



Reg. Trademark No. 85/B03843

SKB SHUTTERS CORPORATION BERHAD (430362-U)



FROM **STRENGTH**  
TO **STRENGTH**

20/16 ANNUAL REPORT

# CONTENTS

<b>02</b>	Chairman's Statement
<b>03</b>	Corporate Structure
<b>04</b>	Corporate Information
<b>05</b>	Directors' Profile
<b>08</b>	Key Senior Management
<b>09</b>	Statement on Corporate Governance
<b>15</b>	Other Information
<b>16</b>	Corporate Social Responsibility Statement
<b>17</b>	Statement on Risk Management and Internal Control
<b>19</b>	Audit Committee Report
<b>21</b>	Directors' Report
<b>25</b>	Statements of Financial Position
<b>26</b>	Statements of Profit or Loss and Other Comprehensive Income
<b>28</b>	Consolidated Statement of Changes In Equity
<b>29</b>	Statement of Changes In Equity
<b>30</b>	Statements of Cash Flows
<b>32</b>	Notes to the Financial Statements
<b>76</b>	Statement by Directors Pursuant to Section 169(15) of the Companies Act, 1965
<b>76</b>	Statutory Declaration Pursuant to Section 169(16) of the Companies Act, 1965
<b>77</b>	Independent Auditors' Report
<b>79</b>	List of Properties held by the Group
<b>80</b>	Analysis of Shareholdings
<b>82</b>	Notice of Annual General Meeting
<b>85</b>	Statement Accompanying Notice of Annual General Meeting Proxy Form

# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

**ON BEHALF OF THE BOARD OF DIRECTORS OF SKB SHUTTERS CORPORATION BERHAD (“SKBC”), WE PRESENT THE FINANCIAL STATEMENTS OF THE GROUP AND THE COMPANY FOR THE YEAR ENDED 30 JUNE 2016. A CHALLENGING YEAR RIDES AHEAD AND WE WILL STRIVE TO MAKE THROUGH THE TIDES.**

### FINANCIAL RESULTS

The Group registered revenue of RM55.78 million as compared to RM51.16 million in the previous financial year, which represents an increase of 9.03%. The increase in revenue was contributed mainly in the increase of sales of roller shutters, steel doors and windows systems. The Group recorded a pre-tax profit of RM0.129 million in the current financial year as compared to RM0.076 million pre-tax profit in the previous year. The increase is a result of an increase in revenue as compared to the preceding financial year.

### PROSPECTS

The first half of the financial year was a challenging year indeed with the slow down in the building and construction sector yet to recover from the weakened currency exchange and unfavourable market sentiment persist to stay. This is evident in both export & local sales response whereby the business experience significantly less sales enquiries and prospective tenders in the market. The suspension in new development projects continues to linger throughout the financial period. Across the Group, a higher sales revenue was registered given a number of large-scale projects has been carried out despite the weakened market outlook.

SKBC has positively received awarded contracts that mark a milestone in our establishment. The financial year 2016 sees an active delivery of roller shutters and steel doors for an infrastructure development as well as key flagship project for full suite windows and doors in a luxury resort. Both projects have significantly added variety, capacity and experience to our line of business. The diversity of our business also enabled us to be awarded one of the largest Automated Storage Retrieval System (“ASRS”) assignment in Vietnam catered for the seafood processing industry. This financial year was invested in time, expanding our capacity and capabilities at the same time.

As we observe the export market gaining traction in adjusting to the volatile currency fluctuations experienced in 2015, sales order are beginning to also see improvements towards the last quarter of FY2016. We continue to emphasize on market reachability to explore our positioning in the ASEAN market and nearby untapped regions. The storage division has also gauged better footing in the seafood & food processing industries and pharmaceutical sectors across the ASEAN region. With the newly awarded ASRS project, we are hoping to see a new segment within storage solutioning to enable us to be on par with other international vendors. Emphasis on ASEAN and other treaty-friendly countries also adds to our advantage when compared to other European-based vendors that has been dominant in the storage solutioning sector.

Consistent across manufacturers in Malaysia, labour resource and affordability is gradually decreasing. This has begin to reflect in our books whereby an increase in capacity

is hardly a parallel shift in cost but a heavier contribution in labour. While labour investment is proves to be significant in operating cost, much of the capacity is increased by automation. The Group shall continue to tackle the controllable factors in observing labour costs, however a larger portion of the uncontrollable factors is the challenge to attract affordable skilled work force locally. The Group intends to explore more options is decreasing capacity reliance on labour with more automated solutions.

Going forward in the FY2017, we hope to see our time and cost investments in enhancing our capabilities and extended capacity harvest better prospects both locally and overseas. Following our research and development opportunities and results for the new generation Insulated Fire-rated Shutters (“IFS”), both Singapore and Malaysia has begun materialising marketing effort with the regulation emphasizing on the requirements for these types of shutters. The IFS has also been awarded with the New Product Award along with other initiatives acknowledging its innovation and applicability.

Storage division is also gradually shifting to playing the role as a solution provider rather than a single-product manufacturer in storage solutioning. The first flagship project that covers the end-to-end solutioning within the warehouse operations shall aim to materialise in FY2017. The Group is pleased to see the storage division growing and identifying it's positioning through such efforts and shall continue to explore other areas that enable the division to gain more visibility in the market. Product improvements and designs are also consistently carried out throughout FY2016.

As the market sentiment sinks in for a lower point in building and construction, we are confident with the prospective projects on hand we shall ride through the rough waves and take this opportunity to reinvent and improve product offerings and designs as well as production capabilities.

### DIVIDEND

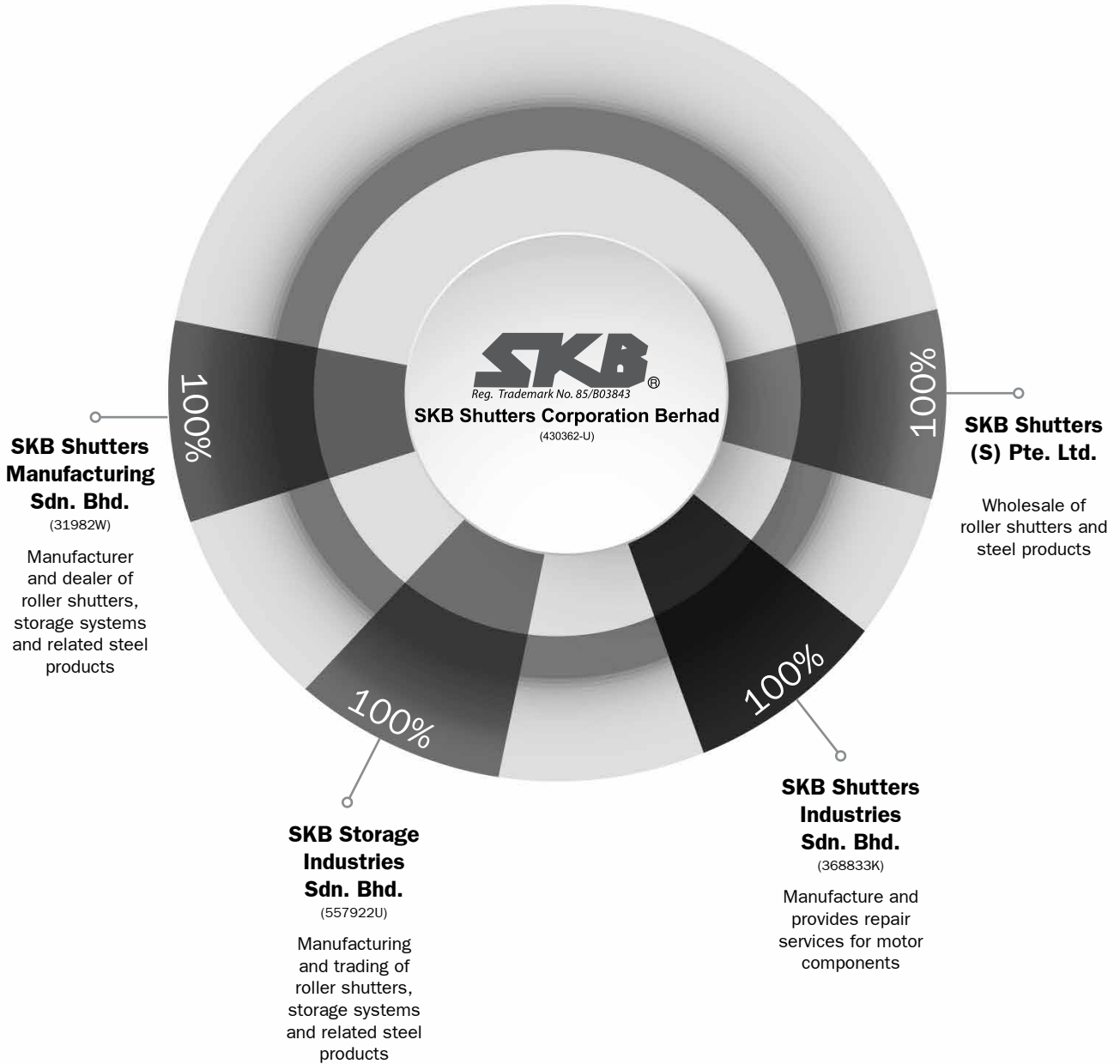
In view of the Group's performance for the financial year ended 30 June 2016, the Board does not recommend any dividend for the financial year ended 30 June 2016.

### ACKNOWLEDGEMENT

We would like to thank our shareholders, suppliers, customers and most importantly our valuable staffs for their dedication and continuous support in helping us grow regionally and sustain our positioning locally. The key driving factors of the Group is innovation and diversity and the Board hopes with the dedicated effort from all around, we shall pursue greater heights and breakthrough new segments within our field.

SIN KHENG LEE  
*Chairman*

# CORPORATE STRUCTURE





## CORPORATE INFORMATION

### BOARD OF DIRECTORS

SIN KHENG LEE *Executive Chairman and Group Managing Director*

DATO' MOEHAMAD IZAT BIN ACHMAD HABECHI EMIR *Deputy Chairman, Non-Independent Non-Executive Director*

SIN CHING SAN *Executive Director*

CHOU LEE SIN *Executive Director*

SIN SIEW HUEY *Executive Director*

SIN TZE YI *Executive Director*

YOU TONG LIOUNG @ YEW TONG LEONG *Senior Independent Non-Executive Director*

LAI LAN MAN @ LAI SHUK MEE *Independent Non-Executive Director*

MOHD ARIF BIN MASTOL *Independent Non-Executive Director*

### COMPANY SECRETARY

Chin Lee Phing (MAICSA 7057836)

### REGISTERED OFFICE

2<sup>nd</sup> Floor, Wisma Penang Garden  
42, Jalan Sultan Ahmad Shah,  
10050 Penang  
Tel. no. : (604) 2266 862  
Fax no. : (604) 2272 391

### PRINCIPAL BANKERS

Malayan Banking Berhad (3813-K)  
Ambank (M) Berhad (8515-D)  
Hong Leong Bank Berhad (97141-X)

### AUDIT COMMITTEE

- You Tong Lioung @ Yew Tong Leong (Chairman)
- Lai Lan Man @ Lai Shuk Mee
- Mohd Arif bin Mastol

### NOMINATING COMMITTEE

- Mohd Arif bin Mastol (Chairman)
- You Tong Lioung @ Yew Tong Leong
- Lai Lan Man @ Lai Shuk Mee

### REGISTRAR

AGRITEUM Share Registration Services Sdn. Bhd. (578473-T)  
2<sup>nd</sup> Floor, Wisma Penang Garden  
42, Jalan Sultan Ahmad Shah  
10050 Penang  
Tel. no. : (604) 228 2321  
Fax no. : (604) 227 2391

### AUDITORS

KPMG (Firm No. AF 0758)  
Chartered Accountants  
Level 18, Hunza Tower  
163E, Jalan Kelawei  
10250 Penang

### PRINCIPAL PLACE OF BUSINESS

Lot 22, Jalan Teknologi  
Taman Sains Selangor 1  
Kota Damansara  
47810 Petaling Jaya  
Selangor Darul Ehsan  
Website: [www.skb-shutters.com](http://www.skb-shutters.com)

### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad  
("Bursa Securities")

## DIRECTORS' PROFILE

### SIN KHENG LEE

age 59 (Male) | *Executive Chairman and Group Managing Director*

Mr Sin Kheng Lee was appointed to the Board of SKBC on 10 February 2001. He holds a Diploma in Mechanical Engineering in 1979 from the Taipei Institute of Technology in Taiwan. Upon graduation, he started his career with Sin Kean Boon Industries Sdn. Bhd. for 13 years until his resignation in May 1992. During his tenure in the company, he was the Director-in-charge of the Kuala Lumpur branch from the year 1982 till May 1992.

He subsequently pursued his career in manufacturing roller shutters where he was appointed Managing Director of SKB Shutters Manufacturing Sdn. Bhd. ("SKBM") on the 25 June 1992. He is currently responsible of the overall developments of products and businesses in SKBM, including overseeing manufacturing, administrative and operating functions of the company. With his vast experience of more than 30 years in the rollers shutters industry, he has successfully brought about the rapid expansion, modernization and diversification of the company's manufacturing activities, hence provided the necessary guidance and contribution towards management activities of the Group. He also sits on the Board of several other private companies.

He was appointed as a committee member of the Malaysia Fire Protection Association from 2009 till 2011.

### DATO' MOEHAMAD IZAT BIN ACHMAD HABECHI EMIR

age 78 (Male) | *Deputy Chairman, Non-Independent & Non-Executive Director*

Dato' Moehamad Izat was appointed to the Board of SKBC on 10 February 2001. He was appointed as a Director of SKBM on 3 March 1997. He was subsequently appointed as Deputy Chairman of SKBC on 29 August 2006. He started work after completing his secondary education. He is a prominent Malaysian businessman with extensive international business and corporate experiences.

He is the founder cum President of Malay Business and Industrialists Association of Malaysia (PERDASAMA) since it was established in December 1998. Prior to that, he was the Chairman of the Malay Chamber of Commerce, Kuala Lumpur from 1984 to 1997.

He acts as Chairman to various organizations, among others IMARTEK Sdn. Bhd. (*formerly known as IMPSA (Malaysia) Sdn. Bhd.*), Emir Holdings Group of Companies and Innopac Holdings Limited, Singapore (*formerly known as Inno Pacific Holdings Limited*).

He is an active member of delegation for almost every International Official Visit of the country's Premier. He was one of the speakers in the, "National Summit on Achieving Zero Inflation" and he was also served as Chairman of Panel Discussion on the "State Entrepreneur Education Seminar: Business Ethics in a Secured Nation", both of the events were held in Kuala Lumpur in 1995. Apart from being a participant in many economy and social related seminars and conferences locally and abroad, he is proactive Chairman of the organization Committee for various events in such nature. Most of the events he organized and aimed to improve Malay Entrepreneurs' performance in business and industry. In 2013, he has been appointed as an ICON / Mentor to over 1,000 students of MARA Polytechnic College (KPTM).

He held several key positions in United Malay National Organization (UMNO). He was the Vice Chairman of UMNO Puchong Division from 1993 to 1994. He was the Vice Chairman of UMNO Subang Division from 1994 to 1995. He was elected as Permanent Chairman of Petaling Jaya Selatan UMNO Youth from 1998 to 2001. He also held the office of Chairman of the National Consumer Affairs Council of Malaysia for three terms beginning from 1995. He was a member of Petaling Jaya Municipal Council (MBPJ) from 1992 to 1995 and a member of the Subang Jaya Municipal Council (MBSJ) from 1996 to 1998. He has been appointed by Ministry of Agriculture Malaysia as MARDI Scientific Council Member effective since June 2003 and ended in December 2013.

In February 2004, he was appointed as Committee Member for Malaysia International Trade and Industry (MITI) New Industry Plan by Ministry of International Trade and Industry Malaysia. Dato' Moehamad Izat has been appointed to be the participation member of Roundtable Discussion (RTD) and Meeting on Trans-Pacific Partnership Agreement (TPPA) with MITI.

In September 21, 2011, MTEM (Majlis Tindakan Ekonomi Melayu Bersatu / Malay Economy Action Council) was formed. MTEM is a NGO's organization to modernize the Malay economy - connecting the Malay Support Base to the Economic Transformation Program. Dato' Moehamad Izat was appointed as the Chairman of Financial Committee Member of MTEM in December 2011.

Dato' Moehamad Izat is appointed as MPUI-UITM Advisory Council Member by University-Industry Advisory Council & University of MARA Technology (UITM MPUI-UITM) from 2014 to 2016.

Due to his vast achievements and public services, he was conferred with Darjah Dato' Paduka Perak (DPMP) by the Sultan of Perak and awarded with Ahli Mangku Negara (AMN).

## DIRECTORS' PROFILE (CONTD)

**SIN CHING SAN**age 48 (Male) | *Executive Director*

Mr Sin Ching San was appointed to the Board of SKBC on 10 February 2001. He began his career shortly after completing his secondary education and Diploma studies in Taiwan. He has over 25 years of experience and exposure in the roller shutters and steel-work industry. He was appointed to the Board of SKBM on 25 June 1992. He is also the Director of several private companies. He heads the Research and Development Department of the Group, whereby his responsibilities include improvement of productivities and quality of roller shutters and other related steel-work products through innovation.

**CHOU LEE SIN**age 57 (Female) | *Executive Director*

Ms Chou Lee Sin was appointed to the Board of SKBC on 10 February 2001. She obtained a Diploma in Synthetic Commerce from Taipei, Taiwan. She started her career in Malaysia in 1982 whereby she was attached to Sin Kean Boon Metal Industries Sdn. Bhd.. She was stationed in the Kuala Lumpur branch office and was responsible for the overall administration and financial matters. In May 1992 she joined SKBM as the General Manager and was subsequently appointed as a Director of SKBM on 26 June 1997. With her experience of over 30 years in the roller shutters and steel-work industry, Ms Chou oversees administration and financial matters within the Group. She also sits on the Board of several other private companies.

**SIN SIEW HUEY**age 34 (Female) | *Executive Director*

Ms Sin Siew Huey was appointed to the Board on 15 July 2009. She graduated from Swinburne University of Technology in Melbourne with a Master in Accounting in 2005 and Bachelor in Business, majoring in Economics and Finance from RMIT University in 2004. Upon graduation, she started her career in KPMG Malaysia as an Auditor in the field of banking and finance, and Corporate Finance much later. She is a member of the CPA Australia.

**SIN TZE YI**age 29 (Female) | *Executive Director*

Ms Sin Tze Yi was appointed to the Board on 29 February 2016. A Masters of Applied Finance graduate of Monash University Melbourne, Ms Sin also holds a Bachelor of Commerce (Accounting & Finance) degree from University of Melbourne. A member of CPA Australia, she began her career at KPMG Consulting in Financial Risk Management specialising in operational risk in the banking and finance sector.

**YOU TONG LIOUNG @ YEW TONG LEONG**age 80 (Male) | *Senior Independent Non-Executive Director*

Mr You Tong Lioung was appointed to the Board of SKBC on 10 February 2001. He also chairs the Audit Committee. Mr You was appointed as member of the Nominating Committee on 29 August 2013.

Upon graduation from Nanyang University in Singapore with a Bachelor of Commerce degree majoring in Banking, Mr You naturally chose banking as his career by joining UMBC (i.e. United Malayan Banking Corporation Berhad which is presently known as RHB Bank Berhad) on 16 December 1960. It was there he was trained intensively as a Bills Officer specializing in import and export trade financing. After one year, he was posted to several branches throughout the country as Branch Manager for a period of about 23 years.

After his rounds in the branches, he resigned from UMBC and joined the Malaysian French Bank (formerly known as French Bank, and now known as Alliance Bank) in 1985 as a Branch Manager serving in several branches for a period of about 11 years.

To further his career development, he retired from the bank in November 1996 to join a construction company as a Senior Operation Manager in Kedah.

He left the construction company in July 1998 to join Kurnia Insurans (M) Bhd., a leading general insurance company in Malaysia and ASEAN, as a Senior Manager until February 2012.

He was also appointed to the Board of Toyo Ink Group Berhad as an Independent Non-Executive Director on 4 August 2003. He is also a member of their Internal Audit and Remuneration Committee.

SKBC stands to benefit significantly from Mr You vast experience and rich knowledge earned from the financial sector and other sectors over the years.

## DIRECTORS' PROFILE (CONTD)

**LAI LAN MAN @ LAI SHUK MEE**age 61 (Female) | *Independent Non-Executive Director*

Ms Lai Lan Man was appointed to the Board of SKBC on 10 February 2001. She is a member of the Audit Committee and was appointed as member of the Nominating Committee on 29 August 2013.

She obtained her first degree in B.A. (Econs) from University of Malaya in 1978 and thereafter worked in personnel management for six and a half years. She later completed her LLB through the University of London External Programme and was called to the English bar in July 1988 and then to the Malaysian Bar in 1989.

In 1990 she set-up legal practice which is now known as Messrs Lai, Yoong & Rita.

**MOHD ARIF BIN MASTOL**age 62 (Male) | *Independent Non-Executive Director*

En Mohd Arif was appointed to the Board of SKBC on 28 June 2002. He is a member of the Audit Committee and was appointed as Chairman of the Nominating Committee on 29 August 2013.

He started work after completing his Diploma in Accountancy in 1977. He then obtained his Degree in Accountancy in 1984. With that he was admitted as Member of Malaysian Institute of Accountants in 1998. He has accumulated more than 30 years of experience in Accounts, Finance & Administration with Manufacturing, Local Authority, Telecommunication and Development Company. He is also an Independent Non-Executive Director of Leader Steel Holding Berhad and Federal Furniture Holdings (M) Berhad.

**Notes:**

*All the directors are Malaysian except for Chou Lee Sin who is a Taiwanese.*

*None of the directors has any conflict of interest with SKBC, or any personal interest in any business arrangement involving SKBC other than as disclosed in the Directors' Report and Notes to the Financial Statements. None of the directors had been convicted for offences within the past 5 years other than traffic offences.*

*None of the directors has any family relationship with any director and/or major shareholder of SKBC other than:*

- (i) Chou Lee Sin who is the spouse of Sin Kheng Lee while Sin Ching San and Sin Kheng Lee are brothers*
- (ii) Sin Kheng Lee, Sin Ching San and Chou Lee Sin have interest in SKB Glory Sdn. Bhd., a substantial shareholder of SKBC.*
- (iii) Sin Siew Huey and Sin Tze Yi are the daughters of Sin Kheng Lee and Chou Lee Sin.*

*None of the directors has any other directorship in public companies except Dato' Moehamad Izat Bin Achmad Habechi Emir, Mr You Tong Lioung @ Yew Tong Leong and En Mohd Arif Bin Mastol whose directorships have been shown as above.*



## KEY SENIOR MANAGEMENT

Name : **Sin Kheng Lee**  
 Position : Managing Director  
 Company : SKBC Group  
 Age, Gender : 59, Male  
 Nationality : Malaysian  
 Date of Appointment : 10 February 2001  
 Academic / Professional Qualification(s) : Diploma in Mechanical Engineering, Taipei Institute of Technology in Taiwan

Name : **Sin Ching San**  
 Position : Executive Director  
 Company : SKBC Group  
 Age, Gender : 48, Male  
 Nationality : Malaysian  
 Date of Appointment : 10 February 2001  
 Academic / Professional Qualification(s) : Diploma studies in Taiwan and more than 25 years of hands-on manufacturing experience in steel works

Name : **Sin Siew Huey**  
 Position : Executive Director  
 Company : SKBC Group  
 Age, Gender : 34, Female  
 Nationality : Malaysian  
 Date of Appointment : 15 July 2009  
 Academic / Professional Qualification(s) : Master in Accounting, Swinburne University of Technology in Melbourne  
 Bachelor in Business, majoring in Economics and Finance, RMIT University

### Notes:

*None of the key senior management has any conflict of interest with SKBC, or any personal interest in any business arrangement involving SKBC other than as disclosed in the Directors' Report and Notes to the Financial Statements. None of the key senior management had been convicted for offences within the past 5 years other than traffic offences.*

*All the key senior management are also directors of SKBC. None of the key senior management has any family relationship with any director and/or major shareholder of SKBC other than as disclosed in the Directors' Profile.*

*None of the key senior management has any other directorship in public companies.*

# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of SKB Shutters Corporation Berhad (“the Board”) recognises the importance of corporate governance in protecting and enhancing shareholders’ value and the financial performance of the Group. Towards this end, the Board is pleased to report the manner in which the Company has applied the principles of the corporate governance and the recommendations set out in the Malaysian Code on Corporate Governance 2012 (“the Code”) during its financial year ended 30 June 2016.

## **PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD**

The objective of the principles stated in the Code is to establish the fundamental structures for effective functioning of the board.

Principally, the responsibilities of the Board cover the areas of strategic planning, risk management, succession planning, investor relation and system of internal control of the Group. In discharging these responsibilities, the Board ensures that:

- I. the Group’s business directions are established;
- ii. the solvency of the Group and its ability to meet its contractual obligations;
- iii. the Group has appropriate and adequate systems of internal control to manage risks;
- iv. board committees are established to address specific board’s agenda; and
- v. the financial statements of the Company and Group are fairly stated and conform to the relevant regulations as well as the acceptable accounting policies.

The Board has established clear functions reserved for the Board and those delegated to the Management. The delineation of board’s roles and responsibilities are also clearly set out in the Board Charter which serves as a reference point for Board activities and its supervisory role. The Board has also formalised its ethical standards in code of conduct. The objective of this code of conduct is to provide guidance. The board charter and code of conduct are available in the company’s website ([www.skb-shutters.com](http://www.skb-shutters.com)) for stakeholders’ information.

The supply, timeliness and quality of the information affect the effectiveness of the Board to overseeing the conduct of the business and to evaluate the management performance. The Board is given and have unrestricted access to timely and appropriate information to enable it to discharge its duties. Additionally, management is invited to attend the Board and Audit Committee meetings and to brief and provide explanation to the directors on the operations of the Group.

In addition, all Board members have unrestricted access to the advice and services of the Company Secretary for the purposes of the Board’s affairs and the business. The appointment and removal of Company Secretary or Secretaries of the Board shall be the prerogative of the Board as a whole. The Company Secretary appointed should be suitably qualified and competent in order to support the Board in carrying out its role and responsibilities.

The Group is committed to sustainability development by balancing the shareholders’ value, the welfare of employees, community and environment in which it operates. Details of the sustainability initiatives and Corporate Social Responsibility activities are set out in Corporate Social Responsibility Statement on page 16 of this annual report.

The Company Secretary is responsible for ensuring that Board procedures are followed, the applicable rules and regulations for the conduct of the affairs of the Board are complied with and all matters associated with the maintenance of the Board are performed effectively. Also, the Company Secretary ensures minutes are duly entered into the books for all resolutions and proceedings of all meetings of the Board and Board Committees. These minutes of meetings record the decisions taken and the views of individual Board Members. Such minutes are confirmed by the respective Board Committees and signed by Chairman of the meeting.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**PRINCIPLE 2: STRENGTHEN COMPOSITION OF THE BOARD**

The Code continues to emphasize the importance of right board composition in bringing value to the Board deliberation and transparency of policies and procedures in selection and evaluation of board members.

There was appointment of new board member during the year. The Nominating Committee has assisted the Board in reviewing the candidate and has recommended the candidate for the Board review and approval.

As at 30 June 2016, the Board has nine (9) members, one (1) Non-Independent Non-Executive Director, three (3) Independent Non-Executive Directors and five (5) Executive Directors. The current number of independent directors is consistent with the minimum number of Independent Directors prescribed in the Code and Listing Requirement. The Company's Article of Association provides that all directors shall retire from office every year, but shall be eligible for re-election.

The Board also recognises the important of gender diversity in the board and will continue to give due consideration in balancing its gender composition in the director nomination and appointment. Presently, the Board has four (4) female directors constituting more than one third of its composition.

Audit Committee

The Audit Committee members consist of three (3) Independent Non-Executive Directors. The Audit Committee has access to all the Executive Directors, Senior Management, External and Internal Auditors.

Details of the Audit Committee's functions and activities are reported on pages 19 to 20.

Nominating Committee

The present composition of the Nominating Committee is as follows:

Chairman : En Mohd Arif Bin Mastol (*Independent Non-Executive Director*)  
 Member : You Tong Lioung @ Yew Tong Leong (*Senior Independent Non-Executive Director*)  
 Lai Lan Man @ Lai Shuk Mee (*Independent Non-Executive Director*)

During the financial year the Nominating Committee conducted **two (2)** meetings. At these meetings, the Nominating Committee:

- i. Reviewed the board evaluation based on the following:
  - a. Current Board structure, size and composition
  - b. Contribution of each director and effectiveness of Board and Committees
  - c. Character, experience, integrity and competence of directors and ensure they have time to discharge their role
- ii. Reviewed the directors' retirement by rotation table and recommended to the Board, directors who are due for retirement.
- iii. Reviewed the nominating committee report.
- iv. Reviewed the profile of a new executive director and recommended the appointment to the Board.

The details of the terms of reference of the Nominating Committee are published in the corporate website.

The Board did not form Remuneration Committee. Accordingly, all remuneration of Directors comes under the purview of the Board. Nonetheless, directors would abstain from the Board's deliberation and discussing of his or her remuneration.

The number of Directors whose annual income falls within the following bands is set out as follows:

Remuneration Bands	Executive Directors	Non-Executive Directors
RM50,000 and below	-	4
RM250,001 – RM300,000	1	-
RM350,001 – RM400,000	1	-
RM450,001 – RM500,000	2	-
RM700,001 – RM750,000	1	-

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**PRINCIPLE 2: STRENGTHEN COMPOSITION OF THE BOARD (cont'd)**

The aggregated annual remuneration paid to all Directors of the Company are further categorised into the following components:

	<b>Fees*</b> <b>(RM'000)</b>	<b>Salaries and other emoluments</b> <b>(RM'000)</b>	<b>Bonuses</b> <b>(RM'000)</b>	<b>Benefit in-kind</b> <b>(RM'000)</b>	<b>EPF and SOCSO</b> <b>(RM'000)</b>	<b>Total</b> <b>(RM'000)</b>
Executive Directors	150	1,380	500	27	240	2,297
Non-Executive Directors	40	-	-	-	-	40
Total	190	1,380	500	27	240	2,337

\* The directors' fees paid are related to financial year 2016.

**PRINCIPLE 3: REINFORCE INDEPENDENCE OF THE BOARD**

Independence is important for ensuring objectivity and fairness in board's decision making. In line with the Code, upon completion of the nine (9) years tenure, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non Independent Non-Executive Director. However, the Board must justify and seek shareholders' approval in the event it retains as Independent Director, a person who served in that capacity for more than nine (9) years.

As at the date of this statement, all three Independent Non-Executive Directors have served for more than nine years. The Board has assessed, reviewed and determined that they remain objective and independent. The Board holds the view that a Director's independence cannot be determined arbitrarily with reference to a set period of time. The Board believes that the Group benefits from long serving Directors, who possess detailed knowledge of the Group's business and has proven commitment, experience and competence for informed and balance decision making. The shareholders' approval has been obtained in the last Annual General Meeting ("AGM").

The roles and responsibilities of the Chairman and Managing Director are combined and assumed by Mr Sin Kheng Lee and the present numbers of three (3) Independent Directors in the Board are below the majority number of independent directors suggested by the Recommendation 3.5 of the Code to be in the board when the board chairman is not an independent director. Nonetheless, with the presence of four of the Board members being Non-Executive Directors, the Board feels that its current composition is still reasonably sufficient to ensure balance of power and authority and at the same time provides the Board with the advantage of ensuring the expectations of the Board and management are aligned with such combination of roles and responsibilities.

Further, in order to provide an avenue to the shareholders to convey their concerns, the Board has identified Mr You Tong Lioung @ Yew Tong Leong as the Senior Independent Non-Executive Director, serving as an alternative for shareholders to convey their questions and seek clarifications from the Board.

The profiles of the members of the Board are set out on Pages 5 to 7 of this annual report.

**PRINCIPLE 4: FOSTER COMMITMENT OF DIRECTORS**

The underlying factors of directors' commitment to the Group are devotion of time and continuous improvement of knowledge and skill sets.

The Board meets at least every quarter and on other occasions, as and when necessary, to review the performance of the Company and its operating subsidiaries and other business development matters.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**PRINCIPLE 4: FOSTER COMMITMENT OF DIRECTORS (cont'd)**

During the financial year, five (5) Board meetings were held. Detail of each director's attendance is as follow:

<b>Directors</b>	<b>Number of Board meetings held during Directors' tenure in office</b>	<b>No. of meetings attended by Directors</b>
Sin Kheng Lee <i>(Executive Chairman &amp; Group Managing Director)</i>	5	4
Dato' Moehamad Izat bin Achmad Habechi Emir <i>(Deputy Chairman, Non Independent Non-Executive Director)</i>	5	3
Sin Ching San <i>(Executive Director)</i>	5	4
Chou Lee Sin <i>(Executive Director)</i>	5	3
Sin Siew Huey <i>(Executive Director)</i>	5	4
Sin Tze Yi <i>(Executive Director)</i>	1	1
You Tong Lioung @ Yew Tong Leong <i>(Senior Independent Non-Executive Director)</i>	5	4
Lai Lan Man @ Lai Shuk Mee <i>(Independent Non-Executive Director)</i>	5	5
Mohd Arif Bin Mastol <i>(Independent Non-Executive Director)</i>	5	4

Matters requiring Board decisions during the intervals between the Board meetings are circulated and approved through circular resolutions.

The Directors are fully aware of the importance of keeping abreast with the latest changes and developments in the industries in which the Company operates as well as the economic, financial and governance issues in order to enhance the effectiveness in discharging their responsibilities and duties as Directors.

All Directors have attended and completed the Mandatory Accreditation Programme. The executive directors have also attended various programs, briefings, trade shows, conferences, plant visits and speaking engagements covering areas including corporate governance, relevant industrial developments, financial, risk management, leadership and global business development to keep them updated on the latest regulatory changes as well as new developments in the industry.

Seminars, workshops, exhibitions, plant study visit, development and training programmes attended by the Directors before the finalization of this Annual Report are as follows:

- Annual Risk Management Workshop
- 2016 CPA Congress
- Archidex 2015
- Rockwell Automation Executive Forum Malaysia: Enabling Smart Manufacturing Through Connectivity
- Strategic Direction for Senior Management
- CG Breakfast Series: The Strategy, the Leadership, the Stakeholders and the Board
- Renown Manufacturer and ASRS Warehouse
- One of Taiwan's Largest Cold Room ASRS Warehouse

The Board continues to encourage participation of Directors in various training programmes. In addition, the Directors are regularly updated by the Company Secretary on any changes to the statutory, corporate and regulatory requirements relating to Directors' duties and responsibilities or the discharge of their duties as Directors. The External Auditors also have briefed the Board on changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements.



## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING**

The Audit Committee has the responsibility to ensure the Group's financial statements comply with applicable financial reporting standards. The integrity of financial reporting are influenced by the competency, quality and integrity of the management in charge of the preparation of financial reports and the competency, suitability and independence of External Auditors.

As part of the Audit Committee review processes, the Audit Committee has obtained written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. Annually, the Audit Committee also reviews the appointment, performance and remuneration of the External Auditors before recommending them to the shareholders for re-appointment in the AGM.

**PRINCIPLE 6: RECOGNISE AND MANAGE RISKS**

Board acknowledges that risk management is an integral part of good governance. Risk is inherent in all business activities. It is however, not the Group's objective to eliminate risk totally but to provide structural means to identify, prioritize and manage the risks involved in all the Group's activities and to balance between the cost and benefits of managing and treating risks, and the anticipated returns that will be derived from.

Further details of the Group's systems of risk management and internal control are reported in the Statement on Risk Management and Internal Control on pages 17 to 18.

In accordance with the provision in the Code and the Listing Requirements of Bursa Securities, the Board has established an internal audit function that reports directly to the Audit Committee. Further details of the internal audit function are disclosed in the Audit Committee Report as set out on page 20 of this Annual Report.

**PRINCIPLE 7: ENSURE TIMELY AND HIGH DISCLOSURE**

Communication with shareholders and investors of the Group are important for enhancing their appreciation and understanding of the Group's business and activities.

The results of the Group are published quarterly via the website of Bursa Securities at <http://announcements.bursamalaysia.com>. The Company also maintains its website at [www.skb-shutters.com](http://www.skb-shutters.com) containing essential corporate information of the Group for the interest of the general public.

The Group would continue to leverage on its corporate website to communicate, disseminate and add depth to the governance reporting. Pursuant to Para 9.25 of the Main Market Listing Requirements ("MMLR") of Bursa Securities those principal and static governance information such as charter, board committees' terms of reference, policies and codes could be separately published in the website to avoid dilution of issues in the annual report.

**PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDER**

The Board recognises the need for transparency and accountability to the Company's shareholders and regular communication with its shareholders, stakeholders and investors on the performance and major developments in the Group. This is achieved through timely releases of quarterly financial results, circulars, annual reports, corporate announcement and press releases. In addition to the various announcements made during the period, information on the Company is available on the Company's website.

General meetings are an important avenue through which shareholders can exercise their rights. The Board would ensure suitability of venue and timing of meeting and undertake other measures to encourage shareholders' participation in the meetings. Effective 1<sup>st</sup> July 2016, Para 8.29A of the MMLR of Bursa Securities provides that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, shall be voted by poll. Also, at least one scrutineer will be appointed to validate the votes cast at the general meeting who must not be an officer of the Company or its related corporation, and must be independent of the person undertaking the polling process.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDER (cont'd)**

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors are responsible for ensuring that:

- (i) The annual audited financial statements of the Group and of the Company are drawn up in accordance with applicable Financial Reporting Standards, the provisions of the Companies Act, 1965 and the MMLR of Bursa Securities so as to give a true and fair view of the state of affairs of the Group and the Company for the financial year, and
- (ii) Proper accounting and other records are kept which enable the preparation of the financial statements with reasonable accuracy and taking reasonable steps to ensure that appropriate systems are in place to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

In the preparation of the financial statements for the financial year ended 30 June 2016, the Directors have adopted appropriate accounting policies and have applied them consistently in the financial statement with reasonable and prudent judgments and estimates. The Directors are also satisfied that all relevant approved accounting standards have been followed in the preparation of the financial statements.

## OTHER INFORMATION

### OTHER DISCLOSURE ITEMS

#### **Material contracts**

There were no material contracts outside the ordinary course of business entered into by the Company and its subsidiaries involving Directors and major shareholders of SKBC.

#### **Contract relating to loans**

There were no contracts relating to loans by the Company in respect of this item.

#### **Non-audit fees**

During the year, a total of RM26,721 was paid to KPMG for non-audit services rendered.

#### **Share buybacks**

During the year, there were no share buybacks by the Company.

#### **Options, warrants or convertible securities**

No options, warrants or convertible securities were exercised by the Company during the year.

#### **Imposition of sanctions/penalties**

There were no sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or management by the relevant bodies.

#### **Profit estimate, forecast or projection**

There was no significant variance between the results for the financial year and the unaudited results previously announced. The Company did not make any release on the profit estimate, forecast or projections for the financial year.

#### **Profit guarantee**

During the year, there were no profit guarantees given by the Company.

## CORPORATE SOCIAL RESPONSIBILITY STATEMENT

In 2016, SKBC Group continued to focus on operating business diligently and accountable for decisions that impact our shareholders, investors, business partners, employees, governments, industry authorities and the communities around us.

We acknowledge the importance of both financial and non-financial strategies in our continuous efforts to maintain long-term and sustainable performance for the Group. While we focus on managing our business deliverables through improving financial profitability and shareholders' value, we are also mindful of our goals to provide a sustainable workplace for our human assets' career developments as they are critical components to our growth and to promote a sustainable socially and environmentally responsible organisation.

We consistently working towards integrating the four corporate responsibility approaches namely Community, Environment, Workplace and Trainings into our business operations with the objective to achieve a key balance towards reaching our mission, vision and business sustainability.

### COMMUNITY

As a responsible and caring corporate citizen, the Group strives for the betterment of society by giving back to the community and environment it operates in, through social welfare and community development. During the year, the Group participated in the Ti-Ratana Fund Raising Fun Fair through setting up a stall to sell White Coffee. All proceeds of the White Coffee sold during the period and those generated at the fun fair will be donated as part of SKBC Group charity initiative to Ti-Ratana Welfare Society for the improvement and continuity of the orphanage homes, old folk homes, women shelter, community centres and mobile clinics.

The spirit of giving at SKBC has been initiated in the past years and we pledge to continue giving as and when the need arises.

### ENVIRONMENT

SKBC Group remains committed towards environmental conservation; continuing on recycle program as part of our efforts to reduce our environmental and carbon footprints and our commitment as an environmentally responsible organisation.

In line with SKBC Group's commitment to reduce carbon footprints, employees are encouraged to fully maximize the benefits of electronic environment (eg email, instant messaging and etc.) for communication and only print hard copy when necessary. Employees are also encouraged to adopt the principle of reduce, reuse and recycle wherever possible in order to minimize the use of new resources. Energy efficient bulbs are used throughout and all computer peripherals, air-conditioning and lighting are switched off when not in use.

All staff of SKBC Group is required to empty their bins each working day and sort the rubbish accordingly. Categorized designated recycling bins (plastic, aluminium cans/tins, paper, organic waste and glass) are made available at the appropriate locations.

### WORKPLACE

The Group strives to ensure an environmental friendly, healthy and safe workplace for all employees. To achieve this, the Group has taken steps to ensure that quality work environment which complies with the health and safety standard are provide to its employees as we understand a good environment would raise the efficiency and productivity of employees besides improving the quality of life of our employees.

We practice open door policy where employees have easy accessibility to their superiors. Two-way communications are encouraged to ensure share of ideas and/or work grievances to improve work processes and working environment. Periodical downward communication sessions from key management team with subordinates are also carried out as a way to impart the Company's fundamentals and directions while addressing issues of concern.

During the year, SKBC Group held various events including Chinese New Year Luncheon, Movie Night Out and Buka Puasa Gathering for all its employees to encourage employees to mingle and interact with one another to foster team spirit and build closer working relationship. In addition, staff benefits such as health insurance and medical care are provided to employees.

### TRAININGS

The Group perceives its human capital as an imperative asset. As part of its human capital development, various in-house training were conducted to equip the employees with enhance skills, knowledge and abilities which would offer excellent opportunities for career enhancement. The Group also sponsored employees to attend external seminars and workshops to keep them abreast of new developments in their respective field of expertise.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysia Code on Corporate Governance specifies that the Board of Directors of public listed companies should establish a sound risk management framework and internal controls system to safeguard shareholders' investment and Group's assets. Towards this end, the Board of SKB Shutters Corporation Berhad is pleased to present the following Statement on Risk Management and Internal Control ("Statement") for the financial year ended 30 June 2016. This Statement is prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and guided by the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" ("Guideline") endorsed by the Bursa Securities.

### RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its overall responsibility for reviewing the adequacy and integrity of the Group's systems of risk management and internal control, identifying principal risks and establishing an appropriate control environment and framework to manage risks.

The Group's risk management and systems of internal controls continue to be driven by all Executive Directors and assisted by management. These risk management and systems of internal control are embedded and carried out as part of the Group's operating and business management processes. The Executive Directors and management are accountable to the Board for identifying, evaluating, monitoring and reporting of risks and internal control; taking and implementing appropriate and timely corrective actions and controls; and providing assurance to the Board that these processes have been carried out to manage risks.

External and relevant professionals would be drawn on to assist and provide advices to the management team when necessary. Annually, the Group will conduct its annual risk assessment with the facilitation of the Internal Auditors. This annual risk assessment exercise is participated by Executive Directors and respective Heads of Departments. The objective of this annual risk assessment is to review the risk status in the Group and to refresh the risk awareness of management team members.

Apart from the above, the present key internal control measures in the Group are as follows:

- i. Management organisation structure defining the management responsibilities and hierarchical structure of reporting lines and accountability;
- ii. Limit of authority and approval facilitating delegation of authority;
- iii. Periodic management meetings and performance reporting for monitoring and ensuring that the business operations are progressed in accordance with the objectives and targets;
- iv. Operating procedures guiding staff members in carrying out their function effectively; and
- v. Provision of trainings to employees for strengthening their skillsets and capabilities.

### THE REVIEW MECHANISM

In order to ensure the objectivity of the review of the risk management and systems of internal control in the Group, the Audit Committee is instituted by the Board to undertake this role. In conducting its review, the Audit Committee is assisted by the Internal Auditors who report to the Audit Committee on the state of control of selected key functions.

Management further supplements the Audit Committee's review on control and risk assessment when presenting the quarterly financial performance and results to the Audit Committee and the Board including pertinent explanations on the performance of the Group. The Audit Committee reviews the interim financial results in corroboration with management representations on operations and the performance of its subsidiaries.

At operation level, the Group performance are evaluated and monitored by Executive Directors. Management review meetings are held at respective business unit levels to identify and resolve business and operational issues as well as sharing of performance achievements with management staff members and reinforcing their responsibilities in the monitoring and supervisory controls.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

## MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance with the Bursa Securities' Guidelines, management is responsible to identify risks relevant to the business of the Group's objectives and strategies; implementing and maintaining sound systems of risk management and internal control; and monitoring and reporting to the Board of significant control deficiencies and changes in risks that could significantly affect the Group achievement of its objectives and performance.

In producing this Statement, the Board has received assurance from Managing Director and Executive Director/Chief Financial Officer that, to the best of their knowledge that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects.

## BOARD ASSURANCE

As the Group operates in a dynamic business environment, a sound risk management and internal control system must be in place to help the Group to achieve its business objectives. Therefore, the Board remains committed towards maintaining a sound system of risk management and internal control and believe that a balanced achievement of its business objectives and operational efficiency can be attained.

The Board confirms that the process for identifying, evaluating and managing significant risks in the Group is on-going. For the financial year under review, there was no material loss resulted from significant control weaknesses. The Board is satisfied that the existing level of systems of internal control and risk management are effective to enable the Group to achieve its business objectives.

The Board wishes to reiterate that risk management and internal control would be continuously improved in line with the evolving business development. However, it should also be noted that systems of risk management and internal control are only designed to manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

## AUDIT COMMITTEE REPORT

### MEMBERSHIP

The members of the Committee during the financial year ended 30 June 2016 are as follows: -

You Tong Lioung @ Yew Tong Leong	- Chairman, Senior Independent Non-Executive Director
Lai Lan Man @ Lai Shuk Mee	- Member, Independent Non-Executive Director
Mohd. Arif Bin Mastol	- Member, Independent Non-Executive Director

### ATTENDANCE AT MEETINGS

During the financial year ended 30 June 2016, four (4) Audit Committee meetings were held and the attendance of each committee member is as follows: -

Members	Number of meetings held during members' tenure in office	No. of meetings attended by members
You Tong Lioung @ Yew Tong Leong	4	4
Lai Lan Man @ Lai Shuk Mee	4	4
Mohd. Arif Bin Mastol	4	3

### SUMMARY OF ACTIVITIES DURING THE YEAR

During the year, the activities undertaken by the Committee include: -

- Reviewed of the unaudited quarterly financial reports before recommending to the Board for their approval and release of the Group's results to Bursa Malaysia Securities Berhad;
- Reviewed the annual audited financial statements of the Company and the Group with the External Auditors prior to ensure compliance with the provisions of the Companies Act, 1965, Listing Requirements of Bursa Malaysia Securities Berhad, applicable Malaysia Financial Reporting Standards and other legal and regulatory requirements prior to the submission to the Board of Directors for their approval;
- The focus of review was on: -
  - i) changes in implementation of major accounting policies;
  - ii) significant and unusual events;
  - iii) compliance with accounting standards and other legal requirements;
- Reviewed of the Audit Planning Memorandum with the External Auditors;
- Reviewed of the results and issues arising from the audit and their resolutions with the External Auditors;
- Hold two meetings with the External Auditors without the presence of the Executive Directors or management to reinforce the independence of the external audit function of the Company;
- Evaluated the performance and effectiveness of the External Auditors and made recommendations to the Board of Directors on their appointment and remuneration;
- Reviewed Internal Audit Plan and the scope and focus of the internal audit programmes;
- Reviewed the internal audit reports of the Company and its operating subsidiaries prepared by the internal auditors, the audit recommendations made and management's response to the recommendations;
- Monitored the corrective actions taken on the outstanding audit issues to ensure that all the key risks and control lapses have been addressed; and
- Reviewed related party transactions and conflict of interest that may arise within the Company or the Group, to ensure that they were undertaken on an arm's length basis and on normal commercial terms not favourable to the related party than those generally available to the public.

## AUDIT COMMITTEE REPORT (CONT'D)

## INTERNAL AUDIT FUNCTION

The Audit Committee is aware of the importance of an independent and adequately resourced internal audit function in discharging its duties and responsibilities. The Company has outsourced its internal audit function to an independent internal audit services provider for the financial year ended 30 June 2016. The Internal Audit function is to assist the Board and the Audit Committee to evaluate the system of internal control, risk management and corporate governance whilst ensuring that there is an appropriate balance of controls and risks in achieving its business objectives. The Internal Audit reviews the effectiveness of the internal control structures over the Group's activities focusing on high risk areas.

The Internal Auditors independently reviews the risk identification practices and control processes implemented by the management and reports to the Audit Committee. The results of the reviews performed by the Internal Auditors were communicated to both Management and the Audit Committee together with the implementation status of audit recommendations for further improvement. Further details on the internal audit function are reported in the Statement on Risk Management and Internal Control on pages 17 and 18 of this annual report.

The total costs incurred for the internal audit function of the Company for the financial year was RM35,510.

The details of the terms of reference of the Audit Committee are published in the corporate website.

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 JUNE 2016

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2016.

#### PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activity, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year except for SKB Trading Sdn. Bhd. which commenced the voluntary winding up on 1 April 2016.

#### RESULTS

	<b>Group RM</b>	<b>Company RM</b>
Loss for the year attributable to owners of the Company	424,053	343,605

#### RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review.

#### DIVIDEND

No dividend was paid since the end of the previous financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

#### DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are :

Sin Kheng Lee - Chairman and Managing Director  
 Dato' Moehamad Izat bin Achmad Habechi Emir  
 Sin Ching San  
 Chou Lee Sin  
 Sin Siew Huey  
 You Tong Lioung @ Yew Tong Leong  
 Lai Lan Man @ Lai Shuk Mee  
 Mohd. Arif Bin Mastol  
 Sin Tze Yi (Appointed on 29 February 2016)

DIRECTORS' REPORT (CONT'D)  
FOR THE YEAR ENDED 30 JUNE 2016

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses and/or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

	Number of ordinary shares of RM1 each			Balance at 30.6.2016
	Balance at 1.7.2015	Bought	(Sold)	
<b>Direct interest</b>				
<u>The Company</u>				
Sin Kheng Lee - own	2,010,000	-	-	2,010,000
Dato' Moehamad Izat bin Achmad Habechi Emir - own	3,339,597	-	-	3,339,597
Sin Ching San - own	10,000	-	-	10,000
- others *	10,000	-	-	10,000
Chou Lee Sin - own	10,000	-	-	10,000
You Tong Lioung @ Yew Tong Leong - own	10,000	-	-	10,000
Lai Lan Man @ Lai Shuk Mee - own	15,000	-	-	15,000
<u>Holding company</u>				
- SKB Glory Sdn. Bhd.				
Sin Kheng Lee - own	971,250	-	-	971,250
Sin Ching San - own	416,250	-	-	416,250
<b>Deemed interest</b>				
<u>The Company</u>				
Sin Kheng Lee - own	22,847,607	-	-	22,847,607
Sin Ching San - own	22,847,607	-	-	22,847,607
<u>Holding company</u>				
- SKB Glory Sdn. Bhd.				
Sin Kheng Lee - own	112,500	-	-	112,500

\* Shares held in the name of the spouse are treated as the interests of the Director in accordance with Section 134(12) (c) of the Companies Act, 1965.

By virtue of their interests in the shares of the Company, Messrs Sin Kheng Lee and Sin Ching San are also deemed interested in the shares of all the subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office at 30 June 2016 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.



DIRECTORS' REPORT (CONT'D)  
FOR THE YEAR ENDED 30 JUNE 2016

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of a related corporation) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the authorised, issued and paid-up capital of the Company and no debentures were in issue during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that :

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances :

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist :

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

DIRECTORS' REPORT (CONT'D)  
FOR THE YEAR ENDED 30 JUNE 2016

OTHER STATUTORY INFORMATION (cont'd)

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The details of such events are disclosed in Note 27 to the financial statements.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

-----  
**Sin Kheng Lee**

-----  
**Sin Ching San**

Penang,

Date : 21 October 2016

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Assets</b>					
Property, plant and equipment	3	36,177,774	37,259,487	-	-
Investment properties	4	1,440,055	1,446,907	-	-
Prepaid lease payments	5	5,090,657	5,428,149	-	-
Investments in subsidiaries	6	-	-	17,840,748	17,840,748
<b>Total non-current assets</b>		<b>42,708,486</b>	<b>44,134,543</b>	<b>17,840,748</b>	<b>17,840,748</b>
Inventories	7	31,788,409	26,116,037	-	-
Current tax assets		719,714	496,885	3,328	5,624
Trade and other receivables	8	29,576,395	19,162,129	22,353,822	13,559,540
Cash and cash equivalents	9	6,222,430	13,735,199	3,875,301	12,192,726
<b>Total current assets</b>		<b>68,306,948</b>	<b>59,510,250</b>	<b>26,232,451</b>	<b>25,757,890</b>
<b>Total assets</b>		<b>111,015,434</b>	<b>103,644,793</b>	<b>44,073,199</b>	<b>43,598,638</b>
<b>Equity</b>					
Share capital	10	40,000,000	40,000,000	40,000,000	40,000,000
Reserves	11	35,473,372	35,966,733	3,061,593	3,405,198
<b>Total equity attributable to owners of the Company</b>		<b>75,473,372</b>	<b>75,966,733</b>	<b>43,061,593</b>	<b>43,405,198</b>
<b>Liabilities</b>					
Loans and borrowings	12	1,544,991	1,972,669	-	-
Deferred tax liabilities	13	982,919	1,310,882	-	-
<b>Total non-current liabilities</b>		<b>2,527,910</b>	<b>3,283,551</b>	<b>-</b>	<b>-</b>
Loans and borrowings	12	16,555,522	12,219,459	-	-
Current tax liabilities		3,170	-	-	-
Trade and other payables	14	16,455,460	12,175,050	1,011,606	193,440
<b>Total current liabilities</b>		<b>33,014,152</b>	<b>24,394,509</b>	<b>1,011,606</b>	<b>193,440</b>
<b>Total liabilities</b>		<b>35,542,062</b>	<b>27,678,060</b>	<b>1,011,606</b>	<b>193,440</b>
<b>Total equity and liabilities</b>		<b>111,015,434</b>	<b>103,644,793</b>	<b>44,073,199</b>	<b>43,598,638</b>

The notes on pages 32 to 75 are an integral part of these financial statements.

**STATEMENTS OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 30 JUNE 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Continuing operations</b>					
Revenue	15	55,777,679	51,156,834	-	-
Cost of sales		(43,679,715)	(40,055,846)	-	-
<b>Gross profit</b>		12,097,964	11,100,988	-	-
Other operating income		3,775,904	3,894,014	7,660	2,589,539
Distribution expenses		(1,113,252)	(1,314,287)	-	-
Administrative expenses		(13,389,814)	(12,620,198)	(433,379)	(353,999)
Other operating expenses		(528,493)	(469,309)	-	(1,441,555)
<b>Results from operating activities</b>		842,309	591,208	(425,719)	793,985
Finance income		83,119	250,260	82,532	249,926
Finance costs	16	(796,888)	(765,379)	-	-
<b>Net finance (costs)/income</b>		(713,769)	(515,119)	82,532	249,926
<b>Profit/(Loss) before tax</b>	17	128,540	76,089	(343,187)	1,043,911
Tax expense	19	(552,593)	(590,741)	(418)	(42)
<b>(Loss)/Profit for the year</b>		(424,053)	(514,652)	(343,605)	1,043,869

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)  
FOR THE YEAR ENDED 30 JUNE 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Other comprehensive expense, net of tax</b>					
<b>Item that is or may be reclassified subsequently to profit or loss</b>					
Foreign currency translation differences for foreign operation		(69,308)	(73,473)	-	-
<b>Total other comprehensive expense for the year, net of tax</b>		(69,308)	(73,473)	-	-
<b>Total comprehensive (expense)/income for the year</b>		(493,361)	(588,125)	(343,605)	1,043,869
<b>(Loss)/Profit for the year attributable to :</b>					
Owners of the Company		(424,053)	(514,652)	(343,605)	1,043,869
<b>Total comprehensive (expense)/income for the year attributable to :</b>		(493,361)	(588,125)	(343,605)	1,043,869
<b>Loss per ordinary share (sen)</b>	20	(1.06)	(1.29)	-	-

The notes on pages 32 to 75 are an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Attributable to owners of the Company					
	Non-distributable			Distributable		
	Share capital RM	Share premium RM	Translation reserve RM	Capital redemption reserve RM	Retained earnings RM	Total equity RM
<b>At 1 July 2014</b>	40,000,000	1,498,324	(21,801)	30,000	35,048,335	76,554,858
Total other comprehensive expense for the year						
- Foreign currency translation differences for foreign operation	-	-	(73,473)	-	-	(73,473)
Loss for the year	-	-	-	-	(514,652)	(514,652)
<b>Total comprehensive expense for the year</b>	-	-	(73,473)	-	(514,652)	(588,125)
<b>At 30 June 2015/At 1 July 2015</b>	40,000,000	1,498,324	(95,274)	30,000	34,533,683	75,966,733
Total other comprehensive expense for the year						
- Foreign currency translation differences for foreign operation	-	-	(69,308)	-	-	(69,308)
Loss for the year	-	-	-	-	(424,053)	(424,053)
<b>Total comprehensive expense for the year</b>	-	-	(69,308)	-	(424,053)	(493,361)
<b>At 30 June 2016</b>	40,000,000	1,498,324	(164,582)	30,000	34,109,630	75,473,372
	Note 10	Note 11				

The notes on pages 32 to 75 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Attributable to owners of the Company			Total equity RM
	Non-distributable Share capital RM	Share premium RM	Distributable Retained earnings RM	
<b>At 1 July 2014</b>	40,000,000	1,498,324	863,005	42,361,329
Profit for the year representing total comprehensive income for the year	-	-	1,043,869	1,043,869
<b>At 30 June 2015/1 July 2015</b>	40,000,000	1,498,324	1,906,874	43,405,198
Loss for the year representing total comprehensive expense for the year	-	-	(343,605)	(343,605)
<b>At 30 June 2016</b>	40,000,000	1,498,324	1,563,269	43,061,593
	Note 10	Note 11		

The notes on pages 32 to 75 are an integral part of these financial statements.



## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Cash flows from operating activities</b>					
Profit/(Loss) before tax from continuing operations		128,540	76,089	(343,187)	1,043,911
Adjustments for :					
Amortisation of prepaid lease payments	5	337,492	337,492	-	-
Depreciation of :					
- property, plant and equipment	3	4,389,323	4,511,024	-	-
- investment properties	4	6,852	6,852	-	-
Gain on disposal of :					
- property, plant and equipment	17	(97,165)	(119,997)	-	-
- investment in an associate	17	-	(1,030,139)	-	(2,582,039)
Plant and equipment written off	17	5,791	63,486	-	-
Interest income	17	(83,119)	(250,260)	(82,532)	(249,926)
Interest expense	16	796,888	765,379	-	-
Operating profit/(loss) before changes in working capital		5,484,602	4,359,926	(425,719)	(1,788,054)
Changes in working capital :					
Inventories		(5,667,606)	1,448,605	-	-
Trade and other receivables		(10,376,898)	2,607,636	(8,004,986)	7,511,555
Trade and other payables		4,163,968	477,222	28,870	(2,650)
Cash (used in)/generated from operations		(6,395,934)	8,893,389	(8,401,835)	5,720,851
Tax (paid)/refunded		(1,100,215)	(556,025)	1,878	(555)
<b>Net cash (used in)/from operating activities</b>		(7,496,149)	8,337,364	(8,399,957)	5,720,296
<b>Cash flows from investing activities</b>					
Subscription of shares in a subsidiary		-	-	-	(26,003)
Purchase of plant and equipment	A	(2,180,352)	(2,505,487)	-	-
Proceeds from disposal of :					
- property, plant and equipment		97,168	120,000	-	-
- investment in an associate		-	2,930,000	-	2,930,000
Interest received		83,119	250,260	82,532	249,926
<b>Net cash (used in)/from investing activities</b>		(2,000,065)	794,773	82,532	3,153,923

STATEMENTS OF CASH FLOWS (CONT'D)  
FOR THE YEAR ENDED 30 JUNE 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Cash flows from financing activities</b>					
Repayment of finance lease liabilities		(1,542,702)	(1,785,396)	-	-
Drawdown of borrowings, net		4,200,518	1,083,884	-	-
Interest paid		(796,888)	(765,379)	-	-
<b>Net cash from/(used in) financing activities</b>		<b>1,860,928</b>	<b>(1,466,891)</b>	<b>-</b>	<b>-</b>
Net (decrease)/increase in cash and cash equivalents		(7,635,286)	7,665,246	(8,317,425)	8,874,219
Effect of exchange rate fluctuation on cash and cash equivalents		4,812	8,268	-	-
Cash and cash equivalents at 1 July		10,976,716	3,303,202	12,192,726	3,318,507
<b>Cash and cash equivalents at 30 June</b>	B	<b>3,346,242</b>	<b>10,976,716</b>	<b>3,875,301</b>	<b>12,192,726</b>

## NOTES

A. *Purchase of plant and equipment*

During the financial year, the Group acquired plant and equipment as follows :

	Note	Group	
		2016 RM	2015 RM
Purchase of plant and equipment	3	3,313,216	4,150,463
Less : Acquired through finance lease arrangements		(1,132,864)	(1,644,976)
		<u>2,180,352</u>	<u>2,505,487</u>

B. *Cash and cash equivalents*

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts :

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Short term deposits with licensed banks	9	3,920,750	12,235,078	3,874,971	12,192,439
Cash and bank balances	9	2,301,680	1,500,121	330	287
Bank overdrafts	12	(2,876,188)	(2,758,483)	-	-
		<u>3,346,242</u>	<u>10,976,716</u>	<u>3,875,301</u>	<u>12,192,726</u>

The notes on pages 32 to 75 are an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

SKB Shutters Corporation Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows :

### Registered office

2nd Floor, Wisma Penang Garden  
42, Jalan Sultan Ahmad Shah  
10050 Penang

### Principal place of business

Lot 22, Jalan Teknologi  
Taman Sains Selangor 1  
Kota Damansara  
47810 Petaling Jaya  
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

The Company is principally engaged in investment holding activity. The principal activities of its subsidiaries are set out in Note 6 to the financial statements.

The holding company is SKB Glory Sdn. Bhd., a company incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 21 October 2016.

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company :

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016**

- MFRS 14, *Regulatory Deferral Accounts*\*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*\*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*\*
- Amendments to MFRS 101, *Presentation of Financial Statements - Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture - Agriculture: Bearer Plants*\*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 1. BASIS OF PREPARATION (cont'd)

## (a) Statement of compliance (cont'd)

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017**

- Amendments to MFRS 107, *Statement of Cash Flows - Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018**

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Amendments to MFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions #*

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019**

- MFRS 16, *Leases*

**MFRSs, Interpretations and amendments effective for a date yet to be confirmed**

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations :

- from the annual period beginning on 1 July 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for those indicated with "\*" which are not applicable to the Group and the Company.
- from the annual period beginning on 1 July 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 July 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018, except for those indicated with "#" which is not applicable to the Group and the Company.
- from the annual period beginning on 1 July 2019 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below :

**(i) MFRS 9, Financial Instruments**

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

**(ii) MFRS 15, Revenue from Contracts with Customers**

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**1. BASIS OF PREPARATION (cont'd)****(a) Statement of compliance (cont'd)****(iii) MFRS 16, Leases**

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases - Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the financial statements.

**(c) Functional and presentation currency**

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM, unless otherwise stated.

**(d) Use of estimates and judgements**

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes :

- Note 3 and Note 4 - Impairment of property, plant and equipment and investment properties
- Note 4 - Valuation of investment properties

**2. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

**(a) Basis of consolidation****(i) Subsidiaries**

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(a) Basis of consolidation (cont'd)****(i) Subsidiaries (cont'd)**

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

**(ii) Business combinations**

Subsidiaries are consolidated using the acquisition method other than SKB Shutters Manufacturing Sdn. Bhd. and SKB Trading Sdn. Bhd. which are consolidated using the pooling-of-interests method of accounting.

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The difference between the cost of acquisition and the nominal value of the shares acquired together with the share premium are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within the Group's equity.

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as :

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

**(iii) Loss of control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(a) Basis of consolidation (cont'd)****(iv) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associate are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(b) Foreign currency****(i) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

**(ii) Operations denominated in functional currencies other than Ringgit Malaysia**

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(c) Financial instruments****(i) Initial recognition and measurement**

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

**(ii) Financial instrument categories and subsequent measurement**

The Group and the Company categorise financial instruments as follows :

***Financial assets*****(a) *Financial assets at fair value through profit or loss***

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

**(b) *Loans and receivables***

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(j)(i)).

***Financial liabilities***

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(c) Financial instruments (cont'd)****(ii) Financial instrument categories and subsequent measurement (cont'd)*****Financial liabilities (cont'd)***

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

**(iii) Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

**(iv) Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to :

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

**(v) Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**(d) Property, plant and equipment****(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(d) Property, plant and equipment (cont'd)****(i) Recognition and measurement (cont'd)**

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "other operating expenses" respectively in profit or loss.

**(ii) Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**(iii) Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows :

Building and building improvements	21 - 50 years
Plant and machinery	5 - 10 years
Furniture, fittings, fixtures and equipment	5 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(e) Leased assets****(i) Finance lease**

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

**(ii) Operating lease**

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

**(f) Equity instruments**

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

**(i) Ordinary shares**

Ordinary shares are classified as equity.

**(ii) Issue expenses**

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

**(g) Investment properties****(i) Investment properties carried at cost**

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(g) Investment properties (cont'd)****(i) Investment properties carried at cost (cont'd)**

Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is charged on a straight-line basis over the estimated useful life of 50 years.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Transfers between investment properties and property, plant and equipment do not change the carrying amount of the property transferred.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

**(ii) Determination of fair value**

The Directors estimate the fair values of the Group's investment properties without the involvement of independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

**(h) Inventories**

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the first-in, first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

**(i) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(j) Impairment****(i) Financial assets**

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

**(ii) Other assets**

The carrying amounts of other assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

**(k) Borrowing costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(k) Borrowing costs (cont'd)**

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

**(l) Employee benefits****(i) Short-term employee benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(ii) State plans**

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**(m) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**(n) Contingent liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(o) Revenue and other income****(i) Goods sold**

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(o) Revenue and other income (cont'd)****(ii) Services**

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to surveys of work performed.

**(iii) Rental income**

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

**(iv) Interest income**

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

**(p) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

**(q) Earnings per ordinary share**

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(q) Earnings per ordinary share (cont'd)**

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

**(r) Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Chairman and Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

**(s) Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

**(t) Fair value measurement**

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. PROPERTY, PLANT AND EQUIPMENT - GROUP

	<b>Building and building improvements RM</b>	<b>Plant and machinery RM</b>	<b>Furniture, fittings, fixtures and equipment RM</b>	<b>Motor vehicles RM</b>	<b>Capital work-in- progress RM</b>	<b>Total RM</b>
<b>Cost</b>						
At 1 July 2014	32,748,632	38,518,304	11,429,438	6,722,789	-	89,419,163
Additions	-	1,283,990	2,185,289	539,884	141,300	4,150,463
Disposals	-	(1,130,850)	-	-	-	(1,130,850)
Write off	-	(133,000)	(104,034)	-	-	(237,034)
Reclassification	-	-	141,300	-	(141,300)	-
Effect of movements in exchange rate	-	-	462	-	-	462
At 30 June 2015/ 1 July 2015	32,748,632	38,538,444	13,652,455	7,262,673	-	92,202,204
Additions	-	814,833	379,895	477,332	1,641,156	3,313,216
Disposals	-	(50,980)	-	(101,840)	-	(152,820)
Write off	-	(16,000)	(193,876)	-	-	(209,876)
Effect of movements in exchange rate	-	-	372	-	-	372
At 30 June 2016	32,748,632	39,286,297	13,838,846	7,638,165	1,641,156	95,153,096
<b>Depreciation and impairment loss</b>						
At 1 July 2014						
Accumulated depreciation	4,854,998	32,229,090	9,751,285	4,628,272	-	51,463,645
Accumulated impairment losses	-	272,180	-	-	-	272,180
	4,854,998	32,501,270	9,751,285	4,628,272	-	51,735,825
Depreciation for the year	1,632,816	1,328,545	746,820	802,843	-	4,511,024
Disposals	-	(1,130,847)	-	-	-	(1,130,847)
Write off	-	(74,236)	(99,312)	-	-	(173,548)
Effect of movements in exchange rate	-	-	263	-	-	263
At 30 June 2015						
Accumulated depreciation	6,487,814	32,352,552	10,399,056	5,431,115	-	54,670,537
Accumulated impairment losses	-	272,180	-	-	-	272,180
	6,487,814	32,624,732	10,399,056	5,431,115	-	54,942,717

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. PROPERTY, PLANT AND EQUIPMENT - GROUP (cont'd)

	<b>Building and building improvements RM</b>	<b>Plant and machinery RM</b>	<b>Furniture, fittings, fixtures and equipment RM</b>	<b>Motor vehicles RM</b>	<b>Capital work-in- progress RM</b>	<b>Total RM</b>
<b>Depreciation and impairment loss (cont'd)</b>						
At 1 July 2015						
Accumulated depreciation	6,487,814	32,352,552	10,399,056	5,431,115	-	54,670,537
Accumulated impairment losses	-	272,180	-	-	-	272,180
	6,487,814	32,624,732	10,399,056	5,431,115	-	54,942,717
Depreciation for the year	1,632,816	1,163,987	796,340	796,180	-	4,389,323
Disposals	-	(50,979)	-	(101,838)	-	(152,817)
Write off	-	(15,999)	(188,086)	-	-	(204,085)
Effect of movements in exchange rate	-	-	184	-	-	184
At 30 June 2016						
Accumulated depreciation	8,120,630	33,449,561	11,007,494	6,125,457	-	58,703,142
Accumulated impairment losses	-	272,180	-	-	-	272,180
	8,120,630	33,721,741	11,007,494	6,125,457	-	58,975,322
<b>Carrying amounts</b>						
At 1 July 2014	27,893,634	6,017,034	1,678,153	2,094,517	-	37,683,338
At 30 June 2015/ 1 July 2015	26,260,818	5,913,712	3,253,399	1,831,558	-	37,259,487
At 30 June 2016	24,628,002	5,564,556	2,831,352	1,512,708	1,641,156	36,177,774

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**3. PROPERTY, PLANT AND EQUIPMENT - GROUP (cont'd)****3.1 Leased plant and equipment**

The carrying amounts of plant and equipment acquired under finance lease arrangements are as follows :

	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Plant and machinery	2,990,135	3,548,194
Motor vehicles	1,511,543	1,828,908
	<u>                    </u>	<u>                    </u>

**3.2 Security**

The building and building improvements of the Group with an aggregate amount of RM24,628,002 (2015: Nil) are charged to a licensed bank as security for a term loan granted to a subsidiary. The term loan has yet to be drawn down by the subsidiary as of reporting date.

**4. INVESTMENT PROPERTIES - GROUP**

	<b>Note</b>	<b>RM</b>
<b>Cost</b>		
At 1 July 2014/30 June 2015/1 July 2015/30 June 2016		<u>2,146,579</u>
<b>Depreciation and impairment loss</b>		
At 1 July 2014		
Accumulated depreciation		152,578
Accumulated impairment losses		540,242
		692,820
Depreciation for the year	17	6,852
At 30 June 2015/1 July 2015		
Accumulated depreciation		159,430
Accumulated impairment losses		540,242
		699,672
Depreciation for the year	17	6,852
At 30 June 2016		
Accumulated depreciation		166,282
Accumulated impairment losses		540,242
		<u>706,524</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 4. INVESTMENT PROPERTIES - GROUP (cont'd)

RM

**Carrying amounts**

At 1 July 2014	<u>1,453,759</u>
At 30 June 2015/1 July 2015	<u>1,446,907</u>
At 30 June 2016	<u>1,440,055</u>

**4.1 The carrying amounts of the investment properties consist of the following :**

	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Freehold land	1,084,000	1,084,000
Apartments and shop office	356,055	362,907
	<u>1,440,055</u>	<u>1,446,907</u>

**4.2 Fair value information**

Investment properties comprise commercial properties that are leased to third parties. No contingent rents are charged.

The fair value of the investment properties of the Group is based on the Directors' estimation using the latest available market information and recent experience and knowledge in the location and category of property being valued. The fair value of the investment properties as at 30 June 2016 is classified as level 3 fair value, estimated at approximately RM2.38 million (2015 : RM2.33 million).

*Policy on transfer between levels*

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstance that caused the transfer.

*Level 3 fair value*

Level 3 fair value is estimated using unobservable inputs for the investment properties.

*Estimation uncertainty and key assumptions*

The Directors estimate the fair value of the Group's investment properties based on the following key assumptions :

- Comparison of the Group's investment properties with similar properties that were listed for sale within the same locality or other comparable localities; and
- Enquiries from relevant property valuers and real estate agents on market conditions and changing market trends.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 4. INVESTMENT PROPERTIES - GROUP (cont'd)

## 4.3 The following are recognised in profit or loss in respect of the investment properties :

	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Rental income	25,200	24,843
Direct operating expenses :		
- income generating investment properties	5,233	5,264
- non-income generating investment properties	5,764	5,666
	<u>5,764</u>	<u>5,666</u>

## 5. PREPAID LEASE PAYMENTS - GROUP

	<b>Note</b>	<b>Unexpired period of less than 50 years RM</b>
<b>Cost</b>		
At 1 July 2014/30 June 2015/1 July 2015/30 June 2016		<u>9,221,353</u>
<b>Amortisation</b>		
At 1 July 2014		3,455,712
Amortisation for the year	17	337,492
At 30 June 2015/1 July 2015		<u>3,793,204</u>
Amortisation for the year	17	337,492
At 30 June 2016		<u>4,130,696</u>
<b>Carrying amounts</b>		
At 1 July 2014		<u>5,765,641</u>
At 30 June 2015/1 July 2015		<u>5,428,149</u>
At 30 June 2016		<u>5,090,657</u>

On 19 January 2016, the Group entered into a Sale and Purchase Agreement ("SPA") to acquire a leasehold land for a period of 99 years. The completion of the acquisition is subject to the fulfilment of all conditions stated in the SPA.

The leasehold land is charged to a licensed bank as security for a term loan granted to a subsidiary. The term loan has yet to be drawn down by the subsidiary as of reporting date.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**6. INVESTMENTS IN SUBSIDIARIES - COMPANY**

	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares, at cost	<u>17,840,748</u>	<u>17,840,748</u>

Details of the subsidiaries are as follows :

Name of entity	Effective ownership interest and voting interest		Principal activities
	2016	2015	
	%	%	
SKB Shutters Manufacturing Sdn. Bhd.	100	100	Manufacture and sale of roller shutters, racking systems, storage system and related steel products.
SKB Storage Industries Sdn. Bhd.	100	100	Manufacture and sale of roller shutters, racking systems, storage system and related steel products.
SKB Trading Sdn. Bhd.	100	100	Dormant. Commenced member's voluntary winding up on 1 April 2016.
SKB Shutters Industries Sdn. Bhd.	100	100	Manufacturing and providing of repair services for motor components.
SKB Shutters (S) Pte. Ltd. #	100	100	Trading of roller shutters, racking systems and storage systems.

All the above subsidiaries are incorporated in Malaysia, except for SKB Shutters (S) Pte. Ltd. which is incorporated in Singapore.

# Not audited by KPMG

**7. INVENTORIES - GROUP**

	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
At cost		
Raw materials	14,632,517	12,380,312
Work-in-progress	1,793,633	1,828,253
Manufactured inventories	15,362,259	11,907,472
	<u>31,788,409</u>	<u>26,116,037</u>

Recognised in profit or loss (included under cost of sales) :

	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Inventories written down	<u>473,542</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 8. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Trade</b>					
Trade receivables		14,504,864	17,772,962	-	-
<b>Non-trade</b>					
Other receivables		542,401	589,429	-	-
Amount due from subsidiaries	8.1	-	-	22,352,822	13,558,540
Deposits	8.2	11,280,999	308,802	1,000	1,000
Prepayments	8.3	3,248,131	490,936	-	-
		15,071,531	1,389,167	22,353,822	13,559,540
		<u>29,576,395</u>	<u>19,162,129</u>	<u>22,353,822</u>	<u>13,559,540</u>

**8.1 Amount due from subsidiaries**

The non-trade amount due from subsidiaries is unsecured, interest-free and repayable on demand.

**8.2 Deposits**

Included in deposits of the Group is an amount of RM10,981,040 (2015 : RM Nil) representing refundable deposit paid to Perbadanan Kemajuan Negeri Selangor ("PKNS") for the acquisition of leasehold land.

**8.3 Prepayments**

Included in prepayments of the Group is an amount of RM2,638,429 (2015 : RM Nil) representing advance payments to a supplier for the purchase of raw materials.

## 9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Short-term deposits with licensed banks	3,920,750	12,235,078	3,874,971	12,192,439
Cash and bank balances	2,301,680	1,500,121	330	287
	<u>6,222,430</u>	<u>13,735,199</u>	<u>3,875,301</u>	<u>12,192,726</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**10. SHARE CAPITAL - GROUP AND COMPANY**

	2016		2015	
	Amount RM	Number of shares	Amount RM	Number of shares
Ordinary shares of RM1 each :				
Authorised	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
Issued and fully paid	<u>40,000,000</u>	<u>40,000,000</u>	<u>40,000,000</u>	<u>40,000,000</u>

**10.1 Ordinary shares**

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

**11. RESERVES**

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Non-distributable</b>					
Share premium	11.1	1,498,324	1,498,324	1,498,324	1,498,324
Capital redemption reserve	11.2	30,000	30,000	-	-
Translation reserve	11.3	(164,582)	(95,274)	-	-
		<u>1,363,742</u>	<u>1,433,050</u>	<u>1,498,324</u>	<u>1,498,324</u>
<b>Distributable</b>					
Retained earnings	11.4	34,109,630	34,533,683	1,563,269	1,906,874
		<u>35,473,372</u>	<u>35,966,733</u>	<u>3,061,593</u>	<u>3,405,198</u>

**11.1 Share premium**

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

**11.2 Capital redemption reserve**

Capital redemption reserve represents the amount appropriated from retained earnings in relation to a previous redemption of 500% cumulative redeemable preference shares of RM1 each in a subsidiary.

**11.3 Translation reserve**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operation.

**11.4 Retained earnings**

The entire retained earnings of the Company is eligible to be paid out as dividends under the single tier company income tax systems in accordance with the Finance Act, 2007.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 12. LOANS AND BORROWINGS - GROUP

	Note	2016 RM	2015 RM
<b>Non-current</b>			
Finance lease liabilities	12.1	<u>1,544,991</u>	<u>1,972,669</u>
<b>Current</b>			
Finance lease liabilities	12.1	1,455,489	1,437,649
Bank overdrafts		2,876,188	2,758,483
Bankers' acceptances		7,150,000	5,312,000
Revolving credits		4,000,000	2,000,000
Foreign currency loans		1,073,845	711,327
		<u>16,555,522</u>	<u>12,219,459</u>
Total		<u>18,100,513</u>	<u>14,192,128</u>

**12.1 Finance lease liabilities**

Finance lease liabilities are payable as follows :

	2016			2015		
	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
Less than one year	1,587,393	131,904	1,455,489	1,591,296	153,647	1,437,649
Between one and five years	1,631,839	86,848	1,544,991	2,083,306	110,637	1,972,669
	<u>3,219,232</u>	<u>218,752</u>	<u>3,000,480</u>	<u>3,674,602</u>	<u>264,284</u>	<u>3,410,318</u>

**12.2 Securities**

The finance lease liabilities are effectively secured as the rights to the assets under finance leases will revert to the finance lease creditors in the event of default.

## 13. DEFERRED TAX LIABILITIES - GROUP

	2016 RM	2015 RM
Property, plant and equipment		
- capital allowances	911,333	1,005,622
- revaluation	2,330,920	2,376,882
- reinvestment allowance	(1,459,272)	(1,459,272)
Provisions	(800,062)	(612,350)
	<u>982,919</u>	<u>1,310,882</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**13. DEFERRED TAX LIABILITIES - GROUP (cont'd)**

Movements in temporary differences during the year as follows :

	<b>At 1.7.2014 RM</b>	<b>Recognised in profit or loss (Note 19) RM</b>	<b>At 30.6.2015 /1.7.2015 RM</b>	<b>Recognised in profit or loss (Note 19) RM</b>	<b>At 30.6.2016 RM</b>
Property, plant and equipment					
- capital allowance	1,278,040	(272,418)	1,005,622	(94,289)	911,333
- revaluation	2,422,843	(45,961)	2,376,882	(45,962)	2,330,920
- reinvestment allowance	(1,567,206)	107,934	(1,459,272)	-	(1,459,272)
Provisions	(663,834)	51,484	(612,350)	(187,712)	(800,062)
	<u>1,469,843</u>	<u>(158,961)</u>	<u>1,310,882</u>	<u>(327,963)</u>	<u>982,919</u>

**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items (stated at gross) :

	<b>2016 RM</b>	<b>2015 RM</b>
Property, plant and equipment		
- capital allowances	1,387,000	917,000
- reinvestment allowance	669,000	522,000
Tax loss carry-forward	3,642,000	3,017,000
Other deductible temporary differences	499,000	211,000
	<u>6,197,000</u>	<u>4,667,000</u>

The unabsorbed capital allowances, unutilised reinvestment allowance, tax loss carry-forward and other temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group entities can utilise the benefits therefrom.

The comparative figures have been restated to reflect the revised unabsorbed capital allowances, unutilised reinvestment allowance and tax loss carry-forward available to the Group.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 14. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Trade</b>					
Trade payables		9,365,251	4,579,014	-	-
<b>Non-trade</b>					
Amount due to a subsidiary	14.1	-	-	789,296	-
Other payables	14.2	3,907,475	4,746,519	3,180	2,650
Accrued expenses		2,553,070	2,272,800	219,130	190,790
Deposits received		629,664	576,717	-	-
		7,090,209	7,596,036	1,011,606	193,440
		<u>16,455,460</u>	<u>12,175,050</u>	<u>1,011,606</u>	<u>193,440</u>

**14.1 Amount due to a subsidiary**

The non-trade amount due to a subsidiary is unsecured, interest-free and payable on demand.

**14.2 Other payables**

Included in other payables of the Group is an amount of RM1,081,087 (2015 : RM2,303,523) representing advance payments from customers.

## 15. REVENUE - GROUP

Revenue represents the invoiced value of goods sold less returns and discounts.

## 16. FINANCE COSTS - GROUP

	2016 RM	2015 RM
Interest expense on :		
Finance lease liabilities	177,634	198,229
Bank overdrafts	174,929	169,880
Bankers' acceptances	312,623	265,085
Revolving credits	106,728	102,182
Foreign currency loans	24,974	30,003
	<u>796,888</u>	<u>765,379</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**17. PROFIT/(LOSS) BEFORE TAX**

Profit/(Loss) before tax is arrived at after charging :

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Auditors' remuneration :				
Audit fees				
- KPMG Malaysia	89,000	89,000	24,000	24,000
- Other auditors				
- current year	13,449	11,800	-	-
- prior year	897	-	-	-
Non-audit fees				
- KPMG Malaysia	6,000	9,500	6,000	6,000
- Affiliates of KPMG Malaysia	26,721	30,690	2,427	3,890
Depreciation of :				
- property, plant and equipment (Note 3)	4,389,323	4,511,024	-	-
- investment properties (Note 4)	6,852	6,852	-	-
Amortisation of prepaid lease payments (Note 5)				
	337,492	337,492	-	-
Rental of equipment	72,164	79,790	-	-
Research and development expenses	803,666	554,382	-	-
Impairment loss on :				
- trade receivables	-	98,137	-	-
- amount due from a subsidiary	-	-	-	1,441,555
Rental of premises	135,672	113,051	-	-
Inventories written off	-	719	-	-
Inventories written down	473,542	-	-	-
Bad debts written off	16,158	-	-	-
Realised loss on foreign exchange	343,386	166,366	-	-
Plant and equipment written off	5,791	63,486	-	-
and after crediting :				
Interest income	83,119	250,260	82,532	249,926
Gain on disposal of :				
- plant and equipment	97,165	119,997	-	-
- investment in an associate	-	1,030,139	-	2,582,039
Reversal of impairment loss on trade receivables				
	43,768	43,352	-	-
Rental income	3,182,433	1,834,002	-	-
Unrealised gain on foreign exchange	163,725	125,836	-	-

- i) The estimated monetary value of Directors' benefit-in-kind is RM26,700 (2015 : RM26,700).
- ii) Research and development expenses include Director's emoluments of RM459,000 (2015: RM442,400).

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 18. EMPLOYEE INFORMATION

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Staff costs (including Executive Directors)	12,702,852	13,577,667	190,000	160,000

Staff costs of the Group include contributions to the Employees' Provident Fund of RM689,785 (2015 : RM656,344).

Included in staff costs and research and development expenses is compensation paid to key management personnel as follows :

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Directors' fee	190,000	160,000	190,000	160,000
Directors' remuneration	1,880,000	1,720,000	-	-
Contributions to Employees' Provident Fund	240,000	206,400	-	-
Estimated monetary value of benefits-in-kind	26,700	26,700	-	-
	<u>2,336,700</u>	<u>2,113,100</u>	<u>190,000</u>	<u>160,000</u>

## 19. TAX EXPENSE

## Recognised in profit or loss

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Income tax expense on continuing operations	552,593	590,741	418	42

Major components of income tax expense include :

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
<b>Current tax expense</b>				
<i>Malaysian</i>				
- Current year	959,742	668,691	-	-
- Prior years	(79,186)	81,011	418	42
Total current tax recognised in profit or loss	880,556	749,702	418	42
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	(222,963)	(240,962)	-	-
(Over)/Under provision in prior year	(105,000)	82,001	-	-
Total deferred tax recognised in profit or loss	(327,963)	(158,961)	-	-
Total income tax expense	<u>552,593</u>	<u>590,741</u>	<u>418</u>	<u>42</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 19. TAX EXPENSE (cont'd)

**Reconciliation of tax expense**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
(Loss)/Profit for the year	(424,053)	(514,652)	(343,605)	1,043,869
Total tax expense	552,593	590,741	418	42
Profit/(Loss) excluding tax	<u>128,540</u>	<u>76,089</u>	<u>(343,187)</u>	<u>1,043,911</u>
Income tax calculated using Malaysian tax rate of 24% (2015 : 25%)	30,850	19,022	(82,364)	260,978
Effect of different tax rate in foreign jurisdiction	(22,192)	877	-	-
Tax exempt income	(19,808)	(62,481)	(19,808)	(62,481)
Non-deductible expenses	459,223	828,745	104,010	447,468
Non-taxable income	(44,136)	(645,835)	(1,838)	(645,510)
Tax incentive	(37,652)	(34,548)	-	-
Deferred tax assets not recognised	367,104	264,769	-	-
Effect of change in tax rate*	-	53,837	-	-
Others	3,390	3,343	-	(455)
	<u>736,779</u>	<u>427,729</u>	<u>-</u>	<u>-</u>
(Over)/Under provision	(184,186)	163,012	418	42
	<u>552,593</u>	<u>590,741</u>	<u>418</u>	<u>42</u>

\* The corporate tax rates are 25% for the year of assessment 2015 and 24% for subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using the tax rate of 24%.

## 20. LOSS PER ORDINARY SHARE - GROUP

**Basic loss per ordinary share**

The calculation of basic loss per ordinary share at 30 June 2016 was based on the loss attributable to ordinary shareholders of RM424,053 (2015 : RM514,652) and on the weighted average number of ordinary shares outstanding of 40,000,000 (2015 : 40,000,000).

**Diluted earnings per ordinary share**

No diluted earnings per ordinary share is disclosed in the financial statements as there are no dilutive potential ordinary shares.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**21. RELATED PARTIES****Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The Group has related party relationship with :

- (i) holding company and subsidiaries of the Company;
- (ii) key management personnel; and
- (iii) Livsolution International Sdn. Bhd., a company in which Ms. Chou Lee Sin and Ms. Sin Siew Huey are deemed to have substantial financial interests.

**Significant related party transactions**

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 8 and 14 to the financial statements.

**a) Transaction with a subsidiary**

	<b>Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Assignment of debt from SKB Trading Sdn. Bhd. (see Note 27(b))	789,296	-

**b) Transaction with a company in which certain Directors have substantial financial interests**

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Rental of premise	-	12,000

**c) Transactions with Directors and key management personnel**

There were no transactions with the Directors and key management personnel other than the remuneration package paid to them in accordance with the terms and conditions of their appointment as disclosed in Note 18 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**22. OPERATING SEGMENTS - GROUP**

The Group is principally confined to the manufacture and sale of roller shutters, racking systems, storage system and related steel products which are principally carried out in Malaysia and Singapore. Accordingly, information by operating segments on the Group's operations as required by MFRS 8 is not presented.

**Geographical segments**

The Group's manufacturing activities are performed in Malaysia while sales and distribution activities are mainly performed in four principal geographical areas namely Malaysia, Asia (excluding Malaysia), Australia, Africa and Middle East.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments.

	<b>Revenue RM</b>	<b>Non-current assets RM</b>
<b>2016</b>		
Malaysia	41,263,317	42,706,651
Asia (excluding Malaysia)	9,387,735	1,835
Middle East	3,310,398	-
Africa	1,264,035	-
Australia	103,220	-
Others	448,974	-
	<u>55,777,679</u>	<u>42,708,486</u>
<b>2015</b>		
Malaysia	31,707,985	44,131,713
Asia (excluding Malaysia)	15,011,985	2,830
Middle East	2,370,696	-
Australia	1,665,423	-
Others	400,745	-
	<u>51,156,834</u>	<u>44,134,543</u>

**Major customer**

There is a customer (2015 : Nil) of the Group, with revenue equal or more than 10% of the Group's total revenue who contribute approximately 13% (2015 : Nil) or RM7,225,789 (2015 : Nil) of the Group's total revenue.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**23. CAPITAL COMMITMENT - GROUP**

	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
Property, plant and equipment		
- Authorised but not contracted for	764	-
- Contracted but not provided for	44,242	-
	<u>45,006</u>	<u>-</u>

**24. CONTINGENT LIABILITIES, UNSECURED - COMPANY**

The Company has given corporate guarantees to certain financial institutions for banking facilities granted to its subsidiaries for a limit of up to RM22.93 million (2015 : RM18.68 million) of which RM17.10 million (2015 : RM15.37 million) were utilised at reporting date.

**25. FINANCIAL INSTRUMENTS****25.1 Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows :

- (a) Loans and receivables ("L&R"); and  
(b) Financial liabilities measured at amortised cost ("FL").

	<b>Carrying amount RM</b>	<b>L&amp;R RM</b>
<b>Financial assets</b>		
<b>Group</b>		
<b>2016</b>		
Trade and other receivables (excluding prepayments)	26,328,264	26,328,264
Cash and cash equivalents	6,222,430	6,222,430
	<u>32,550,694</u>	<u>32,550,694</u>
<b>2015</b>		
Trade and other receivables (excluding prepayments)	18,671,193	18,671,193
Cash and cash equivalents	13,735,199	13,735,199
	<u>32,406,392</u>	<u>32,406,392</u>
<b>Company</b>		
<b>2016</b>		
Trade and other receivables (excluding prepayments)	22,353,822	22,353,822
Cash and cash equivalents	3,875,301	3,875,301
	<u>26,229,123</u>	<u>26,229,123</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 25. FINANCIAL INSTRUMENTS (cont'd)

## 25.1 Categories of financial instruments (cont'd)

	<b>Carrying amount RM</b>	<b>L&amp;R RM</b>
<b>Financial assets</b>		
<b>Company</b>		
<b>2015</b>		
Trade and other receivables (excluding prepayments)	13,559,540	13,559,540
Cash and cash equivalents	12,192,726	12,192,726
	<u>25,752,266</u>	<u>25,752,266</u>
	<b>Carrying amount RM</b>	<b>L&amp;R RM</b>
<b>Financial liabilities</b>		
<b>Group</b>		
<b>2016</b>		
Loans and borrowings	18,100,513	18,100,513
Trade and other payables	16,455,460	16,455,460
	<u>34,555,973</u>	<u>34,555,973</u>
<b>2015</b>		
Loans and borrowings	14,192,128	14,192,128
Trade and other payables	12,175,050	12,175,050
	<u>26,367,178</u>	<u>26,367,178</u>
<b>Company</b>		
<b>2016</b>		
Trade and other payables	<u>1,011,606</u>	<u>1,011,606</u>
<b>2015</b>		
Trade and other payables	<u>193,440</u>	<u>193,440</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 25. FINANCIAL INSTRUMENTS (cont'd)

## 25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Net (losses)/gains arising on :				
Loans and receivables	110,729	275,452	82,532	(1,191,629)
Financial liabilities measured at amortised cost	(976,549)	(885,886)	-	-
	<u>(865,820)</u>	<u>(610,434)</u>	<u>82,532</u>	<u>(1,191,629)</u>

## 25.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments :

- Credit risk
- Liquidity risk
- Market risk

## 25.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

**Receivables**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally, credit evaluations are performed on customers requiring credit over a certain amount.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 270 days, which are deemed to have higher credit risk, are monitored individually.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 25. FINANCIAL INSTRUMENTS (cont'd)

## 25.4 Credit risk (cont'd)

## Receivables (cont'd)

*Exposure to credit risk, credit quality and collateral (cont'd)*

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was :

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Domestic	13,774,688	16,102,489
Asia (excluding Malaysia)	448,152	595,355
Middle East	282,024	519,852
Australia	-	514,784
Others	-	40,482
	<u>14,504,864</u>	<u>17,772,962</u>

*Impairment losses*

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was :

	<b>Gross</b>	<b>Individual</b>	<b>Collective</b>	<b>Net</b>
	<b>RM</b>	<b>impairment</b>	<b>impairment</b>	<b>RM</b>
		<b>RM</b>	<b>RM</b>	
<b>Group</b>				
<b>2016</b>				
Not past due	10,653,622	-	-	10,653,622
Past due 1 - 90 days	2,075,174	-	-	2,075,174
Past due 91 - 180 days	777,874	-	-	777,874
Past due 181 - 270 days	678,658	-	-	678,658
Past due more than 270 days	1,649,769	(1,330,233)	-	319,536
	<u>15,835,097</u>	<u>(1,330,233)</u>	<u>-</u>	<u>14,504,864</u>
<b>2015</b>				
Not past due	6,265,375	-	-	6,265,375
Past due 1 - 90 days	5,380,213	-	-	5,380,213
Past due 91 - 180 days	3,566,751	-	-	3,566,751
Past due 181 - 270 days	808,712	-	-	808,712
Past due more than 270 days	3,125,912	(1,374,001)	-	1,751,911
	<u>19,146,963</u>	<u>(1,374,001)</u>	<u>-</u>	<u>17,772,962</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**25. FINANCIAL INSTRUMENTS (cont'd)****25.4 Credit risk (cont'd)****Receivables (cont'd)***Impairment losses (cont'd)*

The movements in the allowance for impairment losses of trade receivables during the financial year were :

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
At 1 July	1,374,001	1,319,216
Impairment loss recognised	-	98,137
Impairment loss reversed	(43,768)	(43,352)
At 30 June	1,330,233	1,374,001

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

**Financial guarantees***Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk of the Company amounts to RM17,100,122 (2015 : RM15,369,910) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

**Inter-company advances***Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured advances to its subsidiaries. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Advances are only provided to subsidiaries which are wholly-owned by the Company.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**25. FINANCIAL INSTRUMENTS (cont'd)****25.4 Credit risk (cont'd)****Inter-company advances (cont'd)***Impairment losses*

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries.

**25.5 Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 25. FINANCIAL INSTRUMENTS (cont'd)

## 25.5 Liquidity risk (cont'd)

## Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments :

	Carrying amount RM	Contractual interest rates per annum %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
<i>Non-derivative financial liabilities</i>							
<b>2016</b>							
<b>Group</b>							
Finance lease liabilities	3,000,480	2.37 - 4.00	3,219,232	1,587,393	1,001,955	629,884	-
Revolving credits	4,000,000	5.27 - 5.31	4,000,000	4,000,000	-	-	-
Bank overdrafts	2,876,188	8.10	2,876,188	2,876,188	-	-	-
Bankers' acceptances	7,150,000	5.05 - 5.65	7,150,000	7,150,000	-	-	-
Foreign currency loans	1,073,845	2.28 - 2.86	1,073,845	1,073,845	-	-	-
Trade and other payables	16,455,460	-	16,455,460	16,455,460	-	-	-
	<u>34,555,973</u>		<u>34,774,725</u>	<u>33,142,886</u>	<u>1,001,955</u>	<u>629,884</u>	<u>-</u>
<b>Company</b>							
Trade and other payables	1,011,606	-	1,011,606	1,011,606	-	-	-
Financial guarantees	-	-	17,100,122	17,100,122	-	-	-
	<u>1,011,606</u>		<u>18,111,728</u>	<u>18,111,728</u>	<u>-</u>	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 25. FINANCIAL INSTRUMENTS (cont'd)

## 25.5 Liquidity risk (cont'd)

## Maturity analysis (cont'd)

	Carrying amount RM	Contractual interest rates per annum %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
<i>Non-derivative financial liabilities</i>							
<b>2015</b>							
<b>Group</b>							
Finance lease liabilities	3,410,318	2.41 - 4.00	3,674,602	1,591,296	2,083,306	-	-
Revolving credits	2,000,000	4.19 - 5.20	2,000,000	2,000,000	-	-	-
Bank overdrafts	2,758,483	8.10	2,758,483	2,758,483	-	-	-
Bankers' acceptances	5,312,000	4.70 - 6.24	5,312,000	5,312,000	-	-	-
Foreign currency loans	711,327	1.98 - 2.39	711,327	711,327	-	-	-
Trade and other payables	12,175,050	-	12,175,050	12,175,050	-	-	-
	<u>26,367,178</u>		<u>26,631,462</u>	<u>24,548,156</u>	<u>2,083,306</u>	<u>-</u>	<u>-</u>
<b>Company</b>							
Trade and other payables	193,440	-	193,440	193,440	-	-	-
Financial guarantees	-	-	15,369,910	15,369,910	-	-	-
	<u>193,440</u>		<u>15,563,350</u>	<u>15,563,350</u>	<u>-</u>	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**25. FINANCIAL INSTRUMENTS (cont'd)****25.6 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

**25.6.1 Currency risk**

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Australian Dollar ("AUD") and Euro ("EURO").

*Risk management objectives, policies and processes for managing the risk*

It is generally the Group's practice not to enter into foreign exchange contracts in managing its foreign exchange risk resulting from cash flows from transactions denominated in foreign currency.

*Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was :

	<b>USD RM</b>	<b>Denominated in AUD RM</b>	<b>EURO RM</b>	<b>Total RM</b>
<b>Group</b>				
<b>2016</b>				
Loans and borrowings	(1,073,845)	-	-	(1,073,845)
Trade and other receivables	656,980	-	-	656,980
Cash and cash equivalents	1,311,692	-	-	1,311,692
Trade and other payables	(3,856,052)	-	-	(3,856,052)
<b>Net exposure</b>	<b>(2,961,225)</b>	<b>-</b>	<b>-</b>	<b>(2,961,225)</b>
<b>2015</b>				
Loans and borrowings	(711,327)	-	-	(711,327)
Trade and other receivables	647,258	-	-	647,258
Cash and cash equivalents	981,286	-	-	981,286
Trade and other payables	(1,173,528)	(10,521)	(40,947)	(1,224,996)
<b>Net exposure</b>	<b>(256,311)</b>	<b>(10,521)</b>	<b>(40,947)</b>	<b>(307,779)</b>

*Currency risk sensitivity analysis*

Foreign currency risk arises from Group entities which have a Ringgit Malaysia ("RM") functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 25. FINANCIAL INSTRUMENTS (cont'd)

## 25.6 Market risk (cont'd)

## 25.6.1 Currency risk (cont'd)

*Currency risk sensitivity analysis (cont'd)*

A 10% (2015: 10%) strengthening of the RM against the following currencies at the end of the reporting period would have decreased post-tax loss (2015: increased post-tax profit) by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2016 RM	2015 RM
<b>Group</b>		
USD	225,053	19,223
AUD	-	789
EURO	-	3,071
	<u>                    </u>	<u>                    </u>

A 10% (2015: 10%) weakening of the RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

## 25.6.2 Interest rate risk

The Group's investments in fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the risk*

The Group is presently enjoying competitive interest rates which are reviewed and negotiated on a yearly basis. The Group manages their interest rate risk by having a combination of borrowings with floating and fixed rates.

*Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was :

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Fixed rate instruments</b>				
Financial assets	3,920,750	12,235,078	3,874,971	12,192,439
Financial liabilities	(15,224,325)	(11,433,645)	-	-
	<u>(11,303,575)</u>	<u>801,433</u>	<u>3,874,971</u>	<u>12,192,439</u>
<b>Floating rate instruments</b>				
Financial liabilities	<u>(2,876,188)</u>	<u>(2,758,483)</u>	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 25. FINANCIAL INSTRUMENTS (cont'd)

## 25.6 Market risk (cont'd)

## 25.6.2 Interest rate risk (cont'd)

*Interest rate risk sensitivity analysis*(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 50 basis points ("bp") in interest rates at the end of the reporting period would have (increased)/decreased post-tax loss (2015: post-tax profit) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	<b>Profit or loss</b>	
	<b>50 bp increase RM</b>	<b>50 bp decrease RM</b>
<b>Group</b>		
<b>2016</b>		
Floating rate instruments	<u>(10,930)</u>	<u>10,930</u>
<b>2015</b>		
Floating rate instruments	<u>10,344</u>	<u>(10,344)</u>

## 25.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 25. FINANCIAL INSTRUMENTS (cont'd)

## 25.7 Fair value information (cont'd)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM		
<b>2016</b>	-	-	-	-	-	-	(3,000,000)	(3,000,480)
Finance lease liabilities	-	-	-	-	-	-	(3,000,000)	(3,000,480)
<b>2015</b>	-	-	-	-	-	-	(3,410,000)	(3,410,318)
Finance lease liabilities	-	-	-	-	-	-	(3,410,000)	(3,410,318)

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**25. FINANCIAL INSTRUMENTS (cont'd)****25.7 Fair value information (cont'd)****Policy on transfer between levels**

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There has been no transfer between the fair value levels during the financial year (2015: no transfer in either directions).

**Level 3 fair value***Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. The fair value of the loans and borrowings is calculated using discounted cash flows where the market rate of interest is determined by reference to similar borrowing arrangements.

**26. CAPITAL MANAGEMENT**

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determined to maintain an optimal debt-to-equity ratio that complied with debt covenants and regulatory requirements.

There were no changes in the Group's approach to capital management during the financial year.

**27. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR****(a) Acquisition of leasehold land**

On 19 January 2016, the Group entered into a Sale and Purchase Agreement ("SPA") with Perbadanan Kemajuan Negeri Selangor ("PKNS") to acquire a parcel of leasehold land for a period of 99 years where a refundable deposit of RM11 million has been paid as of 30 June 2016. The completion of the acquisition is subject to the fulfillment of all conditions stated in the SPA.

**(b) Voluntary winding up of a subsidiary, SKB Trading Sdn. Bhd. ("SKBT")**

SKBT, a wholly-owned subsidiary of the Company, had on 1 April 2016 commenced its voluntary winding up proceeding. SKBT convened the final General Meeting on 9 September 2016 and concluded the winding up proceeding.

Consequent to the voluntary winding up of SKBT, SKBT assigned debts owing by SKB Shutters Manufacturing Sdn. Bhd. amounting to RM789,296 to the Company.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**28. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES**

The breakdown of the retained earnings of the Group and of the Company as at 30 June, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows :

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Total retained earnings of the Company and its subsidiaries :				
- realised	38,479,322	39,269,278	1,563,269	1,906,874
- unrealised	9,467,808	9,101,956	-	-
	<u>47,947,130</u>	<u>48,371,234</u>	<u>1,563,269</u>	<u>1,906,874</u>
Less : Consolidation adjustments	(13,837,500)	(13,837,551)	-	-
Total retained earnings	<u>34,109,630</u>	<u>34,533,683</u>	<u>1,563,269</u>	<u>1,906,874</u>

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profit or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

**STATEMENT BY DIRECTORS**  
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 25 to 74 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 28 on page 75 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

-----  
**Sin Kheng Lee**

-----  
**Sin Ching San**

Penang,

Date : 21 October 2016

**STATUTORY DECLARATION**  
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Sin Kheng Lee**, the Director primarily responsible for the financial management of SKB Shutters Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 25 to 75 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Georgetown in the State of Penang on 21 October 2016.

-----  
**Sin Kheng Lee**

Before me :

Goh Suan Bee (No. P125)  
Pesuruhjaya Sumpah  
(Commissioner for Oaths)  
Penang

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF SKB SHUTTERS CORPORATION BERHAD

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of SKB Shutters Corporation Berhad, which comprise the statements of financial position as at 30 June 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 25 to 74.

#### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT (CONT'D)  
TO THE MEMBERS OF SKB SHUTTERS CORPORATION BERHAD

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following :

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' report of a subsidiary of which we have not acted as auditors, which is indicated in Note 6 to the financial statements.
- c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**OTHER REPORTING RESPONSIBILITIES**

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 28 on page 75 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

**OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG**  
AF 0758  
Chartered Accountants

**Lim Su Ling**  
3098/12/15 (J)  
Chartered Accountant

Date : 21 October 2016

Penang

## LIST OF PROPERTIES HELD BY THE GROUP

AS AT 30 JUNE 2016

Nos.	Description/Address	Date Revaluation	Tenure	Area	Existing Use	N.B.V. 30.06.16 RM
<b>LAND</b>						
1	Lot No. 47158 Indahpura Industrial Park Kulai, Johor Bahru	28/06/2011	Freehold	6,102 sq.m.	Vacant	1,084,000
2	Lot 22, Jalan Teknologi Taman Sains Selangor 1 Kota Damansara 47810 Petaling Jaya	28/06/2011	Leasehold - 30 years expiring 2031	523,524 sq.ft.	Factory	5,090,657
<b>BUILDING</b>						
1	Lot 22, Jalan Teknologi Taman Sains Selangor 1 Kota Damansara 47810 Petaling Jaya	28/06/2011	Leasehold - 30 years expiring 2031	336,263 sq.ft.	Factory	24,628,002
2	Corporate Tower Subang Square CT-01-17, Jln SS 15/4G 47500 Subang Jaya, Selangor	28/06/2011	Freehold	810 sq.ft.	Rent	231,920
3	Kota Point Shopping Complex, Lot LG-20 Grant No.: 15702, Lot 346 Jalan Lombong Kota Tinggi Johor	Not Applicable	Freehold	28 sq.m.	Vacant	1
4	PD Perdana Condo Resort Parcel No.411, Block M Jln PD Perdana, Off Jln Pantai 71050 Sirusa, Port Dickson Negeri Sembilan	28/06/2011	Freehold	746 sq.ft.	Vacant	53,120
5	Kiambang Apartment C-1-12, Jln Putra Perdana 5F Taman Putra Perdana 47100 Puchong, Selangor	28/06/2011	Leasehold - 99 years expiring 2093	790 sq.ft.	Vacant	71,014
<b>Total</b>						<b>31,158,714</b>

## ANALYSIS OF SHAREHOLDINGS

AS AT 5 OCTOBER 2016

AUTHORISED SHARE CAPITAL	:	RM50,000,000
ISSUED AND FULLY PAID-UP CAPITAL	:	RM40,000,000
CLASS OF SHARE	:	Ordinary shares of RM1 each fully paid
VOTING RIGHTS	:	On a show of hands - one vote for every shareholder On a poll - one vote for every ordinary share held

### DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	No. of shareholders	% of shareholders	No. of shares	% of shares
Less than 100	5	0.70	233	0.00
100 - 1,000	371	51.82	339,000	0.85
1,001 - 10,000	257	35.89	1,069,767	2.67
10,001 - 100,000	64	8.94	1,567,300	3.92
100,001 - 1,999,999	16	2.24	8,826,496	22.07
2,000,000 - 40,000,000	3	0.42	28,197,204	70.49
<b>Total</b>	<b>716</b>	<b>100.00</b>	<b>40,000,000</b>	<b>100.00</b>

### SUBSTANTIAL SHAREHOLDERS AS AT 5 OCTOBER 2016

Name	Direct Interest	% of Issued Capital	Indirect Interest	% of Issued Capital
1 SKB Glory Sdn. Bhd.	22,847,607	57.12	-	-
2 Sin Kheng Lee	2,010,000	5.03	22,857,607 *	57.14
3 Dato' Moehamad Izat Bin Achmad Habechi Emir	3,339,597	8.35	-	-
4 Chou Lee Sin	10,000	0.03	24,857,607 #	62.14
5 Sin Ching San	10,000	0.03	22,847,607 ^	57.12

\* Deemed interest via SKB Glory Sdn. Bhd. and spouse

# Deemed interest via spouse

^ Deemed interest via SKB Glory Sdn. Bhd.

### DIRECTORS' SHAREHOLDINGS AS AT 5 OCTOBER 2016

	Direct Interest	%	Indirect Interest	%
<b>The Company</b>				
1 Sin Kheng Lee	2,010,000	5.03	22,857,607*	57.14
2 Dato' Moehamad Izat Bin Achmad Habechi Emir	3,339,597	8.35	-	-
3 Chou Lee Sin	10,000	0.03	24,857,607#	62.14
4 Sin Ching San	10,000	0.03	22,857,607*	57.14
5 Sin Siew Huey	-	-	-	-
6 Sin Tze Yi	-	-	-	-
7 Lai Lan Man @ Lai Shuk Mee	15,000	0.04	-	-
8 You Tong Lioung @ Yew Tong Leong	10,000	0.03	-	-
9 Mohd Arif Bin Mastol	-	-	-	-
<b>Holding Company - SKB Glory Sdn. Bhd.</b>				
1 Sin Kheng Lee	971,250	64.75	112,500	7.50
2 Sin Ching San	416,250	27.75	-	-
3 Chou Lee Sin	-	-	1,083,750 #	72.25

\* Deemed interest via SKB Glory Sdn. Bhd. and spouse

# Deemed interest via spouse

Note : By virtue of their interest of more than 15% in the Ordinary Shares of the Company, Messrs Sin Kheng Lee and Sin Ching San are also deemed to have interest in the Ordinary Shares of all the subsidiaries to the extent that the Company has an interest.

ANALYSIS OF SHAREHOLDINGS (CONT'D)  
AS AT 5 OCTOBER 2016

## LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 5 OCTOBER 2016

NO.	NAME	NO. OF SHARES	% OF SHARES
1	SKB GLORY SDN. BHD.	22,847,607	57.1190
2	MOEHAMAD IZAT BIN ACHMAD HABECHI EMIR	3,339,597	8.3490
3	SIN KHENG LEE	2,000,000	5.0000
4	ABBAS BIN MEHAD	1,642,065	4.1052
5	ABDUL RAHIM BIN ABDUL RAHMAN	1,313,653	3.2841
6	LOOI ENG KEONG	1,056,000	2.6400
7	DAUD BIN DAROS	985,239	2.4631
8	MOHD HAFIZ BIN HASHIM	985,239	2.4631
9	OOI SAY TUAN	700,000	1.7500
10	INTEGRO PLANTATIONS SDN. BHD.	407,400	1.0185
11	ANG HUAT KEAT	305,000	0.7625
12	NIELS JOHN MADSEN	291,200	0.7280
13	NG FONG WAH	236,400	0.5910
14	RHB NOMINEES (TEMPATAN) SDN. BHD. PLEGDED SECURITIES ACCOUNT FOR TAN CHIN YEN	209,800	0.5245
15	YONG KIAN SENG @ YOONG TEIN SENG	193,200	0.4830
16	LIM POH BOON	154,000	0.3850
17	GOH AH THIAM	115,000	0.2875
18	LEE LAM KEIONG	110,000	0.2750
19	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. KHOO KIN PENG	104,300	0.2608
20	TA NOMINEES (ASING) SDN. BHD. PLEGDED SECURITIES ACCOUNT FOR CHOU, CHUN-SHENG	77,400	0.1935
21	KHOO SENG KEAT	70,000	0.1750
22	LIM MOOI TEAN	70,000	0.1750
23	WONG LOK JEE @ ONG LOK JEE	60,000	0.1500
24	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEGDED SECURITIES ACCOUNT FOR RONNIE LAI TSIN LEE (M08)	59,700	0.1493
25	HO, JEN-CHIH	54,200	0.1355
26	YONG THAIN CHAI	50,000	0.1250
27	LEE SIEW YEAN @ LEE SEW YEAN	49,900	0.1248
28	DZH MANAGEMENT CONSULTANTS SDN. BHD.	46,000	0.1150
29	LIM SEE FOOK	45,000	0.1125
30	LAW WEI HONG	38,200	0.0955
<b>TOTAL:</b>		<b>37,616,100</b>	<b>94.0402</b>

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Nineteenth Annual General Meeting (“AGM”) of the Company will be held at Bayan Room, Lower Level, Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang, on Friday, 2 December 2016 at 2.00 p.m. to transact the following business: -

**As Ordinary Business:**

1. To receive and adopt the Financial Statements for the year ended 30 June 2016 and the Reports of Directors and Auditors thereon.
  
2. To re-elect the following directors who are retiring pursuant to Article 125 of the Company’s Articles of Association and being eligible, offer themselves for re-election: -
 

a) Mr Sin Kheng Lee	Ordinary Resolution 1
b) Mr Sin Ching San	Ordinary Resolution 2
c) Ms Chou Lee Sin	Ordinary Resolution 3
d) Ms Sin Siew Huey	Ordinary Resolution 4
e) Ms Lai Lan Man @ Lai Shuk Mee	Ordinary Resolution 5
f) Encik Mohd Arif Bin Mastol	Ordinary Resolution 6
  
3. To re-elect the following directors who are retiring pursuant to Section 129 of the Companies Act, 1965 and being eligible, offer themselves for re-appointment:-
 

a) Dato’ Moehamad Izat bin Achmad Habechi Emir	Ordinary Resolution 7
b) Mr You Tong Lioung @ Yew Tong Leong	Ordinary Resolution 8
  
4. To re-elect Ms Sin Tze Yi who is retiring pursuant to Article 130 of the Company’s Articles of Association and being eligible, offers herself for re-election. Ordinary Resolution 9
  
5. To approve Directors’ Fee of RM190,000/- for the year ended 30 June 2016. Ordinary Resolution 10
  
6. To re-appoint Messrs KPMG as auditors of the Company and to authorise the directors to fix their remuneration. Ordinary Resolution 11

**As Special Business**

To consider and if thought fit, to pass the following Resolutions with or without modification: -

7. Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965 Ordinary Resolution 12

“That pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of the relevant authorities, the directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company for the time being and that the directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad (“Bursa Securities”) and that such authority shall continue to be in force until the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.”
  
8. Retention of Independent Directors
 

“That the following Directors be retained as Independent Directors of the Company, in accordance with the Malaysian Code on Corporate Governance 2012 until the conclusion of the next AGM: -

i) Mr You Tong Lioung @ Yew Tong Leong	Ordinary Resolution 13
ii) Ms Lai Lan Man @ Lai Shuk Mee	Ordinary Resolution 14
iii) Encik Mohd Arif Bin Mastol”	Ordinary Resolution 15



## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

9. To transact any other business of which due notice shall have been given.

By Order of the Board

Chin Lee Phing (MAICSA 7057836)  
Company Secretary  
Penang, 31 October 2016

**Notes:****Appointment of Proxy: -**

1. A Member may appoint up to two (2) proxies to attend on the same occasion. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not, apply to the Company. If a Member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depository) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a Member of the Company is an exempt authorised nominee which hold ordinary shares in the Company for multiple beneficial owner in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account its holds.

An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
5. To be valid, the proxy form must be deposited at the Company's Registered Office at 2nd Floor, Wisma Penang Garden, 42 Jalan Sultan Ahmad Shah, 10050 Penang, at least forty eight (48) hours before the time appointed for holding the meeting or any adjournments thereof.
6. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 75(3)(2) of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements ("MMLR") of Bursa Securities, a Record of Depositors ("ROD") as at **25 November 2016** and only a Depositor whose name appears on such ROD shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his/her behalf.

**Explanatory Notes on Ordinary Business: -**

1. Agenda 1 is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of shareholders of the Company and hence, Agenda 1 is not put forward for voting.
2. The proposed Ordinary Resolutions 7 and 8 under Agenda 3 is in accordance with Section 129(6) of the Companies Act, 1965 which requires that a separate resolution be passed to re-appoint Dato' Moehammad Izat bin Achmad Habechi Emir and Mr You Tong Lioung @ Yew Tong Leong who are over 70 years of age as Directors of the Company and to hold office until the conclusion of the next AGM of the Company. These resolutions shall take effect if it is passed by a majority of not less than three-fourth of such shareholders of the Company as being entitled to vote in person or where proxies are allowed, by proxy at the AGM of the Company.

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

**Explanatory Notes on Special Business: -**

1. The proposed Ordinary Resolution 12 is for the purpose of granting a renewed general mandate ("General Mandate") and empowering the Directors of the Company, pursuant to Section 132D of the Companies Act, 1965 to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the issued and paid-up share capital of the Company for the time being. The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the next AGM of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 21 December 2015 and which will lapse at the conclusion of the Nineteenth AGM.

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

2. The proposed Ordinary Resolutions 13, 14 and 15, if passed, will retain Mr You Tong Lioung @ Yew Tong Leong, Ms Lai Lan Man @ Lai Shuk Mee and Encik Mohd Arif Bin Mastol as Independent Directors of the Company to fulfill the requirements of paragraph 3.04 of Bursa Securities' MMLR and in line with the recommendation no. 3.3 of the Malaysian Code of Corporate Governance 2012.

Mr You Tong Lioung @ Yew Tong Leong and Ms Lai Lan Man @ Lai Shuk Mee were appointed as Independent Directors on 10 February 2001. They have served the Company for more than 15 years as at the date of the notice of the 19<sup>th</sup> AGM. However, they have met the independence guidelines as set out in Chapter 1 of the MMLR of Bursa Securities. The Board, therefore, considers them to be independent and recommends them to remain as Independent Directors.

Encik Mohd Arif Bin Mastol was appointed as an Independent Director on 28 June 2002. He has served the Company for more than 14 years as at the date of the notice of the 19<sup>th</sup> AGM. However, he has met the independence guidelines as set out in Chapter 1 of the MMLR of Bursa Securities. The Board, therefore, considers him to be independent and recommends him to remain as an Independent Director.

The details of the Board's justification and recommendation for the retention of the Independent Directors are set out in the Statement on Corporate Governance in the 2016 annual report.

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

**STATEMENT ACCOMPANYING NOTICE OF  
ANNUAL GENERAL MEETING**  
(PURSUANT TO PARAGRAPH 8.27(2) OF THE LISTING REQUIREMENTS OF  
BURSA MALAYSIA SECURITIES BERHAD)

No individual is standing for election as a Director at the forthcoming AGM of the Company.

This page is intentionally left blank

# PROXY FORM

No. of shares held	CDS account no.

I/We \_\_\_\_\_  
 (Full name as per NRIC and NRIC No./Company No. in BLOCK LETTERS)

of \_\_\_\_\_  
 (Full address in BLOCK LETTERS and telephone no.)

being a member/members of **SKB Shutters Corporation Berhad**, hereby appoint  
 \_\_\_\_\_  
 (Full name as per NRIC and NRIC No. in BLOCK LETTERS)

of \_\_\_\_\_

or failing him/her \_\_\_\_\_ of \_\_\_\_\_  
 as my/our proxy, to vote for me/us and on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held at Bayan Room, Lower Level, Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang, on Friday, 2 December 2016 at 2.00 p.m. and at any adjournments thereof.

	ORDINARY RESOLUTIONS														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>FOR</b>															
<b>AGAINST</b>															
<b>ABSTAIN</b>															

(Please indicate with "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion).

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

\_\_\_\_\_  
 Signature(s)/ Common Seal of Shareholder(s)

**Notes:**

1. A Member may appoint up to two (2) proxies to attend on the same occasion. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not, apply to the Company. If a Member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depository) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a Member of the Company is an exempt authorised nominee which hold ordinary shares in the Company for multiple beneficial owner in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account its holds.  
 An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
5. To be valid, the proxy form must be deposited at the Company's Registered Office at 2<sup>nd</sup> Floor, Wisma Penang Garden, 42 Jalan Sultan Ahmad Shah, 10050 Penang, at least forty eight (48) hours before the time appointed for holding the meeting or any adjournments thereof.
6. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 75(3)(2) of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at **25 November 2016** and only a Depositor whose name appears on such ROD shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his/her behalf.

---

Stamp

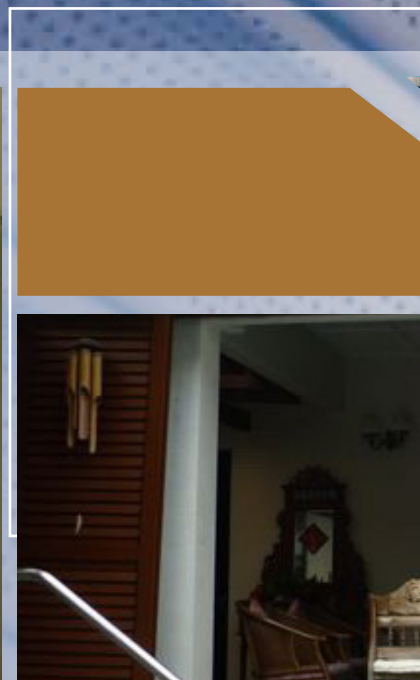
To,

*The Company Secretary*

**SKB SHUTTERS CORPORATION BERHAD (430362U)**

2<sup>nd</sup> Floor, Wisma Penang Garden  
42, Jalan Sultan Ahmad Shah, 10050 Penang

---



**SKB SHUTTERS CORPORATION BERHAD** (430362-U)

***Registered Office:***

2<sup>nd</sup> Floor, Wisma Penang Garden,  
42, Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia.