



Reg. Trademark No. 85/B03843

SKB SHUTTERS CORPORATION BERHAD (430362-U)

ANNUAL REPORT  
2019





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# Management Discussion And Analysis

## OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Celebrating 62 years since its establishment, SKB specialises in the manufacturing of roller shutters, steel doors and storage and handling system. SKB Shutters Corporation Berhad is listed on Bursa Malaysia on the 28th of March 2001 holding two of its main subsidiaries namely, SKB Shutters Manufacturing Sdn. Bhd. and SKB Storage Industries Sdn. Bhd.

Following the Group's listing on the stock exchange, its main objective has led to the expansion in its regional coverage, product innovation, manufacturing capability and capacity. The Group strives to achieve the vision of being recognised as the largest roller shutter and storage system manufacturer in South East Asia.

For the FYE 30 June 2019, the Group recorded profit before tax ("PBT") of RM3.665 million, posting a 9% increase in PBT from RM3.364 million recorded in the previous FYE 30 June 2018.

In the financial year 2019, the Group maintains good export opportunities following supply chain extensions in particularly logistic expansion in Asia and Australia. Throughout the year, SKB focuses on innovation in region-friendly, country-specific, sector-specific products to ease access to new markets. This includes research and development and product testing for roller shutters to local regulatory requirements, engineering storage racking systems to earthquake-prone regions and many more.

## FINANCIAL RESULTS

Overall, the Malaysian construction and development sector has improved in the first half of 2019 compared to the months following the country general elections (GE14) in May 2018. The wait-and-see approach prior to GE14 has impacted the sector with lower number of award of contracts given sentiments signalling uncertainty in the market. However, the Group sees increasing number of tender and proposal bids months leading up to end of Q2'19. This eventually resulted in lower revenue contribution from local Roller Shutter sales of RM32.707 million. On the other hand, the export sector for Roller Shutter has grown significantly during the financial year. The Group recorded almost 100% growth for export Roller Shutter sales. Markets such as Philippines and Qatar outperformed previous years and reassures the Group that its marketing efforts invested in these regions were promising. The trend is the opposite for Storage Racking Solutions ("SRS") for local vs export sales. The FYE19 results witness 50% growth in local sector while the export market has shrunk by 7.7%. The Group cites the trend expansion of logistic handling services in Malaysia as one of the key motivations in the increase in local SRS sales.

Revenue for the Group is RM65.56 million, a positive lift from previous financial year. While Malaysia remains as one of our key markets, the export sector performance significantly improved enabling the Group to maintain its performance to past years.

The Group foresees the SRS continues to grow in a steady pace in Malaysia with recent announcements of large scale expansion and new entrants in the logistics management and 3PL sectors. This will continue to benefit the SRS sectors while increasing our accessibility with products meeting region-specific and localised regulations will also enable us to penetrate into overseas market in the Roller Shutter sector. The Group believes that the increasing tensions between US-China will benefit both product sectors in export markets.



## Management Discussion And Analysis

### REVIEW OF OPERATING ACTIVITIES

The Group's key clients are main contractors, manufacturing plants and warehouse operators. Consequently, any contributing factors affecting the construction and logistic & distribution activities in and outside of Malaysia would have an impact to the Group's performance.

For FYE 30 June 2019, the Group's results shown that increased activity in logistic-related sectors in both local and overseas market is beneficial to its performance and it believes that this will persist in the coming year as well. SKB is also looking forward to market its seismic storage solutions to earthquake-prone countries where very limited manufacturers have successfully penetrate these markets.

The Group is also continuously monitoring the labour supply in Malaysia where it often poses a challenge to maintain its production capacity. Regulatory and policy changes often led to significant efforts invested in training and skills learning to ensure production efficiency and effectiveness are met.

### BUSINESS RISKS

Diversification within each product sector can be positive in generating revenues and market segments, it also subjects the business to exposure to new requirements and upgrade of skillsets and knowledge. With skills retention gradually surface as a risk in sustaining the business, the Group acknowledges that it needs to seek ways to address talent retention with in-house programmes, soft skills and technical training as well as increase its attractiveness in engaging good talents. Apart from that, the US-China tensions has also led to fluctuating prices for raw materials from time to time. Although a challenge is familiar to the Group, however with the increasing competitive local market in a rather quiet local economy, this would also mean controlling of costs and margin sensitive products must be extremely cautious. The Group actively manages the risks that are material to the business by continuously be aware of the trends and act swiftly in respond to these changes.

### FUTURE PROSPECTS

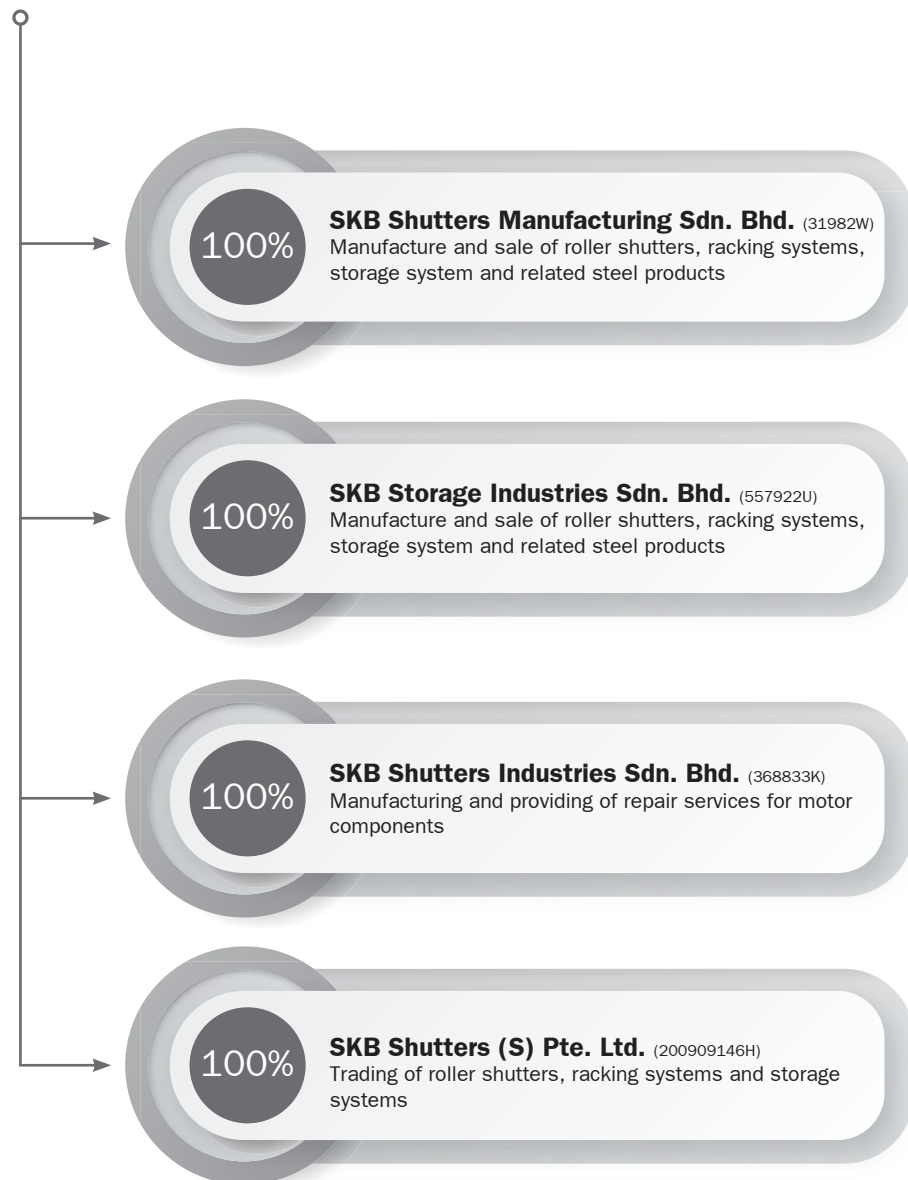
The Group maintains that Southeast Asia ("SEA") is rising to be intermediate hubs for manufacturing and logistics networks. With SEA gains its attractiveness in political stability, strong trade relations among one and another, technology-motivated trades will see logistic networks and its related economic activity to expand significantly. US-China political tensions also open up the ASEAN manufacturer to access markets that may have high entry barriers prior to the trade war. The Group continues to position itself as a solution provider over a manufacturer-cum-supplier role. With increasing integration of automation and complementary products that can come under the Group's umbrella and/or partnering closely with industry experts, clients are able to receive comprehensive industry solution rather than consolidating different products into one system or set up.

## CORPORATE STRUCTURE



**SKB Shutters Corporation Berhad**  
(430362-U)

Investment Holding



## 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 PLT (Firm No. LLP0010081-LCA & 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)  
Tel. no.: 603-6157 2277  
Fax no.: 603-6157 2211

#### Stock Exchange Listing

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

## DIRECTORS' PROFILE / KEY SENIOR MANAGEMENT

### SIN KHENG LEE

- Age 62 | Male
- Executive Chairman and Group Managing Director
- Key Senior Management

Mr Sin Kheng Lee was appointed to the Board of SKB 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 and SKB Storage Industries Sdn. Bhd. ("STO") on 4 September 2001 respectively. He is currently responsible for the overall developments of products and businesses in SKBM and STO, including overseeing manufacturing, administrative and operating functions of the Group. With his vast experience of more than 30 years in the roller shutters industry, he has successfully brought about the rapid expansion, modernization and diversification of the Group's manufacturing activities, hence provided the necessary guidance and contribution towards management activities of the Group. He also sits on the Board of all subsidiaries of SKB and several other private companies.

He was appointed as a committee member of the Malaysia Fire Protection Association from 2009 till 2011. Mr Sin is awarded Successful CEOs by BrandLaureate Brandpreneur Award in 2016 and is also awarded Most Outstanding Alumni & by the National Taiwan University of Technology in 2017 and 2019 respectively.

### DATO' MOEHAMAD IZAT BIN ACHMAD HABECHI EMIR

- Age 81 | Male
- Deputy Chairman
- Non-Independent & Non-Executive Director

Dato' Moehamad Izat was appointed to the Board of SKB on 10 February 2001. He was appointed as a Director of SKBM on 3 March 1997. He was subsequently appointed as Deputy Chairman of SKB 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 Businessmen and Industrialists Association of Malaysia ("PERDASAMA") since it was established in December 1998 until November 2017. Prior to that, he was the Deputy Chairman (1974-1984) and Chairman (1984-1997) of the Malay Chamber of Commerce, Malaysia City of Kuala Lumpur.

He has been actively involved in the promotion of international trade and was a committee member of the Malaysian – China Business Association, Malaysian – Thai Business Association and Chairman of the sub-committee for Economics – Trade and Investments of the Malaysia – Thailand Association. In February 2004, he was also appointed by the Ministry of International Trade and Industry ("MITI") as a member of the Malaysia – Singapore Business Council. He is also the Deputy President of the Malaysian – Finnish Business Council and Vice Chairman of the Malaysia – Cambodia Business Council. He also held the office of Chairman of the National Consumer Affairs Council of Malaysia for three terms (1995 – 2000).

He acts as Chairman of Emir Holdings Group of Companies. He was the Executive Chairman to Imartek Sdn Bhd from 25 November 1995 until 7 September 2019. He was a director of Inno-Pacific Holdings Limited company since 1 November 1995 and was appointed as Executive Chairman on 10 August 2001. He relinquished his executive role on 23 August 2002 and act as an Independence Director until December 2018. He remained as Chairman of the Board of Innopac Holdings Limited until April 2019.

He is a committee of the ASEAN Circle, committee establish by Institute of Strategic and International Studies ("ISIS") Malaysia in collaboration with the Ministry of Foreign Affairs, the Ministry of International Trade and Industry and the Ministry of Tourism and Culture since May 2017. He also 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 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 was appointed as Advisory Council Member by University-Industry Advisory Council & University Technology MARA (UITM MPUI-UITM) from 2014 to 2016. He is active in connecting Malaysian businessmen and entrepreneurs with the local business council to collaborate and expand their businesses.

He successfully collaborated Malaysia-China Chamber of Commerce ("MCCC") and the Chinese Government in organising the Guangdong Maritime Silk Road International Expo for 2 consecutive years (2014 and 2015).

He has been appointed as a committee member on the Ministerial Roundtable session by MITI on the Trans-Pacific Partnership Agreement ("TPPA") and by the Malaysian Governments' deliberation for a common platform to deal with the challenges facing the global halal industry.

**DIRECTORS' PROFILE / KEY SENIOR MANAGEMENT**

He held several key positions in United Malay National Organization ("UMNO"). He was Chairman of UMNO Setia Budi Branch from 2004 until 2019; Vice Chairman of UMNO Puchong Division from 1993 to 1994; Vice Chairman of UMNO Subang Division from 1994-1995; Permanent Chairman of Petaling Jaya Selatan UMNO Youth from 1998 to 2001.

He was a member of Petaling Jaya Municipal Council ("MPPJ") from 1992 to 1995 and a member of the Subang Jaya Municipal Council ("MPSJ") from 1996 to 1998. He has been appointed as MARDI Scientific Council Member by Ministry of Agriculture Malaysia from June 2003 to December 2013.

He is the President of Asean Chamber of Commerce (Dewan Perdagangan Asean) since 17 April 2018.

He was appointed as Chairman of Financial Committee Member of Majlis Tindakan Ekonomi Melayu Bersatu ("MTEM") in November 2005.

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"). He also received Recognition of Contribution Supportive Appreciation Award from CSR Leadership Excellence Award 2018 program.

**SIN CHING SAN**

- Age 51 | Male
- Executive Director
- Key Senior Management

Mr Sin Ching San was appointed to the Board of SKB 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 also sits on Board of a few subsidiaries of SKB and several other 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 60 | Female
- Executive Director

Ms Chou Lee Sin was appointed to the Board of SKB 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 a few subsidiaries of SKB and several other private companies. Ms Chou is awarded Outstanding Business Women in Malaysia by China Press in 2018.

**SIN SIEW HUEY**

- Age 37 | Female
- Executive Director
- Key Senior Management

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. She is responsible for the overall administration and financial matters of SKB Group. She also sits on the Board of all subsidiaries of SKB and several other private companies. In 2019, Ms Sin is appointed as Committee Member of the Malaysian Fire Protection Association.

**SIN TZE YI**

- Age 32 | Female
- Executive Director

Ms Sin Tze Yi was appointed to the Board on 29 February 2016. She resigned on 28 November 2017 and was re-appointed on 4 December 2017. A Master 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. She is responsible for the overall business development of SKB Group. She also sits on the Board of all subsidiaries of SKB and several other private companies.



**DIRECTORS' PROFILE / KEY SENIOR MANAGEMENT****YOU TONG LIOUNG @ YEW TONG LEONG**

- Age 83 | Male
- Senior Independent Non-Executive Director

Mr You Tong Lioung was appointed to the Board of SKB 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.

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

**LAI LAN MAN @ LAI SHUK MEE**

- Age 64 | Female
- Independent Non-Executive Director

Ms Lai Lan Man was appointed to the Board of SKB 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 65 | Male
- Independent Non-Executive Director

En Mohd Arif was appointed to the Board of SKB 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 International Holdings Berhad (formerly known as 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 SKB, or any personal interest in any business arrangement involving SKB 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 SKB other than:

- Chou Lee Sin is the spouse of Sin Kheng Lee whilst Sin Ching San and Sin Kheng Lee are brothers.
- Sin Kheng Lee and Sin Ching San have interest in SKB Glory Sdn. Bhd., a substantial shareholder of SKB.
- Sin Siew Huey and Sin Tze Yi are the daughters of Sin Kheng Lee.

None of the directors has any other directorship in public companies except Dato' Moehammad 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

This Corporate Governance Overview Statement is presented pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). The objective of this statement is to provide an overview of the application of the corporate governance practices of the Group during the financial year ended 30 June 2019 on Board Leadership and Effectiveness, Effective Audit and Risk Management and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders as set out in the Malaysian Code on Corporate Governance (“MCCG”).

The Board has also provided specific disclosures on the application of each Practices in its Corporate Governance Report (“CG Report”). Shareholders may obtain the CG Report by accessing this link <http://skb-shutters.com/> for further details and are advised to read this overview statement together with the CG Report.

Overall, the Board is of the view that the Company has, in all material aspect, complied with the Principles and Practices as set out in the MCCG. The explanation for the departures of practice are reported in the following sections of the announced CG Report:

- Practice 1.3 on the separation of roles between Chairman and CEO;
- Practice 4.1 on having half of the board comprises Independent Directors;
- Practice 6.2 on the formation of Remuneration Committee;
- Practice 7.1 on the disclosure of Directors’ remuneration on named basis;
- Practice 8.5 on the continuous professional development by the Audit Committee on accounting and auditing standards, practices and rules; and
- Practice 12.1 on the notice for an AGM should be given to the shareholders at least 28 days prior to the meeting.

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### (I) BOARD RESPONSIBILITIES

In discharging these responsibilities, the Board has collectively:

- Defined its Charter and Schedule of Key Matters setting out the roles, duties and responsibilities of the Board, the principles and practices of corporate governance to be followed;
- Established its Board Committees, namely Audit and Nominating Committees to assist the Board in discharging its duties and responsibilities effectively. The terms of reference of each Board Committee are set out and approved by the Board. These Committees have the authority to examine particular issues and report to the Board with their recommendations. The Board also reviews the Board Committees reports and approved the recommendation, if any proposed by the Board Committees;
- Conducted periodic review of the financial results and deliberated the interim and annual financial reporting as well as monitored the conduct of the business and the overall performance management of the business affairs of the Group. In doing so, the Board ensures that the financial statements of the Company and Group are fairly stated and conform to the relevant regulations and the acceptable accounting policies;
- Observed the regulatory requirements when disseminating information and disclosures in consultation with the Company Secretary;
- Ensured the solvency of the Group and its ability to meet its contractual obligations; and
- Maintained an appropriate and adequate systems of internal control to manage key risks in the Group.

At the board level, the Executive Chairman and Executive Directors are responsible for the Group business operations while the Non-Executive and Independent Directors play a pivotal role by bringing objective judgment and views into the Board’s deliberation and decision-making processes.

**CORPORATE GOVERNANCE OVERVIEW STATEMENT****PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)****(I) BOARD RESPONSIBILITIES (continued)**

Presently, the Board Chairman is also the Group Managing Director. The executive roles of the Chairman enable the Executive Chairman to align the interest of the board, management and shareholders for maximising shareholders' wealth. With the presence of four non-executive directors, the Board feels that its current composition is reasonably sufficient to ensure balance of power and authority. 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.

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 of the Board is the prerogative of the Board as a whole.

Presently, the Board is assisted by one (1) qualified and competent Company Secretary who is a member of The Malaysia Institute of Chartered Secretaries and Administrators (MAICSA). 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 minutes are duly entered into the books for all resolutions and proceedings of the Board and Board Committees.

The Company Secretary and management ensure that the Board is given sufficient information and time to prepare for Board meetings. When external advices are necessary, Board Members may notify and seek the Board for approval.

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.

During the financial year, four (4) Board meetings were held. Details of each Director's attendance are as follows:

Directors	No. of meetings attended by Directors
Sin Kheng Lee (Executive Chairman & Group Managing Director)	3
Dato' Moehamad Izat bin Achmad Habechi Emir (Deputy Chairman, Non-Independent & Non-Executive Director)	4
Sin Ching San (Executive Director)	4
Chou Lee Sin (Executive Director)	3
Sin Siew Huey (Executive Director)	3
Sin Tze Yi (Executive Director)	3
You Tong Lioung @ Yew Tong Leong (Senior Independent Non-Executive Director)	4
Lai Lan Man @ Lai Shuk Mee (Independent Non-Executive Director)	3
Mohd Arif Bin Mastol (Independent Non-Executive Director)	3

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

#### (I) BOARD RESPONSIBILITIES (continued)

Following are the trainings and briefings attended by Board members during the financial year.

Director	Training Attended	Date
Sin Kheng Lee (Executive Chairman & Group Managing Director)	Seminar on Fire Safety In The Design, Management and Use of Buildings	14 August 2018
	Board Briefing on Corporate Governance Board Policies	21 June 2019
Sin Ching San (Executive Director)	Board Briefing on Corporate Governance Board Policies	21 June 2019
Chou Lee Sin (Executive Director)	Board Briefing on Corporate Governance Board Policies	21 June 2019
Sin Siew Huey (Executive Director)	Board Briefing on Corporate Governance Board Policies	21 June 2019
Sin Tze Yi (Executive Director)	Seminar on Fire Safety In The Design, Management and Use of Buildings	14 August 2018
	Board Briefing on Corporate Governance Board Policies	21 June 2019
You Tong Lioung @ Yew Tong Leong (Senior Independent Non-Executive Director)	Board Briefing on Corporate Governance Board Policies	21 June 2019
	SST Implementation	7 September 2018
	BizMoney-SJPP	5 March 2019
Lai Lan Man @ Lai Shuk Mee (Independent Non-Executive Director)	Legal Seminar on Conveyance - From Buy to Bequeath	20 February 2019
Mohd Arif Bin Mastol (Independent Non-Executive Director)	Board Briefing on Corporate Governance Board Policies	21 June 2019

Dato' Moehamad Izat bin Achmad Habechi Emir was not able to attend any training in the financial year due to his tight commitments.

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 would also brief the Board on changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements.

#### (II) BOARD, COMMITTEE AND INDIVIDUAL DIRECTORS' AUTHORITY

The Board has defined its Board Charter and Schedule of Matters Reserved setting out the roles, duties and responsibilities of the Board, the principles and practices of corporate governance to be followed as well as the key matters reserved for the Board's approval.

To assist the Board in discharging its oversight function, the Board has delegated certain responsibilities to Audit Committee and Nominating Committee. These Committees provide greater objectivity and independence in the deliberations of specific agenda. The Chairpersons of each Board Committees report to the Board on the matters discussed and deliberated in the respective committee meetings. Final decision on all matters deliberated in the Board Committee meetings are rested with the entire Board.

The Board had reviewed its Charter, schedule of matter, Code of Conduct and Ethics, whistleblowing policy as well as the terms of reference of the Board Committees These updated documents are posted on the Company Corporate website at [www.skb-shutters.com](http://www.skb-shutters.com).



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

#### (III) CORPORATE CULTURE: INTEGRITY, TRANSPARENCY AND FAIRNESS

The Board has defined its whistleblowing policy for the Group and had reviewed this policy in consideration of the practices in the latest MCCG.

Stakeholders who knows of, or suspects a violation of the Code may report the incidence to the Board Chairman or the Audit Committee Chairman by emailing to [skb@whistleblower.com.my](mailto:skb@whistleblower.com.my) or posting to PO Box #911, L2- 08, Level 2, Cheras Leisure Mall, Jalan Manis 6, Taman Segar, 56100 Kuala Lumpur. During the financial year, the Board did not receive any complaints of violation to the Code.

#### (IV) BOARD COMPOSITION

As at the date of this statement, the Board has nine (9) members comprising an Executive Chairman cum. Group Managing Director, four (4) other Executive Directors, one (1) Non-Independent & Non-Executive Director, and three (3) Independent Non-Executive Directors.

The combination of the Board and senior management (who are the Executive Directors currently) reflexes the diversity in skills, experience, age, cultural background and gender in the Board and Senior Management. The ethnicity, age distribution and skillsets of the existing Board members are highlighted in Practice 4.4 of CG Report. Further details of each individual director can be found in their respective profiles in the Annual Report.

The Board has maintained its gender diversity in the board. Presently, the Board has four (4) female members out of nine (9) Board members which is more than 30% of female directors in the Board composition.

As at the date of this statement, All the Independent Directors have been serving in the Company for more than twelve (12) years. The Independent Directors also conducted a self-assessment and declared that they have met the criteria for independence set out in Chapter 1 of the MMLR and they continue to be able to exercise independent judgement and to act in the best interest of the Company.

A resolution was put to vote in the last AGM and the result from the two tier voting process were to retain all the Independent Directors.

#### (V) BOARD'S PERFORMANCE ASSESSMENT

Annually, the Nominating Committee will carry out Board evaluation by way of self-assessment to assess the effectiveness of the Board, its Committees and each individual director.

Based on the result of the assessment, the Board is satisfied with the contribution of each director and the Board Committees and concluded that the present board structure, size and composition are adequate and effective.

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)

The details of the terms of reference of the Nominating Committee are published in the corporate website [www.skb-shutters.com](http://www.skb-shutters.com). During the financial year, the Nominating Committee carried out the following activities:

- i. Evaluated the:
  - a. Current Board structure, size and composition;
  - b. Contribution of each director and effectiveness of Board and Committees; and
  - c. Character, experience, integrity and competence of directors and ensure they have time to discharge their roles;

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

#### (V) BOARD'S PERFORMANCE ASSESSMENT (continued)

- ii. Reviewed the character, experience, integrity and competence of the Managing Director and the Chief Financial Officer;
- iii. Reviewed the Directors' retirement;
- iv. Reviewed the retention of Independent Non-Executive Directors; and
- v. Reviewed the term of office and performance of the Audit Committee and each of its members.

#### (VI) REMUNERATION

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

The Board has adopted a Remuneration Policy. This Policy is incorporated in the Board Charter. Executive Directors are remunerated based on Group's performance while Non-Executive Directors' remuneration is determined in accordance with the level of responsibilities assumed.

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

Remuneration From:	Remuneration Bands	Current Directors	
		Executive (ED)	Non-Executive (NED)
Company	RM50,000 and below	5	4
	RM250,001 – RM300,000	–	–
	RM350,001 – RM400,000	–	–
	RM450,001 – RM500,000	–	–
	RM700,001 – RM750,000	–	–
	<b>Total</b>	<b>5</b>	<b>4</b>
Subsidiaries	RM50,000 and below	–	–
	RM250,001 – RM300,000	1	–
	RM400,001 – RM450,000	1	–
	RM500,001 – RM550,000	2	–
	RM750,001 – RM800,000	1	–
	<b>Total</b>	<b>5</b>	<b>–</b>

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

Remuneration Components	Received and Receivable from the Company		Received and Receivable from Subsidiaries		Total	
	ED RM'000	NED RM'000	ED RM'000	NED RM'000	ED RM'000	NED RM'000
Fees*	150	40	–	–	150	40
Salaries	–	–	1,620	–	1,620	–
Bonuses	–	–	625	–	625	–
EPF	–	–	269	–	269	–
Benefit-in-Kind	–	–	21	–	21	–
<b>Total</b>	<b>150</b>	<b>40</b>	<b>2,535</b>	<b>–</b>	<b>2,685</b>	<b>40</b>

\* The directors' fees paid are related to financial year 2019.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

#### (VI) REMUNERATION (continued)

Pursuant to Section 230(1) of the Companies Act, 2016, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

Details of the remuneration of each Director in named basis is not disclosed due to security reason. The Board is also concerned with the impact of the disclosure which may be prejudicial to the Company's interest.

The Board will provide further clarification to shareholders during the AGM should this issue are being raised in order to enable shareholders to assess if the Directors' remuneration commensurate with their performances.

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### (VII) AUDIT COMMITTEE

The Board has established an effective and independent Audit Committee. The Audit Committee members comprising fully Independent Non-Executive Directors, which is in accordance to Bursa's Listing Requirement. The Audit Committee members are financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

The Chairman of the Audit Committee is not the Chairman of the Board. The Audit Committee Chairman is able to access to all the Executive Directors, Senior Management, External and Internal Auditors. The review of the terms of office and performance of the Audit Committee and each of its members are carried out annually.

Details of the Audit Committee's functions and activities are reported on pages 22 to 23.

Annually, the Audit Committee reviews the appointment, performance and remuneration of the External Auditors. Upon review, the Audit Committee will recommend to the Board for proposing a resolution to Shareholders for the reappointment of external auditors in the AGM.

The Audit Committee will convene meeting with the External Auditors and Internal Auditors without the presence of the Executive Directors and employees of the Group as and when necessary.

#### (VIII) RISK MANAGEMENT AND INTERNAL CONTROL

The Board as a whole responsible for the overall and oversight of risk management in the Group covering the system of risk management and internal control for financial, operational and compliance while the Executive Directors together with the senior management team are primary responsible for managing risks in the Group.

The Board is satisfied with the effectiveness and adequacy the existing level of systems of risk management and internal control. 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 20 to 21.

The Internal Audit Function is outsourced to IA Essential Sdn Bhd an internal audit consulting firm. This function is managed by Chen Pei Ping, an Audit Manager and assisted by an audit executive who are accounting graduates.

The Internal Auditors have performed its work with reference to the principles of the International Professional Practice Framework of Institute of Internal Auditors covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders. The Audit Committee will review the internal audit engagement to ensure that the Internal Auditors' objectivity and independence are not impaired or affected.

Further details of the internal audit function are disclosed in the Audit Committee Report as set out on page 23 of this Annual Report.

**CORPORATE GOVERNANCE OVERVIEW STATEMENT****PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS****(IX) COMMUNICATION WITH STAKEHOLDERS**

Regular communication with stakeholders is important for enhancing stakeholders appreciation and understanding of the Group's business and activities. Following are the various ways of the Board communicating with stakeholders:

- Results of the Group are published quarterly via the website of Bursa Securities at <http://announcements.bursamalaysia.com>;
- Corporate information is maintained in its corporate website at <http://skb-shutters.com/> for the interest of the general public;
- Annual Report contains the financial and operational review of the Group's business, corporate information and financial statements; and
- Shareholders interaction during the general meetings.

**(X) CONDUCT OF GENERAL MEETINGS**

The Company holds its past years' General Meetings at venues which are accessible by shareholders and not at remote locations. Notice of the AGM and Annual Reports are sent to shareholders at least twenty-one (21) days prior to the meeting.

Shareholders who are unable to attend the AGM are advised that they can appoint proxies to attend and vote on their behalf by completing the proxy form enclosed in the Annual Report and depositing it at the Registered Office at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

All resolutions set out in the Notice of AGM were put to vote by poll. The Company had appointed an independent scrutineer to validate the vote cast in the last AGM. The outcome of the AGM was then announced to Bursa Securities on the same meeting day while the summary of key matters discussed during the AGM were posted on the Company website.

**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 Malaysian Financial Reporting Standards, the provisions of the Companies Act 2016 so as to give a true and fair view of the state of affairs of the Group and of 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 2019, the Directors have adopted appropriate accounting policies and have applied them consistently in the financial statements 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 SKB.

#### Non-audit fees

During the year, a total of RM29,606 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.

# SUSTAINABILITY STATEMENT

## Sustainability Management Core Values

### 1. Integrity and ethics

- i. The principles of integrity and ethics translate into continuously carrying our duties in an honest, fair and responsible approach. Establishing and sustaining the business on the foundation of honesty and integrity goes a long way into building a strong, trusting relationship with employees, stakeholders, and customers. A truthful conduct on everyone's part will then create a strong, credible reputation of the company in the market, which is beneficial for everyone's interests.

### 2. Innovation

- i. Innovation is seen in many perspectives of SKB where the focus lies in sustaining the business, care for the environment and carrying out our social responsibility to the community. Apart from being ahead of our peers via innovation in new products, delivery of our service and creating better value for our business as a whole; we believe innovation is integral in encouraging the organisation within to proactively act responsibly towards achieving near zero-waste practices whenever and wherever possible. This also includes being innovative in ways and approaches to motivate passion and selfless attitude across the organisation in giving back to the society not limited to fund-raising, sponsorship, labour effort and other local community initiatives.

### 3. Respectful

- i. Sustainability refers to creating a sustainable environment to work together, to share resources, to enrich one another and ultimately to provide for all with no limits of religion, belief, race, ethnicity, nationality, gender or physical disability. This begins with respect for one another, from stakeholders such as our employees, suppliers, customers, vendors and external environment who may not necessarily be directly related to the organisation e.g. communities, charitable causes and non-profit organisations aligned to our values and purpose.

## Sustainability Governance

- 1. SKB Shutters Corporation Berhad defines sustainability as the strategies and activities the management has adopted in relation to our stakeholders, the environment, ethics and the community for a better economic and social performance. Commitment to sustainability management efforts is driven from the top with Board of Directors and Management being the facilitators in driving the organisation in its sustainability management initiatives. Sustainability oversight by the board of directors is increasingly integrated across companies and its employees. The Board emphasises business management shall be an integration of striving business performance while exercising social responsibility in the best effort possible. Management being a cross functional body engages leadership across business units and functions provides further oversight and strategic guidance.

## Stakeholder's Engagement

Stakeholders	Sustainability Topics	Type of Engagement
Customers	<ul style="list-style-type: none"> <li>• Product quality and performance</li> <li>• Sustaining long term relationship</li> </ul>	<ul style="list-style-type: none"> <li>• Sustaining long term relationship</li> <li>• Customer satisfaction survey</li> <li>• On-site visits</li> <li>• Customer audit</li> <li>• Exhibition &amp; Roadshows</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Communication and engagement</li> <li>• Working environment</li> <li>• Career development and training</li> <li>• Business performance review</li> </ul>	<ul style="list-style-type: none"> <li>• Volunteer Program</li> <li>• Training and development</li> <li>• Formal meeting and discussion</li> <li>• Employee Suggestion Program</li> <li>• Appraisal and performance review</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Forging strategic partnership</li> <li>• Supplier performance review</li> <li>• Product quality</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier selection via pre-qualification</li> <li>• Regular meetings and correspondence</li> <li>• Whistle blowing policy</li> </ul>

## SUSTAINABILITY STATEMENT

### Economics

#### *Corporate Governance and Compliance*

The Group emphasises on the importance of adopting good corporate governance and the principles set out in the Malaysian Code on Corporate Governance to ensure that high standards of good corporate governance are implemented and practiced within the Group. It aims to safeguard shareholders' assets and relevant stakeholders' interest as well as enhancing shareholders' value.

Over the year, the Group has remained resilient and observed no abnormalities that would compromise the interested of our shareholders and stakeholders. The Group's Corporate Governance Overview Statement, Code of Conduct & Ethics as well as Whistleblowing Policy and Procedure.

#### *Industry Development*

The fire safety prevention and protection are an ever-evolving subject that place the public safety with utmost priority. With regulation updated or sometimes more stringent to suit changing landscapes and human behaviour, the Group in the perspective that it has the responsibility to educate and develop products that would be aligned to current and future regulatory concerns.

The Group regularly participates in regional fire & safety research and conferences to receive and facilitate knowledge sharing with industry professionals and exclusive research groups. This includes new and ongoing research on new materials, construction and code developments that can be adopted across the region.

SKB also actively participates in industry-specific product solutioning including working with government entities or ministries to develop products that are suited for its intended purpose such as insulated fire shutters, sand-storm roller shutters, ATM security roller shutters, seismic storage racking systems and many more. This not only reveals new opportunities for the Group for a requirement that is met with purpose-design solutions but also encourage in-house innovation that would develop talent upgrading as well as industry recognition.

### Environment

#### *Workplace & Immediate Environment*

The Kota Damansara plant was planned and built basing on a number of energy-saving initiatives including rainwater storage, optimum light penetration and crane-operated lifting and hoisting on production floor and more. With substantial roof coverage over the production plant, rainwater storage is deployed to collect rainwater to be used for general factory cleaning and sanitary purposes. The production plant is also designed to maximise light penetration onto factory floor to reduce energy consumption on lightings during the day. Skylight panels are installed in intermediate roofing and scheduled to be maintained on an annual basis to remove debris and dust. On top of that, the production floor is installed with LED lights to reduce energy consumption when lightings are activated during low-light conditions.

The *Leave-No-Trash-Behind* initiative is adopted by all employees to ensure rubbish is segregated -recyclables, non-recyclables and organic waste and to be disposed by each individual by the end of work day. This encourage employees to adapt to simple practices that may hopefully also be implemented in their household.

The Group regularly works with a paper & plastic recycle vendor who collects recyclable waste on a monthly basis for charitable efforts. Proceeds from the waste program are being channelled to charitable causes nominated by the vendor.

Going forward, the Group also wishes to look into upgrading the in-house Waste Water Treatment Program that would help reducing direct waste flow into the community water system. The Group is also exploring solar panel installation for renewable energy source. Considerations include future maintenance investments, technology advancements and initial investment costs of these applications.

#### *Product Design & Material Sourcing*

The Group prioritises its product design and material sourcing with three key elements taken into consideration, although not restricted and limited to but highly encouraged to adopt – recyclability, source of material and its scarcity, long-lastingness. One example of the sustainable elements we have standardised across all products is the powder-coat finishing that emphasise on using organic ingredients, free of TGIC and heavy metal and no harmful volatile matter.

## SUSTAINABILITY STATEMENT

### **Social**

#### *Community Development and Commitment*

The Group emphasise on social responsibility efforts that are free of religion, race, belief, ethnicity, nationality and gender. Over the years, the Group has participated in social and community development projects that lean towards adopting in-house resources in lending a hand in these causes such as product sponsor to community halls, government-funded schools, senior caring homes and more.

In FYE2019, the Group has contributed to the following:

- Refurbishing roller shutters and light duty storage racks at SRJK Puay Chai, Petaling Jaya
- Enhancing public safety with fire-rated steel doors at Wisma Dharma Cakra, Brickfields
- Sponsorship of SKB coffee at Ti-ratana Welfare Society Family Day 2019



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of SKB Shutters Corporation Berhad is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 30 June 2019. The disclosure in this Statement is presented pursuant to paragraph 15.26(b) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“Guideline”).

### BOARD’S RESPONSIBILITIES

The Board acknowledges its overall responsibility for maintaining a sound internal control system for the Group to safeguard the shareholders’ investment and the Group’s assets, and to discharge their stewardship responsibilities in identifying and reviewing risks and ensuring the implementation of appropriate systems to manage these risks.

The Board understands the principal risks of the business that the Group involves and accepts that business decisions require the balancing of risk and return in order to reward the shareholders. Functionally, risk management are the responsibility of all Executive Directors and Heads of Departments who manage the business risks in the Group to ensure that the business risk is under control.

### RISK MANAGEMENT

The Group’s risk management and systems of internal controls continue to be driven by all Executive Directors and assisted by Heads of Departments. 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 Heads of Departments are accountable to the Board for identifying, evaluating, monitoring and managing of significant risks; taking and implementing appropriate and timely corrective actions and controls; and providing assurance to the Board that these controls have been carried out to manage the risks.

The Group conducted its risk assessment in July 2018. Among the business risks, following are the key challenge and action identified presently as well as the challenge faced by the Group in the previous year which remained relevant in the current financial year:

- i. Standardising and automating production processes in order to address the supply of workers; and
- ii. Implementing dynamic pricing structure and adjustment of product strategy based on market requirements.

### INTERNAL CONTROL

The following are the key controls in the Group which have been embedded in the management framework of the Group.

- i. Management organisation structure defining the management’s responsibilities and hierarchical structure of reporting lines and accountability;
- ii. Periodic management meetings, departmental meetings and performance reporting for monitoring and ensuring that the business operations are progressed in accordance with the objectives and targets;
- iii. Standard operating procedures guiding staff members in carrying out their functions effectively;
- iv. Provision of trainings to employees for strengthening their skillsets and capabilities;
- v. Insuring for fire, consequential loss, product liability, burglary, fidelity guarantee and public liability risks; and
- vi. Quality management systems ISO 9001:2015 are adopted in the key subsidiaries forming the principal guides for the operation procedures.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### THE REVIEW MECHANISM

In considering the effectiveness of the risk management and internal control systems, the Audit Committee and the Board use the following processes and information to derive their comfort on these systems are in place during the financial year under review up to the date of approval of this Statement:

- Quarterly reviews of financial information covering financial performance and quarterly financial results;
- Discussions with management during the board meetings on business and operational performance;
- Reviews of audit findings presented by External Auditors and assess the integrity of the Group's financial information and performance;
- The Internal Audit function assists the Audit Committee and the Board in carrying out independent assessment on the internal control systems and the governance practices; and
- Management's assurance that the Group's risk management and internal control systems are adequate and effective, in all material respects.

### MANAGEMENT RESPONSIBILITIES AND ASSURANCE

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

In producing this Statement, the Board has received assurance from the Executive Chairman/Chief Executive Officer and Chief Finance 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

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

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 be noted that systems of risk management and internal control are only designed to manage rather than to 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.

The Statement is made in accordance with a resolution of the Board on 29 October 2019.

## AUDIT COMMITTEE REPORT

To assist the Board in discharging its oversight function, the Board has delegated certain responsibilities for corporate governance, internal controls and financial reporting to Audit Committee (“AC”). The AC provides greater objectivity and independence in the deliberations of specific agenda. The AC Chairman report to the Board on the matters discussed and deliberated in the AC meetings.

### Membership

The Board has established an effective and independent AC. The AC members are financially literate and are able to understand matters under the purview of the AC including the financial reporting process.

The AC comprises solely independent non-executive directors. Members of the AC during the financial year ended 30 June 2019 are as follows:

<i>Members</i>	<i>Position</i>
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

When considering the appointment of former key audit partner from its current External Auditor’s firm, the AC is mindful of the minimum two (2) years cooling off period best practice under the MCGG before appointing this partner as a member of the AC. Presently, none of the members of AC are former key audit partner of the Group.

Annually, the AC reviews the appointment, performance and remuneration of the External Auditors before recommending them to the shareholders for re-appointment in the AGM. As part of the AC review processes, the AC will also obtain 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.

### Attendance at Meetings

During the financial year ended 30 June 2019, four (4) AC meetings were held and the attendance of each committee member is as follows: -

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

The AC will convene meeting with the External Auditors and Internal Auditors without the presence of the Executive Directors and employees of the Group as and when necessary.

The Internal Audit Function is carried out by an internal audit consulting firm. The team members of the internal audit team are accounting graduates from local universities. The Internal Auditors have performed their work with reference to the principles of the International Professional Practice Framework of Institute of Internal Auditors covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders. The AC will review the internal audit engagement to ensure that the Internal Auditors’ objectivity and independence are not impaired or affected.

**AUDIT COMMITTEE REPORT****Summary Of Activities During The Year**

In line with the terms of reference, the AC held 4 meetings during the financial year and carried out the following activities: -

- 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 of the Group to ensure compliance with the provisions of the Companies Act 2016, 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) key audit matters and other significant audit matters;
  - ii) changes in implementation of major accounting policies;
  - iii) significant and unusual events; and
  - iv) compliance with accounting standards and other legal requirements;
- Reviewed the Audit Plan with the External Auditors;
- Reviewed 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;
- Evaluated the performance, effectiveness and independence of the External Auditors and made recommendations to the Board of Directors on their appointment;
- 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;
- Evaluated the performance and effectiveness of the Internal Auditors and made recommendations to the Board of Directors on their appointment;
- Monitored the corrective actions taken on the outstanding audit issues to ensure that all the key risks and control lapses have been addressed;
- Discussed on the overseas investment;
- Reviewed the AC Report, the Statement on Risk Management and Internal Control which provides and overview of the state of internal controls and risk management within the Group prior to the Board's approval for inclusion in the Annual Report;
- Reviewed the proposed evaluation form from the AC to the Nominating Committee; and
- Reviewed the AC evaluation report prior to the submission to the Nominating Committee.

**Internal Audit Function**

The AC 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 2019. The Internal Audit function is to assist the Board and the AC 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 AC. The results of the reviews performed by the Internal Auditors were communicated to both Management and the AC together with the implementation status of audit recommendations for further improvement.

During the financial year, internal audit was conducted in the following areas and the results of each of the audit were as follows: -

- HR Management
- Product Pricing & Costing

Further details on the internal audit function are reported in the Statement on Risk Management and Internal Control on pages 20 and 21 of this annual report.

The total costs incurred for the internal audit function of the Company for the financial year was RM39,060.

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



## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

### Principal activities

The Company is principally engaged in investment holding activity, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

### Ultimate holding company

The Company is a subsidiary of SKB Glory Sdn. Bhd., of which is incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

### Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

### Results

	<b>Group RM</b>	<b>Company RM</b>
Profit/(Loss) for the year attributable to owners of the Company	<u>3,177,386</u>	<u>(340,606)</u>

### Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review other than as disclosed in the financial statements.

### 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 during the financial year until the date of this 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  
 Sin Tze Yi  
 You Tong Lioung @ Yew Tong Leong  
 Lai Lan Man @ Lai Shuk Mee  
 Mohd. Arif Bin Mastol

### Director of the subsidiaries

Director of a subsidiary who served during the financial year until the date of this report is as follows :

Baey Cheng Song

**DIRECTORS' REPORT**  
FOR THE YEAR ENDED 30 JUNE 2019**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 or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

	Balance at 1.7.2018	Number of ordinary shares		Balance at 30.6.2019
		Bought	(Sold)	
<b>Direct interest</b>				
<u>The Company</u>				
Sin Kheng Lee - own	2,010,000	300,000	-	2,310,000
Dato' Moehamad Izat bin Achmad Habechi Emir - own	3,339,597	-	(300,000)	3,039,597
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 the Companies Act.

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 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 2019 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

**DIRECTORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2019

**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 those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements 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 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.

**Indemnity and insurance costs**

During the financial year, the total amount of indemnity given to/insurance effected for Directors and Officers of the Group is RM350.

There was no indemnity given to auditors of the Company during the 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**  
FOR THE YEAR ENDED 30 JUNE 2019

**Other statutory information (continued)**

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 2019 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.

**Auditors**

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

The auditors' remuneration is disclosed in Note 15 to the financial statements.

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

.....  
**Sin Kheng Lee**

Director

.....  
**Sin Siew Huey**

Director

Penang,

Date : 29 October 2019

**STATEMENTS OF FINANCIAL POSITION**

AS AT 30 JUNE 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>Assets</b>					
Property, plant and equipment	3	94,894,057	95,990,120	-	-
Investment properties	4	1,415,371	1,424,287	-	-
Investments in subsidiaries	5	-	-	17,522,942	17,522,942
<b>Total non-current assets</b>		<b>96,309,428</b>	<b>97,414,407</b>	<b>17,522,942</b>	<b>17,522,942</b>
Inventories	6	36,429,866	30,822,255	-	-
Trade and other receivables	7	24,004,384	20,691,093	23,121,488	22,927,929
Current tax assets		702,145	664,087	3,688	4,240
Cash and cash equivalents	8	5,185,884	7,865,254	2,529,555	3,052,594
<b>Total current assets</b>		<b>66,322,279</b>	<b>60,042,689</b>	<b>25,654,731</b>	<b>25,984,763</b>
<b>Total assets</b>		<b>162,631,707</b>	<b>157,457,096</b>	<b>43,177,673</b>	<b>43,507,705</b>
<b>Equity</b>					
Share capital	9	41,498,324	41,498,324	41,498,324	41,498,324
Reserves	10	41,196,227	38,045,341	1,443,877	1,784,483
<b>Total equity attributable to owners of the Company</b>		<b>82,694,551</b>	<b>79,543,665</b>	<b>42,942,201</b>	<b>43,282,807</b>
<b>Liabilities</b>					
Loans and borrowings	11	41,483,847	42,855,325	-	-
Deferred tax liabilities	12	827,035	1,306,920	-	-
<b>Total non-current liabilities</b>		<b>42,310,882</b>	<b>44,162,245</b>	<b>-</b>	<b>-</b>
Loans and borrowings	11	14,962,457	14,056,597	-	-
Trade and other payables	13	22,663,817	19,694,589	235,472	224,898
<b>Total current liabilities</b>		<b>37,626,274</b>	<b>33,751,186</b>	<b>235,472</b>	<b>224,898</b>
<b>Total liabilities</b>		<b>79,937,156</b>	<b>77,913,431</b>	<b>235,472</b>	<b>224,898</b>
<b>Total equity and liabilities</b>		<b>162,631,707</b>	<b>157,457,096</b>	<b>43,177,673</b>	<b>43,507,705</b>

The notes on pages 36 to 87 are an integral part of these financial statements.



## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Group		Company	
		2019 RM	2018 RM Restated	2019 RM	2018 RM
<b>Continuing operations</b>					
Revenue	14	65,560,603	65,161,119	-	-
Cost of sales		(49,462,825)	(48,855,087)	-	-
<b>Gross profit</b>		16,097,778	16,306,032	-	-
Other income		3,975,525	3,800,331	-	167,624
Selling and distribution expenses		(1,209,460)	(1,238,389)	-	-
Administrative expenses		(12,104,237)	(12,020,717)	(430,258)	(368,836)
Other expenses		(327,891)	(618,157)	-	-
<b>Results from operating activities</b>		6,431,715	6,229,100	(430,258)	(201,212)
Finance income		98,408	82,723	89,652	76,936
- interest income					
Finance costs		(2,864,817)	(2,947,632)	-	-
- interest expense					
<b>Net finance (costs)/income</b>		(2,766,409)	(2,864,909)	89,652	76,936
<b>Profit/(Loss) before tax</b>	15	3,665,306	3,364,191	(340,606)	(124,276)
Tax expense	17	(487,920)	(1,389,372)	-	-
<b>Profit/(Loss) for the year</b>		3,177,386	1,974,819	(340,606)	(124,276)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
 FOR THE YEAR ENDED 30 JUNE 2019

	Note	Group		Company	
		2019 RM	2018 RM Restated	2019 RM	2018 RM
<b>Other comprehensive (expense)/income, 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		(26,500)	37,341	-	-
<b>Total other comprehensive (expense)/income for the year, net of tax</b>		(26,500)	37,341	-	-
<b>Total comprehensive income/(expense) for the year</b>		<u>3,150,886</u>	<u>2,012,160</u>	<u>(340,606)</u>	<u>(124,276)</u>
<b>Profit/(Loss) for the year attributable to :</b>					
Owners of the Company		<u>3,177,386</u>	<u>1,974,819</u>	<u>(340,606)</u>	<u>(124,276)</u>
<b>Total comprehensive income/(expense) for the year attributable to :</b>					
Owners of the Company		<u>3,150,886</u>	<u>2,012,160</u>	<u>(340,606)</u>	<u>(124,276)</u>
<b>Basic/Diluted earnings per ordinary share (sen)</b>	18	<u>7.94</u>	<u>4.94</u>		

The notes on pages 36 to 87 are an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	← Attributable to owners of the Company →				Total equity
	← Non-distributable →		Distributable		
	Share capital	Translation reserve	Capital reserve	Retained earnings	
	RM	RM	RM	RM	RM
<b>At 1 July 2017</b>	41,498,324	(226,583)	30,000	36,229,764	77,531,505
Total other comprehensive income for the year					
- Foreign currency translation differences for foreign operation	-	37,341	-	-	37,341
Profit for the year	-	-	-	1,974,819	1,974,819
<b>Total comprehensive income for the year</b>	-	37,341	-	1,974,819	2,012,160
<b>At 30 June 2018/ 1 July 2018</b>	41,498,324	(189,242)	30,000	38,204,583	79,543,665
Total other comprehensive (expense)/income for the year					
- Foreign currency translation differences for foreign operation	-	(26,500)	-	-	(26,500)
Profit for the year	-	-	-	3,177,386	3,177,386
<b>Total comprehensive (expense)/income for the year</b>	-	(26,500)	-	3,177,386	3,150,886
<b>At 30 June 2019</b>	41,498,324	(215,742)	30,000	41,381,969	82,694,551
	Note 9	← Note 10 →			

The notes on pages 36 to 87 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	← <i>Attributable to owners of the Company</i> →		
	<i>Distributable</i>		
	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>At 1 July 2017</b>	41,498,324	1,908,759	43,407,083
Loss for the year representing total comprehensive expense for the year	-	(124,276)	(124,276)
<b>At 30 June 2018/1 July 2018</b>	41,498,324	1,784,483	43,282,807
Loss for the year representing total comprehensive expense for the year	-	(340,606)	(340,606)
<b>At 30 June 2019</b>	41,498,324	1,443,877	42,942,201
	Note 9	Note 10	

The notes on pages 36 to 87 are an integral part of these financial statements.

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>Cash flows from operating activities</b>					
Profit/(Loss) before tax from continuing operations		3,665,306	3,364,191	(340,606)	(124,276)
Adjustments for :					
Depreciation of :					
- property, plant and equipment	3	4,155,835	4,214,445	-	-
- investment properties	4	8,916	8,916	-	-
Gain on disposal of plant and equipment	15	(206,430)	(56,129)	-	-
Plant and equipment written off		9,044	1	-	-
Inventories written down	15	1,219,639	147,132	-	-
Reversal of inventories written down	15	-	(481,241)	-	-
Unrealised gain on foreign exchange		(45,441)	(75,743)	-	-
Interest income	15	(98,408)	(82,723)	(89,652)	(76,936)
Interest expense		2,864,817	2,947,632	-	-
Operating profit/(loss) before changes in working capital		11,573,278	9,986,481	(430,258)	(201,212)
Changes in working capital :					
Inventories		(6,827,250)	8,378,772	-	-
Trade and other receivables		(3,288,139)	2,933,530	-	-
Trade and other payables		2,887,722	(10,370,475)	10,574	2,588
Cash generated from/(used in) operations		4,345,611	10,928,308	(419,684)	(198,624)
Tax (paid)/refunded		(1,005,863)	(864,773)	552	(2,024)
<b>Net cash from/(used in) operating activities</b>		<b>3,339,748</b>	<b>10,063,535</b>	<b>(419,132)</b>	<b>(200,648)</b>

The notes on pages 36 to 87 are an integral part of these financial statements.

**STATEMENTS OF CASH FLOWS**  
 FOR THE YEAR ENDED 30 JUNE 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	A	(793,929)	(1,836,781)	-	-
Proceeds from disposal of plant and equipment		314,129	56,131	-	-
Interest received		98,408	82,723	89,652	76,936
<b>Net cash (used in)/from investing activities</b>		<b>(381,392)</b>	<b>(1,697,927)</b>	<b>89,652</b>	<b>76,936</b>
<b>Cash flows from financing activities</b>					
Advances to subsidiaries		-	-	(193,559)	(784,998)
Repayment of finance lease liabilities	11.3	(1,896,158)	(1,700,517)	-	-
Repayment of term loan	11.3	(1,523,018)	(1,501,452)	-	-
Changes in other borrowings, net	11.3	1,593,921	(3,523,261)	-	-
Interest paid		(2,864,817)	(2,947,632)	-	-
(Placement)/Uplift of pledged deposits		(1,866)	2,090	-	-
<b>Net cash used in financing activities</b>		<b>(4,691,938)</b>	<b>(9,670,772)</b>	<b>(193,559)</b>	<b>(784,998)</b>
Net decrease in cash and cash equivalents		(1,733,582)	(1,305,164)	(523,039)	(908,710)
Effect of exchange rate fluctuation on cash and cash equivalents		80,462	(12,990)	-	-
Cash and cash equivalents at 1 July 2018/2017		4,520,867	5,839,021	3,052,594	3,961,304
<b>Cash and cash equivalents at 30 June</b>	B	<b>2,867,747</b>	<b>4,520,867</b>	<b>2,529,555</b>	<b>3,052,594</b>



**STATEMENTS OF CASH FLOWS**  
FOR THE YEAR ENDED 30 JUNE 2019

NOTES

A. *Purchase of property, plant and equipment*

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

		<b>Group</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>RM</b>	<b>RM</b>
Purchase of property, plant and equipment	3	3,176,515	3,362,071
Less : Acquired through finance lease arrangements	11.3	(2,382,586)	(1,525,290)
		793,929	1,836,781

B. *Cash and cash equivalents*

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

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Cash and cash equivalents	8	5,185,884	7,865,254	2,529,555	3,052,594
Less :					
Fixed deposits pledged	8.2	(47,883)	(46,017)	-	-
Bank overdrafts	11	(2,270,254)	(3,298,370)	-	-
		2,867,747	4,520,867	2,529,555	3,052,594

The notes on pages 36 to 87 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

2<sup>nd</sup> 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 2019 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 as stated out in Note 5 to the financial statements.

The ultimate holding company during the financial year was SKB Glory Sdn. Bhd., a company incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 29 October 2019.

## 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 2016 in Malaysia.

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

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)#*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlements#*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures#*

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020***

- Amendments to MFRS 3, *Business Combinations - Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*

## NOTES TO THE FINANCIAL STATEMENTS

**1. Basis of preparation (continued)****(a) Statement of compliance (continued)*****MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021***

- MFRS 17, *Insurance Contracts*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 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 interpretation :

- from the annual period beginning on 1 July 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for those indicated with “#” which are not applicable to the Group and the Company.
- from the annual period beginning on 1 July 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments and interpretation 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 :

**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*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Basis of preparation (continued)

#### (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.

### 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.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of :

- (i) financial instruments;
- (ii) revenue recognition; and
- (iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 24.

#### (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.

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. which is 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.

**NOTES TO THE FINANCIAL STATEMENTS****2. Significant accounting policies (continued)****(a) Basis of consolidation (continued)****(ii) Business combinations (continued)**

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 a financial asset depending on the level of influence retained.

**(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.

**(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 period, 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, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (b) Foreign currency (continued)

##### (i) Foreign currency transactions (continued)

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 are translated to RM at exchange rates at the end of the reporting period. 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.

#### (c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

##### (i) Recognition and initial 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.

##### Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at 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.

##### Previous financial year

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

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



## NOTES TO THE FINANCIAL STATEMENTS

**2. Significant accounting policies (continued)****(c) Financial instruments (continued)****(ii) Financial instrument categories and subsequent measurement****Financial assets****Current financial year**

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

**(a) Amortised cost**

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

**(b) Fair value through profit or loss**

All financial assets not measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

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

**Previous financial year**

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows :

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### (ii) Financial instrument categories and subsequent measurement (continued)

###### Financial assets (continued)

###### Previous financial year (continued)

##### (b) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

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

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

###### Financial liabilities

###### Current financial year

The category of financial liabilities at initial recognition is as follows :

##### (a) 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) and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss :

- (a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- (c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### (ii) Financial instrument categories and subsequent measurement (continued)

###### *Financial liabilities (continued)*

###### **Current financial year (continued)**

###### **(b) Amortised cost**

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

###### **Previous financial year**

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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

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

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

##### (iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

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.

Settlement date accounting refers to :

- (a) the recognition of an asset on the day it is received by the Group or the Company, and
- (b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### (iv) 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.

##### Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of :

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

##### Previous financial year

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

##### (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 transferred, 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 of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) 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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

##### (vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (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.

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.

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 income" and "other 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 :

Land	90 to 99 years
Building and building improvements	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

### 2. Significant accounting policies (continued)

#### (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) 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.

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.



## NOTES TO THE FINANCIAL STATEMENTS

**2. Significant accounting policies (continued)****(f) Investment properties (continued)****(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.

**(g) 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.

**(h) Contract asset/Contract liability**

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(k)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

**(i) Contract cost****(i) Incremental cost of obtaining a contract**

The Group or the Company recognises incremental costs of obtaining contracts when the Group or the Company expects to recover these costs.

**(ii) Cost to fulfil a contract**

The Group or the Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group or the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit and loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (j) 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.

#### (k) Impairment

##### (i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

##### Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

## NOTES TO THE FINANCIAL STATEMENTS

**2. Significant accounting policies (continued)****(k) Impairment (continued)****(i) Financial assets (continued)****Previous financial year**

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase could be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was recognised in profit or loss.

**(ii) Other assets**

The carrying amounts of other assets (except for inventories, contract assets and lease receivables) 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (l) 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.

#### (m) 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.

#### (n) 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.

#### (o) Revenue and other income

##### (i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met :

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

**NOTES TO THE FINANCIAL STATEMENTS****2. Significant accounting policies (continued)****(o) Revenue and other income (continued)****(ii) 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. Rental income from sub-leased property is recognised as other income.

**(iii) 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) 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.

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.

**(q) 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 statements 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.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (q) Income tax (continued)

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.

#### (r) Earnings per ordinary share

The Group presents basic and diluted 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.

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.

#### (s) 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.

#### (t) 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.

#### (u) 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (v) Fair value measurements

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 value is 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

## 3. Property, plant and equipment - Group

Cost	Land		Building and building improvements		Plant and machinery		Furniture, fittings, fixtures and equipment		Motor vehicles		Capital work-in-progress		Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
At 1 July 2017	65,767,709	32,748,632	41,379,060	14,665,296	7,272,982	2,298,497	164,132,176						
Additions	-	-	1,582,790	1,049,423	729,858	-	3,362,071						
Disposals	-	-	-	-	(287,166)	-	(287,166)						
Write-off	-	-	(2,300)	-	-	-	(2,300)						
Reversal of management charges (Note 3.3)	-	-	-	-	-	(1,517,279)	(1,517,279)						
Reclassification	781,218	-	-	-	-	(781,218)	-						
Effect of movements in exchange rates	-	-	-	(313)	-	-	(313)						
At 30 June 2018/1 July 2018	66,548,927	32,748,632	42,959,550	15,714,406	7,715,674	-	165,687,189						
Additions	-	-	1,266,879	863,474	1,046,162	-	3,176,515						
Disposals	-	-	(846,600)	-	(764,667)	-	(1,611,267)						
Write-off	-	-	-	(671,047)	(102,000)	-	(773,047)						
Effect of movements in exchange rates	-	-	-	197	-	-	197						
At 30 June 2019	66,548,927	32,748,632	43,379,829	15,907,030	7,895,169	-	166,479,587						

NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment - Group (continued)

	Land RM	Building and building improvements RM	Plant and machinery RM	Furniture, fittings, fixtures and equipment RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
<b>Depreciation and impairment loss</b>							
At 1 July 2017							
Accumulated depreciation	4,784,567	8,655,452	34,610,396	11,751,427	5,698,487	-	65,500,329
Accumulated impairment losses	-	-	272,180	-	-	-	272,180
	4,784,567	8,655,452	34,882,576	11,751,427	5,698,487	-	65,772,509
Depreciation for the year	699,215	836,586	1,248,894	791,759	637,991	-	4,214,445
Disposals	-	-	-	-	(287,164)	-	(287,164)
Write-off	-	-	(2,299)	-	-	-	(2,299)
Effect of movements in exchange rates	-	-	-	(422)	-	-	(422)
	5,483,782	9,492,038	35,856,991	12,542,764	6,049,314	-	69,424,889
Accumulated depreciation	-	-	272,180	-	-	-	272,180
Accumulated impairment losses	5,483,782	9,492,038	36,129,171	12,542,764	6,049,314	-	69,697,069

At 30 June 2018

## NOTES TO THE FINANCIAL STATEMENTS

## 3. Property, plant and equipment - Group (continued)

	Land RM	Building and building improvements RM	Plant and machinery RM	Furniture, fittings, fixtures and equipment RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
<b>Depreciation and impairment loss</b>							
At 1 July 2018							
Accumulated depreciation	5,483,782	9,492,038	35,856,991	12,542,764	6,049,314	-	69,424,889
Accumulated impairment losses	-	-	272,180	-	-	-	272,180
	5,483,782	9,492,038	36,129,171	12,542,764	6,049,314	-	69,697,069
Depreciation for the year	691,283	644,526	1,313,984	859,662	646,380	-	4,155,835
Disposals	-	-	(738,904)	-	(764,664)	-	(1,503,568)
Write-off	-	-	-	(662,004)	(101,999)	-	(764,003)
Effect of movements in exchange rates	-	-	-	197	-	-	197
	6,175,065	10,136,564	36,432,071	12,740,619	5,829,031	-	71,313,350
	-	-	272,180	-	-	-	272,180
	6,175,065	10,136,564	36,704,251	12,740,619	5,829,031	-	71,585,530
<b>Carrying amounts</b>							
At 1 July 2017							
	60,983,142	24,093,180	6,496,484	2,913,869	1,574,495	2,298,497	98,359,667
At 30 June 2018/1 July 2018							
	61,065,145	23,256,594	6,830,379	3,171,642	1,666,360	-	95,990,120
At 30 June 2019							
	60,373,862	22,612,068	6,675,578	3,166,411	2,066,138	-	94,894,057

NOTES TO THE FINANCIAL STATEMENTS

**3. Property, plant and equipment - Group (continued)**

**3.1 Assets under finance lease**

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

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Plant and machinery	3,526,249	3,021,263
Motor vehicles	2,015,819	1,643,782
	<u>5,542,068</u>	<u>4,665,045</u>

**3.2 Security**

The land of the Group with a carrying amount of RM60,373,862 (2018 : RM61,065,145) is charged to a licensed bank as security for the term loan facility granted to a subsidiary.

**3.3 Reversal of management charges**

In previous financial year, management charges payable to Perbadanan Kemajuan Negeri Selangor ("PKNS") relating to the purchase of a piece of land from PKNS was agreed at RM781,218. Accordingly, the Group had derecognised the excess management charges accrued of RM1,517,279 as there was no further monies due and payable to PKNS and PKNS had no further claims against the Group.

**4. Investment properties - Group**

	<b>RM</b>
<b>Cost</b>	
At 1 July 2017/30 June 2018/1 July 2018/30 June 2019	<u>2,146,579</u>
<b>Depreciation and impairment loss</b>	
At 1 July 2017	
Accumulated depreciation	173,134
Accumulated impairment losses	540,242
	713,376
Depreciation for the year	8,916
At 30 June 2018/1 July 2018	
Accumulated depreciation	182,050
Accumulated impairment losses	540,242
	722,292
Depreciation for the year	8,916

## NOTES TO THE FINANCIAL STATEMENTS

## 4. Investment properties - Group (continued)

	RM
<b>Depreciation and impairment loss (continued)</b>	
At 30 June 2019	
Accumulated depreciation	190,966
Accumulated impairment losses	540,242
	<u>731,208</u>
<b>Carrying amounts</b>	
At 1 July 2017	<u>1,433,203</u>
At 30 June 2018/1 July 2018	<u>1,424,287</u>
At 30 June 2019	<u>1,415,371</u>

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

	2019 RM	2018 RM
Land	1,084,000	1,084,000
Apartments and shop office	331,371	340,287
	<u>1,415,371</u>	<u>1,424,287</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 2019 is classified as level 3 fair value, estimated at approximately RM3.14 million (2018 : RM2.50 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 4. Investment properties - Group (continued)

## 4.2 Fair value information (continued)

*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 published 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.

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

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Rental income	25,200	25,200
Direct operating expenses :		
- income generating investment properties	5,593	5,422
- non-income generating investment properties	5,668	6,632
	<u>5,668</u>	<u>6,632</u>

## 5. Investments in subsidiaries - Company

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares, at cost	17,548,947	17,548,947
Less: Impairment loss	(26,005)	(26,005)
	<u>17,522,942</u>	<u>17,522,942</u>

Details of the subsidiaries are as follows :

Name of entity	Effective ownership interest and voting interest		Principal activities
	2019	2018	
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 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 PLT.

## NOTES TO THE FINANCIAL STATEMENTS

## 6. Inventories - Group

	2019 RM	2018 RM
Raw materials	21,086,676	17,537,903
Work-in-progress	1,477,822	1,609,412
Manufactured inventories	13,865,368	11,674,940
	<u>36,429,866</u>	<u>30,822,255</u>

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

	2019 RM	2018 RM
Inventories recognised as cost of sales	48,243,186	49,189,196
Inventories written down	1,219,639	147,132
Reversal of inventories written down	-	(481,241)

## 7. Trade and other receivables

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>Trade</b>					
Trade receivables with contract customers		17,865,464	15,120,266	-	-
<b>Non-trade</b>					
Other receivables		584,713	480,094	-	-
Amount due from subsidiaries	7.1	-	-	23,120,488	22,926,929
Deposits		427,081	405,031	1,000	1,000
Prepayments	7.2	5,127,126	4,685,702	-	-
		<u>6,138,920</u>	<u>5,570,827</u>	<u>23,121,488</u>	<u>22,927,929</u>
		<u>24,004,384</u>	<u>20,691,093</u>	<u>23,121,488</u>	<u>22,927,929</u>

## 7.1 Amount due from subsidiaries

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

## 7.2 Prepayments

Included in prepayments of the Group is an amount of RM4,344,460 (2018 : RM3,939,710) representing advance payments to a supplier for the purchase of raw materials.

## NOTES TO THE FINANCIAL STATEMENTS

### 8. Cash and cash equivalents

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Short-term funds	8.1	2,524,250	3,034,599	2,524,250	3,034,599
Short-term deposits with a licensed bank	8.2	47,883	46,017	-	-
Cash and bank balances		2,613,751	4,784,638	5,305	17,995
		<u>5,185,884</u>	<u>7,865,254</u>	<u>2,529,555</u>	<u>3,052,594</u>

#### 8.1 Short-term funds

Short-term funds represent investments in fixed income funds which can be redeemable within a period of less than 31 days.

#### 8.2 Security

The Group's fixed deposits with a licenced bank are held in lien for banking facilities granted to a subsidiary.

### 9. Share capital - Group and Company

	2019		2018	
	Amount RM	Number of shares	Amount RM	Number of shares
Issued and fully paid ordinary shares classified as equity instruments	<u>41,498,324</u>	<u>40,000,000</u>	<u>41,498,324</u>	<u>40,000,000</u>

#### 9.1 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.

### 10. Reserves

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>Non-distributable</b>					
Capital reserve		30,000	30,000	-	-
Translation reserve	10.1	(215,742)	(189,242)	-	-
		(185,742)	(159,242)	-	-
<b>Distributable</b>					
Retained earnings		41,381,969	38,204,583	1,443,877	1,784,483
		<u>41,196,227</u>	<u>38,045,341</u>	<u>1,443,877</u>	<u>1,784,483</u>

#### 10.1 Translation reserve

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



## NOTES TO THE FINANCIAL STATEMENTS

## 11. Loans and borrowings - Group

	Note	2019 RM	2018 RM
<b>Non-current</b>			
<i>Secured</i>			
Term loan		39,175,395	40,870,440
Finance lease liabilities	11.1	2,308,452	1,984,885
		<u>41,483,847</u>	<u>42,855,325</u>
<b>Current</b>			
<i>Secured</i>			
Term loan		1,680,649	1,508,622
Finance lease liabilities	11.1	1,700,330	1,537,469
		3,380,979	3,046,091
<i>Unsecured</i>			
Bank overdrafts		2,270,254	3,298,370
Bankers' acceptances		6,618,000	4,539,000
Revolving credits		2,000,000	2,000,000
Foreign currency loans		693,224	1,173,136
		11,581,478	11,010,506
		<u>14,962,457</u>	<u>14,056,597</u>
Total loans and borrowings		<u>56,446,304</u>	<u>56,911,922</u>

## 11.1 Finance lease liabilities

Finance lease liabilities are payable as follows :

	← 2019 →			← 2018 →		
	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	1,872,008	171,678	1,700,330	1,686,311	148,842	1,537,469
Between one and five years	2,443,944	135,492	2,308,452	2,094,260	109,375	1,984,885
	<u>4,315,952</u>	<u>307,170</u>	<u>4,008,782</u>	<u>3,780,571</u>	<u>258,217</u>	<u>3,522,354</u>

## 11.2 Securities

The term loan is secured by the Group's land (see Note 3).

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.

NOTES TO THE FINANCIAL STATEMENTS

11. Loans and borrowings - Group (continued)

11.3 Reconciliation of movement of liabilities to cash flows arising from financing activities

	At 1.7.2017	Addition of new leases	Net changes from financing activities	Foreign exchange movement	At 30.6.2018/ 1.7.2018	Addition of new leases	Net changes from financing activities	Foreign exchange movement	At 30.6.2019
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Term loan	43,880,514	-	(1,501,452)	-	42,379,062	-	(1,523,018)	-	40,856,044
Finance lease liabilities	3,697,581	1,525,290	(1,700,517)	-	3,522,354	2,382,586	(1,896,158)	-	4,008,782
Other bank borrowings (excluded bank overdrafts)	11,236,513	-	(3,523,261)	(1,116)	7,712,136	-	1,593,921	5,167	9,311,224
	58,814,608	1,525,290	(6,725,230)	(1,116)	53,613,552	2,382,586	(1,825,255)	5,167	54,176,050

12. Deferred tax liabilities - Group

	2019 RM	2018 RM
Property, plant and equipment		
- capital allowances	958,038	1,077,447
- revaluation	2,193,035	2,330,920
- reinvestment allowances	(1,147,226)	(1,088,045)
Other temporary differences	(1,176,812)	(1,013,402)
	827,035	1,306,920

Movements in temporary differences during the year are as follows :

	At 1.7.2017 RM	Recognised in profit or loss (Note 17) RM	At 30.6.2018/ 1.7.2018 RM	Recognised in profit or loss (Note 17) RM	At 30.6.2019 RM
Property, plant and equipment					
- capital allowances	1,136,273	(58,826)	1,077,447	(119,409)	958,038
- revaluation	2,284,958	45,962	2,330,920	(137,885)	2,193,035
- reinvestment allowances	(1,356,896)	268,851	(1,088,045)	(59,181)	(1,147,226)
Other temporary differences	(1,024,377)	10,975	(1,013,402)	(163,410)	(1,176,812)
	1,039,958	266,962	1,306,920	(479,885)	827,035

## NOTES TO THE FINANCIAL STATEMENTS

## 12. Deferred tax liabilities - Group (continued)

**Unrecognised deferred tax assets**

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

	2019 RM	2018 RM
Property, plant and equipment		
- capital allowances	-	1,555,000
- reinvestment allowances	1,694,000	1,198,000
Tax loss carry-forwards	3,515,000	3,505,000
Other temporary differences	1,220,000	1,789,000
	<u>6,429,000</u>	<u>8,047,000</u>

Following the enactment of the Finance Bill 2018, unutilised reinvestment allowances and tax loss carry-forwards up to year of assessment 2019 shall be deductible against aggregate of statutory income until year of assessment 2026. Any amount not deducted at the end of year of assessment 2026 shall be disregarded. 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 can utilise the benefits therefrom.

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

## 13. Trade and other payables

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>Trade</b>					
Trade payables		10,024,328	8,599,332	-	-
<b>Non-trade</b>					
Other payables	13.1	9,590,673	7,279,541	3,286	3,100
Accrued expenses		2,494,964	3,129,354	232,186	221,798
Deposits received		553,852	686,362	-	-
		<u>12,639,489</u>	<u>11,095,257</u>	<u>235,472</u>	<u>224,898</u>
		<u>22,663,817</u>	<u>19,694,589</u>	<u>235,472</u>	<u>224,898</u>

**13.1 Other payables**

Included in other payables of the Group is an amount of RM7,597,975 (2018 : RM5,655,361) representing advance payments from customers.

## 14. Revenue - Group

	2019 RM	2018 RM
Revenue from contracts with customers	<u>65,560,603</u>	<u>65,161,119</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Revenue - Group (continued)

#### 14.1 Disaggregation of revenue

	2019 RM	2018 RM
<b>Timing and recognition</b>		
At a point in time	33,066,073	28,428,045
Over time	32,494,530	36,733,074
	65,560,603	65,161,119

Revenue from contracts with customers of the Group is mainly confined to one business segment. Revenue of the Group mainly consists of sale of roller shutters, racking systems, storage system and related steel products. Disaggregation of revenue based on primary geographical markets has been disclosed in Note 20 to the financial statements.

#### 14.2 Nature of goods and services

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Warranty
Project sale of roller shutters, racking systems and storage systems	Revenue is recognised over time using the cost incurred method. The Group manufactures the products and provides installation services at the customer's premise as the assets are created and enhanced.	Credit period of 60 days from invoice date (based on milestones certified by architects).	Defect liability period of 1 to 2 years is given to the customers.
Sale of roller shutters, racking systems, storage system and related steel products	Revenue is recognised at a point in time when the goods are delivered and accepted by the customers.	Credit period of 30 days to 60 days from invoice date.	Assurance warranties on mechanical parts of 1 year is given to customers.

There is no variable element in consideration, obligation for returns or refunds attached to the goods sold by the Group.

#### 14.3 Transaction price allocated to the remaining performance obligations

The Group applies the practical expedient exemption in paragraph 121(a) of MFRS 15 on the exemption for disclosure of information on remaining performance obligations that has original expected duration of one year or less.

## NOTES TO THE FINANCIAL STATEMENTS

## 15. Profit/(Loss) before tax

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Auditors' remuneration :				
Audit fees				
- KPMG PLT in Malaysia				
- current year	98,000	98,000	26,000	26,000
- prior year	-	7,000	-	1,000
- Other auditors	7,653	13,331	-	-
Non-audit fees				
- KPMG PLT in Malaysia	3,000	3,000	3,000	3,000
- Affiliates of KPMG PLT in Malaysia	26,606	24,804	2,968	2,986
<b>Material expenses/(income)</b>				
Depreciation of :				
- Property, plant and equipment (Note 3)	4,155,835	4,214,445	-	-
- investment properties (Note 4)	8,916	8,916	-	-
Rental expense	208,156	170,959	-	-
Research and development expenses	950,921	582,483	-	-
Impairment loss on trade receivables	161,269	128,628	-	-
Inventories written down (Note 6)	1,219,639	147,132	-	-
Reversal of inventories written down (Note 6)	-	(481,241)	-	-
Interest income	(98,408)	(82,723)	(89,652)	(76,936)
Gain on disposal of plant and equipment	(206,430)	(56,129)	-	-
Reversal of impairment loss on :				
- trade receivables	(96,169)	(160,389)	-	-
- amount due from a subsidiary	-	-	-	(149,791)
Rental income	(3,239,200)	(3,241,313)	-	-
Net foreign exchange (gain)/loss	(202,658)	156,781	-	-

## 15.1 Research and development expenses

Research and development expenses include Director's emoluments of RM537,600 (2018: RM537,600).

## 16. Employee information

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Personnel costs (including key management personnel)	12,924,086	11,845,991	190,000	190,000

Personnel costs of the Group include contributions to the Employees' Provident Fund of RM648,405 (2018 : RM670,048).

NOTES TO THE FINANCIAL STATEMENTS

**16. Employee information (continued)**

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors' fees	190,000	190,000	190,000	190,000
Directors' remuneration	2,245,000	2,245,000	-	-
Contributions to Employees' Provident Fund	269,400	269,400	-	-
Estimated monetary value of benefits-in-kind	20,500	20,500	-	-
	<u>2,724,900</u>	<u>2,724,900</u>	<u>190,000</u>	<u>190,000</u>

**17. Tax expense**

**Recognised in profit or loss**

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Income tax expense on continuing operations	<u>487,920</u>	<u>1,389,372</u>	<u>-</u>	<u>-</u>

Major components of income tax expense include :

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Current tax expense</b>				
- Current year	938,828	1,081,000	-	-
- Prior year	28,977	41,410	-	-
Total current tax recognised in profit or loss	967,805	1,122,410	-	-
<b>Deferred tax expense</b>				
- Origination and reversal of temporary differences	(470,885)	254,000	-	-
- (Over)/Under provision in prior year	(9,000)	12,962	-	-
Total deferred tax recognised in profit or loss	(479,885)	266,962	-	-
Total income tax expense	<u>487,920</u>	<u>1,389,372</u>	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 17. Tax expense (continued)

## Reconciliation of tax expense

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(Loss) for the year	3,177,386	1,974,819	(340,606)	(124,276)
Total tax expense	487,920	1,389,372	-	-
Profit/(Loss) excluding tax	<u>3,665,306</u>	<u>3,364,191</u>	<u>(340,606)</u>	<u>(124,276)</u>
Income tax calculated using Malaysian tax rate of 24%	879,673	807,406	(81,746)	(29,826)
Effect of different tax rate in foreign jurisdiction	(2,647)	4,456	-	-
Non-deductible expenses	405,892	485,341	103,262	88,521
Tax exempt income	(21,516)	(18,465)	(21,516)	(18,465)
Non-taxable income	(21,810)	(79,558)	-	(40,230)
Tax incentive	(220,322)	(101,616)	-	-
Deferred tax assets not recognised	-	250,000	-	-
Utilisation of deferred tax assets previously not recognised	(388,000)	-	-	-
Reversal of deferred tax on revaluation surplus	(137,885)	-	-	-
Others	(25,442)	(12,564)	-	-
	<u>467,943</u>	<u>1,335,000</u>	<u>-</u>	<u>-</u>
Under provision in prior year	19,977	54,372	-	-
	<u>487,920</u>	<u>1,389,372</u>	<u>-</u>	<u>-</u>

## 18. Earnings per ordinary share - Group

**Basic earnings per ordinary share**

The calculation of basic earnings per ordinary share at 30 June 2019 was based on the profit attributable to ordinary shareholders of RM3,177,386 (2018 : RM1,974,819) and on the weighted average number of ordinary shares outstanding of 40,000,000 (2018: 40,000,000).

**Diluted earnings per ordinary share**

The diluted earnings per ordinary share is the same as earnings per ordinary share as there are no dilutive potential ordinary shares.

## NOTES TO THE FINANCIAL STATEMENTS

### 19. 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 its holding company and subsidiaries of the Company as disclosed in the financial statements and key management personnel.

#### Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the significant related party transactions are shown in Note 7 to the financial statements.

#### (a) Transactions with subsidiaries

	Company	
	2019 RM	2018 RM
Advances to subsidiaries	570,000	5,340,000

#### (b) 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 16 to the financial statements.

### 20. 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. 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), Middle East and Australia.



**NOTES TO THE FINANCIAL STATEMENTS****20. Operating segments - Group (continued)*****Geographical segments (continued)***

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</b>	<b>Non-current</b>
	<b>RM</b>	<b>assets</b>
		<b>RM</b>
<b>2019</b>		
Malaysia	42,691,229	96,309,425
Asia (excluding Malaysia)	15,562,121	3
Middle East	4,087,925	-
Australia	2,609,560	-
Others	609,768	-
	<u>65,560,603</u>	<u>96,309,428</u>
<b>2018</b>		
Malaysia	44,289,529	97,414,404
Asia (excluding Malaysia)	16,279,925	3
Middle East	4,020,863	-
Australia	228,822	-
Others	341,980	-
	<u>65,161,119</u>	<u>97,414,407</u>

**21. Capital commitment - Group**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Plant and equipment		
- Contracted but not provided for	<u>496</u>	<u>613</u>

**22. Contingent liabilities, unsecured - Company**

The Company has given corporate guarantees to certain financial institutions for banking facilities granted to certain subsidiaries for a limit of up to RM67.21 million (2018 : RM66.18 million) of which RM56.34 million (2018 : RM55.91 million) were utilised at reporting date.

The Company has also issued financial guarantees to suppliers of certain subsidiaries for a limit of up to RM3.20 million (2018: RM2.30 million) of which RM1.33 million (2018: RM0.05 million) were utilised at reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

### 23. Financial instruments

#### 23.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 30 June 2019 categorised as amortised cost ("AC").

	<b>Carrying amount RM</b>	<b>AC RM</b>
<b>Financial assets</b>		
<b>Group</b>		
Trade and other receivables (excluding prepayments and indirect tax)	18,607,563	18,607,563
Cash and cash equivalents	5,185,884	5,185,884
	<u>23,793,447</u>	<u>23,793,447</u>
<b>Company</b>		
Trade and other receivables (excluding prepayments and indirect tax)	23,121,488	23,121,488
Cash and cash equivalents	2,529,555	2,529,555
	<u>25,651,043</u>	<u>25,651,043</u>
<b>Financial liabilities</b>		
<b>Group</b>		
Loan and borrowings	56,446,304	56,446,304
Trade and other payables	22,663,817	22,663,817
	<u>79,110,121</u>	<u>79,110,121</u>
<b>Company</b>		
Trade and other payables	<u>235,472</u>	<u>235,472</u>

The table below provides an analysis of financial instruments as at 30 June 2018 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>		
Trade and other receivables (excluding prepayments and indirect tax)	15,669,043	15,669,043
Cash and cash equivalents	7,865,254	7,865,254
	<u>23,534,297</u>	<u>23,534,297</u>
<b>Company</b>		
Trade and other receivables (excluding prepayments and indirect tax)	22,927,929	22,927,929
Cash and cash equivalents	3,052,594	3,052,594
	<u>25,980,523</u>	<u>25,980,523</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 23. Financial instruments (continued)

## 23.1 Categories of financial instruments (continued)

	Carrying amount RM	FL RM
<b>Financial liabilities</b>		
<b>Group</b>		
Loans and borrowings	56,911,922	56,911,922
Trade and other payables	19,694,589	19,694,589
	<u>76,606,511</u>	<u>76,606,511</u>
<b>Company</b>		
Trade and other payables	<u>224,898</u>	<u>224,898</u>

## 23.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Net (losses)/gains on :				
Financial assets at amortised cost	184,582	-	89,652	-
Financial liabilities at amortised cost	(2,813,433)	(3,104,413)	-	-
Loans and receivables	-	114,484	-	226,727
	<u>(2,628,851)</u>	<u>(2,989,929)</u>	<u>89,652</u>	<u>226,727</u>
Net (loss)/gain on impairment of financial instruments :				
- financial assets at amortised costs	<u>(65,100)</u>	<u>31,761</u>	<u>-</u>	<u>149,791</u>

## 23.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

## 23.4 Credit risk

Credit risk is the risk of a financial loss 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 the individual characteristics of each customer. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks and suppliers for credit facilities granted to subsidiaries. There are no significant changes as compared to prior periods.

## NOTES TO THE FINANCIAL STATEMENTS

**23. Financial instruments (continued)****23.4 Credit risk (continued)****Trade 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.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

*Exposure to credit risk, credit quality and collateral*

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

*Concentration of credit risk*

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

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Domestic	16,392,599	13,562,682
Asia (excluding Malaysia)	1,430,863	1,434,065
Others	42,002	123,519
	17,865,464	15,120,266

*Recognition and measurement of impairment loss*

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within credit terms granted. The Group's debt recovery process is as follows :

- a) Above 30 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the credit controller; and
- b) Above 150 days past due, the Group will commence a legal proceeding against the customer.

The Group uses an allowance matrix to measure expected credit losses ("ECLs") of trade receivables for all segments except for project-based customers. Invoices which are past due 90 days will be considered as credit impaired.

## NOTES TO THE FINANCIAL STATEMENTS

## 23. Financial instruments (continued)

## 23.4 Credit risk (continued)

## Trade receivables (continued)

*Recognition and measurement of impairment loss (continued)*

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

For project-based customers, the Group assessed the risk of loss of each customer individually based on past trend of payments. All of these customers have low risk of default.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2019.

	<b>Gross carrying amount</b>	<b>Loss allowance</b>	<b>Net balance</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Group</b>			
Current (not past due)	10,641,457	-	10,641,457
1 - 90 days past due	6,164,829	-	6,164,829
	<hr/> 16,806,286	-	<hr/> 16,806,286
<b>Credit impaired</b>			
91 - 180 days past due	850,844	-	850,844
181 - 270 days past due	109,879	-	109,879
More than 270 days past due	98,455	-	98,455
Individually impaired	1,637,509	(1,637,509)	-
	<hr/> 19,502,973	<hr/> (1,637,509)	<hr/> 17,865,464

There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are supported by subsequent collection after the reporting period and other credit enhancement in managing exposure to credit risk.

## NOTES TO THE FINANCIAL STATEMENTS

## 23. Financial instruments (continued)

## 23.4 Credit risk (continued)

## Trade receivables (continued)

*Recognition and measurement of impairment loss (continued)*

The movements in the allowance for impairment in respect of trade receivables during the year are shown below :

	<b>Trade receivables - Credit impaired RM</b>
<b>Group</b>	
Balance at 1 July 2018 as per MFRS 139 and MFRS 9	1,572,409
Impairment loss recognised	161,269
Impairment loss reversed	(96,169)
Balance at 30 June 2019	<u>1,637,509</u>

*Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement*

The aging of trade receivables as at 30 June 2018 was as follows :

	<b>Gross RM</b>	<b>Individual impairment RM</b>	<b>Collective impairment RM</b>	<b>Net RM</b>
<b>Group</b>				
Not past due	11,380,515	-	-	11,380,515
Past due 1 - 90 days	1,781,821	-	-	1,781,821
Past due 91 - 180 days	1,177,442	-	-	1,177,442
Past due 181 - 270 days	164,092	-	-	164,092
Past due more than 270 days	2,188,805	(1,572,409)	-	616,396
	<u>16,692,675</u>	<u>(1,572,409)</u>	-	<u>15,120,266</u>

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

	<b>RM</b>
At 1 July 2017	1,604,170
Impairment loss recognised	128,628
Impairment loss reversed	(160,389)
At 30 June 2018	<u>1,572,409</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 23. Financial instruments (continued)

#### 23.4 Credit risk (continued)

##### Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. The Group and the Company are of the view that loss allowance is not material and hence, it is not provided for.

##### Other receivables

Credit risk on other receivables are mainly arising from staff advances, deposits paid for utilities and membership for golf club.

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

As at the end of the reporting period, the Group and the Company did not recognise any allowance for impairment losses.

##### Financial guarantees

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

The Company provides unsecured financial guarantees to banks and suppliers in respect of 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 RM56,335,245 (2018 : RM55,907,303) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

Financial guarantees provided to the suppliers of certain subsidiaries are to secure the outstanding amount payable amounted to RM1,335,867 (2018: RM51,109) as at the end of the reporting period.

###### *Recognition and measurement of impairment loss*

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when :

- The subsidiary is unlikely to repay its credit obligation to the bank or supplier in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed amounts individually using internal information available.

As at the end of the reporting period, the Company did not recognise any allowance for impairment in respect of financial guarantees.

##### Inter-company advances

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

The Company provides unsecured advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the advances on an individual basis.

###### *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 statements of financial position.

Advances are only provided to subsidiaries which are wholly-owned by the Company, and are not secured by any collateral or supported by any other credit enhancements.

## NOTES TO THE FINANCIAL STATEMENTS

## 23. Financial instruments (continued)

## 23.4 Credit risk (continued)

## Inter-company advances (continued)

*Recognition and measurement of impairment loss*

Generally, the Company considers advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' advances when they are payable, the Company considers the advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's advance to be credit impaired when :

- The subsidiary is unlikely to repay its advances to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' advances as at 30 June 2019.

	Gross carrying amount RM	Impairment loss allowances RM	Net balance RM
<b>Company</b>			
Low credit risk	23,120,488	-	23,120,488
Credit impaired	1,147,147	(1,147,147)	-
	<u>24,267,635</u>	<u>(1,147,147)</u>	<u>23,120,488</u>

The movement in the allowance for impairment in respect of subsidiaries' advances during the year is as follows :

	2019 Credit impaired RM
<b>Company</b>	
Balance at 1 July 2018 as per MFRS 139 and MFRS 9/ 30 June 2019	<u>1,147,147</u>

*Comparative information under MFRS 139, Financial Instruments: Recognition and measurement*

The movements in the allowance for impairment losses of inter-company advances during the financial year were :

	2018 RM
<b>Company</b>	
At 1 July 2017	1,296,938
Impairment loss reversed	(149,791)
At 30 June 2018	<u>1,147,147</u>

## 23.5 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 banking 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

## 23. Financial instruments (continued)

## 23.5 Liquidity risk (continued)

## 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:

Group	2019	Carrying amount RM	Contractual interest rate 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>								
Term loan		40,856,044	4.45	57,961,684	3,460,860	3,460,860	10,382,580	40,657,384
Finance lease liabilities		4,008,782	1.88 - 3.63	4,315,952	1,872,008	1,381,411	1,062,533	-
Bank overdrafts		2,270,254	7.90 - 7.95	2,270,254	2,270,254	-	-	-
Bankers' acceptances		6,618,000	4.88 - 5.67	6,618,000	6,618,000	-	-	-
Revolving credits		2,000,000	5.12 - 5.36	2,000,000	2,000,000	-	-	-
Foreign currency loans		693,224	3.76 - 4.05	693,224	693,224	-	-	-
Trade and other payables		22,663,817	-	22,663,817	22,663,817	-	-	-
		<u>79,110,121</u>		<u>96,522,931</u>	<u>39,578,163</u>	<u>4,842,271</u>	<u>11,445,113</u>	<u>40,657,384</u>

NOTES TO THE FINANCIAL STATEMENTS

23. Financial instruments (continued)

23.5 Liquidity risk (continued)

Maturity analysis (continued)

Group	Carrying amount RM	Contractual interest rate per annum %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
<b>2018</b>							
<i>Non-derivative financial liabilities</i>							
Term loan	42,379,062	4.70	63,087,810	3,460,860	3,460,860	10,382,580	45,783,510
Finance lease liabilities	3,522,354	1.88 - 3.41	3,780,571	1,686,311	1,449,250	645,010	-
Bank overdrafts	3,298,370	8.15 - 8.20	3,298,370	3,298,370	-	-	-
Bankers' acceptances	4,539,000	5.13 - 5.67	4,539,000	4,539,000	-	-	-
Revolving credits	2,000,000	5.36	2,000,000	2,000,000	-	-	-
Foreign currency loans	1,173,136	3.79 - 4.20	1,173,136	1,173,136	-	-	-
Trade and other payables	19,694,589	-	19,694,589	19,694,589	-	-	-
	<u>76,606,511</u>		<u>97,573,476</u>	<u>35,852,266</u>	<u>4,910,110</u>	<u>11,027,590</u>	<u>45,783,510</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 23. Financial instruments (continued)

## 23.5 Liquidity risk (continued)

*Maturity analysis (continued)*

Company	Carrying amount RM	Contractual interest rate per annum %	Contractual cash flows RM	Under 1 year RM
<b>2019</b>				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	235,472	-	235,472	235,472
Financial guarantees	-	-	57,671,112	57,671,112
	<u>235,472</u>		<u>57,906,584</u>	<u>57,906,584</u>
<b>2018</b>				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	224,898	-	224,898	224,898
Financial guarantees	-	-	55,958,412	55,958,412
	<u>224,898</u>		<u>56,183,310</u>	<u>56,183,310</u>

## 23.6 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.

## 23.6.1 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").

*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 :

	Group	
	2019 RM	2018 RM
<b>Denominated in USD</b>		
Trade and other receivables (excluding prepayments)	1,364,902	1,315,646
Cash and cash equivalents	2,014,314	3,672,014
Loans and borrowings	(693,224)	(1,173,136)
Trade and other payables	(2,876,896)	(2,887,406)
<b>Net exposure</b>	<u>(190,904)</u>	<u>927,118</u>

## NOTES TO THE FINANCIAL STATEMENTS

**23. Financial instruments (continued)****23.6 Market risk (continued)****23.6.1 Currency risk (continued)***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 does not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

A 10% (2018 : 10%) strengthening of the RM against USD at the end of the reporting period would have increased (2018: decreased) post-tax profit or loss by RM14,509 (2018 : RM70,461). 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.

A 10% (2018 : 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.

**23.6.2 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 :

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Fixed rate instruments</b>				
Financial assets	47,883	46,017	-	-
Financial liabilities	(13,320,006)	(11,234,490)	-	-
	<u>(13,272,123)</u>	<u>(11,188,473)</u>	<u>-</u>	<u>-</u>
<b>Floating rate instruments</b>				
Financial assets	2,524,250	3,034,599	2,524,250	3,034,599
Financial liabilities	(43,126,298)	(45,677,432)	-	-
	<u>(40,602,048)</u>	<u>(42,642,833)</u>	<u>2,524,250</u>	<u>3,034,599</u>

**NOTES TO THE FINANCIAL STATEMENTS****23. Financial instruments (continued)****23.6 Market risk (continued)****23.6.2 Interest rate risk (continued)***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 (decreased)/increased post-tax profit or loss 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>2019</b>		
Floating rate instruments	<u>(154,288)</u>	<u>154,288</u>
<b>2018</b>		
Floating rate instruments	<u>(162,043)</u>	<u>162,043</u>
<b>Company</b>		
<b>2019</b>		
Floating rate instruments	<u>9,592</u>	<u>(9,592)</u>
<b>2018</b>		
Floating rate instruments	<u>11,531</u>	<u>(11,531)</u>

**23.7 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

23. Financial instruments (continued)

23.7 Fair value information (continued)

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	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
<b>Financial liabilities</b>										
<b>2019</b>										
Term loan	-	-	-	-	-	-	(40,856,000)	(40,856,000)	(40,856,000)	(40,856,044)
Finance lease liabilities	-	-	-	-	-	-	(4,008,000)	(4,008,000)	(4,008,000)	(4,008,782)
	-	-	-	-	-	-	(44,864,000)	(44,864,000)	(44,864,000)	(44,864,826)
<b>2018</b>										
Term loan	-	-	-	-	-	-	(42,379,000)	(42,379,000)	(42,379,000)	(42,379,062)
Finance lease liabilities	-	-	-	-	-	-	(3,522,000)	(3,522,000)	(3,522,000)	(3,522,354)
	-	-	-	-	-	-	(45,901,000)	(45,901,000)	(45,901,000)	(45,901,416)

**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 (2018 : no transfer in either directions).

## NOTES TO THE FINANCIAL STATEMENTS

## 23. Financial instruments (continued)

## 23.7 Fair value information (continued)

## 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.

## 24. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

## 24.1 Impacts on financial statements

The following table summarises the impacts arising from the adoption of MFRS 15 on the Group's financial statements. The impact arising from the adoption of MFRS 15 is not material to the Company's financial statements. The adoption of MFRS 9 did not have any material financial impact to the financial statements of the Group and the Company.

## Statement of profit or loss and other comprehensive income

	As previously reported RM	MFRS 15 adjustments RM	As restated RM
<b>Group</b>			
<b>Continuing operations</b>			
Revenue	64,277,624	883,495	65,161,119
Cost of sales	(47,798,621)	(1,056,466)	(48,855,087)
<b>Gross profit</b>	16,479,003	(172,971)	16,306,032
Other income	4,194,709	(394,378)	3,800,331
Selling and distribution expenses	(1,805,738)	567,349	(1,238,389)
Administrative expenses	(12,020,717)	-	(12,020,717)
Other expenses	(618,157)	-	(618,157)
<b>Results from operating activities</b>	6,229,100	-	6,229,100
Finance income - interest income	82,723	-	82,723
Finance costs - interest expense	(2,947,632)	-	(2,947,632)
<b>Net finance costs</b>	(2,864,909)	-	(2,864,909)
<b>Profit before tax</b>	3,364,191	-	3,364,191
Tax expense	(1,389,372)	-	(1,389,372)
<b>Profit for the year</b>	1,974,819	-	1,974,819

## NOTES TO THE FINANCIAL STATEMENTS

## 24. Significant changes in accounting policies (continued)

## 24.1 Impacts of financial statements (continued)

## Statement of profit or loss and other comprehensive income (continued)

	As previously reported RM	MFRS 15 adjustments RM	As restated RM
<b>Group</b>			
<b>Other comprehensive income, 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	37,341	-	37,341
<b>Total other comprehensive income for the year, net of tax</b>	37,341	-	37,341
<b>Total comprehensive income for the year</b>	2,012,160	-	2,012,160
<b>Profit for the year attributable to :</b>			
Owners of the Company	1,974,819	-	1,974,819
<b>Total comprehensive income for the year attributable to :</b>			
Owners of the Company	2,012,160	-	2,012,160
<b>Earnings per ordinary share (sen)</b>	4.94		4.94

## 24.2 Accounting for financial instruments

## a. Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted :

- i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings as at 1 July 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.
- ii) The assessment of determination of the business model within which a financial asset is held has been made based on the facts and circumstances that existed at the date of initial application.
- iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.



## NOTES TO THE FINANCIAL STATEMENTS

## 24. Significant changes in accounting policies (continued)

## 24.2 Accounting for financial instruments (continued)

## b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 :

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 July 2018 :

	<b>30.6.2018</b>	<b>1.7.2018</b>
	<b>RM</b>	<b>Reclassification to new MFRS 9 category Amortised cost ("AC") RM</b>
<b>Category under MFRS 139</b>		
<b>Financial assets</b>		
<b>Loans and receivables</b>		
<b>Group</b>		
Trade and other receivables (excluding prepayments and indirect tax)	15,669,043	15,669,043
Cash and cash equivalents	7,865,254	7,865,254
	<u>23,534,297</u>	<u>23,534,297</u>
<b>Company</b>		
Trade and other receivables (excluding prepayments and indirect tax)	22,927,929	22,927,929
Cash and cash equivalents	3,052,594	3,052,594
	<u>25,980,523</u>	<u>25,980,523</u>
<b>Category under MFRS 139</b>		
<b>Financial liabilities</b>		
<b>Financial liabilities measured at amortised cost</b>		
<b>Group</b>		
Loans and borrowings	(56,911,922)	(56,911,922)
Trade and other payables	(19,694,589)	(19,694,589)
	<u>(76,606,511)</u>	<u>(76,606,511)</u>
<b>Company</b>		
Trade and other payables	<u>(224,898)</u>	<u>(224,898)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 25. 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.

## STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 28 to 87 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2019 and of their financial performance and cash flows for the financial year then ended.

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

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

Director

-----  
**Sin Siew Huey**

Director  
Penang,

Date : 29 October 2019

## STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

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 28 to 87 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed **Sin Kheng Lee**, NRIC: 570805-07-5769, at George Town in the State of Penang on 29 October 2019.

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

Before me :

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

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SKB SHUTTERS CORPORATION BERHAD

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of SKB Shutters Corporation Berhad, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 28 to 87.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their 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 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of trade receivables Refer to Note 7 and Note 23.4 - Financial instruments	
The key audit matter	How the matter was addressed in our audit
<p>The Group has trade receivables amounting to RM17.8 million, representing 26.9% of the Group's total current assets as at 30 June 2019.</p> <p>Due to the Group's business nature and the slowdown in local construction industry, the Group has significant trade receivables mainly from project based customers. Some of these customers have long outstanding debts. Accordingly, this increases the risk that the individual trade receivables may not be recoverable.</p>	<p>Our audit procedures included, amongst others :</p> <ul style="list-style-type: none"> <li>• Tested the accuracy of trade receivables' ageing reports by testing outstanding invoices to their respective age brackets on sampling basis;</li> <li>• Assessed the recoverability of the past due trade receivables on sampling basis by testing the receipts of cash after year end on sampling basis; and</li> <li>• Assessed the adequacy of the Group's allowance for impairment loss including expected credit loss ("ECL") against the doubtful trade receivables by challenging the key assumptions applied by Directors in determining the allowance for impairment loss on any residual balances of significant past due debts net of subsequent receipts, taking into consideration past payment trends, and bad debts record for debts deemed doubtful.</li> </ul>

**INDEPENDENT AUDITORS' REPORT**

TO THE MEMBERS OF SKB SHUTTERS CORPORATION BERHAD

**Key Audit Matters (continued)**

<b>Valuation of inventories</b> Refer to Note 6	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Group has inventories amounting to RM36.4 million, representing 54.9% of the Group's total current assets as at 30 June 2019.</p> <p>Due to the nature of business where the aluminum and steel are the primary raw materials for the Group, the Group is exposed to the inherent volatility of the prices of aluminum and steel and very much vulnerable to the economic condition of the construction sectors. Accordingly, with the significance of the balance and the level of judgement required to assess the amount of allowance needed for the slow moving and obsolete inventories and to record the value of inventories at the lower of cost and net realisable value, valuation of inventories has been identified as one of the key audit matters.</p>	<p>Our audit procedures included, amongst others :</p> <ul style="list-style-type: none"> <li>• Tested the accuracy of inventories ageing report by testing the goods receiving notes, production records and other relevant underlying documentation to their respective age brackets;</li> <li>• Assessed the Directors' procedures and challenged the key assumptions made in identifying and writing down the slow moving and obsolete inventories and evaluated the adequacy of write down based on the past trends;</li> <li>• Assessed whether any significant items are identified as damage, slow moving or obsolete during the inventory count observation have been written down; and</li> <li>• Assessed whether the inventories were carried at the lower of cost and net realisable value by comparing their carrying amount against the selling price after year end less selling expenses.</li> </ul>

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

**Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SKB SHUTTERS CORPORATION BERHAD

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also :

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**INDEPENDENT AUDITORS' REPORT**

TO THE MEMBERS OF SKB SHUTTERS CORPORATION BERHAD

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 5 to the financial statements.

**Other Matter**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG PLT**LLP0010081-LCA & AF 0758  
Chartered Accountants**Lim Su Ling**Approval Number : 03098/12/2019 J  
Chartered Accountant

Penang

Date : 29 October 2019

**LIST OF PROPERTIES HELD BY THE GROUP**

AS AT 30. 06. 2019

No.	Description/Address	Date Revaluation	Tenure	Area	Existing Use	Carrying Amount 30.06.19 RM
<b>LAND</b>						
1	Lot No. 47158 Indahpura Industrial Park Kulai, Johor Bahru	28/06/2011	Freehold	6,092 sq.m.	Vacant	1,084,000
2	Lot 22, Jalan Teknologi Taman Sains Selangor 1 Kota Damansara 47810 Petaling Jaya	28/06/2011*	Leasehold - 99 years expiring 2106	48,637 sq.m.	Factory	60,373,862
<b>BUILDING</b>						
1	Lot 22, Jalan Teknologi Taman Sains Selangor 1 Kota Damansara 47810 Petaling Jaya	28/06/2011	Leasehold - 99 years expiring 2106	336,263 sq.ft.	Factory	22,612,068
2	Corporate Tower Subang Square CT-01-17, Jln SS 15/4G 47500 Subang Jaya, Selangor	28/06/2011	Freehold	810 sq.ft.	Rent	214,076
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 Sembilen	28/06/2011	Freehold	70 sq.m	Vacant	49,016
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	68,278
<b>Total</b>						<b>84,401,301</b>

\* On 19 January 2016, the Group acquired 99 years leasehold land which was previously leased for 30 years.



## ANALYSIS OF SHAREHOLDINGS

AS AT 30 SEPTEMBER 2019

ISSUED AND FULLY PAID-UP CAPITAL	:	RM41,498,324
CLASS OF SHARE	:	Ordinary shares
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	7	1.088	300	0.001
100 - 1,000	314	48.834	282,800	0.707
1,001 - 10,000	247	38.414	1,055,900	2.640
10,001 - 100,000	56	8.709	1,619,300	4.048
100,001 - 1,999,999	16	2.488	8,844,496	22.111
2,000,000 - 40,000,000	3	0.467	28,197,204	70.493
<b>Total</b>	<b>643</b>	<b>100.000</b>	<b>40,000,000</b>	<b>100.000</b>

### SUBSTANTIAL SHAREHOLDERS AS AT 30 SEPTEMBER 2019

Name	Direct Interest	% of Issued Capital	Indirect Interest	% of Issued Capital
1 SKB Glory Sdn. Bhd.	22,847,607	57.119	-	-
2 Sin Kheng Lee	2,310,000	5.775	22,857,607 *	57.144
3 Dato' Moehamad Izat Bin Achmad Habechi Emir	3,039,597	7.599	-	-
4 Chou Lee Sin	10,000	0.025	25,157,607 #	62.894
5 Sin Ching San	10,000	0.025	22,847,607 ^	57.119

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

# Deemed interest via spouse

^ Deemed interest via SKB Glory Sdn. Bhd.

### DIRECTORS' SHAREHOLDINGS AS AT 30 SEPTEMBER 2019

	Direct Interest	%	Indirect Interest	%
<b>The Company</b>				
1 Sin Kheng Lee	2,310,000	5.775	22,857,607*	57.144
2 Dato' Moehamad Izat Bin Achmad Habechi Emir	3,039,597	7.599	-	-
3 Chou Lee Sin	10,000	0.025	25,157,607#	62.894
4 Sin Ching San	10,000	0.025	22,857,607*	57.144
5 Sin Siew Huey	-	-	-	-
6 Sin Tze Yi	-	-	-	-
7 Lai Lan Man @ Lai Shuk Mee	15,000	0.038	-	-
8 You Tong Lioung @ Yew Tong Leong	10,000	0.025	-	-
9 Mohd Arif Bin Mastol	-	-	-	-
<b>Holding Company - SKB Glory Sdn. Bhd.</b>				
1 Sin Kheng Lee	971,250	64.750	112,500	7.500
2 Sin Ching San	416,250	27.750	-	-
3 Chou Lee Sin	-	-	1,083,750 #	72.250

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

# Deemed interest via spouse

Note : By virtue of their interest of more than 20% 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**  
AS AT 30 SEPTEMBER 2019**LIST OF 30 LARGEST SHAREHOLDERS AS AT 30 SEPTEMBER 2019**

NO.	NAME	HOLDINGS	%
1	SKB GLORY SDN BHD	22,847,607	57.119
2	MOEHAMAD IZAT BIN ACHMAD HABECHI EMIR	3,039,597	7.599
3	SIN KHENG LEE	2,300,000	5.750
4	ABBAS BIN MEHAD	1,642,065	4.105
5	ABDUL RAHIM BIN ABDUL RAHMAN	1,313,653	3.284
6	LOOI ENG KEONG	1,056,000	2.640
7	DAUD BIN DAROS	985,239	2.463
8	MOHD HAFIZ BIN HASHIM	985,239	2.463
9	OOI SAY TUAN	700,000	1.750
10	INTEGRO PLANTATIONS SDN BHD	406,600	1.017
11	ANG HUAT KEAT	363,000	0.908
12	NIELS JOHN MADSEN	291,200	0.728
13	NG FONG WAH	220,000	0.550
14	YONG KIAN SENG @ YOONG TEIN SENG	193,200	0.483
15	PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH JUAI HIAN (A)	177,800	0.445
16	LIM POH BOON	154,000	0.385
17	GOH AH THIAM	115,000	0.288
18	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH JUAI HIAN (100378)	113,500	0.284
19	LEE LAM KEIONG	110,000	0.275
20	SYARIKAT RIMBA TIMUR (RT) SDN BHD	95,000	0.238
21	TA NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOU, CHUN-SHENG	77,400	0.194
22	LIM MOOI TEAN	70,000	0.175
23	KONG CHEE LEONG	63,000	0.158
24	KONG PANG KWAN	55,000	0.138
25	SIOW THIAN TECK	55,000	0.138
26	HO, JEN-CHIH	54,200	0.136
27	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH JUAI HIAN (KPG/PMS)	52,000	0.130
28	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (8092812)	50,000	0.125
29	YONG THAIN CHAI	50,000	0.125
30	LEE SIEW YEAN @ LEE SEW YEAN	49,900	0.125
Total		37,685,200	94.213

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty Second (“22nd”) Annual General Meeting (“AGM”) of the Company will be held at Galleria I (Lobby Level), Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang, on Friday, 22 November 2019 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 2019 and the Reports of Directors and Auditors thereon.
2. To re-elect the following directors who retire pursuant to Article 125 of the Company’s Articles of Association (Company’s Constitution): -
  - 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 Sin Tze Yi Ordinary Resolution 5
  - f) Dato’ Moehamad Izat bin Achmad Habechi Emir Ordinary Resolution 6
  - g) Mr You Tong Lioung @ Yew Tong Leong Ordinary Resolution 7
  - h) Ms Lai Lan Man @ Lai Shuk Mee Ordinary Resolution 8
  - i) Encik Mohd Arif Bin Mastol Ordinary Resolution 9
3. To approve Directors’ Fees of RM190,000/- for the year ended 30 June 2019. Ordinary Resolution 10
4. To re-appoint Messrs KPMG PLT as auditors of the Company to hold office until the conclusion of the next AGM 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: -

5. Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016 (“Act”) Ordinary Resolution 12

“That pursuant to Sections 75 and 76 of the Act 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.”

6. 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: -

- a) Mr You Tong Lioung @ Yew Tong Leong Ordinary Resolution 13
- b) Ms Lai Lan Man @ Lai Shuk Mee Ordinary Resolution 14
- c) Encik Mohd Arif Bin Mastol Ordinary Resolution 15

## NOTICE OF ANNUAL GENERAL MEETING

7. Proposed adoption of the New Constitution of the Company Special Resolution 1

“THAT approval be and is hereby given to revoke the existing Memorandum and Articles of Association (Constitution) of the Company and in place thereof, the proposed new Constitution, as set out in the Appendix I dispatched together with the Company’s Annual Report be and is hereby adopted as the Constitution of the Company (“Proposed Adoption”).

AND THAT the Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendment in any manner as may be required or imposed by the relevant authorities (if any) and to take all steps and do all acts and things as may be considered necessary or expedient in order to implement, finalise and give full effect to the Proposed Adoption.”

8. 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 2019

### 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 of 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 Company’s Articles of Association (“Company’s Constitution”) and Paragraph 7.16(2) of the Main Market Listing Requirements (“MMLR”) of Bursa Securities, a Record of Depositors (“ROD”) as at 15 November 2019. Only Depositor whose name appears on such ROD or the appointed proxy holder/representative shall be entitled to attend, speak and vote at the AGM.

## NOTICE OF ANNUAL GENERAL MEETING

### Explanatory Notes on Ordinary Business: -

1. Agenda 1 is meant for discussion only as the provision of Section 248(2) of the Companies Act, 2016 does not require a formal approval of shareholders of the Company and hence, Agenda 1 is not put forward for voting.

### 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 Sections 75 and 76 of the Companies Act, 2016 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 30 November 2018 and which will lapse at the conclusion of the Twenty Second 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.

The details of the Board’s justification and recommendation for the retention of the Independent Directors are set out in the Corporate Governance Overview Statement in the 2019 annual report.

3. The Special Resolution 1, if passed, will streamline the Company’s Constitution with the new provisions of the Act, amendments made to MMLR and to enhance administrative efficiency. The proposed adoption of new Company’s Constitution is set out in the Appendix I dispatched together with the Company’s Annual Report. The Proposed Adoption shall take effect once it has been passed by a majority of not less than 75% of such members who are entitled to vote and do vote in person or by proxy at the 22nd AGM of the Company.

### 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 Securities)

No individual is standing for election as a Director at the forthcoming 22nd AGM of the Company.

# ADMINISTRATIVE DETAILS FOR THE 22<sup>ND</sup> ANNUAL GENERAL MEETING

## ADMINISTRATIVE DETAILS FOR THE 22<sup>ND</sup> ANNUAL GENERAL MEETING

Day and Date	Friday, 22 <sup>nd</sup> November 2019
Time	2.00 pm
Venue	Galleria I (Lobby Level), Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang

### REGISTRATION

- Registration will commence at 1.30 p.m. and will end at the time directed by the Chairman of the meeting.
- Please present your original Identity Card (IC) or Passport to the registration staff for verification. Please make sure your IC is being returned to you after registration.
- Upon verification, you are required to write your name and sign on the attendance list.
- A poll slip will be given for each of the CDS account(s) that registered in your name and/or which you are appointed as a proxy. There will be no replacement should you lost or destroy the poll slip(s).
- You may proceed to the meeting room thereafter.
- Registration must be done in person. Nobody is allowed to register on behalf of another person even with the original IC or Passport of that other person.
- The registration counter will handle verification of identity, registration and revocation of proxy.

### PROXY

- A member entitled to attend and vote in the meeting is allowed to appoint proxy. Please submit your Form of Proxy in accordance with the notes and instructions printed therein.
- The Form of Proxy is not required if you are attending the meeting. You are not allowed to attend the meeting together with a proxy appointed by you.
- If you have submitted your Proxy Form prior to the meeting and subsequently decided to attend the meeting in person, please proceed to the registration counter to revoke the appointment of your proxy.
- Please ensure that the original Form of Proxy is deposited at the Company's Registered Office at 2nd Floor, Wisma Penang Garden, 42 Jalan Sultan Ahmad Shah, 10050 Pulau Pinang no less than forty-eight (48) hours before the meeting time. No proof of despatch of Form of Proxy will be entertained.

### CORPORATE MEMBER

- Any corporate member who wishes to appoint a representative instead of a proxy to attend the AGM should submit the original certificate of appointment under the seal of the corporation to the Company's Registered Office before the AGM or to the registration staff on the AGM day for the Company's records.

### GENERAL MEETING RECORD OF DEPOSITORS

- For the purpose of determining who shall be entitled to attend this 22<sup>nd</sup> Annual General Meeting, the Company will be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at **15 November 2019** and only a depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting.

### VOTING PROCEDURE

- The voting at the 22<sup>nd</sup> AGM will be conducted by way of poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements.
- The Company has appointed Agriteum Share Registration Services Sdn Bhd as Poll Administrator to conduct the paper poll and IA Essential Sdn Bhd as Independent Scrutineer to verify the poll results.

### CAR PARK

- Hotel Equatorial Penang Car park is chargeable at RM10.00 nett per vehicle per entry. (Non-refundable)

### ANNUAL REPORT 2019

- The Company Annual Report 2019 is available from 31 October 2019 on the Bursa Malaysia's website at [www.bursamalaysia.com](http://www.bursamalaysia.com) under Company Announcements and also at the Company's website at [www.skb-shutters.com](http://www.skb-shutters.com)

## PROXY FORM

No. of shares held	CDS account no.	Telephone no.

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

of \_\_\_\_\_  
 (Full address in BLOCK LETTERS)

being a member/members of **SKB Shutters Corporation Berhad**, hereby appoint

**Proxy 1** \_\_\_\_\_  
 (Full name as per NRIC and NRIC No. in BLOCK LETTERS)

**Proxy 2 (Optional)** \_\_\_\_\_  
 (Full name as per NRIC and NRIC No. in BLOCK LETTERS)

or failing him/her, \_\_\_\_\_ of \_\_\_\_\_  
 as my/our proxy, to vote for me/us and on my/our behalf at the Twenty Second Annual General Meeting of the Company to be held at Galleria I (Lobby Level), Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang, on Friday, 22 November 2019 at 2.00 p.m. and at any adjournments thereof.

	Ordinary Resolutions															Special Resolution	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	1	
<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 \_\_\_\_\_ 2019.

For appointment of two (2) proxies, no. of shares and percentage of shareholdings to be represented by the proxies: -		
	No. of shares	Percentage
Proxy 1		
Proxy 2		
<b>Total</b>		<b>100%</b>

\_\_\_\_\_  
 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 of 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 of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 15 November 2019 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.



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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

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

**Registered Office:**

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