

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 2006.

2. Changes in accounting policies

The accounting policies and the methods of computation adopted by SKB Shutters Corporation Berhad., its subsidiaries and associated company (“the Group”) in this interim financial report are consistent with those adopted in the financial statements for the year ended 30 June 2006 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 July 2006.

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 124	Related Party Disclosures
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments; Disclosure and Presentation
FRS 133	Earning Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 102, 108, 110, 116, 121, 127, 128, 132 and 133 does not have a significant 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:

The adoption of the above new/revised FRS has resulted in changes in accounting policies as follows:

(a) FRS 101: Presentation of financial statements

The adoption of the revised FRS 101 has affected the presentation of the share of results of associates. Share of results in associates is now disclosed net off tax and minority interest in the consolidated income statement.

(b) *FRS 117 : Leases*

With the adoption of FRS 117, the leasehold interest in the land held for own use is accounted for as being held under an operation lease. Such leasehold land will no longer be revalued.

Prior to 1 July 2006, leasehold land was classified as property, plant and equipment and was stated at cost/valuation less accumulated depreciation and accumulated impairment losses. Such prepaid lease payment will now be amortized over the remaining lease term of the land.

The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively in accordance with FRS 117 by restating the balance sheet presentation as at 30 June 2006. There is no impact to the unappropriated profits of the Group as at 30 June 2006.

The Group has adopted the above FRS in its financial statements since 1 July 2006. The following comparative amounts have been restated due to the adoption of the revised FRS:

	As previously reported (RM'000)	Effect of adopting FRS 117 (RM'000)	As restated (RM'000)
As at 30/06/2006			
- Property, plant and equipment	80,554	(9,932)	70,622
- Prepaid lease payments	-	9,932	9,932

(c) *FRS 3: Business Combination and FRS 136: Impairment of Assets*

Effective from 1 July 2006 and in accordance with FRS 3, where the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. previously known as negative goodwill). The excess is recognized immediately in the income statement as it arises. Prior to 1 July 2006, negative goodwill of the Group was carried on the consolidated balance sheet without amortization. In accordance with the transitional provision of FRS 3, negative goodwill of RM205,397 was derecognized with a corresponding increase in retained earnings.

3. Auditors' qualification

There were no qualifications on the audit report of the preceding annual financial statements of SKB Shutters Corporation Berhad.

4. Seasonality or cyclicity of interim operations

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

5. Exceptional and extraordinary items

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

6. Change in estimates

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

7. 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.

8. Dividends paid

No dividend was paid for the current quarter ended 30 September 2006.

9 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.

10. Valuation of property, plant and equipment

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

11. Material post balance sheet events

There were no material events subsequent to balance sheet date.

12. Changes in Group's composition

There were no changes in the composition of the Group during the current quarter ended 30 September 2006.

13. Changes in contingent liabilities and assets

There were no changes in contingent liabilities and assets for the Group as at 23 November 2006 (being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

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

The Group's revenue for this quarter has decreased by 0.12% as compared to the corresponding quarter in the preceding year. The decrease in revenue was mainly due to weaker domestic demand for project roller shutters.

Despite of the lower revenue, the Group recorded a profit before taxation of RM1.310 million for the current quarter and current quarter to date as compared to RM0.219 million in the preceding year corresponding period. The increase in the profit before taxation for the quarter was mainly due to the effective cost controls measures implemented and bad debts recovered.

15. Variation of results against preceding quarter

The Group recorded a profit before taxation of RM1.310 million in this reporting quarter on the back of revenue of RM9.88 million. The increase in profit before taxation as compared to the preceding quarter was mainly due to the effective cost controls measures implemented and bad debts recovered.

16. 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, steel door, 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.

17. Variance of profit forecast

Not applicable as no profit forecast was published.

18. Tax expense

	3 months ended 30 Sep		3 months ended 30 Sep	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current tax expense				
Current	180	80	180	80
Prior	-	-	-	-
Deferred tax expense				
Current	-	-	-	-
Prior	-	-	-	-
Share of tax in associate	-	18	-	18
	<u>180</u>	<u>98</u>	<u>180</u>	<u>98</u>

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

There were no disposals of investments and properties during the quarter under review.

20. Purchase or disposal of quoted securities

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

21. Status of corporate proposals

Not applicable.

22. Group borrowings and debts securities

	30 Sep 2006 RM'000
Current	
Secured	4,801
Unsecured	11,293
	<u>16,094</u>
Non-current	
Secured	24,906
Unsecured	119
	<u>25,025</u>

The above borrowings are denominated in Ringgit Malaysia.

23. Off balance sheet financial instruments

The Group did not have any financial instruments with off balance sheet risk as at 23 September 2006 (being the latest practicable date which is not earlier than 7 days from the date of issuance of this quarterly report).

24. Litigation

Kuala Lumpur High Court
Suit No. S3-23-75-2006
SKB Shutters manufacturing Sdn Bhd
-v- Standard Chartered Bank Malaysia Berhad

On 14th 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:-

1. General compensation for breach of contract
2. General compensation on written defamation and oral defamation
3. Interest rate 8% per annum from 10 March 2006 to judgment on the general compensation.
4. Interest rate 8% per annum from judgment to the full settlement of the general compensation.
5. Defendant to pay the Plaintiff the cost of this legal proceeding
6. Continuous and other relief which is fair as determine by the High Court.

On 2nd October 2006, SCB had filed their defence, denying liabilities.

25. Proposed dividend

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

26. 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 RM1,130,105 and the weighted average number of ordinary shares outstanding during the quarter of 40,000,000.

27. Capital commitments

	30 Sep 2006 RM'000
Property, plant and equipment Contracted but not provided for in the financial statements	<u>12.6</u>

28. 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 : 29th November 2006