

**SKB SHUTTERS CORPORATION BERHAD**  
**(Company No.430362-U)**  
**(Incorporated in Malaysia)**  
**AND ITS SUBSIDIARIES**

**Notes to the interim financial report**

1. Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with MASB 26, Interim Financial Reporting and the additional disclosure requirements as in Part A of Appendix 9B of the Revised Listing Requirements.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 30 June 2004.

The accounting policies and the methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 30 June 2004.

The following notes explain the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2004.

2. Auditors' qualification

The audit report of the preceding annual financial statements of SKB Shutters Corporation Berhad was qualified for the lack of sufficient appropriate audit evidence to ascertain the recoverability of RM4.2 million trade debts in its subsidiary, SKB Shutters Manufacturing Sdn Bhd.

The Management and the directors are actively assisting in the collection of these slow debts by expediting the final accounts of projects and agreeing to instalment payments from these debtors. Allowance for doubtful debts will be made when legal actions are sought to recover the said debts or when debtors are in financial difficulties.

3. Seasonality or cyclicity of interim operations

The business of the Group was not affected by any significant seasonal or cyclical factors.

4. Exceptional and extraordinary items

There were no material exceptional and extraordinary items for the current quarter under review except for the allowance for doubtful debts amounting to RM0.513 million.

5. Change in estimates

There were no material changes in the estimates used for the preparation of this interim financial report.

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**Notes to the interim financial report (Cont'd)**

6. Change in debt and equity securities

There were no issuance, cancellations, repurchase, resale and repayments of debt and equity securities for the financial year-to-date.

7. Dividends paid

No dividend was paid for the current quarter ended 31 March 2005.

8. Segment revenue and results

No segmental reporting as been prepared as the Group's activities are principally confined to the manufacture and sale of roller shutters and related steel products which are principally carried out in Malaysia.

9. Revaluation of property, plant and equipment

The valuation of land and buildings has been brought forward, without amendment from the previous annual report.

10. Material post balance sheet events

There were no material events subsequent to balance sheet date.

11. Changes in Group's composition

There were no changes in the composition of the Group during the current quarter ended 31 March 2005.

12. Changes in contingent liabilities and assets

The Company has given corporate guarantee to certain financial institutions for banking facilities granted to its subsidiaries for a limit up to RM57.21 million of which RM45.19 million was utilised at 31 March 2005.

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13. Review of performance of the Company and its principal subsidiaries

The Group's revenue for this quarter has decreased by 17.6% as compared to the corresponding quarter last year. The decrease in revenue was mainly due to lower demand in project sales on shutters by approximately 55%, which is in tandem with the current slow down in domestic construction industry. However, the impact from the decrease in project sales on shutters is softened by increase in racking sales and export sales for shutters.

The Group recorded a loss before taxation of RM2.524 million in the current quarter as compared to a profit before taxation of RM0.244 million in the corresponding period. The loss before taxation in the current quarter was attributable to the decrease in sales as explained above, allowance for doubtful debts amounted to RM0.513 million, cessation of capitalisation of term loan interest and depreciation of the new factory building for the current quarter amounted to RM0.460 million and RM0.363 million respectively.

14. Variation of results against preceding quarter

The Group recorded a loss before taxation of RM2.524 million in this reporting quarter on the back of a revenue of RM6.731 million. The decrease in revenue by 21% as compared to the preceding quarter was due to lower demand in project sales on shutters. The loss before taxation was mainly due to allowance for doubtful debts amounted to RM0.513 million, term loan interest and depreciation of the new factory building for the current quarter amounted to RM0.460 million and RM0.363 million respectively.

15. Current year prospects

The prevailing uncertain market conditions will be challenging for the Group. Nevertheless, the Group will continue to strive to enhance the financial performance by practicing prudent cost management and to continue to concentrate on the Group's core activities which are the manufacturing and dealing of roller shutters, racking and storage systems. Also, the Group will continuously strive to improve quality of products and developing new innovative products to increase its market share, sales revenue and profitability.

Barring any unforeseen circumstances, the Directors anticipate that the Group's performance in the remaining quarter of the financial year ending 30 June 2005 will improve.

16. Variance of profit forecast

Not applicable as no profit forecast was published.

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**Notes to the interim financial report (Cont'd)**

17. Tax expense

	3 months ended 31 Mar		9 months ended 31 Mar	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current tax expense				
Current	6	(9)	11	19
Prior		-		-
Deferred tax expense				
Current	-	-	-	-
Prior	-	-	-	-
Share of tax in associates	(12)	13	34	42
	<u>(6)</u>	<u>4</u>	<u>45</u>	<u>61</u>

18. Profit/(Loss) on sale of unquoted investments and/or properties for current quarter and financial year-to-date

There were loss on sale of properties amounting to RM46,500 during the quarter under review.

19. Purchase or disposal of quoted securities

There were no purchases or disposals of quoted shares for the period under review.

20. Status of corporate proposals

Not applicable.

21. Group borrowings and debts securities

	31 Mar 2005 RM'000
Current	
Secured	4,140
Unsecured	14,622
	<u>18,762</u>
Non-current	
Secured	<u>26,668</u>

The above borrowings are denominated in Ringgit Malaysia.

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**Notes to the interim financial report (Cont'd)**

22. Off balance sheet financial instruments

The Group did not have any financial instruments with off balance sheet risk as at 25th May 2005 (the latest practicable date which is not earlier than 7 days from the date of issuance of this quarterly report).

23. Changes in material litigation

There were no changes in the material litigation as that disclosed in the annual financial statements for the year ended 30 June 2004.

24. Proposed dividend

No dividend has been recommended for the quarter ended 31 March 2005.

25. Basic (loss)/earnings per share

The calculation of basic loss per share for the quarter is based on the net loss attributable to ordinary shareholders of RM2,518,000 and the weighted average number of ordinary shares outstanding during the quarter of 40,000,000.

26. Capital commitments

	31 March 2005 RM'000
Property, plant and equipment	
Contracted but not provided for in the financial statements	<u>486</u>

27. Related party transactions

There were no non-recurring related party transactions during the quarter under review.

BY ORDER OF THE BOARD

Sin Kheng Lee  
Executive Chairman and Group Managing Director  
Dated : 31 May 2005