SKP RESOURCES BHD

(Company No: 524297-T)

Incorporated in Malaysia under the Companies Act, 1965

Notes (In compliance with FRS 134)

A1. **Accounting policies and methods of computation**

The unaudited interim financial report has been prepared in accordance with FRS 134 Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB").

The interim financial report should be read in conjunction with the Group's annual audited Financial Statements for the year ended 31 March 2006.

The accounting policies and computation method adopted for the interim financial statements are consistent with those adopted for the last annual audited financial statements except for the adoption of the following new Financial Reporting Standards ("FRS") effective for the financial period beginning 1 April 2006:-

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 127	Consolidated and Separate Financial Statements
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of these FRS does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

a) FRS 3 : Business Combinations

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisitions (previously referred to as "reserve on consolidation"), after reassessment, is now recognized immediately in profit or loss. Prior to 1 April 2006, reserve on consolidation was amortised over the weighted average useful life of the non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases, it was recognized in profit or loss as those expected losses were incurred. In accordance with the transitional provision of FRS 3, the reserve on consolidation as at 1 April 2006 of RM14.153 Million was derecognized with a corresponding increase in retained earnings.

b) FRS 140 : Investment Property

Under FRS 140, properties held for rental or for capital appreciation or both are classified as investment properties.The Group has adopted the cost model of FRS 140 for investment properties which requires investment properties to be stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged to the income statement. In accordance with the transitional provisions of FRS 140, the Group has applied the new accounting policy prospectively from 1 April 2006. Therefore, the change has had no impact on amounts reported for 31 March 2006 or prior periods other than a reclassification as disclosed below:

Comparatives

The following amounts as at 31 March 2006 have been reclassified due to the adoption of FRS 140:

	Previously stated	Reclassification	Restated
	RM'000	RM'000	RM'000
Property, plant and equipment	61,369	(5,674)	55,695
Investment property	-	5,674	5,674

A2. **Qualification of financial statements**

There were no audit qualifications on the annual financial statements for the year ended 31 March 2006.

A3. **Seasonal or cyclical factors**

The business operations of the Group were not affected by any seasonal or cyclical factors.

A4. **Unusual items**

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence during the current quarter.

A5. **Nature and amount of changes in estimates**

There were no changes in estimates of amounts reported in the current quarter under review.

A6. **Issuance, cancellation, repurchase, resale and repayment of debt and equity securities**

There were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities for the current quarter under review.As at 30 June 2006, total shares repurchased were 3,670,500 and all the shares repurchased were held as treasury shares in accordance with Section 67A of the Companies Act, 1965. None of the shares held were resold or cancelled during the current quarter.

A7. **Dividend paid**

No dividend was paid or declared during the quarter under review.

A8. **Segmental reporting for the current year to date**

By business segments

	Investment holding and provision of management services	Plastic injection moulding & secondary processes	Letting of property	Mould making	Dormant	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
External sales	33	36,393	97	-	-	-	36,523
Inter-segment sales	153	5,958	195	-	-	(6,306)	-
Total	186	42,351	292	-	-	(6,306)	36,523
Results							
Operating profit	(148)	3,959	15	(9)	(2)		3,815
Interest expense							(104)
Interest income							157
Profit before taxation							3,868
Tax expense							(746)
Profit after taxation							3,122

A9. **Valuation of property, plant and equipment**

There was no revaluation for property, plant and equipment of the Group.

A10. **Material events subsequent to the end of the current quarter**

There were no material events subsequent to the end of the current quarter.

A11. **Effect of changes in the composition of the Group**

There were no material changes in the composition of the Group for the quarter under review and financial year to-date.

A12. **Changes in contingent liabilities or contingent assets**

As at 17 August 2006 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report), the group has no material contingent liabilities or assets, which upon materialisation would have a material impact on the profit or net assets of the group.

Additional information required by the BMSB Listing Requirements

B1. **Review of performance of the Company and its principal subsidiaries**

The group recorded a turnover of RM36.52 million with profit before tax of RM3.87 million for the current financial year to date as compared to RM21.59 million and RM3.13 million in the preceding year corresponding period respectively.

The increase in turnover was primarily attributed to increase of sales of certain products. In line with the increase in turnover, the profit before tax correspondingly recorded an increase.

B2. **Comparison with preceding quarter's results**

Compared with preceding quarter, the revenue increased by 42.3% from RM25.67 million to RM 36.52 million. The profit before tax increased by 95.5% from RM1.98 million to RM3.87 following the increase in sales of higher margin product during this quarter.

B3. **Current year prospects**

Barring unforseen circumstances, the Directors is optimistic of achieving satisfactory resullts for the financial year ending 31 March 2007.

B4. **Variance of actual and forecasted profit**

The group has not provided any quarterly profit forecast and therefore no variance information is available for presentation.

B5. **Taxation**

	Individual period		**Cummulative period**	
	Current year quarter	**Preceding year corresponding quarter**	**Current year to-date**	**Preceding year correspondi ng period**
	30/06/2006	**30/06/2005**	**30/06/2006**	**30/06/2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current taxation	729	288	729	288
Transfer to deferred taxation	101	160	101	160
Under/(Over) provision of deferred taxation in prior year	(84)	-	(84)	-
	746	448	746	448

The effective tax rate of the Group for the current quarter and financial year to-date is lower than the statutory income tax rate due to the utilisation of reinvestment allowances of subsidiaries.

B6. **Profit on sale of unquoted investments and/or properties**

There was no sale of unquoted investments and/or properties during the current quarter under review.

B7. **Purchase or disposal of quoted securities**

(a) The company disposed off RM1,000,000 HLB Institutional Bonds during the quarter under review with gain of approximately 2.43% per annum.

(b) Total purchase consideration of quoted securities for the current quarter and finacial year to date are as follow :-

	Current year quarter 30/06/2006 RM'000	**Current year to-date 30/06/2006 RM'000**
Total purchase consideration	2,000	2,000

(c) Investment in quoted securities as at 30 June 2006 are summarised below : -

At cost	3,855
At carrying value / book value	2,835
At market value	2,811

B8. **Status of corporate proposal**

Proposed acquisition of the entire issued and paid-up share capital of S.P.I. Plastic Industries (M) Sdn. Bhd ("SPIP"). For a total cash consideration of RM30,000,000.

On 26 April 2006, K & N Kenanga Bhd ("Kenanga") , on behalf of the Board of Directors of SKP Resources Bhd. ("SKPRB") announced that SKPRB had entered into a conditional sale and purchase agreement ("SPA") with the vendor of SPIP namely Freesia Valley Sdn Bhd ("FVSB" or "Vendor") to acquire the entire issued and paid-up share capital of SPIP comprising 150,000 ordinary shares of RM1.00 each in SPIP ("Sale Shares") for a total cash consideration of RM30,000,000 ("Purchase Consideration").

The Proposed Acquisition is conditional upon approvals being obtained from the following:-

(i) Ministry of International Trade and Industry ("MITI") ;

(ii) the shareholders of SKPRB at an Extraordinary General Meeting ("EGM") to be convened; and

(iii) any other relevant authorities (if any).

At an Extraordinary General Meeting held on 29 June 2006, the shareholders of the Company approved the proposed acquisition, and on 24 July 2006 an approval was obtained from MITI. This corporate proposal is expected to be completed soon pending shares transfer.

Status of Utilisation of Proceeds

The proceeds from public issue of RM10.80 million are expected to be fully utilised for the core business of the company and its subsidiaries by the end of this financial year.

	RM'000
Unutilised	
Upgrading of computer hardware and software	2,100
Utilised	
Purchase of machinery	6,060
Working capital	640
Listing expenses	2,000
	8,700
Total Proceeds	10,800

B9. **Borrowings and debt securities**

The company did not issue any debt securities or long term borrowing during the quarter period.

The Group's borrowings all of which were denominated in Ringgit Malaysia as at 30 June 2006 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Long term borrowings	8,666	-	8,666
Short term borrowings	1,465	-	1,465
	10,131	-	10,131

B10. **Off balance sheet financial instruments**

There are no financial instruments with off balance sheet risk as at the date of this report.

B11. **Material litigation**

There are no litigations as at 30 June 2006.

B12. **Dividend**

The board of directors does not recommend the payment of dividend for the quarter under review.

B13. **Earnings per share**

(a) Basic

Basic earnings per share is calculated by dividing the net profit for the period by the number of ordinary shares in issue during the period.

	Current year quarter 30/06/2006	**Current year to date 30/06/2006**
Net profit for the period (RM'000)	3,122	3,122
Number of ordinary shares in issue ('000)	600,000	600,000
Basic earnings per share (sen)	0.52	0.52

(b) Diluted

There is no diluted earnings per share as the Group does not have any convertible financial instruments as at the current quarter and current year to date.