

**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 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 30 June 2006.

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

Land and building were revalued at 30 June 2006 by an independent firm of valuers on an open market value basis. As a result of the update, revaluation deficits and surpluses of RM209,367 and RM5,406,451 (net of deferred tax) respectively, have been charged to income statement and transferred to property revaluation reserve account accordingly.

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 30 June 2006.

12. Changes in contingent liabilities and assets

There were no changes in contingent liabilities and assets for the Group as at 25 August 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 23.56% as compared to the corresponding quarter. The increase in revenue was mainly due to higher demand in shutters sales for export and local market by 77.79% and 19.53% respectively. The supply of new products, namely furniture parts and steel door also contributed 5.01% and 6.23% of the total revenue respectively.

The Group recorded a profit before taxation of RM0.412 million in the current quarter as compared to a loss before tax of RM1.251 million in the corresponding period. The increase in the profit before taxation for the quarter was mainly contributed by the increase in revenue, improved cost controls and decrease in operating expenses.

14. Variation of results against preceding quarter

The Group recorded a profit before taxation of RM0.412 million in this reporting quarter on the back of revenue of RM10.151 million. The increase in profit before taxation as compared to the preceding quarter was mainly due to the increase in shutters sales locally and in export market. The supply of new products, namely furniture parts and steel door also contributed 5.01% and 6.23% of the total revenue respectively.

15. Current year prospects

Barring unforeseen circumstances, the Directors anticipate that 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 strives to improve quality of products and developing new innovative products to increase its market share, sales revenue and profitability.

16. Variance of profit forecast

Not applicable as no profit forecast was published.

17. Tax expense

	3 months ended		12 months ended	
	30 Jun		30 Jun	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Current	202	146	386	151
Prior	(152)	(76)	(152)	(76)
Deferred tax expense				
Current	277	(1,137)	277	(1,137)
Prior	28	(8)	28	(8)
Share of tax in associate	(2)	(12)	76	35
	<u>353</u>	<u>(1,087)</u>	<u>615</u>	<u>(1,035)</u>

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

There were no profit/(loss) on sale of investments and/or properties as there were no disposals of investments and/or 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

	30 June 2006 RM'000
Current	
Secured	4,797
Unsecured	7,692
	<u>12,489</u>
Non-current	
Secured	25,647
Unsecured	162
	<u>25,809</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 25 August 2006 (the latest practicable date which is not earlier than 7 days from the date of issuance of this quarterly report).

23. Litigation

On 14 August 2006, one of the Group's wholly-owned subsidiaries, SKB Shutters Manufacturing Sdn Bhd vide Messrs Gunaseelan and associates served a WRIT, Civil Suit No.S3-23-75-2006 on the solicitors for the defendant, Messrs Shearn Delamore & Co demanded for general damages not less than RM250,000/- to be paid by Standard Chartered Bank Malaysia Berhad within eight (8) days after served the said WRIT for the following claims:-

- a) General compensation for breach of contract
- b) General compensation on written defamation and oral defamation
- c) Interest rate 8% per annum from 10 March 2006 to judgment on the general compensation
- d) Interest rate 8% per annum from judgment to the full settlement of the general compensation
- e) Defendant to pay the Plaintiff the cost of this legal proceeding
- f) Continuous and other relief which is fair as determine by the High Court.

23. Litigation (cont'd)

The above claim had been announced to Bursa Malaysia Securities Berhad and Securities Commission on 14 August 2006.

24. Proposed dividend

No dividend has been recommended for the quarter ended 30 June 2006.

25. Basic earnings per share

The calculation of basic earnings per share for the quarter is based on the net profit attributable to ordinary shareholders of RM58,353 and the weighted average number of ordinary shares outstanding during the quarter of 40,000,000.

26. Capital commitments

	30 June 2006 RM'000
Property, plant and equipment Contracted but not provided for in the financial statements	<u>128</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: 30 August 2006