



STAMFORD COLLEGE BERHAD

(Company No. 194977-A)

(Incorporated in Malaysia)

Part A – Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of FRS 134 : Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2006 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with FRS 134 Interim Financial Reporting requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2005 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with FRSs.

The financial information relating to financial year ended 31 December 2005 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements other than those that have been restated as a result of the change in accounting policies.

2. Changes in accounting policies

The MASB has issued a total of 18 new and revised Financial Reporting Standards (FRSs, which term collectively includes the MASB's Issue Committee's Interpretations) that are effective for accounting periods beginning on or after 1 January 2006.

The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2006.

The FRSs that will be effective in the annual financial statements for the year ending 31 December 2006 may be affected by the issue of additional interpretations or other changes announced by MASB subsequent to the date of issuance of this interim report.



STAMFORD COLLEGE BERHAD

(Company No. 194977-A)

(Incorporated in Malaysia)

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2006:

| | |
|---------|--|
| FRS 2 | Share-based Payment |
| FRS 3 | Business Combinations |
| FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| 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 121 | The Effects of Changes in Foreign Exchange Rates |
| FRS 127 | Consolidated and Separate Financial Statements |
| FRS 128 | Investments in Associates |
| FRS 131 | Interests in Joint Ventures |
| FRS 132 | Financial Instruments: Disclosure and Presentation |
| FRS 133 | Earnings Per Share |
| FRS 136 | Impairment of Assets |
| FRS 138 | Intangible Assets |
| FRS 140 | Investment Property |

In addition to the above, the Group has also taken the option of early adoption FRS 117 Leases for the financial period beginning 1 January 2006.

The adoption of FRS 2, 3, 5, 102, 108, 110, 121, 128, 131, 132, 136 and 140 does not have significant financial impact on the Group.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 January 2006 which have been reflected in this interim financial report.

(a) Leasehold land (FRS 117 Leases)

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The upfront payments made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term. Prior to 1 January 2006, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation.

Upon the adoption of the revised FRS 117 at 1 January 2006, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and the comparative amounts as at 31 December 2005 has been restated.



STAMFORD COLLEGE BERHAD

(Company No. 194977-A)

(Incorporated in Malaysia)

| In thousands of RM | Previously stated | Restated |
|---|----------------------|----------|
| At 31 December 2005 | | |
| Property, plant and equipment | 15,926 | 7,235 |
| Interest in leasehold land under an operating lease | - | 8,691 |

(b) FRS 138: Intangible Assets

The useful lives of other intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Prior to 1 January 2006, intangible assets were considered to have a finite useful life and were stated at cost less accumulated amortisation and impairment losses. Under the new FRS 138, some of the intangible assets are regarded to have an indefinite useful life when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. Intangible assets with indefinite useful lives are not amortised but instead, are tested for impairment annually. Other intangible assets of the Group with finite useful lives continue to be stated at cost less accumulated amortisation and impairment losses.

(c) Changes in presentation (FRS 101, Presentation of Financial Statements and FRS 127, Consolidated and Separate Financial Statements) – Minority interests

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 January 2006, in order to comply with FRS 101 and FRS 127, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the parent, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the parent.

The presentation of minority interests in the consolidated balance sheet, income statement and statement of changes in equity for the comparative period has been restated accordingly.

3. Auditors' report on preceding annual financial statements

The audited annual financial statements for the year ended 31 December 2005 were not subject to any qualification.

4. Seasonality of operations

The education segment of the Group's performance is seasonal. There were fewer courses conducted during this quarter.



STAMFORD COLLEGE BERHAD

(Company No. 194977-A)

(Incorporated in Malaysia)

5. Unusual items due to their nature, size or incidence

During the quarter, there was a reversal of an impairment losses of plant and equipment amounting to RM343,000 in a subsidiary. Other than this reversal, there were no other unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter and financial period ended 30 June 2006.

6. Changes in estimates

There were no changes in estimates that had a material effect in the current quarter and financial period-to-date results.

7. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter.

8. Dividends paid

No dividends were paid since the end of the previous financial year.

9. Segment reporting

The Company's primary format for reporting segment information is business segments. The Group is principally engaged in the provision of academic, tertiary and professional courses and trading of assorted steel products.

| In thousands of RM For the six months ended | Education | | Trading | | Consolidated | |
|--|------------------|-------------|----------------|-------------|---------------------|-------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Revenue from external customers | 10,307 | 9,225 | 2,120 | - | 12,427 | 9,225 |
| Segment result | (459) | (2,464) | 19 | - | (440) | (2,464) |
| Unallocated expenses | | | | | (981) | (1,408) |
| Interest Income | | | | | 7 | 150 |
| Finance Costs | | | | | (60) | (107) |
| Share of profit/(losses) of associates | | | | | 40 | (1) |
| Loss before taxation | | | | | (1,434) | (3,830) |

The Group operates predominantly in Malaysia and accordingly, information by geographical location on the Group operations is not presented.



STAMFORD COLLEGE BERHAD

(Company No. 194977-A)

(Incorporated in Malaysia)

10. Property, plant and equipment

(a) Acquisitions and disposals

During the six months ended 30 June 2006, the Group acquired items of plant and equipment with a cost of RM82,000 (six months ended 30 June 2005 : RM372,000). Item of equipment with a net book value of RM12,000 were disposed of during the six months ended 30 June 2006 (six months ended 30 June 2005 : RM6,000) resulting in a loss on disposal of RM11,000 (six months ended 30 June 2005 : gain on disposal of RM40,000).

(b) Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment brought forward from the financial statements for the year ended 31 December 2005. The Group does not adopt a revaluation policy on its property, plant and equipment.

The carrying amounts of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

11. Post balance sheet events

In the opinion of the Directors, no material events have arisen between the end of the reporting period and 23 August 2006, which is not earlier than 7 days from the date of issuance of this quarterly report, which will substantially affect the results of the Group.

12. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter.

13. Contingent Liabilities and Contingent Assets

As at date of this announcement, the company has contingent liabilities amounting to RM5,000,000 in respect of corporate guarantees given to banks to secure general banking facilities for a subsidiary company and also an amount of RM36,000 in respect of corporate guarantees given to financial institutions for hire purchase and finance lease facilities given to a subsidiary company.

14. Capital Commitments

The amount of commitment for the purchase of property, plant and equipment which was contracted but not provided for in the interim financial statements as at 30 June 2006 is RM6,402,000.



STAMFORD COLLEGE BERHAD

(Company No. 194977-A)

(Incorporated in Malaysia)

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

15. Review of Performance

Group revenue for the second quarter increased by RM0.868 million or 25.33% as compared to the corresponding quarter in the previous year. The increase in revenue was mainly due to contributions from the trading division. The trading division contributed RM0.517 million in revenue (3 months ended 30 June 2005 : Nil)

Group loss before taxation for the quarter was RM1.618 million or 47.28% lower as compared to the corresponding quarter in the previous year.

For the six months ended 30 June 2006, the Group recorded a loss before taxation of RM1.434 million as compared to RM3.830 million in the preceding year corresponding period, representing a 62.56% improvement in performance.

16. Variation of results against preceding quarter

| In thousands of RM | Current Quarter | Immediate Preceding Quarter | Variance RM'000 |
|----------------------|-----------------|-----------------------------|-----------------|
| Revenue | 4,295 | 8,132 | (3,837) |
| Loss before taxation | (1,434) | 184 | (1,618) |

Group revenue for the quarter decreased by RM3.837 million or 47.18% as compared to the preceding quarter. This was mainly due to fewer courses being conducted in the current quarter. The trading division contributed revenue amounting to RM0.517 million. (3 months ended 31 March 2006 : RM1.603 million).

17. Current year prospects

The financial performance for the current year to date has shown improvement compared to corresponding period in the previous year. The financial performance will further be enhanced through rationalisation of the centres and courses that are offered in them.

The Management will also continue to focus on niche areas of education such as Hospitality Education from the Educational Institute of the American Hotel and Lodging Association, University of East London's degree courses in Marketing, Engineering and computer Science, Secretarial courses and English courses where the Group still maintains an exclusive position.



STAMFORD COLLEGE BERHAD

(Company No. 194977-A)

(Incorporated in Malaysia)

18. Variance on Forecast Profit/Shortfall in Profit Guarantee

Not applicable as the Group did not publish any profit forecast and profit guarantee.

19. Income tax expenses

| In thousands of RM | Three months ended 30 June 2006 | Six months ended 30 June 2006 |
|---|------------------------------------|----------------------------------|
| Under/(Over) provision of Malaysia income tax in prior year | 36 | (11) |
| Deferred tax | (634) | (634) |
| | ----- | ----- |
| | (598) | (645) |
| | ----- | ----- |

The adjustment of tax in the current quarter was due to an under provision of tax in prior year for a subsidiary.

The effective tax rate for the current quarter was lower than the statutory tax rate due to utilisation of business losses carried forward.

20. Unquoted investments and properties

There was no sale of unquoted investments and/or properties for the quarter under review.

21. Quoted Securities

(a) There was no purchase and disposal of quoted securities for the quarter under review.

(b) Other Investments in quoted securities as at 30 June 2006 are as follows:-

| In thousands of RM | |
|------------------------|---|
| (i) at cost | 2 |
| (ii) at carrying value | 2 |
| iii) at market value | 6 |

22. Status of corporate proposals announced

There were no corporate proposals announced but not completed on 23 August 2006.



STAMFORD COLLEGE BERHAD

(Company No. 194977-A)

(Incorporated in Malaysia)

23. Borrowings

| In thousands of RM | At 30 June 2006 |
|--------------------------------|-----------------|
| <u>Current (unsecured)</u> | |
| Bank overdraft | 2,106 |
| Hire purchase liabilities | 157 |
| | ----- |
| | 2,263 |
| | ----- |
| <u>Non-current (unsecured)</u> | |
| Hire purchase liabilities | 304 |

The above borrowings are denominated in Ringgit Malaysia.

24. Off Balance Sheet Financial Instruments

As at the reporting date, the Group does not have any off balance sheet financial instruments.

25. Material Litigation

There is a pending suit for a disputed tenancy claim arising out of an early termination of the tenancy agreement for which provision has been made in the previous financial periods and in respect of advertising charges in which the Company denies liability. The former case is fixed for case management on 2 October 2006. The court has fixed the trial on 16 to 19 April 2007 on the latter case.

The Kuala Lumpur Sessions Court ("Court") have ordered the Company and a subsidiary to pay to a former student RM36,920 in damages plus costs and interest of 8% per annum from 25/10/2000 until full payment. Accordingly, the Company has prepared payment of RM57,889 by way of a Cashier's Order dated 10 August 2006 in favour of Plaintiff's Solicitor pursuant to the issuance of the Notice under Section 218 of the Companies Act, 1965 dated 3 July 2006 being judgement sum, interests and costs. The said Cashier's Order is presently held by the Company's Solicitors pending the outcome of the High Court decision fixed on 27 September 2006 to restrain the plaintiff. Nevertheless, our solicitors were of the view that the plaintiff/student has no merits in her claim. The Company had appealed against the said decision. The appeal to the High Court against the decision of the Court is still pending.

In addition, 25 other former students have filed similar suits against the Company and a subsidiary. However, the Company's solicitors were of the view that the Kuala Lumpur Session Court's decision is not binding on them.



STAMFORD COLLEGE BERHAD

(Company No. 194977-A)

(Incorporated in Malaysia)

26. Dividend

The Board does not recommend any interim dividend for the financial period ended 30 June 2006 (30 June 2005 : Nil).

27. Loss Per Share

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders for the period by the number of ordinary shares in issue during the period.

(b) Fully diluted loss per share

Not applicable as the market value of SCB existing shares was lower than the exercise price of converting warrants to SCB ordinary shares and there is unlikely for the warrants holders to exercise the conversion.

28. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 August 2006.

BY ORDER OF THE BOARD

CHOW CHOOI YOONG

Company Secretary

MAICSA 0772574

23 August 2006