857
Against	154,572	0.0143
TOTAL		100.0000

**ORDINARY RESOLUTION 5
PAYMENT OF DIRECTORS' FEES OF RM457,500.00 FOR THE PERIOD FROM 1
APRIL 2021 TO 30 SEPTEMBER 2022, TO BE PAYABLE ON A QUARTERLY BASIS
IN ARREARS**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
In favour	1,080,677,521	99.9852
Against	159,641	0.0148
TOTAL		100.0000

**ORDINARY RESOLUTION 6
RE-APPOINTMENT OF ERNST & YOUNG PLT AS AUDITORS OF THE COMPANY
UNTIL THE CONCLUSION OF THE NEXT ANNUAL GENERAL MEETING AND TO
AUTHORISE THE DIRECTORS TO FIX THEIR REMUNERATION**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
In favour	1,080,096,160	99.9930
Against	76,127	0.0070
TOTAL		100.0000

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(Summary of Minutes of the Twenty-First Annual General Meeting held on 29 September 2021 - cont'd)

SPECIAL BUSINESS
ORDINARY RESOLUTION 7
RETENTION OF MR. KOH SONG HENG AS AN INDEPENDENT DIRECTOR OF THE COMPANY

	No. of Shares Voted	
	No. of Shares	Percentage (%)
In favour	788,874,805	77.3309
Against	231,253,657	22.6691
TOTAL		100.0000

SPECIAL BUSINESS
ORDINARY RESOLUTION 8
AUTHORITY TO ISSUE SHARES PURSUANT TO COMPANIES ACT 2016

	No. of Shares Voted	
	No. of Shares	Percentage (%)
In favour	988,004,177	91.4101
Against	92,844,085	8.5899
TOTAL		100.0000

SPECIAL BUSINESS
ORDINARY RESOLUTION 9
PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY")

	No. of Shares Voted	
	No. of Shares	Percentage (%)
In favour	1,080,718,183	99.9890
Against	118,979	0.0110
TOTAL		100.0000

TERMINATION

The Meeting concluded at 4:00 p.m.



28th September 2021

Minority Shareholders Watch Group

Tingkat 11, Bangunan KWSP,
No. 3, Changkat Raja Chulan,
Off Jalan Raja Chulan,
50200 Kuala Lumpur.

Attn : Mr Devanesan Evanson (CEO)

Re: 21st Annual General Meeting (AGM) of SKP Resources Bhd to be held on Wednesday, 29 September 2021

With reference to your letter dated 22 September 2021, below please find our answer to your queries:

Operational and Financial Matters

1. Due to the imposition of the Movement Control Order (“MCO”) on 16th March 2020, the Group had an extremely difficult start for FY2021 as most of its factories suspended its operations during that time. Practically for the entire month of April 2020, only 2 of its plants which were classified as essential services and were allowed to operate. (Page 15 of Annual Report – AR)

(a) Currently, how many plants does the Group have; how many are operating and at what capacity or average utilization rate?

(b) What are the plant expansion developments in progress and what are the plans moving forward?

Our Reply

As at date of this letter, SKP Resources Bhd and its subsidiaries (“SKP Group”) have 22 plants which are operating at the average utilisation rate ranging from 70% to 80%.

The plant expansion developments are in progress and the plans moving forward for SKP Group consists of further expansion of production capacity besides increased footprint at Senai, Johor to cater for growing demand from SKP Group’s customers.

2. In FY2021, the Group registered a steady growth in both its EMS and non-EMS sectors. (Page 16 of AR)

What is the percentage of revenue contribution for each sector? What are the respective revenue growth rates and the outlook going forward?

Our Reply

The percentage of revenue contribution for EMS and non-EMS sectors are 81% (2020: 76%) and 19% (2020: 24%), respectively.

The percentage of revenue growth rate for EMS and non-EMS sectors are 29% (2020: 14%) and 5% (2020: 1%), respectively.

The directors expects that robust demand from EMS sectors to continue in upcoming financial years.



3. The Group recorded a revenue of RM2.25 billion as compared to RM1.83 billion in the previous financial year representing a 23% increase. Additionally, the Group achieved a PAT of RM133.24 million for FY2021 as compared to RM72.14 million for FY2020, representing an 85% year-on-year increase due to overall improved capacity utilization and the launch of several new products during the year. (Page 16 of AR)

How many new products were launched during the year? How significant was the total contribution from these new products and what is the outlook going forward?

Our Reply

SKP Group primarily acting as contract manufacturer for its customers and periodically receive orders from them.

During the current financial year, there were 2 new production lines which contributed additional RM433 million in term of revenue of SKP Group.

SKP Group is optimistic on the business outlook. The combination of ongoing trade war between US and China as well as the rising trend towards home devices will augment well for our EMS segment.

4. The Group invested RM102 million in the previous FY2020. These long-term investments (especially state of the art manufacturing facilities) have proven critical and are instrumental to allow the Group to pursue its objectives in FY2021 and beyond. During FY2021, the Group invested approximately RM56 million in properties, plant and equipment across its EMS and non-EMS businesses. (Page 16 of AR)

What is the Group's level and progress of automation? What are the capex plans for FY2022 for EMS and non-EMS businesses respectively?

Our Reply

SKP Group have invested considerable sum of capital expenditures in order to install new capabilities and capacities for the future. The capital expenditures incurred in FY2020 are mostly relates to plants, machineries, surface mount technology ("SMT"), robotic spray facilities for both EMS and non-EMS sectors.

SKP Group is cognizant of the need to have higher level of automation to reduce reliance on foreign labour in production processes.

SKP Group's annual capex for the upcoming financial year stands at approximately RM62.6 million.

5. For the current financial year to date, the Group posted its highest ever yearly revenue of RM2.25 billion as compared to RM1.83 billion in the preceding year. The sterling performance was mainly due to strong demand from existing key customers. (Page 17 of AR)

For the current financial year, did the Group manage to expand its customer base? Are there orders received or forthcoming from new customers in FY2022?



Our Reply

For the current financial year, SKP Group managed to expand its customer base. SKP Group have managed to commence and received sale orders from 5 new customers locally and globally.

SKP Group have received orders from the 5 new customers till the date of this letter periodically. In addition, out of the 5 new customers, SKP Group have commenced to received sale orders from the 4 new customers from FY2021 onwards.

6. The ongoing trade war between China and United States has resulted in several manufacturers in Asia to readjust their facilities from China to South East Asian Countries to avoid tariffs. Rising work from home initiatives due to Covid-19 has also accelerated the demand for household products hence driving the market for EMS in this application. (Page 17 of AR)

To what extent has the China US trade war and the accelerated demand for household products benefited the Group (please state amount or percentage where possible)?

Our Reply

Amidst the ongoing China US trade war, SKP Group have received several enquiries from multi-national companies which intends to diversify their manufacturing bases to South East Asian Countries.

SKP Group have benefited from the increased orders received from its customers which primarily involved in trading of various products on global market which in turn, resulted in significant contribution to the SKP Group's current year revenue. Further details on the contribution from the new product launched by SKP Group's customers are discussed in our replies towards Question No.3 from MSWG.

7. Under Other Income, for FY2021, there was Government subsidies amounting to RM3.372 million while there was none in FY2020. (Page 91 of AR)

Under what terms and conditions was the Government subsidies given? Was it one-off or will it be given periodically?

Our Reply

Government subsidies amounted to RM3.372 million (2020: RM Nil) mainly relates to government subsidies received by various subsidiaries under SKP Group as part of Wage Subsidy Program introduced by Government of Malaysia.

The main terms and conditions that govern the above-mentioned government grant inclusive of decrease in the business sale or revenue during Covid-19 Pandemic, amongst other terms and conditions.

Provision of the above-mentioned government subsidies are one-off in nature.



8. For FY2021, there was provision of RM9.447 million for slow moving and obsolete inventories. (Page 92 of AR)

How did such a substantial provision arise in FY2021 while there was none in FY2020? Does this not warrant a review of the inventory management system to mitigate such risk? Are these inventories resaleable? What is the estimated recovery value, if any?

Our Reply

The provision arises in FY2021 relates to provision for slow moving inventories caused by one-off issue which the management are actively engaging with our customers to resolve this matter.

SKP Group have a robust inventory management system and review process which involves executive in place which govern identification and mitigation of slow moving and obsolete inventories on a timely fashion. SKP Board is satisfied that for the financial year ended 31 March 2021, there were no material losses, contingencies or uncertainties as a result of weakness in the system of internal control.

Notwithstanding the above statement, SKP Board will continue to take proactive measures to strengthen the control environment and internal control system of SKP Group.

9. At the reporting date, the Group has significant concentration of credit risk that may arise from 1 (2020: 1) customer who accounted for 76% (2020: 78%) of total trade receivables. (Page 119 of AR)

Though the customer may have long satisfactory relation with the Group, such concentration risk is always a concern among shareholders. Such risk has prevailed for many years.

Has the Board taken any actions/measures to reduce or mitigate such risks?

Our Reply

SKP Group have a relatively experienced in house sale team to handle stringent requirement set up by various customers in addition to other responsibilities such as dealing and following up on various enquiries from potential customers.

As at the date of this letter, SKP Group have secured business dealing with 5 customers. Further details on the expansion of the customer base are discussed in our replies toward question No. 5 from MSWG.

SKP Group is confident that there are many valuable opportunities within EMS and non-EMS sectors in view of diversification of trade locally and globally in future and constantly pursuing for diversification in customer base, whenever opportunities arose.

Yours Sincerely,

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Kau Wai Faun
Group Financial Controller