

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 2007.

2. Changes in accounting policies

The accounting policies and the methods of computation adopted by SKB Shutters Corporation Berhad., its subsidiaries and associate (“the Group”) in this interim financial report are consistent with those adopted in the financial statements for the year ended 30 June 2007 except for the adoption of the following applicable new/revised Financial Reporting Standards and Interpretations effective for the financial period beginning 1 January 2007 and 1 July 2007 respectively:

Standard/Interpretation

Amendment to FRS 119₂₀₀₄, Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

FRS 6, Exploration for and Evaluation of Mineral Resources

Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation

IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities

IC Interpretation 2, Members’ Shares in Co-operative Entities and Similar Instruments

IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IC Interpretation 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

IC Interpretation 7, Applying the Restatement Approach under FRS 129₂₀₀₄ Financial Reporting in Hyperinflationary Economies

IC Interpretation 8, Scope of FRS 2

FRS 107, Cash Flow Statements

FRS 111, Construction Contracts

FRS 112, Income Taxes

FRS 118, Revenue

FRS 120, Accounting for Government Grants and Disclosure of Government Assistance

FRS 134, Interim Financial Reporting

FRS 137, Provisions, Contingent Liabilities and Contingent Assets

FRS 6, FRS 111, FRS 120, FRS 134, Amendment to FRS 119₂₀₀₄, Amendment to FRS 121 and the Interpretations listed above are not applicable to the Group and to the Company. Hence, no further disclosure is warranted.

FRS 112 addresses the accounting treatment for income taxes. However, FRS 112 does not prescribe the accounting treatment for reinvestment allowance and investment tax allowance. In the current accounting policy for income taxes, reinvestment allowance or investment tax allowance is treated as the tax base of an asset. The Group and the Company have not yet determined whether this accounting policy needs to be changed.

The initial applications of the other standards are not expected to have any material impact on the financial statements of the Group and of the Company.

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 were 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

The proposed first and final dividend of 3% per ordinary share less 27% tax in respect of the financial year ended 30 June 2007 has not been accounted for in the financial statement. The dividend is subject to the approval of shareholders at the forthcoming Annual General Meeting. The net dividend per ordinary share as disclosed in the income statements takes into account of the proposed final dividend for the financial year ended 30 June 2007.

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 2007.

13. Changes in contingent liabilities and assets

There were no changes in contingent liabilities and assets for the Group as at 17 November 2007 (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 increased by 77.62% or RM7.672 million as compared to the corresponding quarter in the preceding year. The increase in revenue was mainly due to the increase in both roller shutters and furniture parts sales.

The Group recorded a profit before taxation of RM2.939 million for the current quarter and current quarter to date as compared to RM1.310 million in the preceding year corresponding period. The increase in the profit before taxation for the quarter was mainly due to the increase in revenue.

15. Variation of results against preceding quarter

The Group recorded a profit before taxation of RM2.939 million in this reporting quarter on the back of revenue of RM17.556 million. The increase in profit before taxation as compared to the preceding quarter was mainly due to the increase in both roller shutters and furniture parts sales.

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.

Additionally, the Group has also obtained approval from UL 10B, Fire Endurance and Hose Stream Test Investigation of SKB Shutters Type SKB-A7, Rolling Steel Type Fire Door Assembly conducted at UL's Northbrook, IL Test Facility, and the group has passed the Insulated Fire Resistant Steel Door test at SIRIM QAS International Sdn. Bhd., which will further augur well for the Group's future prospect.

17. Variance of profit forecast

Not applicable as no profit forecast was published.

18. Tax expense

	3 months ended 30 Sept	
	2007 RM'000	2006 RM'000
Current tax expense		
Current	74	180
Prior	-	-
Deferred tax expense		
Current	-	-
Prior	-	-
	74	180

The disproportionate tax charge is mainly due to the non taxable income derived from the disposal of land and building by a subsidiary company.

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

On 19 July 2007, a Wholly-Owned Subsidiary, SKB Shutters Manufacturing Sdn Bhd had disposed off its assets held for sale and recognized a net gain of RM0.754 million.

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 2007 RM'000
Current	
Secured	5,158
Unsecured	9,643
	14,801
Non-current	
Secured	20,547
Unsecured	-
	20,547

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 17 November 2007 (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 2007.

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 RM2,864,662 and the weighted average number of ordinary shares outstanding during the quarter of 40,000,000.

27. Capital commitments

	30 Sep 2007 RM'000
Property, plant and equipment	
Contracted but not provided for in the financial statements	<u>13</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: 26th November 2007