

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 FRS 134, Interim Financial Reporting and the additional disclosure requirements as set out 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 2005.

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 2005.

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 2005.

2. Auditors' qualification

No qualification on the audit report of the preceding annual financial statements of SKB Shutters Corporation Berhad.

3. Seasonality or cyclicity of interim operations

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

4. Exceptional and extraordinary items

There were no material exceptional and extraordinary items for the period under review.

5. Change in estimates

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

6. Change in debt and equity securities

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

7. Dividends paid

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

8. Segment revenue and results

No segmental reporting has been prepared as the Group's activities are principally confined to the manufacture and sale of roller shutters and related steel products, racking and storage systems 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 December 2005.

12. Changes in contingent liabilities and assets

There were no changes in contingent liabilities and assets for the Group as at 20 February 2006 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

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

The Group's revenue for this quarter has increased by 31% as compared to the corresponding quarter. The increase in revenue was mainly due to higher demand in spare parts sales, increase in racking sales for export and local market by 74% and 43% respectively.

The Group recorded a profit before taxation of RM0.029 million in the current quarter as compared to a loss before tax of RM1.358 million in the corresponding period. The increase in the profit before taxation for the quarter was mainly contributed by the increase in revenue and decrease in administrative and operating expenses.

14. Variation of results against preceding quarter

The Group recorded a profit before taxation of RM0.029 million in this reporting quarter on the back of revenue of RM11.192 million. The increase in profit before taxation as compared to the preceding quarter was mainly due to the increase in racking sales locally and in export market.

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 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 are hopeful that the Group's performance in the remaining quarters of the financial year ending 30 June 2006 will improve.

16. Variance of profit forecast

Not applicable as no profit forecast was published.

17. Tax expense

	3 months ended		6 months ended	
	31 Dec		31 Dec	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Current	105	3	184	5
Prior	-	-	-	-
Deferred tax expense				
Current	-	-	-	-
Prior	-	-	-	-
Share of tax in associate	26	23	45	47
	<u>131</u>	<u>26</u>	<u>229</u>	<u>52</u>

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

There were no profits on sale of investments and properties as there were no disposals of investments and properties 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 December 2005 RM'000
Current	
Secured	4,670
Unsecured	10,911
	<u>15,581</u>
Non-current	
Secured	26,543
Unsecured	247
	<u>26,790</u>

The above borrowings are denominated in Ringgit Malaysia.

22. Off balance sheet financial instruments

The Group did not have any financial instruments with off balance sheet risk as at 20 February 2006 (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

The Group was not engaged in any material litigation as at 20 February 2006 (the latest practicable date which is not earlier than 7 days from the date of issuance of this quarterly report).

24. Proposed dividend

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

25. Basic earnings per share

The calculation of basic earnings per share for the quarter is based on the net loss attributable to ordinary shareholders of RM103,249 and the weighted average number of ordinary shares outstanding during the quarter of 40,000,000.

26. Capital commitments

	31 December 2005 RM'000
Property, plant and equipment Contracted but not provided for in the financial statements	<u>415</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 : 27th February 2006