



Central Industrial Corporation Berhad  
12186-K

ANNUAL REPORT 2016

*Constant Breakthrough,*  
**Reinventing and  
Adapting**



## OUR MISSION

Delivering sustainable growth and profit to our Stakeholders. Committed to Quality, Innovation and Value Creation for our Customers.

## OUR VISION

To be a leading Premium Solution Provider to the Adhesive Labels and Tapes Industries with Customer Centric Excellence.



## CENTRAL INDUSTRIAL CORPORATION BERHAD (CICB)

The Company was incorporated on 20 May 1972 in Malaysia under the Companies Act 2016 as a Private Limited Company under the name of Central Industrial Corporation Sdn Bhd. On 23 May 1989, the Company was converted into a Public Limited Company listed on Bursa Malaysia and assumed its present name.

The Company's principal activities comprise the manufacture of specialised industrial tapes and label stock catering mainly for professional auto spray painting, packing, advertising applications, general labelling and identification.



### Constant Breakthrough, Reinventing and Adapting

Central Industrial Corporation Berhad's tagline reflects constant self-challenge, seeking breakthroughs in product innovation and new market expansion. The Company's agility to reinvent and adapt to its dynamic operating environment will enable the Company to meet its goals and the rocket exemplifies its future path to move forward with innovative products and market leadership.

# CONTENTS

02	Notice of Annual General Meeting
05	Corporate Information
06	Profile of Board of Directors
10	Profile of Key Senior Management
12	Key Financial Highlights
13	Chairman's Statement
15	Management Review of Operations
19	Statement on Corporate Social Responsibility
21	Audit and Risk Management Committee Report
25	Statement on Corporate Governance
35	Statement on Risk Management and Internal Control
39	Other Information
40	Financial Statements
100	Analysis of Shareholdings
102	List of Properties Held
	Enclosed Proxy Form

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Forty- Fourth Annual General Meeting of the Company will be held at The Royale 2, Level 2, The Royale Chulan Damansara, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Thursday, 25 May 2017 at 10:00 a.m. for the purpose of considering the following business:-

## AGENDA

- |   |                                       |
|---|---------------------------------------|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. | (Please refer to Explanatory Note. 1) |
| 2. To approve the payment of Directors' fees and allowances up to RM459,750 from 1 January 2017 until the next Annual General Meeting of the Company.         | Ordinary Resolution 1                 |
| 3. To re-elect the following Director retiring in accordance with Article 90 of the Company's Articles of Association:-                                       |                                       |
| i) Mr. Ng Seng Bee  | Ordinary Resolution 2                 |
| 4. To re-appoint the following Directors as Directors of the Company:-  | (Please refer to Explanatory Note. 2) |
| i) Dr. Uzir Bin Abdul Malik   | Ordinary Resolution 3                 |
| ii) Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud  | Ordinary Resolution 4                 |
| iii) Mr. Koay Then Hin  | Ordinary Resolution 5                 |
| 5. To re-appoint Messrs. KPMG PLT as Auditors of the Company and authorize the Directors to fix their remuneration.   | Ordinary Resolution 6                 |

## SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions: -

- |  |                       |
|--|-----------------------|
| 6. <b>RETENTION OF INDEPENDENT DIRECTORS</b>   |                       |
| i) "THAT subject to the passing of Ordinary Resolution 4, Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud be and is hereby retained as Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance 2012." | Ordinary Resolution 7 |
| ii) "THAT subject to the passing of Ordinary Resolution 5, Mr. Koay Then Hin be and is hereby retained as Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance 2012."                                   | Ordinary Resolution 8 |

# NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

## SPECIAL BUSINESS (Cont'd)

### 7. AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016

"THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, and subject to the approval from other relevant governmental/ regulatory authorities, the Directors be and are hereby empowered to allot 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 allotted pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company at the time of submission to the authority and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company AND THAT the Directors be and are hereby also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation of the additional shares so allotted."

Ordinary  
Resolution 9

8. To transact any other business which may properly be transacted at an Annual General Meeting for which due notice shall have been given.

By order of the Board

**LIM SECK WAH (MAICSA 0799845)**  
**KONG MEI KEE (MAICSA 7039391)**  
Company Secretaries

Kuala Lumpur  
28 April 2017

## Notes:

1. Only depositors whose names appear in the Record of Depositors as at 19 May 2017 shall be entitled to attend the Forty-Fourth Annual General Meeting or appoint a proxy to attend, speak and vote on his behalf.
2. A member of the Company entitled to attend, speak and vote at this meeting is entitled to appoint a proxy to attend, speak and vote in his stead. A member may appoint more than two (2) proxies to attend at the same meeting. All voting will be conducted by way of poll. Where a member appoints two or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
3. Where a member of the Company is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation under its Common Seal or the hand of its attorney.
5. All forms of proxy must be deposited at the Office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

# NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

## Explanatory Notes

1. The Audited Financial Statements is meant for discussion only as the provision in the Company's Articles of Association does not require a formal approval of shareholders for the Audited Financial Statements.
2. Dr. Uzir Bin Abdul Malik, Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud and Mr. Koay Then Hin, who are above the age of 70, were re-appointed as Directors of the Company pursuant to Section 129(6) of the Companies Act 1965 (since repealed) at the Company's last Annual General Meeting to hold office until the conclusion of this Annual General Meeting. The proposed Ordinary Resolutions No. 3 to 5, if passed, will enable Dr. Uzir Bin Abdul Malik, Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud and Mr. Koay Then Hin to continue as Directors of the Company.

As the Companies Act 2016, which came into force on 31 January 2017, had removed the age limit for directors, Dr. Uzir Bin Abdul Malik, Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud and Mr. Koay Then Hin, after this reappointment, shall only be subject to retirement by rotation at future Annual General Meeting in accordance with the Company's Articles of Association.

3. Ordinary Resolutions No. 7 and 8

### Proposed Continuation in Office as Independent Non-Executive Directors

The Nomination Committee has assessed the independence of Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud and Mr. Koay Then Hin, who served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years. Upon recommendation of the Committee, the Board assessed and recommended that they continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

- a) They understand fully of the Company's objectives and strategies and will be able to provide an element of objectivity, independent judgment and balance to the Board;
  - b) They have devoted sufficient time and commitment to their role and responsibilities as an Independent Director, exercised due care and discharged their duties with reasonable skill and competence during their tenure as Independent Directors of the Company;
  - c) They actively participated in the board discussion and provided independent view and judgment to the decision making of the Board in the interest of the Company and the shareholders.
4. Ordinary Resolution No. 9

### Authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed Ordinary Resolution 9 primarily gives flexibility to the Board of Directors to allot shares at any time in their absolute discretion and for such purposes as they consider would be in the interest of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

The Company continues to consider opportunities to broaden its earnings potential. If any of the expansion/diversification proposals involves the allotment of new shares, the Directors, under certain circumstance when the opportunity arises, would have to convene a general meeting to approve the allotment of new shares even though the number involved may be less than 10% of the total number of issued shares of the Company. The Directors do not have any immediate plan for the additional allotment of shares for the time being.

However, in order to avoid any delay and costs involved in convening a general meeting to approve such allotment of shares when the needs may arise during the financial year, it is thus considered appropriate that the Directors be empowered to allot shares in the Company, up to any amount not exceeding in total 10% of the total number of issued shares of the Company at the time of submission to the authority, for such purposes. The authority for allotment of shares will provide flexibility to the Company for the allotment of shares for the purpose of funding future investment, working capital and/or acquisitions.

Proceeds of RM1,420,000 was raised from the allotment of 1,420,000 ordinary shares via private placement on 12 January 2017 since obtaining the said authority from its shareholders at the last Annual General Meeting held on 26 May 2016. The Company has fully utilised the said proceeds for working capital purposes.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**DR. UZIR BIN ABDUL MALIK**  
Non-Independent Non-Executive  
Chairman

**MR. WONG YUK THIN**  
Managing Director

**DATO' SERAJA MAHKOTA DATO' WIRA ZAINUDDIN BIN MAHMUD**  
Independent Non-Executive Director

**DATO' TAN YEE BOON**  
Independent Non-Executive Director

**MR. PHANG KWAI SANG**  
Non-Independent  
Non-Executive Director

**MR. KOAY THEN HIN**  
Independent Non-Executive Director

**MR. NG SENG BEE**  
Independent Non-Executive Director

### AUDIT AND RISK MANAGEMENT COMMITTEE

Dato' Seraja Mahkota Dato' Wira  
Zainuddin Bin Mahmud (Chairman)  
Mr. Koay Then Hin  
Mr. Ng Seng Bee

### REMUNERATION COMMITTEE

Mr. Phang Kwai Sang (Chairman)  
Dato' Tan Yee Boon  
Mr. Wong Yuk Thin

### NOMINATION COMMITTEE

Dato' Seraja Mahkota Dato' Wira  
Zainuddin Bin Mahmud (Chairman)  
Mr. Koay Then Hin  
Mr. Phang Kwai Sang

### SECRETARY

Lim Seck Wah (MAICSA 0799845)  
Kong Mei Kee (MAICSA 7039391)

### AUDITORS

KPMG PLT  
Level 18, Hunza Tower,  
163E, Jalan Kelawei,  
10250 Penang.  
Tel : 04-2382288  
Fax : 04-2382222

### SHARE REGISTRARS

Symphony Share Registrars Sdn.  
Bhd.  
Level 6, Symphony House,  
Pusat Dagangan Dana 1,  
Jalan PJU 1A/46,  
47301 Petaling Jaya, Selangor.  
Tel : 03-78418000  
Fax : 03-78418151

### BANKERS

Malayan Banking Bhd.  
United Overseas Bank (Malaysia)  
Bhd.  
RHB Bank Bhd.  
Hong Leong Bank Bhd.

### REGISTERED OFFICE

Level 15-2, Bangunan Faber  
Imperial Court,  
Jalan Sultan Ismail,  
50250 Kuala Lumpur.  
Tel : 03-26924271  
Fax : 03-27325388

### HEAD OFFICE

Lot 77 & 78, Persiaran 11,  
Kawasan Perusahaan Bakar  
Arang,  
08000 Sungai Petani,  
Kedah Darul Aman.  
Tel : 04-4227888  
Fax : 04-4217888  
E mail : cicb@cicb.com.my  
Website : www.cicb.com.my

### STOCK EXCHANGE LISTING

Main Market of the  
Bursa Malaysia Securities Berhad  
Stock Code : 8052  
Stock Name : CICB

# PROFILE OF BOARD OF DIRECTORS

## DR. UZIR BIN ABDUL MALIK

Non-Independent  
Non-Executive Chairman

Nationality | Malaysian

Gender | Male

Age | 72

**Dr. Uzir Bin Abdul Malik** was appointed to the Board of Central Industrial Corporation Berhad on 14 September 2015. He holds a B.A. Hons from Universiti Malaya in 1967, M. Sc from University of Hawaii in 1973 and Ph.D from University of London in 1981.

From January 1974 to September 1977, Dr. Uzir was the Head of Department of Agriculture And Resource Economics, Universiti Kebangsaan Malaysia. From June 1984 to April 1987, he was the Dean and Deputy Dean, Economics Faculty, Universiti Kebangsaan Malaysia. From February 1988 to October 1990, he became the Deputy Vice Chancellor of Universiti Utara Malaysia.

From October 1996 to January 2001, Dr. Uzir was the Business Development Director of LGB Engineering Sdn. Bhd. Currently, he is the Executive Director of SWM Environment Sdn. Bhd.

Dr. Uzir has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences. He attended all the Board Meetings held during the financial year.

## WONG YUK THIN

Managing Director

Nationality | Malaysian

Gender | Male

Age | 56

**Mr. Wong Yuk Thin** was appointed as the Managing Director of Central Industrial Corporation Berhad ("CICB") on 30 August 2012. He is a member of the Remuneration Committee of CICB. Prior to his appointment, he was the Chief Executive Officer of CICB from 14 May 2012 to 30 August 2012. He graduated with a Master of Business Administration from University of Strathclyde, Glasgow, United Kingdom in 1992. He obtained a Diploma in Marketing from the Chartered Institute of Marketing, United Kingdom in 1988.

Mr. Wong began his career in 1983. He was employed by several multinational companies in sales, marketing and general management. Amongst the multinational companies he served were DKSH (M) Sdn. Bhd., ICI Paints (M) Sdn. Bhd., Lafarge Malayan Cement Bhd. and Nylex Bhd.

Mr. Wong has extensive sales and marketing experience in the South Asia region and is familiar with cross cultural markets. Prior to joining CICB, he was the General Manager in the Swiss based multinational DKSH (M) Sdn. Bhd.'s Performance Materials Business Unit.

Mr. Wong is also a Director of the Company's wholly-owned subsidiaries, CIC Marketing Sdn. Bhd. and CICS Distributors Pte. Ltd.

Mr. Wong has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences. He attended all the Board Meetings held during the financial year.

# PROFILE OF BOARD OF DIRECTORS (Cont'd)

## DATO' SERAJA MAHKOTA DATO' WIRA ZAINUDDIN BIN MAHMUD

Independent  
Non-Executive Director

Nationality | Malaysian

Gender | Male

Age | 71

**Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud** was appointed to the Board of Central Industrial Corporation Berhad ("CICB") on 26 May 2004. He is the Chairman of the Audit and Risk Management Committee and Nomination Committee of CICB. He holds a Higher School Certificate from the Royal Military College, Sungai Besi, Kuala Lumpur. From 1965 to 1966, he attended the Faculty of Agriculture, University of Malaya.

Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud began his career as a State Administration Services Cadet with the Kedah Civil Service in 1966. From 1968 to 1995, he served in various positions in the Kedah Civil Service including serving as a District Officer of Yan, Kulim and Kota Star. He also served as the Private Secretary to the Sultan of Kedah in 1972 and as Kedah State Treasury (Bursar) from 1977 to 1981.

Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud served as the Deputy State Secretary (Development)/Director and Kedah Economic Planning Unit from July 1996 until his retirement in 2000.

Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud had also held leadership positions in numerous sports and recreational organisations in Kedah, amongst others as the Honorary Secretary of Kelab Kedah Darulaman, Vice President of Kedah Squash Association and Deputy President of Kedah Lawn Tennis Association and Kedah Civil Service Council for Welfare and Sports (MAKSAK).

Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences. He attended all the Board Meetings held during the financial year.

## DATO' TAN YEE BOON

Independent  
Non-Executive Director

Nationality | Malaysian

Gender | Male

Age | 42

**Dato' Tan Yee Boon** was appointed to the Board of Central Industrial Corporation Berhad ("CICB") on 16 June 2015. He is a member of the Remuneration Committee of CICB. He graduated with a LLB (Hons) from University of South Wales, United Kingdom in 1997.

Dato' Tan began his career in 1999 as an Advocate & Solicitor, High Court of Malaya. He is an advocate and solicitor, specialising in commercial and corporate related litigation and advisory works with focus in enforcement of minority shareholders, shareholders dispute, directors duties and related disputes since 1999. He has experience in various corporate exercise such as mergers and takeovers, reverse takeovers, IPO and fund raising and advising clients on cross-border transaction and fund raising.

Dato' Tan was a Legal Assistant and subsequently a Partner of Messrs. Khaw & Partners, Advocates & Solicitors from 2000 to April 2013. He is now a Partner of Messrs. David Lai & Tan, Advocates & Solicitors.

Currently, Dato' Tan is an Independent Non-Executive Director of Earnest Investments Holdings Limited, China Dynamic (Holdings) Limited and Protasco Berhad. He is also a Non-Independent Non-Executive Director of Worldgate Global Logistics Limited.

Dato' Tan has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences. He attended six out of seven Board Meetings held during the financial year.

# PROFILE OF BOARD OF DIRECTORS (Cont'd)

## PHANG KWAI SANG

Non-Independent  
Non-Executive Director

Nationality | Malaysian

Gender | Male

Age | 64

**Mr. Phang Kwai Sang** was appointed to the Board of Central Industrial Corporation Berhad ("CICB") on 16 June 2015. He is the Chairman of the Remuneration Committee and a member of the Nomination Committee of CICB. He holds a Civil Engineering degree from University of Alberta, a post graduate Diploma in Certified Accounting and Finance and Arbitration, and an MBA from University of Hull, United Kingdom (UK). He is a professional engineer registered with the Board of Engineers Malaysia, a member of the Institute of Engineers, Malaysia and a fellow member of the Chartered Institute of Arbitrators (UK).

Mr. Phang began his career as an executive engineer with the Water Works Department (HQ), Jabatan Kerja Raya and as designer and resident engineer for engineering consulting firms. He has more than 30 years of experience in various fields in engineering consultancy, construction, management, plant operations and investments. He presently sits on the board of directors of various companies, among which including Cerah Sama Sdn. Bhd., and Edaran SWM Sdn. Bhd. which are involved in, inter-alia toll highway operation, management of solid waste collection and public cleansing works, construction and investment.

Mr. Phang has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences. He attended all the Board Meetings held during the financial year.

## KOAY THEN HIN

Independent  
Non-Executive Director

Nationality | Malaysian

Gender | Male

Age | 71

**Mr. Koay Then Hin** was appointed to the Board of Central Industrial Corporation Berhad ("CICB") on 28 January 1993 as an Executive Director and was re-designated to Independent Non-Executive Director on 24 November 2008. He is a member of the Nomination Committee and Audit Committee and Risk Management Committee of CICB. He holds a Bachelor in Engineering Degree from National Taiwan University. He has more than 30 years of experience in industrial management.

Mr. Koay joined the Company as a Mechanical Engineer in 1974 and was promoted to Production Manager in 1977, Factory Manager in 1981, General Manager in 1986 and Senior General Manager from January 1993 to July 2005. Subsequently, he acted as the Advisor of the Company from August 2005 to July 2006. Currently, he is a Director of CICB's wholly-owned subsidiary, CIC Marketing Sdn. Bhd.

Mr. Koay has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences. He attended all the Board Meetings held during the financial year.

## PROFILE OF BOARD OF DIRECTORS (Cont'd)

### NG SENG BEE

Independent  
Non-Executive Director

Nationality	Malaysian
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Gender	Male
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Age	63
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**Mr. Ng Seng Bee** was appointed to the Board of Central Industrial Corporation Berhad ("CICB") on 3 September 2015. He is a member of the Audit and Risk Management Committee of CICB. He is a member of the Malaysian Institute of Accountants and a Fellow member of the Association of Chartered Certified Accountants.

Mr. Ng started his accountancy career in the United Kingdom and was trained with Deloitte Haskins & Sells. He subsequently assumed senior managerial position with other international accounting firms in Malaysia which were involved in the audit of financial institutions, multi-national companies, properties developers, etc.

Mr. Ng is the former Director/ Head of Dealing of P M Securities Sdn. Bhd., a participating organisation of Bursa Malaysia Securities Berhad and member of the MUI Group. He previously served as the Executive Director Operations of Sarawak Securities Sdn. Bhd. and sat on the board of several related companies engaged in the business of trading in options and futures, fund management and mezzanine financing.

Mr. Ng has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences. He attended six out of seven Board Meetings held during the financial year.

**RESILIENCE**  
is Our Fuel for Breakthrough



# PROFILE OF KEY SENIOR MANAGEMENT

## DINESH RAJIVNATHAN

Assistant General Manager, Central Industrial Corporation Berhad

Nationality	Malaysian
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Gender	Male
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Age	40
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**Mr. Dinesh** joined as the Operations Manager of Central Industrial Corporation Berhad on 5 May 2014. He holds a Bachelor of Engineering Degree in Electronics of which he attained in the year 2000 from the University of Northumbria (UK). Mr. Dinesh has extensive experience in 6σ, Lean Manufacturing, FMEA and OSHA. Due to his performance and contributions to the Company, he was promoted to Assistant General Manager effective from 1 September 2016.

Mr. Dinesh began his career as an Engineer in Samsung Electronics Malaysia in the year 2001 and progressed to the position of Senior Assistant Manager in year 2006. He then moved on to Clipsal Malaysia Sdn. Bhd. as Production Manager in the year 2008 seeking new challenges and opportunities to utilise his knowledge and skills. To fulfill his personal target of being able to start up a manufacturing facility and to be a part of a pioneering team, he joined Plasticon Malaysia Sdn. Bhd. which was a subsidiary of Plasticon Germany in the year 2010. He successfully set up a highly dedicated and efficient work floor team capable of handling projects similar to those carried out by the European counterparts and single-handedly set up the Production, Engineering, Sales & Marketing, HR, Purchasing and Warehouse teams.

Mr. Dinesh has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences.

## YAP BEE LING

Purchasing Manager, Central Industrial Corporation Berhad

Nationality	Malaysian
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Gender	Female
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Age	46
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**Ms. Yap** joined Central Industrial Corporation Berhad on 11 November 2015 as Purchasing Manager. She holds a Diploma in Business Management and Institute of Chartered Secretaries & Administration (UK) attained year 1995 from Tunku Abdul Rahman College (TARC). She has been a Project Manager and Purchasing, Customer Service, and Logistic Manager in her previous employments.

Prior to joining Central Industrial Corporation Berhad, Ms. Yap was the Purchasing, Customer Service and Logistic Manager for a wire harness manufacturer whose principal activities are in the manufacturing of wire harness for Fisher and Paykel and Electrolux.

Ms. Yap has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. She has no conviction for offences within the past five (5) years other than traffic offences.

# PROFILE OF KEY SENIOR MANAGEMENT (Cont'd)

## CHEW EH PENG

Domestic Manager, CIC Marketing Sdn Bhd, wholly-owned subsidiary of "CICB"

Nationality	Malaysian
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Gender	Male
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Age	53
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**Mr. Chew** joined CIC Marketing Sdn Bhd in 1998 and graduated from Universiti Sains Malaysia with a Bachelor Degree in Management. He has extensive commercial experience in the domestic market for pressure sensitive adhesive tapes and labels stocks.

Mr. Chew began his sales career in 1989 with the Lion Group and subsequently joined Samanda Marketing Corporation Sdn Bhd in 1992 as Division Manager in charge of pressure sensitive labels and help to set up CIC Marketing Sdn Bhd in year of 1998.

Mr. Chew has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences.

## LEAN LEE TATT

Export Manager, CIC Marketing Sdn Bhd, wholly-owned subsidiary of "CICB"

Nationality	Malaysian
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Gender	Male
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Age	35
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**Mr. Lean** joined CIC Marketing Sdn Bhd on 1 July 2013 as the Export Manager. He obtained a Master of Business Administration, International Business in the year 2011 from University of East London (UK). His current experience had led him to be exposed to business cultures and customers from different geographical regions across the world.

Prior to joining CIC Marketing, Mr. Lean was the Sales and Marketing Manager for Taiwan based, Univacco Technology (M) Sdn Bhd whose principal activities are in the trading of technical industrial product such as specialty label stocks, hot stamping foil and E&E PSA Tapes. He was also responsible for their business in the ASEAN region.

Mr. Lean has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences.

## YAO KEE KONG, KENNETH

Business Manager, CIC Marketing Sdn Bhd, wholly-owned subsidiary of "CICB"

Nationality	Malaysian
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Gender	Male
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Age	35
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**Mr. Yao** joined CIC Marketing Sdn Bhd on 3 January 2013 as Sales Manager. He holds a Diploma in Science of which he attained in the year 2002 from Tunku Abdul Rahman College (TARC). He obtained his Professional Certificate in Professional Marketing (Level 4) from The Chartered Institute of Marketing (UK) in 2015.

Prior to joining CIC Marketing, Mr. Yao was the Assistant Sales Manager, Tapes for Swiss based multinational, DKSH Holdings Berhad. Before DKSH, he was the Sales and Marketing Manager for Superb Shield Sdn Bhd, whose principal activities are in the trading of industrial product such as Protection Film, PSA Tapes and Resins Pellet. He was responsible for South East Asia region.

In recognising his performance and contribution to the Company, he was promoted to Business Manager effective 1 April 2016.

Mr. Yao has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences.

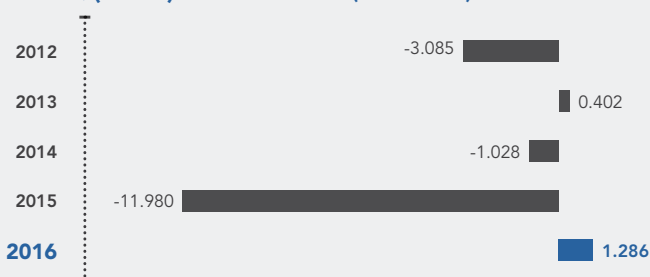
# KEY FINANCIAL HIGHLIGHTS

Description	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
Revenue	56,075	52,618	59,140	58,231	53,577
(Loss) / Profit before tax	1,286	(11,980)	(1,028)	402	(3,085)
(Loss) / Profit for the year	1,190	(11,979)	(1,046)	367	(3,085)
(Loss) / Profit attributable to shareholders	1,190	(11,979)	(1,046)	367	(3,085)
Share capital	45,780	45,780	45,780	45,780	45,780
Reserves	(415)	(1,627)	11,008	12,831	12,814
<b>TOTAL EQUITY</b>	<b>45,365</b>	44,153	56,788	58,611	58,594
Long term liabilities	1,659	1,817	1,252	1,170	1,623
Current liabilities	5,622	4,445	3,298	6,196	2,570
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>52,646</b>	50,415	61,338	65,977	62,787
Property, plant and equipment	13,663	14,853	16,367	17,674	19,406
Investment properties	1,071	1,098	1,274	1,304	1,334
Prepaid lease payments	1,521	1,567	1,614	1,660	1,706
Current assets	36,391	32,897	42,083	45,339	40,341
<b>TOTAL ASSETS</b>	<b>52,646</b>	50,415	61,338	65,977	62,787
Net assets per share (RM)	0.99	0.96	1.24	1.28	1.28
Net (loss) / earnings per share (sen)	2.60	(26.17)	(2.29)	0.80	(6.74)

## REVENUE (RM Million)



## PROFIT/(LOSS) BEFORE TAX (RM Million)



## TOTAL ASSETS (RM Million)

2016 | **52.646**  
2015 | 50.415

## EARNINGS/(LOSS) PER SHARE (Sen)

2016 | **2.60**  
2015 | (26.17)

## SHAREHOLDERS' FUND (RM Million)

2016 | **45.365**  
2015 | 44.153

## NET ASSETS PER SHARE (RM)

2016 | **0.99**  
2015 | 0.96

# CHAIRMAN'S STATEMENT

## Dear Stakeholders,

The financial year ended 31 December 2016 ("FY2016"), was a challenging year for Central Industrial Corporation Berhad ("CICB" or the "Company"). The subdued local and global economy and the currency volatility impacted our business.

However, the Company exemplified resilience and responded positively to the challenging operating conditions to record revenue growth and profitability in FY2016

**On behalf on the Board of Directors, I am pleased to present the Annual Report and Audited financial statements for the Group for the financial year FY2016.**

## FINANCIAL PERFORMANCE

For the financial year under review, the Group registered a consolidated profit before tax of RM1.286 million, against a loss before tax of RM11.980 million registered in the previous year.

The consolidated overall sales increased by 6.57% to RM56.075 million from RM52.618 million recorded in previous year. At Company level, both domestic and export segments recorded revenue growth of 2.55% and 17.87% respectively despite the challenging environment.

For FY2016, Domestic sales recorded RM37.020 million from RM36.100 million recorded in the previous year while export sales recorded revenue of RM14.471 million compared to RM12.277 million in the previous year.

The Company's wholly owned subsidiary in Singapore, CICS Distributors Pte Ltd, recorded an increase of 8.08% in revenue at RM4.584 million compared to the previous year's RM4.241 million.

FY2016 was hugely challenging as the Company continued to face operational issues, especially the sudden strengthening of the US Dollar in the final quarter of the year which impacted the costs of imported raw materials.

During the financial year, the Board had also ensured that the Management implemented all the recommendations and remedial actions proposed by the investigative auditors, Messrs PwC Consulting, to improve its system of internal controls. The Company has begun the process of changing to a new ERP system and working closely with the vendors to migrate to the new fully integrated system in the 2nd half of 2017.

During the financial year, the Board had also engaged external auditors, Messrs Baker Tilly Monterio Heng to undertake an audit review of its Balance Sheet items to confirm financial assets, financial liabilities and equity are properly valued and recorded. The report from the auditors has confirmed that the Company's Balance Sheet items are regularised and without any significant findings.

## CORPORATE GOVERNANCE

The Board of Directors of CICB continues to strive to uphold high standards and best practices in corporate governance and risk management. The Board is guided by a set of internal company policies and relies on a strong governance structure to mitigate and manage risks. Among the policies that guide the Board include, Code of Conduct, Health, Safety & Environment Policy and Risk Management Framework and Policy.

## OUTLOOK AND PROSPECTS

The Company had continued with its initiatives of active new products development during the financial year to enhance its product offerings to the domestic and export segments. Some of these new products had been successfully commercialised and contributed to the export sales revenue growth in the final quarter of 2016.

As a result, the Company was able to gain traction in new export markets in Central and Latin America. Another new product was able to penetrate the challenging Indian market via a strategic partnership with a global brand.

With improved product offerings, the Company will continue to pursue opportunities in the export markets to drive revenue growth in the new financial year as well as continue to develop other strategic partners to increase its export footprint in this competitive segment.

Moving forward, with the marketing strategies and tightened internal controls in place, I am cautiously optimistic that we will build on the improvements in FY2016 and see further improvement in our performance in the new financial year.

# CHAIRMAN'S STATEMENT (Cont'd)

**OVERALL  
SALES  
RM56.075M**  
AN INCREASE  
OF 6.57%

**PROFIT  
BEFORE TAX  
RM1.286M**

## DIVIDEND

The Board do not recommend dividend for the financial year ended 31 December 2016.

## ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my gratitude and appreciation towards our esteemed shareholders and stakeholders, including suppliers, customers, financiers and business associates for their continued and persistent support towards our Company.

To my fellow Board members, I convey my appreciation for your continued counsel and wisdom as well as to the Management team for steering CICB during a challenging FY2016. My appreciation would not be complete without acknowledging the professionalism and commitment of our employees. Thank you for your commitment and let us continue our efforts to grow our business in the year ahead.

**Dr. Uzir Bin Abdul Malik**  
Chairman



# MANAGEMENT REVIEW OF OPERATIONS

## Dear Stakeholders,

The Financial year ended 31 December 2016 ("FY2016") was challenging for Central Industrial Corporation Berhad ("CICB").

Despite the challenges, the resilience and commitment of the staff and management were instrumental to turnaround the Company to profitability. In overcoming its challenges, the Company achieved breakthrough improvements in a number of operational areas.

CICB achieved several highlights during the year under review including growing its masking tapes segment in both the domestic and export segments. This was made possible with the successful new products offering coming off the new product development pipeline which began actively in the previous year. The Company had been cautious in developing its new products given the complexity and risks of changing key raw materials and ensured its new products are stringently tested before full scale commercial launches to mitigate risks of product failure. The Company's sales of masking tapes which grew 21%, were the main driver for the overall 6.56% revenue growth in the financial year.

## OPERATIONAL PROGRESS AMIDST CHALLENGING CONDITIONS

### The Year Under Review 2016

For the year under review, the Company's operations continued to face increased market challenges in the domestic and export segments. In addition, the Company continued its investigations to conclusively close up its inventory variance and strengthen internal controls and procedures in areas of weaknesses identified during the course of investigations by the investigative auditors. Initiatives launched to change work culture focusing on staff accountability were inculcated across all levels of the organisation.

In the year under review, a number of new management talents joined the Company and contributed to the Company's improved performance.

The Company reversed its unfavorable performance in recent years with Group revenue of RM56.075 million, a 6.57% Year On Year increase and Profit Before Tax of RM1.286 million for the year under review.

For the year under review, the highlights are:-

- a) Significant expansion of market share for masking tapes sales in the domestic market for jumbo rolls to tape converters and further reinforcing its leading position in this product segment in the year under review;
- b) Breakthrough in export sales for masking tapes to the Indian sub-continent market via a strategic partnership with a global brand owner setting the platform for significant volumes in the coming financial year;
- c) Expanded market share for masking tapes for automotive applications with new product launched to the dealer and converter channels.
- d) Downsized unprofitable labels stocks product segment sales and refocus on profitable and credit worthy sales which brought positive results in gross profit and receivables improvement.

# MANAGEMENT REVIEW OF OPERATIONS (Cont'd)

## OPERATIONAL PROGRESS AMIDST CHALLENGING CONDITIONS (Cont'd)

### Overall Revenue Performance

Total revenue amounted to RM56.075 million in 2016, an increase of 6.57% compared to RM52.618 million in 2015. The increase was mainly due to the higher masking tapes sales in the domestic and export markets while the Company's labels stocks products continued to decline due to the intensified competition in this segment.

CICB has three core businesses comprising of masking tapes, tapes related traded items ("Traded Items") which it outsource to local and overseas suppliers and labels stocks. The revenue from each of these core businesses are as follows:-

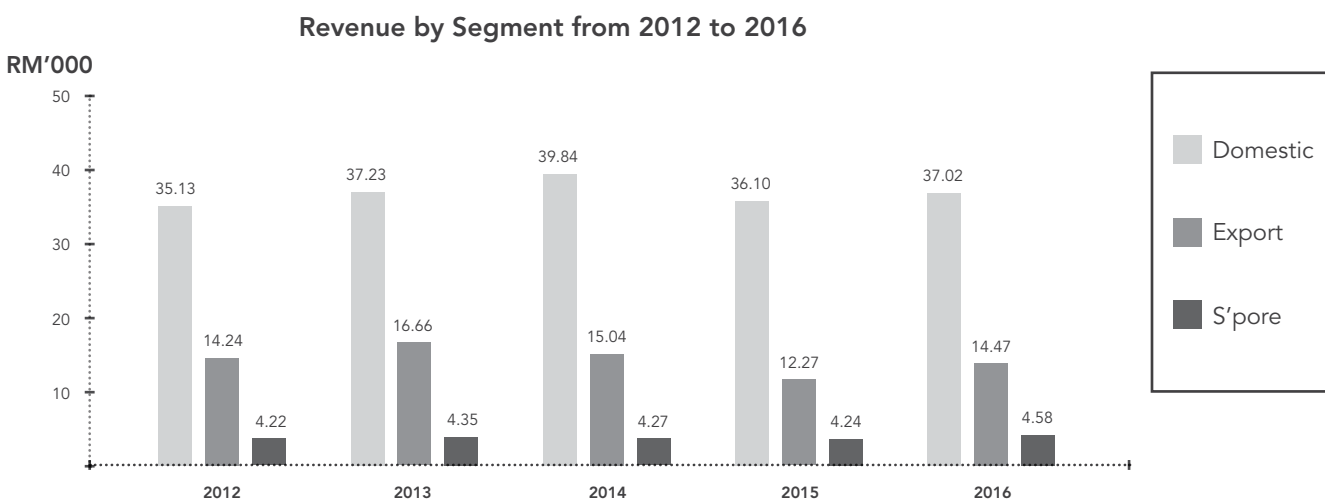
- Masking tapes revenue grew 21.14% to RM26.637 million in 2016 compared to RM21.988 million in 2015;
- "Traded Items" revenue increased marginally by 2.61% to RM12.327 million compared to RM12.013 million in 2015;
- Labels stocks revenue declined 7.61% to RM13.981 million in 2016 compared to RM15.133 million in 2015.

Masking tapes is the core revenue driver of the Company and the ability to leverage its experience to produce tapes with high levels of quality consistency is the main thrust behind its success in the domestic market and its niche in the export market. The consistency in quality, as the Company had experienced in the past is one of the main factors that may affect operating activities and volumes. As the Company has been increasing output & volume since the 2<sup>nd</sup> half of 2016, the Company will need to review its capacity plans to ensure it will be able to meet its growing list of customers' requirements in the near future.

"Traded Items" had experienced steady revenue growth in the past years, albeit a marginal growth in 2016 due to the lack of new product offerings. The ability to source new products will be the main factor to sustain revenue and gross profit margins growth as existing traded items enter the mature product life cycle stage where selling price and gross profit margin are beginning to decline.

Labels stocks had consistently declined in revenue in the past years, although the domestic market, where the products are primarily sold to is still growing. The Company is unable to compete in this product segment due to its weak supply chain where critical operational efficiencies are centered on high speed equipment and purchasing power for raw materials.

### Revenue Performance by Segment



The Company products are sold in the domestic, export markets and its overseas subsidiary in Singapore with the following segmental breakdown:-

- Domestic sales revenue grew marginally by 2.55% in 2016 to RM37.020 million compared to RM36.100 million in 2015. The domestic sales performance was weighed down by lower labels stocks sales which declined 7.61% from the previous year, while masking tapes sales grew 21.23% Year on Year. However, its traded items revenue were flat against prior year due to a lack of new product offerings.

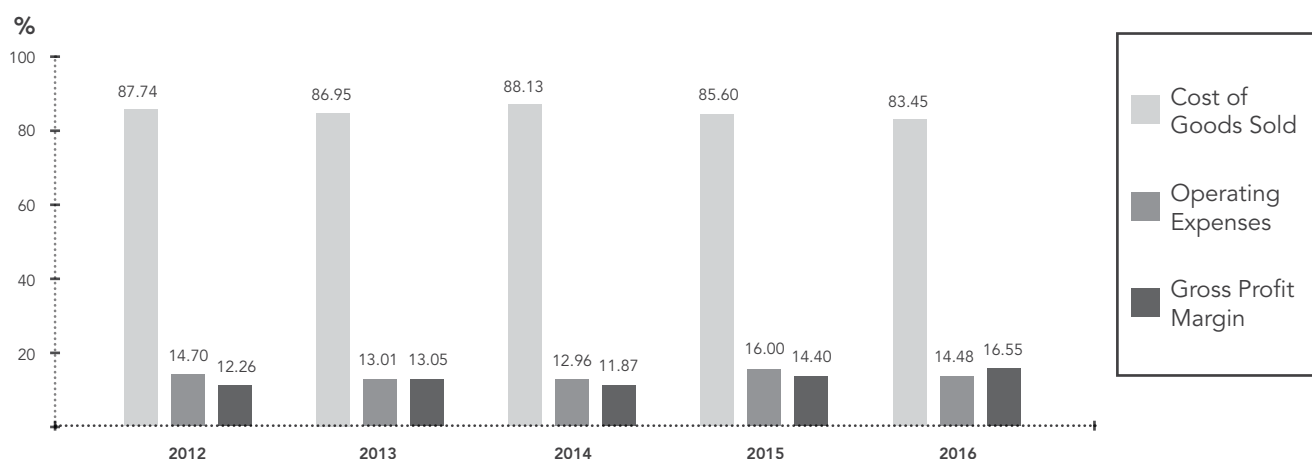
# MANAGEMENT REVIEW OF OPERATIONS (Cont'd)

## OPERATIONAL PROGRESS AMIDST CHALLENGING CONDITIONS (Cont'd)

### Revenue Performance by Segment (Cont'd)

- Export sales revenue grew by 17.87% in 2016 to RM14.471 million compared to RM12.277 million in 2015. Export sales for masking tapes were boosted by success in new geographical markets in Central & Latin America and the Indian sub-continent in the final quarter of the financial year and poised for further export sales growth to these regions in the new financial year.
- Singapore operations revenue increased by 8.08% in 2016 to RM4.584 million compared to RM4.241 million in 2015. The increase being due to higher masking tape sales of 72.20% while its "Traded Items" sales declined by 14.30% in a highly competitive market.

### Costs of Goods, Operating Expenses and Gross Profit Margin



The appreciation of the USD currency significantly impacted costs of imported raw materials especially in the final quarter of the year. However, Costs of Goods improved 2.15% from 85.60% in 2015 to 83.45% in 2016 from supply chain efficiencies, better product sales mix, and higher plant volumes which contributed to lower production unit costs.

Operating Expenses reduced by 1.52% from 16.00% in 2015 to 14.48% in 2016 from the reduction in General and Administrative expenses associated with the higher non audit fees incurred in 2015.

Gross profits rose RM1.704 million and gross profit margin expanded 2.15% in 2016 compared to the previous year attributed to the resulting improved supply chain efficiencies and product sales mix.

### Net Profit

CICB reported a Profit Before Tax of RM1.286 million. This was a result of the improvement in gross profit margin as well as overall effective costs management during the year under review.

The downsizing of unprofitable products, efficient working capital management, reduction of overheads and the lowering of direct costs resulting from efficient and effective purchasing and material control had also contributed to the overall improvements in profitability.

# MANAGEMENT REVIEW OF OPERATIONS (Cont'd)

## Extending our reach in 2017

The Company expects 2017 to remain highly challenging in view of the subdued domestic market and volatile global operating environment. The challenges for the Company remain with managing the rising costs of its raw materials which are largely imported and paid in USD. Chemical related raw materials used for production of masking tapes is currently experiencing escalating price increases as supplies lack behind demand.

The Company's agility and product innovation of masking tapes to mitigate the impact of rising costs of raw materials will again be put to test. However, the Company's new product development, which has gained traction since 2016 is well positioned to offer innovated masking tape products aligned with global trends in applications to its customers. New products are suited for masking applications requiring low energy.

Product innovation will leverage on the Company's export strength and drive revenue growth in 2017 despite the gloomy global markets. Targeting strategic geographical regions with the Company's new products is expected to yield better results for revenue and gross profit margins in the new financial year.

Ongoing operational efficiencies will continue with further "sweating" of production assets and resources to increase productivity and lower overall unit costs to stay competitive and profitable.

With Lean Manufacturing techniques and Kaizen (Continuous Improvements), the Company will continuously strive to work towards further improvements to its quality, productivity and customer service ultimately creating positive and favorable impacts.

With the above strategies, the Company is confident of sustaining a profitable year ahead and deliver respectable returns to its stakeholders.

**Wong Yuk Thin**  
Managing Director

# STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

The Company has undertaken the following initiatives as an integral part of its business operations and practices by contributing to the welfare of its employees, stakeholders, the general public and the environment it operates:-

## ENVIRONMENTAL AWARENESS

The Company is committed to prevent pollution through environmental controls, minimisation of wastes and efficient use of all the energy. The Company has engaged competent consultants to conduct Air Emission/Pollution Monitoring and Noise Monitor to ensure that our operations meet the requirements set by the various authorities. The Company has its environment team to promote environmental awareness and in the conservation of the environment. The environment team will continue to play an active part in providing awareness and education in environment Corporate Social Responsibility ("CSR") to our employees. In addition, we also communicate to our customers, suppliers, contractors, shareholders and the public on our commitment to environmental protection and conservation.

With the CSR Charter in mind, we are committed to preserve pollution through minimisation of waste. We are obliged to ensure that our operations do not degrade the environment. The Company has over the years undertaken its fair share to conserve the environment including:-

### (i) Solvent Recovery

The Company has invested approximately RM2.0 million on a solvent recovery plant to recover solvent from the tape coating process. It is a cost-effective method as it reduces the actual consumption of solvent significantly. A mini solvent recovery device was also purchased to recover the solvent used for machine cleaning.

### (ii) Scheduled Waste Management

All scheduled waste are packed according to the requirements of Department of Environment and Kualiti Alam and transported to waste management plant of Kualiti Alam at Bukit Nenas.

### (iii) Non-Scheduled Waste Management

All non-scheduled waste will be disposed by licensed contractor at industrial waste dump site.

### (iv) Chemical Health Risk Assessment

As various chemicals are used in our production process, we have engaged a registered Chemical Health Risk Assessor to carry out the assessment.

Our effort in undertaking the protection of our environment is part of our commitment to maintain our standard towards environmental control.

## CONTRIBUTION TO THE COMMUNITY

### (i) Industrial Training

The Company has provided industrial training (for a period of 3 to 6 months, with allowance provided) to undergraduates studying at local higher education institutions as opportunities for these undergraduates to experience the operations and production of the Company.

### (ii) Charitable Contributions

Our efforts in undertaking CSR are part of our commitment and mission in managing our business responsibility towards ensuring all the shareholders have benefited in one way or another.

We continue to play our part as a responsible corporate citizen and discharging our social responsibilities through active participation in all the CSR programmes.

# STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

(Cont'd)

## EMPLOYEES' WELFARE

In today's competitive environment, the most important contribution to the Company's growth is its employees. As part of our CSR, the Company has initiated the following activities to promote the welfare of all our employees:-

**(i) Safety & Health Team**

The Company has its in-house Occupational Safety & Health Committee which meet at least once quarterly to discuss on the safety and health related issues concerning the employees, plant & equipment and also the working environment. The Committee shall continue to improve the Company's safety and health performance by proactively providing awareness and programs for our employees in relation to a safe workplace.

**(ii) Human Capital Development**

The Company believes that its human capital forms the backbone of the organisation. The Group human resource's solution is thus very closely aligned to its business priorities as the Group recognises the symbiosis between an organisation and its human capital. The Company recognises that by aligning its growth strategy to external changes and mobilising its people to act quickly and vigorously in response to these changes is critical to the Group's continued growth. The Company has a policy of providing training for all level of staff. The Group contributes to Human Resource Development Fund and is committed to the development and training of the employees to enhance their respective skills and competencies.

**(iii) Emergency Response Team**

An Emergency Response Team (ERT) is formed to assist the Management and employees during any emergencies to ensure that all the employees are aware of their own safety during fire and that the Company's properties and materials are well protected from any accident or mishap.

Our employees are behind the success of the Company and they remain our long term valuable assets in ensuring the Company's long term sustainability.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

## MEMBERS

**Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud** (Chairman, Independent Non-Executive Director)  
**Mr. Koay Then Hin** (Independent Non-Executive Director)  
**Mr. Ng Seng Bee** (Independent Non-Executive Director)

## TERMS OF REFERENCE

### Membership

The Audit and Risk Management Committee shall be appointed by the Board of Directors from amongst their number and shall be composed of not fewer than three (3) members. All the members of the Committee must be non-executive directors, with a majority of them being independent directors. Alternate Directors must not be appointed as members of the Committee. All members of the Committee shall be financially literate and at least one of the members of the Committee:-

- (i) must be a member of the Malaysian Institute of Accountants (MIA); or
- (ii) if he is not a member of MIA
  - (a) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967 and have at least three (3) years working experience; or
  - (b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of Accountants Act 1967 and have at least three (3) years working experience; or
- (iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

The members of the Committee shall elect a Chairman from amongst their number who shall be an independent director. The Chairman elected shall be subject to endorsement by the Board. If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

### Notice of Meeting and Attendance

The agenda for Audit and Risk Management Committee meetings shall be circulated before each meeting to members of the Committee. The quorum for meetings of the Committee shall be two (2) members with the majority of members present being independent directors.

The Committee may require the external and/or internal auditors and any official of the Company to attend any of its meetings as it determines. The external auditors shall have the right to appear and be heard at any meeting of the Audit and Risk Management Committee and shall appear before the Committee when required to do so by the Committee.

The head of finance, the head of internal audit and a representative of the internal or external auditors shall normally attend meetings. Other Board members may attend meetings upon the invitation of the Committee. The Committee shall meet with the external auditors without executive board members present at least twice a year.

The Company Secretary of the Company shall be the Secretary of the Committee.

### Frequency of Meetings

Meetings of the Audit and Risk Management Committee shall be held not less than four (4) times a year. Upon request of any of its members, the internal or external auditors, the Chairman of the Audit and Risk Management Committee shall convene a meeting of the Committee.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (Cont'd)

## TERMS OF REFERENCE (Cont'd)

### Authority

In carrying out their duties and responsibilities, the Audit and Risk Management Committee shall:-

- (a) investigate any matters within its terms of reference;
- (b) have full and unrestricted access to any information pertaining to the Group;
- (c) have direct communication channels with the External and Internal Auditors, as well as employees of the Group;
- (d) be able to obtain independent professional or other advice if it deems necessary; and
- (e) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

### Duties

The duties of the Committee shall be:-

1. To review with the external auditors:-
  - the audit plan;
  - the evaluation of the system of internal accounting controls;
  - problems and reservation arising from their audits; and
  - the audit report on the financial statements.
2. To review the assistance given by the employees of the Company to the external and internal auditors;
3. To review the external auditors' management letter and management response;
4. To review the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
  - (a) Changes in or implementation of major accounting policy changes;
  - (b) Significant and unusual events;
  - (c) Significant adjustments arising from audit;
  - (d) The going concern assumption; and
  - (e) Compliance with accounting standards and other legal requirements.
5. To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
6. To review the internal audit programme, processes, results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken regarding the recommendations of the internal audit function;
7. To review any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
8. To consider the nomination/appointment, remuneration and resignation or dismissal of the auditors;
9. To review the risk profile of the Company and establish risk management processes that should be adopted and develop appropriate strategy, guidelines and policies for implementation;
10. To promptly report to Bursa Malaysia Securities Berhad if it is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in breach of the Listing Requirements;
11. To review such other functions as may be agreed to by the Committee and the Board of Directors from time to time.

The Terms of Reference of the Committee is published on the Company's website at [www.cicb.com.my](http://www.cicb.com.my) in line with Paragraph 15 of MMLR.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (Cont'd)

## TERMS OF REFERENCE (Cont'd)

### Reporting Procedures

The Secretary shall circulate the minutes of the meetings of the Committee to all members of the Board.

### Details of attendance at Audit and Risk Management Committee Meetings

There were six (6) Audit and Risk Management Committee meetings held during the financial year ended 31 December 2016. Details of the attendance of Audit and Risk Management Committee members at the meetings are as follows:-

Name	Total Meetings Attendance
Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud	6/6 meetings
Mr. Koay Then Hin	6/6 meetings
Mr. Ng Seng Bee	5/6 meetings

## SUMMARY OF WORK OF THE COMMITTEE DURING THE YEAR

The work carried out by the Audit and Risk Management Committee during the financial year under review were as follows:-

- (a) Reviewed with the external auditors on the audit plan and the audit report on the financial statements;
- (b) Reviewed the quarterly financial results for each quarter of the Company and the Group prior to the Board of Directors' approval and announcement to Bursa Malaysia Securities Berhad, focusing particularly on :-
  - the overall performance of the Company;
  - the prospects for the Group;
  - compliance with accounting standards and other legal requirements;
  - changes in or implementation of major accounting policy changes;
  - significant and unusual events;
  - significant adjustments arising from audit;
  - inventory valuations.
- (c) Reviewed the annual budget and year-end financial statements prior to submission to the Board of Directors for consideration and approval;
- (d) Reviewed the proposed audit plan to be undertaken by Internal Auditors;
- (e) Reviewed the internal audit reports, audit recommendations and Management's responses to these recommendations as well as the timely actions taken to improve the system of internal controls and procedures, and completion of the internal audit plan;
- (f) Evaluated the performance of the external and internal auditors and made recommendations in relation to their re-appointment and audit fees to the Board for consideration;
- (g) Met with the External Auditors without the presence of the Management;
- (h) Reviewed the Audit and Risk Management Committee Report for inclusion in the Annual Report.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (Cont'd)

## INTERNAL AUDIT FUNCTION

The Audit and Risk Management Committee shall oversee all internal audit function and is authorised to commission investigations to be conducted by the internal auditors, as it deems fit. The responsibilities of the internal audit function, which report directly to the Committee, include the provision of reasonable assurance to all levels of Management concerning the overall control over assets and the effectiveness of the system of the internal control in achieving the Company's overall objectives.

The company has outsourced the Internal Audit functions to Messrs RSM Corporate Consulting Sdn Bhd ("RSM"), an independent professional firm as the Internal Auditors for the financial year ended 31 December 2016.

During the financial year, RSM carried out a total of three (3) audit assignments on the Company and its subsidiaries in accordance with the audit plan. The Internal Auditors had updated the principal risk faced, or potentially exposed by the Company and its subsidiaries in their internal audit reports.

For the financial year 2016, the total cost incurred for the internal audit function was RM38,090.00.

# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") of Central Industrial Corporation Berhad (the "Company") recognises the importance of good corporate governance and continues to be committed to a good corporate governance practice throughout the Company and its subsidiary companies ("the Group") to enhance shareholders' value and the financial performance of the Group.

The Board believes that good governance will help to realise long-term shareholders value, whilst taking into account the interest of other stakeholders. The Board evaluates and continues to enhance the existing corporate governance practices in order to remain relevant with developments in market practice and regulations.

The following statement reports on how the Company has applied the principles and recommendations of good corporate governance during the financial year under review as set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") issued by the Securities Commission and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR").

## PRINCIPLE 1: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

### THE BOARD OF DIRECTORS

It is the overall governance responsibilities of the Board to lead and control the Group. Amongst others, these responsibilities include charting the strategic direction of the Group and supervising its affairs to ensure its success; implementation of suitable and effective internal controls and risk management; and ensuring compliance with the relevant laws, regulations, guidelines and directives.

#### 1.1 Clear Functions Reserved for the Board and Those Delegated to Management

The Board acknowledges its role in the stewardship of the Group's direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, which involves reviewing and adopting a strategic plan for the Group, overseeing the conduct of the Group's businesses and to evaluate whether the businesses are properly managed, identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures, succession planning, overseeing the development and implementation of a shareholder communication policy, reviewing the adequacy and the integrity of the management information and internal control system of the Group. Key matters, such as approval for interim and final results, major capital expenditure, formalising the budgetary process are reserved for the Board.

#### 1.2 Clear Roles and Responsibilities

The Board assumes, amongst others, the following duties and responsibilities:-

- (i) Responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for the Management and monitoring the achievement of these goals;
- (ii) Decides on the overall Group strategy and direction, acquisition and divestment policy, approval of capital expenditure, consideration of significant financial matters and the review of financial and operating performance of the Group;
- (iii) Monitor and evaluate the performance of the Management to ensure that the performance criteria remains dynamic;
- (iv) Ensure the Group maintains an effective system of internal controls and is able to identify and manage principal risks resulting in efficiency in operations and a stable financial environment;
- (v) Monitor the compliance with all relevant statutory and legal obligations;
- (vi) Regularly considers succession planning and balance composition of the Board;
- (vii) Clarify the roles and responsibilities of members of the Board and the Management to facilitate Board's and Management's accountability to the Company and its shareholders; and
- (viii) Establish such committees, policies and procedures to effectively discharge the Board's roles and responsibilities.

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE 1: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD (Cont'd)

### THE BOARD OF DIRECTORS (Cont'd)

#### 1.2 Clear Roles and Responsibilities (Cont'd)

The Board of the Company has established three (3) committees of the Board which operate within its own specific terms of reference. The Board Committees undertake in-depth deliberation of the issues at hand before tabling its recommendations thereon to the Board.

The three (3) Board Committees are as follows:-

- (a) Audit and Risk Management Committee;
- (b) Nomination Committee; and
- (c) Remuneration Committee.

The Chairman of the respective Committees reports to the Board on the outcome of the Committee meetings.

#### 1.3 Code of Conduct and Compliance

The Company has formalised a set of ethical standards through the Code of Business Conduct ("the Code") to ensure Directors and employees practise ethical, business like and lawful conduct, including proper use of authority and provide mechanisms to report unethical conduct and help foster a culture of honesty and accountability. The Code is published on the Company's website at [www.cicb.com.my](http://www.cicb.com.my).

The Company has also established the Whistleblower Policy ("the Policy") so that any employee of the Group can seek guidance and report suspected and/or known misconduct, wrongdoings, corruption and other malpractices involving the resources of the Company and in the matters of financial reporting and compliance. Reports can be made anonymously and arrangements are in place for the independent investigations and appropriate follow-up action. The Policy is published on the Company's website at [www.cicb.com.my](http://www.cicb.com.my).

#### 1.4 Business Sustainability and Environmental, Social and Governance

The Group is committed to operate its business in accordance with environmental, social and economic responsibilities in compliance with all relevant laws in order to meet the requirements and aspirations of various stakeholders. The Company strives to achieve a long term sustainable balance between meeting its business goals and preserving the environment as it recognises that the sustainability of ecosystems is an integral part of sustaining its long term business plans. A report of the Group's corporate social responsibility is set out in pages 19 and 20 of this Annual Report.

#### 1.5 Access to Information and Advice

Prior to meetings of the Board and Board Committees, appropriate documents, which include the agenda, Board Papers and reports relevant to the issues to be deliberated at the meetings covering the areas of financial, operational and regulatory compliance matters, are circulated to all Directors, to enable them to review and disseminate the reports, obtain further explanation, if necessary and enable focused and constructive deliberation at meetings. All proceedings of Board meetings are minuted and signed by the Chairman of the meeting in accordance with the provisions of the Companies Act, 2016.

Presentations and briefings by the Management and relevant external consultants, where applicable, are also held at Board meetings to advise the Board and furnish relevant information and clarification for the Board to arrive at a considered decision.

All Directors have direct access to the Senior Management and have unrestricted access to all information relating to the Group to enable them to discharge their duties. In the furtherance of its duties, the Board may when necessary, obtain independent professional advice on specific matters, at the Company's expense.

All Directors have direct access to the services of the Company Secretary. The Board is regularly updated and advised by the Company Secretary.

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

## PRINCIPLE 1: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD (Cont'd)

### THE BOARD OF DIRECTORS (Cont'd)

#### 1.6 Qualified and Competent Company Secretary

The Board is supported by experienced and competent Company Secretaries in discharging its duties and responsibilities. The Company Secretaries are qualified Chartered Secretaries, members of the Malaysian Institute of Chartered Secretaries and Administrators. The Board receives regular advice, updates and notices from the Company Secretaries to ensure compliance with applicable laws, regulations and corporate governance matters. The Company Secretaries attend and ensure that all Board and Board Committees meetings are properly convened and all deliberations and decisions are properly minuted and kept. They are also responsible in ensuring that Board's policies and procedures are followed, and the applicable statutory and regulatory requirements are observed.

The appointment and termination of Company Secretary are under the purview of the Board of Directors.

#### 1.7 Board Charter

The Board delegates the day-to-day operations of the Group to the Managing Director, who has vast experience in the business of the Group. The Board has established clear functions reserved for the Board and those delegated to the Management in the Board Charter ("the Charter"). The Charter provides guidance for the Directors and the Management on the responsibilities of the Board, its Committees and requirements of Directors which are subject to periodical review to ensure consistency with the Board's strategic intent as well as relevant standards of corporate governance. The Board Charter was last reviewed by the Board on 5 April 2017 and is published on the Company's website at [www.cicb.com.my](http://www.cicb.com.my) in line with Recommendation 1.7 of MCCG 2012.

## PRINCIPLE 2: STRENGTHEN COMPOSITION

### 2.1 Nomination Committee

#### Nomination Committee

The Nomination Committee ("the Committee") comprises the following members:-

- Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud : Chairman, Independent Non-Executive Director
- Mr. Koay Then Hin : Member, Independent Non-Executive Director
- Mr. Phang Kwai Sang : Member, Non-Independent Non-Executive Director

### 2.2 Develop, Maintain and Review the Criteria for Recruitment and Annual Assessment of Directors

The Committee is responsible for identifying, evaluating and nominating suitable candidates to be filled to the Board and Board Committees. In proposing its recommendation, the Committee will consider and evaluate the candidates' required mix of skills, knowledge, experience, expertise, professionalism, integrity, capabilities, competencies, time commitment and in case of candidates for the position of Independent Non-Executive Directors, the candidates' ability to discharge such responsibilities and its credibility are also taken into consideration.

The Board, assisted by the Committee, assesses the effectiveness of the Board, the Board Committees and the contribution of each individual Director, including Independent Directors, on an annual basis. Questionnaires are sent to Directors to obtain their feedback, views and suggestions to improve the performance of the Board and its Board Committees. The assessment results were summarised for analysis by the Company Secretary. The recommendations of the Committee will be presented to the Board for consideration.

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

## PRINCIPLE 2: STRENGTHEN COMPOSITION (Cont'd)

### 2.2 Develop, Maintain and Review the Criteria for Recruitment and Annual Assessment of Directors (Cont'd)

The Committee met one (1) time during the financial year and all Committee members attended the meeting. During the year, the Committee conducted assessment on the effectiveness of the Board, its Committees and the contribution of each Director. Various factors were considered including its composition and size, mix of skills and experience, conduct of meetings, roles and responsibilities, contribution and performance, communications and supply of timely information. All assessments and evaluations carried out by the Nomination Committee are documented. The Committee has also identified programmes, with the assistance of the Company Secretary, for the continuous training of the Board members to ensure that they are conversant with industry trends and developments. The Board has taken steps to ensure that its members continuously have access to appropriate continuing education programmes.

The Board has not established gender policy on setting targets for women candidates but the Committee will from time to time review the suitability and competency of women candidates to the Board. The Board does not have a formal gender diversity policy as the Company is committed to provide fair and equal opportunities and nurturing diversity within the Group based on merit, experience and knowledge. The same goes to the senior management.

In the absence of formal procedure, a Director accepting new directorship will notify the Board ahead of his new appointment and pledged his or her time commitment for accepting new directorships with other listed entities. Going forward, the Board would obtain from its Directors their full commitment to devote sufficient time to carry out their responsibilities effectively and efficiently and where appropriate, the ability of the candidates to act as Independent Non-Executive Directors to exercise independent judgement and opinion.

The Terms of Reference of the Committee is published on the Company's website at [www.cicb.com.my](http://www.cicb.com.my) in line with Paragraph 15.08A(2) of MMLR.

#### Re-election

In accordance with the provisions of the Company's Articles of Association, one-third of the Directors for the time being or, if their number is not a multiple of three (3), then the number nearest to one-third shall retire from office at the Annual General Meeting ("AGM"). All the Directors shall retire from office once at least in each three years and shall be eligible for re-election.

### 2.3 Remuneration Policy and Procedure

#### Remuneration Committee

The Remuneration Committee consists mainly of the following Non-Executive Directors:-

- Mr. Phang Kwai Sang : Chairman, Non-Independent Non-Executive Director
- Dato' Tan Yee Boon : Member, Independent Non Executive Director
- Mr. Wong Yuk Thin : Member, Managing Director

The Company's policy on the Directors' remuneration is to attract, retain and motivate Directors to effectively oversee the business of the Group. The Committee is responsible for recommending and putting in place a structured remuneration framework for Executive Director.

The Committee takes into account corporate financial performance as well as performance on a range of non-financial factors including accomplishment of strategic goals. The Committee recommends to the Board the remuneration package of Executive Director and it is the responsibility of the Board to approve the remuneration package of an Executive Director, with the Executive Director concerned abstaining from deliberation and voting on the same.

For Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the non-executive directors concerned and is determined by the Board as a whole, with the Directors concerned abstaining from deliberations or voting on decision in respect of their individual remuneration.

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE 2: STRENGTHEN COMPOSITION (Cont'd)

### 2.3 Remuneration Policy and Procedure (Cont'd)

All Directors are paid with Directors' fees and meeting allowance. Additional fees will be given for undertaking responsibilities as Chairman of the Board. The aggregate amount of Directors' fees to be paid to the Directors is subject to the approval of the shareholders at AGM.

In addition to the above, the Directors are covered by the Directors and Officers ("D&O") Liability insurance in respect of any liabilities arising from acts committed in their capacity as D&O of the Company.

During the financial year, the Committee met two (2) times and all Committee members attended the meetings. During the year, the Committee reviewed the remuneration package for the Managing Director.

#### Details of the Directors' Remuneration

Details of the nature and amount of each major element of the remuneration of Directors of the Company during the financial year ended 31 December 2016, are as follows:-

Director	Executive Director (RM)	Non-Executive Director (RM)	Total (RM)
Fees	10,000	230,000	240,000
Salary and Bonus	436,968	-	436,968
Meeting Allowance	-	64,250	64,250
Benefits-in-kind	17,400	-	17,400
EPF Contribution	65,700	-	65,700
<b>Total</b>	<b>530,068</b>	<b>294,250</b>	<b>824,318</b>

The remuneration paid/payable to Directors, analysed into bands of RM50,000 each for the financial year ended 31 December 2016, is summarised as follows:-

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	6
RM50,001 - RM100,000	-	-
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	-	-
RM200,001 - RM250,000	-	-
RM250,001 - RM300,000	-	-
RM300,001 - RM350,000	-	-
RM350,001 - RM400,000	-	-
RM400,001 - RM450,000	-	-
RM450,001 - RM500,000	-	-
RM500,001 - RM550,000	1	-

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE 3: REINFORCE INDEPENDENCE

### 3.1 Assessment of Independence

The Board undertakes an annual assessment of Independent Directors and is satisfied that they continue to bring independent and objective judgement to board deliberations. A self-assessment is also carried out by the Independent Directors once every year.

### 3.2 Tenure of Independent Director

One of the recommendations of MCCG 2012 states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. However, the Board has not adopted a nine-year policy for Independent Directors. The Board has via the Nomination Committee conducted an annual assessment on the Board's Independent Directors, Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud and Mr. Koay Then Hin who have served on the Board for more than nine (9) years and is of the opinion that they remain objective and independent in expressing their views and participating in the deliberations and decision making of the Board and Board Committees. The length of their service on the Board does not interfere with their exercise of independent judgment and act in the best interest of the Group notably in discharging their role. The Board will seek shareholders' approval to allow the affected Directors to continue in office as Independent Directors of the Company.

### 3.3 Shareholders' Approval for Re-Appointment as Independent Non-Executive Director after a Tenure of Nine (9) Years

The shareholders' approval was obtained at the 43<sup>rd</sup> AGM for Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud and Mr. Koay Then Hin to continue to serve the Board. The Board will seek shareholders' approval again at the upcoming 44<sup>th</sup> AGM to retain Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud and Mr. Koay Then Hin as Independent Non-Executive Directors.

### 3.4 Chairman and Managing Director

The roles of the Chairman and the Managing Director are separated to ensure there is a balance of power and authority. The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board, while the Managing Director has overall responsibility for the day-to-day management of the business and implementation of the Board's policies and decisions.

The Board is led by Dr. Uzir Bin Abdul Malik, a Non-Independent Non-Executive Chairman while the executive management of the Company is led by Mr. Wong Yuk Thin, the Managing Director. The Managing Director is responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies.

The Executive and Non-Executive Directors, with their different backgrounds and specialisations, collectively bring to them a wide range of experience and expertise in areas such as finance, corporate affairs, marketing and operations.

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE 3: REINFORCE INDEPENDENCE (Cont'd)

### 3.5 Composition of the Board

At the date of this statement, the Board consists of seven (7) members comprising one (1) Managing Director, two (2) Non-Independent Non-Executive Directors and four (4) Independent Non-Executive Directors. All the Independent Non-Executive Directors fulfill the criteria of independence as defined in the MMLR of Bursa Securities. The proportion of more than one-third of the Independent Non-Executive Directors provides effective check and balance in the functioning of the Board.

The presence of Independent Non-Executive Directors in the Board is essential as they provide an unbiased and independent view, advice and judgement to the decision-making of the Board and provide an appropriate check and balance for the Managing Director, thereby ensuring that no one individual or group dominates the Board's decision-making process. They also ensure strategies proposed by the Management are fully deliberated on and take into account the interests of minority shareholders, employees, customers and the communities in which the Group conducts its business. Together with the Managing Director who has intimate knowledge of the business, the Board is constituted of individuals who have a proper understanding of and competence to deal with, current and emerging business issues.

## PRINCIPLE 4: FOSTER COMMITMENT

### 4.1 Time Commitment and Expectations

The Board is scheduled to meet at least six (6) times a year, with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the financial year ended 31 December 2016, the Board met on seven (7) occasions, where it deliberated upon and considered a variety of matters including the Group's financial results, strategic decisions and the direction of the Group.

	Meetings Attended
Dr. Uzir Bin Abdul Malik	7/7
Mr. Wong Yuk Thin	7/7
Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud	7/7
Dato' Tan Yee Boon	6/7
Mr. Phang Kwai Sang	7/7
Mr. Koay Then Hin	7/7
Mr. Ng Seng Bee	6/7

All Directors are furnished with an agenda and supporting documents on matters requiring their consideration in advance of each Board meeting. The Chairman, with the assistance of the Company Secretary, undertakes the primary responsibility for organising information necessary for the Board to deal with the agenda and for providing this information to the Directors on a timely basis. During the meetings, the Board is briefed on matters dealt with in the agenda and, where appropriate, additional information is made available to Directors. All proceedings of Board meetings are duly recorded and the minutes thereof signed by the Chairman of the Board.

### 4.2 Training

The Board, through the Nomination Committee, ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director appropriately. As at the date of this Statement, all Directors have attended and successfully completed the Mandatory Accreditation Programme as required by Bursa Securities.

The Board is cognisant of the need to ensure that its members undergo continuous trainings to enhance their knowledge, expertise, skills and professionalism in discharging their duties. As the Board members have attended a diverse range of training programmes during the year to enhance their knowledge and skills in specific areas, the Nomination Committee is of the opinion that the Directors have assessed and addressed their own training needs.

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE 4: FOSTER COMMITMENT (Cont'd)

### 4.2 Training (Cont'd)

During the financial year, the training programmes and seminars attended by the Directors are as follows:-

Directors	Trainings
1. Dr. Uzir Bin Abdul Malik	• Fraud Risk Management Workshop
2. Mr. Wong Yuk Thin	• Enhanced Understanding of Risk Management and Internal Control for CFO, Internal Auditors and Risk Officers
	• Advocacy Sessions on Management Discussion & Analysis ("MD&A") for CEO and CFO of Listed Issuers
	• Forensic Accounting & Investigative Audit – Prevention, Detection & Mitigating Risk of Financial Fraud
3. Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud	• Corporate Governance Breakfast Series with Directors (Anti-corruption & Integrity – Foundation of Corporate Sustainability)
4. Mr. Koay Then Hin	• Fraud Risk Management Workshop
5. Mr. Phang Kwai Sang	• Corporate Disclosure Policy Under The Listing Requirements
	• Brief Introduction on Business Sustainability
	• Technologies on Sewage Treatment and Reuse
	• Finance for Non Finance Leaders
	• Nominating Committee Programme Part 2: Effective Board Evaluations
	• How to leverage on AGM for better engagement with Shareholders – Corporate Governance Breakfast Series
6. Dato' Tan Yee Boon	• CG Breakfast Series for Directors: Improving Board Risk Oversight Effectiveness
7. Mr. Ng Seng Bee	• Risk Management and Internal Control Workshop

## PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 5.1 Compliance with Applicable Financial Reporting Standards

In presenting the annual financial statements and announcements of quarterly financial results to shareholders, the Board takes responsibility in conveying a balanced and understandable assessment of the Group's position and prospects.

#### Financial reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, announcements of quarterly financial results to Bursa Securities as well as the Chairman's statement and review of operations in the Annual Report. The Board is assisted by the Audit and Risk Management Committee to oversee the Group's financial reporting processes and the quality of its financial reports.

#### Directors' responsibility statement in respect of the preparation of the audited financial statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and the results of their operations and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING (Cont'd)

### 5.1 Compliance with Applicable Financial Reporting Standards (Cont'd)

#### State of internal controls

The Statement on Risk Management and Internal Control furnished on pages 35 to 38 of this Annual Report, provides an overview on the state of internal controls within the Group.

#### Relationship with the Auditors

Key features underlying the relationship of the Audit and Risk Management Committee with the internal and external auditors are included in the Audit and Risk Management Committee's terms of reference as detailed on pages 21 to 24 of this Annual Report.

A summary of the work of the Audit and Risk Management Committee during the financial year are set out in the Audit and Risk Management Committee Report on page 23 of this Annual Report.

### 5.2 Assessment of External Auditors

Currently, the Company does not have any policy to review procedures for appointment and assessing the independence of auditors. During the financial year, an assessment was carried out to evaluate the performance and independence of the external auditors.

Going forward, the Audit And Risk Management Committee will establish a policy governing the circumstance under which contracts for provision of non-audit services could be entered into by the external auditors.

## PRINCIPLE 6: RECOGNISE AND MANAGE RISK

### 6.1 Risk Management Framework

The Board of Directors has always placed significant emphasis on sound internal controls which are necessary to safeguard the Group's assets and shareholders' investment. To this end, the Board affirms its overall responsibility for the Group's internal controls system which encompasses risk management practices as well as financial, operational and compliance controls. However, it should be noted that such system, by its nature, manages but not eliminate risks and therefore can provide only reasonable and not absolute assurance against material misstatement, loss or fraud.

Ongoing reviews are performed throughout the year to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place.

### 6.2 Internal Audit Function

The Board acknowledges the importance of internal audit function and has engaged the services of an external independent professional accounting and consulting firm who reports directly to the Audit and Risk Management Committee at least on a quarterly basis. Further details of the Group's internal control system and framework are found in the Statement on Risk Management and Internal Control and the Audit and Risk Management Committee Report.

## PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### 7.1 Corporate Disclosure

The Board recognises the importance of accountability to its shareholders through proper and equal dissemination of information to its shareholders. The Board acknowledges that shareholders should be informed of all material business matters which influence the Group. Timely release of quarterly financial results to Bursa Securities and other information and corporate actions taken by the Group that warrant an announcement to Bursa Securities under MMLR of Bursa Securities provide shareholders with a current overview of the Group's performance. Towards this end, the Board has established a Policy On Corporate Disclosure which provides guidance to the Board, the Management and the employees on the Group's disclosure requirements and practices in disseminating material information to and in dealing with stakeholders, analysts, media and the investing public.

# STATEMENT ON CORPORATE GOVERNANCE

## (Cont'd)

### PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE (Cont'd)

#### 7.1 Corporate Disclosure (Cont'd)

In addition, the Board and the Management welcome any form of visit by fund managers and analysts and conduct regular briefings to them as the Board believes that this will give investors and interested parties on one hand, a better appreciation and understanding of the Group's performance and on the other, awareness of the expectations and concerns of investors and such interested parties.

#### 7.2 Using information technology for effective dissemination

The Company also maintains an official website at [www.cicb.com.my](http://www.cicb.com.my) that provides background information of the Group to the public. However, in any circumstances, while the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. However, in any of the circumstances, the Directors are cautious not to provide undisclosed material information about the Group and frequently stress the importance of timely and equal dissemination of information to shareholders and stakeholders.

### PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

#### 8.1 Encourage Shareholder Participation at General Meetings

Whilst this Annual Report provides a comprehensive source of information on the Group's financial and operational performance, AGM and Extraordinary General Meetings provide a platform for shareholders to seek more information and clarification on the audited financial statements, operational issues and other matters of interest.

The Directors readily avail themselves to answer any such questions that may arise as shareholders may seek more information than what is available in this Annual Report. The Company's practice is to send out the notice of AGM and related papers to shareholders at least twenty-one (21) days before the meeting.

#### 8.2 Poll Voting

At general meetings, shareholders are given the opportunity to seek clarification on any matter pertaining to the business activities and financial performance of the Group. All resolutions in the general meetings were deliberated, taken on the questions and answers before putting to vote. Voting is by way of poll where everyone shall have one vote. An independent scrutineer is appointed to verify the poll results.

#### 8.3 Communication and Engagement with Shareholders

The Board will maintain an effective communication policy that enables both the Board and the Management to communicate effectively with shareholders and the general public. The shareholders shall be informed of all material matters affecting the Company and the Group.

The ways of communication to shareholders are as follows:-

- (a) timely announcements and disclosures made to the Bursa Securities, which include quarterly financial results, material contract awarded, changes in the composition of the Group and any other material information that may affect investors' decision making;
- (b) make available of the additional corporate information and/or disclosures of the Group for reference on the Company's website;
- (c) ensure that the general meetings are conducted in an efficient manner, which includes supply of comprehensive and timely information and active participation of the shareholders at AGM.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian Code on Corporate Governance 2012 promulgates, inter-alia, the need for listed companies to maintain a sound risk management framework and internal control system to safeguard shareholders' investment and Group's assets. The Board of Directors (the "Board") of Central Industrial Corporation Berhad is pleased to present the Statement on Risk Management & Internal Control (the "Statement") which is in compliance with paragraph 15.26(b) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements and has taken into account the guidelines mentioned in the Statement on Risk Management & Internal Control (Guidelines for Directors of Listed Issuers).

## RESPONSIBILITY FOR RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises and affirms its overall responsibility for the Group's system of internal control and risk management as well as reviewing the adequacy and effectiveness of those systems on a regular basis. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. As such, they can only provide reasonable assurance rather than absolute assurance against material misstatement or loss.

The Board and Management acknowledge that a sound internal control system is a vital process developed to ensure effective and efficient operation, provide reliable and relevant reporting, and compliance with the applicable laws and regulations. The Board has established an on-going process through operational and financial review for identifying, evaluating and managing the significant risks faced, or potentially exposed to, by the Group in pursuing and achieving its business objectives and strategies. This process has been in place throughout the financial year and up to the date of approval of the Annual Report.

The Company has established a Risk Management Working Group ("RMWG") during the year headed by the Managing Director to identify risk profiles of all departments within the Group and also reviewing the areas that require further improvement. The "RMWG" consists of the Managing Director as the chairman and the Head of Departments as members.

The Management is accountable to the Board for risk management and internal control and has implemented processes to identify, design and implement relevant controls in response to the risks.

The Board has received assurance from the "RMWG" that the Group's risk management and internal control system is adequate and operates effectively, in all material aspects.

The terms of reference of the "RMWG" are:-

- a. Create a high level risk policy aligned with the Group's strategic business objectives;
- b. Identify critical risks, whether present or potential, their changes and the management's action plans to manage the risks;
- c. Perform risks oversight and review the risk profiles of the Group and monitor organisational performance; and
- d. Provide guidance to the business units/departments on the Group's risk appetite and capacity.

The "RMWG" held three (3) meetings during the year and all Department Heads are responsible to carry out action plans at their respective areas of responsibilities. Progress is monitored by the Committee through meetings scheduled quarterly or as and when deemed necessary.

Apart from managing risks, the following are some key elements of internal controls systems that are carried out continuously:

- a. The Group maintains a formal organisation structure with clearly defined delegation of responsibilities, including limits of authority to the management and staff;
- b. An Annual Budget and Business Plan is submitted for Board review and approval. Actual performances are monitored and measured monthly against budget by the Management with corrective actions to address shortfall areas;
- c. The Group actively engages in the development of new products through new formulations and substitute materials via a New Product Development program (NPD) with meetings every fortnight. The NPD meeting is chaired by the Managing Director to spearhead the development activities and to monitor overall progress;
- d. The Group implement strict credit evaluation on every new customer for credit worthiness before credit terms and credit limits are approved and annually assess existing customers credit worthiness to monitor overall credit risks;
- e. The Sales and Finance departments jointly conduct Account Receivable meetings every month analysing ageing of every customers and decide on actions to be taken to recover overdue receivables and doubtful debts.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

## RISK MANAGEMENT

Risk management is regarded by the Board as part of the business operation activities of the Group. It is the Board's priority to ensure that the uncertainties and investment risks in new business ventures are managed in order to safeguard the interest of the shareholders. Collectively, the Board oversees and reviews the conduct of the Group's business while the Executive Directors and Management execute measures and control to ensure that risks are effectively managed. As part of risk identification process, the Board reviews progress reports circulated by the Management during the Board meetings. These progress reports contained updates on financial and operational findings, major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment.

The other key elements of the systems of internal control and the Board's review mechanisms are as follows:-

- (a) Establishment of committees such as the Remuneration and Nomination Committees, apart from the Audit and Risk Management Committee;
- (b) Documentation of written policies and procedures for certain key operational areas;
- (c) Limits of the Board and Management's approvals and authorities;
- (d) Monthly review of the Group's management accounts and performance analysis by Managing Director and Management; and
- (e) Organisation structure with well-defined delegation of responsibilities and accountabilities for the Group's operating units.

Besides reviewing the systems of internal control, the Audit and Risk Management Committee also reviews the financial information and reports prepared by Management. The Board and the Audit and Risk Management Committee deliberate the integrity of the financial results, Annual Report and audited financial statements before presenting these financial information to the shareholders and public investors.

## INTERNAL AUDIT

During the financial year, the Company engaged RSM Corporate Consulting Sdn. Bhd. ("RSM") an independent professional firm as the Internal Auditors to provide independent internal audit services to the Group. RSM is responsible to develop the internal audit plan for year 2016.

The principal roles of the Internal Auditors are to assist the Audit and Risk Management Committee in discharging its duties and responsibilities in respect of reviewing the adequacy and effectiveness of the internal control system, risk management framework, governance and control processes.

The Audit and Risk Management Committee has full and direct access to the internal auditors, reviews the reports on all audits performed and monitors its performance. The Audit and Risk Management Committee also in its framework reviews the adequacy of the scope, functions, competency and resources of the outsourced internal audit functions.

The outsourced Internal Auditors carried out internal audits on various operating units within the Group based on a risk-based audit plan approved by the Audit and Risk Management Committee. Based on these audits, the outsourced internal auditors provided the Audit and Risk Management Committee with periodic reports highlighting observations, recommendations and management action plans to improve the system of internal control.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

## INTERNAL CONTROL

### Other Key Elements of Internal Control

Apart from the above, the other key elements of internal control include:-

- The Board and Audit and Risk Management Committee

The Board which has overall responsibility for the system of internal controls and risk management that adequately manage the various risks faced by the Group while the Audit and Risk Management Committee is overall responsible for providing assurance, where appropriate to the Board of Directors, as an independent party, on the effectiveness of the internal control systems and risk management in the Group.

The daily running of business is entrusted to the Managing Director and the Management team. Under the purview of the Managing Director, the respective heads of each operating subsidiary and department of the Group are empowered with the responsibility to manage their respective operations.

- Organisational Structure and Authorisation

In striving to operate a sound system of risk management and internal control that drives the Group towards achieving its goals, the Board of Directors has put in place an organisation structure with formally defined lines of responsibility and delegation of authority.

The head office coordinates the process for the Group for the coming year wherein the budgets are discussed and ultimately approved by the Board of Directors. Major decisions that require the approval of the Board are only made after detailed appraisal and review. Proposals for major capital expenditure and new investment by the Group are reviewed and approved by the Board of Directors.

- Information and Communication

The Audit and Risk Management Committee holds meetings to deliberate on the findings and recommendations for improvement by the internal auditor on the state of the internal control system and reports to the Board. The Audit and Risk Management Committee also reviews and deliberates on any matters relating to internal control highlighted by the External Auditors in the course of their statutory audit of the financial statements of the Group.

Quarterly performance reports provide Management and the Board of Directors with information on financial performance and key business indicators.

- Monitoring and Review

Scheduled periodic meetings of the Board, Board Committees and Management represent the main platform by which the Group's performance and conduct is monitored. Informal Board and Management meetings at operational level are also held during the financial year in order to assess performance and controls.

Periodic reviews of adequacy and integrity of selected areas of internal control system are carried out by the internal audit function and results of such reviews are reported to the Audit and Risk Management Committee. The internal audit function thereby provides independent assurance on the areas reviewed by the internal audit function to the Board on the effectiveness of the Group's internal control system.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

## INTERNAL CONTROL (Cont'd)

### Other Key Elements of Internal Control (Cont'd)

Other than the above, the Group has put in place the following key elements of internal control:-

- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- Documented internal policies and procedures which is subject to regular review and improvement;
- Regular visits to operating units by heads of department and senior management;
- Adherence to health, safety, environmental and quality standards of the Group as enforced by the regulatory authorities;
- A Code of Business Conduct which defines the ethical standards and conduct of work required;
- The Group has also established the Whistleblower Policy with the objective of providing the staff with a mechanism to raise their concerns regarding malpractices and irregularities affecting the Group whilst keeping the identity of the whistleblower confidential;
- The Company have been certified to MS ISO 9001; and
- The Group ensures assets are adequately covered against any mishap that could result in material loss. A yearly insurance policy renewal exercise is undertaken in which Management reviews the coverage based on the current fixed asset inventory and the respective net book values and 'replacement value'.

During the financial period, a summary of activities carried out by the outsourced Internal Auditors include:-

- A special internal audit walkthrough prior to setting out the audit plan for the year under review;
- Performed three (3) internal audit reviews, once on each of the areas relating to:
  - (a) Production and Maintenance;
  - (b) Procurement, Processing and Credit Control;
  - (c) Inventory Management and Debtors.
- Issued reports on the results of the internal audit reviews, identifying weaknesses with suggested recommendations for improvements to Management for further action to improve the system of internal control;
- Attended Audit and Risk Management Committee's meetings to table and discuss the audit reports; and
- Followed-up on the implementation of corrective action plans agreed by Management.

## BOARD ASSURANCE AND LIMITATION

While the Board reiterates that the risk management and systems of internal control should be continuously improved in line with evolving business developments, it should also be noted that all risk management systems and systems of internal control can only manage rather than eliminate the risks of the failure to achieve business objectives. Therefore, these systems of internal control and risk management in the Group can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

The Board has received assurance from the Managing Director that the Group's risk management and internal controls system are operating more effectively in all material aspects, based on the risk management and internal controls system of the Group and on going improvements to internal controls will continue to be prioritised by the Company.

The Board is committed towards enhancing the internal control system of the Group. Where areas of improvement in the system are identified, the Board considers the recommendations made by both the Audit and Risk Management Committee and Management.

This Statement was approved by the Board of Directors on 25 April 2017.

## OTHER INFORMATION

- **Utilisation of Proceeds**

The Company has undertaken a private placement exercise of up to 4,220,000 new ordinary share but no proceeds were raised arising therefrom during the financial year ended 31 December 2016.

The first tranche of private placement was exercised on 12 January 2017 with proceeds of RM1,420,000.00 via the allotment 1,420,000 ordinary shares.

- **Non-Audit Fees**

The total non-audit fees paid to the external auditors and its affiliates during the financial year ended 31 December 2016 amounted to RM13,200.

- Audit Fees paid to external auditors amounted to RM56,988, which were paid for its statutory audit.

- **Material Contracts**

There were no material contracts entered into by the Company and/or its subsidiaries involving the Directors' and major shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2016 or since the end of the previous financial year.

## FINANCIAL STATEMENT

DIRECTORS' REPORT	41
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	44
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	45
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	46
CONSOLIDATED STATEMENT OF CASH FLOWS	47
STATEMENT OF FINANCIAL POSITION	48
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	49
STATEMENT OF CHANGES IN EQUITY	50
STATEMENT OF CASH FLOWS	51
NOTES TO THE FINANCIAL STATEMENTS	52
STATEMENT BY DIRECTORS	94
STATUTORY DECLARATION	95
INDEPENDENT AUDITORS' REPORT	96

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

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 31 December 2016.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the manufacture and sale of self-adhesive label stocks and tapes of its own brand and trading of other self-adhesive label stocks and tapes.

The principal activities of the subsidiaries are stated in the Note 6 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

## SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

## RESULTS

	Group RM	Company RM
Profit for the year attributable to owners of the Company	<u>1,189,770</u>	<u>1,187,337</u>

## RESERVES AND PROVISIONS

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

## DIVIDENDS

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 :

Dr. Uzir Bin Abdul Malik  
Wong Yuk Thin  
Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud  
Dato' Tan Yee Boon  
Phang Kwai Sang  
Koay Then Hin  
Ng Seng Bee

## DIRECTORS' INTERESTS IN SHARES

None of the Directors holding office at 31 December 2016 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

# DIRECTORS' REPORT (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2016

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than 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 the fixed salary of a full time employee of the Company or of related corporations) 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 other than as disclosed in Note 22 to the financial statements.

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

## ISSUE OF SHARES AND DEBENTURES

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

## OPTIONS GRANTED OVER UNISSUED SHARES

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

## INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of insurance effected for Director or officer of the Company is RM9,000. There was no indemnity given to Director or officer of the Company during the financial year.

## OTHER STATUTORY INFORMATION

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

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

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

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the values attributed to the current assets in 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.

# DIRECTORS' REPORT (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2016

## OTHER STATUTORY INFORMATION (Cont'd)

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.

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 31 December 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## SUBSEQUENT EVENTS

The details of such events are disclosed in Note 28 to the financial statements.

## AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in note 17 to the financial statements.

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

.....  
**WONG YUK THIN**

Director

.....  
**KOAY THEN HIN**

Director

Penang,

Date : 25 April 2017

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	2016 RM	2015 RM
<b>Assets</b>			
Property, plant and equipment	3	13,663,141	14,852,724
Investment properties	4	1,070,822	1,097,736
Prepaid lease payments	5	1,521,341	1,567,449
<b>Total non-current assets</b>		<b>16,255,304</b>	<b>17,517,909</b>
Inventories	7	14,426,486	15,575,390
Trade and other receivables	8	11,498,195	11,534,471
Current tax assets		-	30,017
Cash and cash equivalents	9	10,466,157	5,757,417
<b>Total current assets</b>		<b>36,390,838</b>	<b>32,897,295</b>
<b>Total assets</b>		<b>52,646,142</b>	<b>50,415,204</b>
<b>Equity</b>			
Share capital	10	45,780,000	45,780,000
Reserves	11	(415,443)	(1,627,345)
<b>Total equity attributable to owners of the Company</b>		<b>45,364,557</b>	<b>44,152,655</b>
<b>Liabilities</b>			
Employee benefits	12	1,659,023	1,817,369
<b>Total non-current liabilities</b>		<b>1,659,023</b>	<b>1,817,369</b>
Trade and other payables	14	5,602,242	4,445,180
Current tax liabilities		20,320	-
<b>Total current liabilities</b>		<b>5,622,562</b>	<b>4,445,180</b>
<b>Total liabilities</b>		<b>7,281,585</b>	<b>6,262,549</b>
<b>Total equity and liabilities</b>		<b>52,646,142</b>	<b>50,415,204</b>

The notes on pages 52 to 93 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM	2015 RM
<b>Continuing operations</b>			
<b>Revenue</b>	15	<b>56,074,608</b>	52,618,063
Cost of sales		(46,791,802)	(45,039,329)
<b>Gross profit</b>		<b>9,282,806</b>	7,578,734
Other income		910,674	911,652
Distribution expenses		(3,612,907)	(3,570,663)
Administrative expenses		(4,529,924)	(4,758,266)
Other expenses		(765,084)	(12,141,352)
<b>Results from operating activities</b>		<b>1,285,565</b>	(11,979,895)
Finance costs	16	(28)	–
<b>Profit/(Loss) before tax</b>	17	<b>1,285,537</b>	(11,979,895)
Tax (expense)/benefit	19	(95,767)	585
<b>Profit/(Loss) for the year</b>		<b>1,189,770</b>	(11,979,310)
<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		22,132	145,188
<b>Other comprehensive income for the year, net of tax</b>		<b>22,132</b>	145,188
<b>Total comprehensive income/(expense) for the year</b>		<b>1,211,902</b>	(11,834,122)
<b>Profit/(Loss) for the year attributable to owners of the Company</b>		<b>1,189,770</b>	(11,979,310)
<b>Total comprehensive income/(expense) for the year attributable to owners of the Company</b>		<b>1,211,902</b>	(11,834,122)
<b>Basic earnings/(loss) per ordinary share (sen)</b>	20	<b>2.60</b>	(26.17)

The notes on pages 52 to 93 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Attributable to owners of the Company				Total equity RM
		Share capital RM	Share premium RM	Translation reserve RM	Non-distributable	
					Retained earnings/ (Accumulated losses) RM	
<b>1 January 2015</b>		45,780,000	1,406,679	133,064	9,468,185	56,787,928
Foreign currency translation differences for foreign operation		–	–	145,188	–	145,188
Total other comprehensive income for the year		–	–	145,188	–	145,188
Loss for the year		–	–	–	(11,979,310)	(11,979,310)
Total comprehensive income/ (expense) for the year		–	–	145,188	(11,979,310)	(11,834,122)
<b>Transaction with owners of the Company</b>						
- Dividend to owners of the Company	21	–	–	–	(801,151)	(801,151)
<b>At 31 December 2015</b>		45,780,000	1,406,679	278,252	(3,312,276)	44,152,655
		Note 10	← Note 11 →			
<b>1 January 2016</b>		45,780,000	1,406,679	278,252	(3,312,276)	44,152,655
Foreign currency translation differences for foreign operation		–	–	22,132	–	22,132
Total other comprehensive income for the year		–	–	22,132	–	22,132
Profit for the year		–	–	–	1,189,770	1,189,770
Total comprehensive income for the year		–	–	22,132	1,189,770	1,211,902
<b>At 31 December 2016</b>		45,780,000	1,406,679	300,384	(2,122,506)	45,364,557
		Note 10	← Note 11 →			

The notes on pages 52 to 93 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM	2015 RM
<b>Cash flows from operating activities</b>			
Profit/(Loss) before tax from continuing operations		1,285,537	(11,979,895)
Adjustments for :			
Amortisation of prepaid lease payments	5	46,108	46,108
Depreciation			
- Property, plant and equipment	3	1,750,285	1,792,228
- Investment properties	4	26,914	26,913
Loss/(Gain) on disposal of plant and equipment	17	2,896	(63,363)
Finance costs	16	28	–
Interest income	17	(58,983)	(61,701)
Plant and equipment written off	17	2,290	460
Provision for retirement benefits	12	159,928	713,317
Inventories variance written off	17	–	10,770,458
<b>Operating profit before changes in working capital</b>		<b>3,215,003</b>	<b>1,244,525</b>
Changes in inventories		1,148,904	(115,361)
Changes in trade and other receivables		36,276	293,060
Changes in trade and other payables		1,157,062	979,726
Cash generated from operations		5,557,245	2,401,950
Tax paid		(45,430)	(22,724)
Retirement benefits paid	12	(318,274)	(148,128)
<b>Net cash from operating activities</b>		<b>5,193,541</b>	<b>2,231,098</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of plant and equipment		15,934	181,851
Purchase of property, plant and equipment	3	(581,110)	(241,746)
Interest received		58,983	61,701
<b>Net cash (used in)/from investing activities</b>		<b>(506,193)</b>	<b>1,806</b>
<b>Cash flows from financing activities</b>			
Dividend paid to owners of the Company	21	–	(801,151)
Interest paid		(28)	–
<b>Net cash used in financing activities</b>		<b>(28)</b>	<b>(801,151)</b>
Net increase in cash and cash equivalents		4,687,320	1,431,753
Effect of exchange rate fluctuations on cash and cash equivalents		21,420	40,794
Cash and cash equivalents at 1 January		5,757,417	4,284,870
<b>Cash and cash equivalents at 31 December</b>	9	<b>10,466,157</b>	<b>5,757,417</b>

The notes on pages 52 to 93 are an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	2016 RM	2015 RM
<b>Assets</b>			
Property, plant and equipment	3	12,752,033	13,875,146
Investment properties	4	1,835,810	1,881,950
Prepaid lease payments	5	1,521,341	1,567,449
Investments in subsidiaries	6	1,213,000	1,213,000
<b>Total non-current assets</b>		<b>17,322,184</b>	<b>18,537,545</b>
Inventories	7	14,020,959	15,251,142
Trade and other receivables	8	11,094,406	10,723,914
Current tax assets		–	30,020
Cash and cash equivalents	9	9,666,230	5,275,115
<b>Total current assets</b>		<b>34,781,595</b>	<b>31,280,191</b>
<b>Total assets</b>		<b>52,103,779</b>	<b>49,817,736</b>
<b>Equity</b>			
Share capital	10	45,780,000	45,780,000
Reserves	11	(2,314,001)	(3,501,338)
<b>Total equity</b>		<b>43,465,999</b>	<b>42,278,662</b>
<b>Liabilities</b>			
Employee benefits	12	1,659,023	1,817,369
<b>Total non-current liabilities</b>		<b>1,659,023</b>	<b>1,817,369</b>
Trade and other payables	14	6,958,437	5,721,705
Current tax liabilities		20,320	–
<b>Total current liabilities</b>		<b>6,978,757</b>	<b>5,721,705</b>
<b>Total liabilities</b>		<b>8,637,780</b>	<b>7,539,074</b>
<b>Total equity and liabilities</b>		<b>52,103,779</b>	<b>49,817,736</b>

The notes on pages 52 to 93 are an integral part of these financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM	2015 RM
<b>Continuing operations</b>			
<b>Revenue</b>	15	<b>52,945,482</b>	49,133,410
Cost of sales		<b>(44,602,734)</b>	(42,357,374)
<b>Gross profit</b>		<b>8,342,748</b>	6,776,036
Other income		<b>956,882</b>	931,204
Distribution expenses		<b>(3,840,210)</b>	(3,470,864)
Administrative expenses		<b>(3,412,799)</b>	(3,826,159)
Other expenses		<b>(763,489)</b>	(12,102,430)
<b>Results from operating activities</b>		<b>1,283,132</b>	(11,692,213)
Finance costs	16	<b>(28)</b>	–
<b>Profit/(Loss) before tax</b>	17	<b>1,283,104</b>	(11,692,213)
Tax (expense)/benefit	19	<b>(95,767)</b>	54
<b>Profit/(Loss) for the year representing total comprehensive income/ (expense) for the year attributable to owners of the Company</b>		<b>1,187,337</b>	(11,692,159)

The notes on pages 52 to 93 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

<div> <div>←</div> <div>Attributable to owners of the Company</div> <div>→</div> </div>				
			<div>←</div> <div>Non-distributable</div> <div>→</div>	
Note	Share capital RM	Share premium RM	Retained earnings/ (Accumulated losses) RM	Total equity RM
<b>At 1 January 2015</b>	45,780,000	1,406,679	7,585,293	54,771,972
Loss for the year	–	–	(11,692,159)	(11,692,159)
Total comprehensive expense for the year	–	–	(11,692,159)	(11,692,159)
<b>Transaction with owners of the Company</b>				
- Dividend to owners of the Company	21	–	–	(801,151)
<b>At 31 December 2015/1 January 2016</b>	45,780,000	1,406,679	(4,908,017)	42,278,662
Profit for the year	–	–	1,187,337	1,187,337
Total comprehensive income for the year	–	–	1,187,337	1,187,337
<b>At 31 December 2016</b>	45,780,000	1,406,679	(3,720,680)	43,465,999
	Note 10	←	Note 11	→

The notes on pages 52 to 93 are an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM	2015 RM
<b>Cash flows from operating activities</b>			
Profit/(Loss) before tax from continuing operations		1,283,104	(11,692,213)
Adjustments for :			
Amortisation of prepaid lease payments	5	46,108	46,108
Depreciation			
- Property, plant and equipment	3	1,681,348	1,724,169
- Investment properties	4	46,140	46,140
Gain on disposal of plant and equipment	17	(15,775)	(63,363)
Finance costs	16	28	–
Interest income	17	(58,983)	(61,701)
Provision for retirement benefits	12	159,928	713,317
Plant and equipment written off	17	821	460
Inventories variance written off	17	–	10,770,458
<b>Operating profit before changes in working capital</b>		<b>3,142,719</b>	<b>1,483,375</b>
Changes in inventories		1,230,183	(177,840)
Changes in trade and other receivables		(370,492)	(85,544)
Changes in trade and other payables		1,236,732	1,089,202
Cash generated from operations		5,239,142	2,309,193
Tax paid		(45,427)	(28,037)
Retirement benefits paid	12	(318,274)	(148,128)
<b>Net cash from operating activities</b>		<b>4,875,441</b>	<b>2,133,028</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of plant and equipment		15,783	181,851
Purchase of property, plant and equipment	3	(559,064)	(194,366)
Interest received		58,983	61,701
<b>Net cash (used in)/from investing activities</b>		<b>(484,298)</b>	<b>49,186</b>
<b>Cash flows from financing activities</b>			
Dividend paid to owners of the Company	21	–	(801,151)
Interest paid		(28)	–
<b>Net cash used in financing activities</b>		<b>(28)</b>	<b>(801,151)</b>
Net increase in cash and cash equivalents		4,391,115	1,381,063
Cash and cash equivalents at 1 January		5,275,115	3,894,052
<b>Cash and cash equivalents at 31 December</b>	9	<b>9,666,230</b>	<b>5,275,115</b>

The notes on pages 52 to 93 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Central Industrial 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 the principal place of business and registered office are as follows:

## Principal place of business

Lot 77 & 78, Persiaran 11  
Kawasan Perusahaan Bakar Arang  
08000 Sungai Petani  
Kedah Darul Aman

## Registered office

Level 15-2  
Bangunan Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2016 do not include other entities.

The Company is principally engaged in the manufacture and sale of self-adhesive label stocks and tapes of its own brand and trading of other self-adhesive label stocks and tapes.

The principal activities of the subsidiaries are stated in Note 6 to the financial statements.

The financial statements were authorised for issue by the Board of Directors on 25 April 2017.

## 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 ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

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

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities* (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 107, *Statement of Cash Flows - Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

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

- MFRS 9, *Financial Instruments* (2014)
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures* (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 140, *Investment Property - Transfers of Investment Property*

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 1. Basis of preparation (Cont'd)

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

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

- MFRS 16, *Leases*

#### **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 interpretations :

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017, where applicable.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018, where applicable.
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

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

#### **(i) MFRS 15, Revenue from Contracts with Customers**

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

The Group will assess the financial impact that may arise from the adoption of MFRS 15.

#### **(ii) MFRS 9, Financial Instruments**

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

The Group will assess the financial impact that may arise from the adoption of MFRS 9.

#### **(iii) MFRS 16, Leases**

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

The Group will assess 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.

### **(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 (Cont'd)

## 1. Basis of preparation (Cont'd)

### (d) Use of estimates and judgements

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

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

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

- Note 7 - assessment of inventory obsolescence provision
- Note 8 - impairment of trade receivables

## 2. Significant accounting policies

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

### (a) Basis of consolidation

#### (i) Subsidiaries

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

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

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

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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. Significant accounting policies (Cont'd)

### (a) Basis of consolidation (Cont'd)

#### (ii) *Business combinations (Cont'd)*

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

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

#### (iii) *Loss of control*

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

#### (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 date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

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

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

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

The assets and liabilities of operations denominated in functional currencies other than RM, including fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for fair value adjustments arising from business combinations before 1 January 2012 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies 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. When a foreign operation is disposed of such that control, in part or in full, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. Significant accounting policies (Cont'd)

### (b) Foreign currency (Cont'd)

#### **(ii) Operations denominated in functional currencies other than Ringgit Malaysia (Cont'd)**

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

#### **(i) Initial recognition and measurement**

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

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

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

The Group and the Company categorise financial instruments as follows :

##### **Financial assets**

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives, contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

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

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

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

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

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

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

##### **Financial liabilities**

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

Fair value through profit or loss category comprises financial liabilities that are derivatives, contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. Significant accounting policies (Cont'd)

### (c) Financial instruments (Cont'd)

#### (ii) *Financial instrument categories and subsequent measurement (Cont'd)*

##### **Financial liabilities (Cont'd)**

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

#### (iii) *Derecognition*

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

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

### (d) Property, plant and equipment

#### (i) *Recognition and measurement*

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. Significant accounting policies (Cont'd)

### (d) Property, plant and equipment (Cont'd)

#### (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 principal annual depreciation rates for the current and comparative periods are as follows:

	%
Buildings	2 - 10
Plant, machinery and loose tools	7.5 - 33.33
Furniture, fittings, equipment and installations	7.5 - 33.33
Motor vehicles	20

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

### (e) Leased assets

#### Operating leases

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 statement 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 and measured using fair value model.

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.

Leasehold land is amortised over the remaining lease period of 44 years.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. Significant accounting policies (Cont'd)

### (f) Investment properties

#### ***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 purpose. 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 stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in Note 2(d).

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful life of 50 years for buildings.

The fair values are based on market values, being the estimated amount by the Directors 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, prudently and without compulsion.

### (g) Inventories

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

The cost of inventories is calculated using the weighted average 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) 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, if any.

### (i) Impairment

#### ***(i) Financial assets***

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. Significant accounting policies (Cont'd)

### (i) Impairment (Cont'd)

#### (i) **Financial assets (Cont'd)**

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

#### (ii) **Other assets**

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

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

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

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the 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.

### (j) **Equity instruments**

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

#### (i) **Issue expenses**

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

#### (ii) **Ordinary shares**

Ordinary shares are classified as equity.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. Significant accounting policies (Cont'd)

### (j) Equity instruments (Cont'd)

#### **(iii) Distributions of assets to owners of the Company**

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

### (k) 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.

#### **(iii) Defined benefit plans**

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed once every three years by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit obligation, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. Significant accounting policies (Cont'd)

### (l) 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.

### (m) Contingencies

#### (i) *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.

#### (ii) *Contingent assets*

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statement of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

### (n) Revenue and other income

#### (i) *Goods sold*

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

#### (ii) *Rental income*

Rental income from investment properties 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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. Significant accounting policies (Cont'd)

### (o) 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.

### (p) Income tax

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

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

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

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

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

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

### (q) Earnings per ordinary share

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. Significant accounting policies (Cont'd)

### (r) Operating segments

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

### (s) Fair value measurement

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 3. Property, plant and equipment

	Buildings RM	Plant, machinery and loose tools RM	Furniture, fittings, equipment and installations RM	Motor vehicles RM	Total RM
<b>Group</b>					
<b>Cost</b>					
At 1 January 2015	10,322,454	26,890,405	2,753,462	1,731,538	41,697,859
Additions	6,032	124,953	110,761	–	241,746
Transfer from investment properties (Note 4)	178,168	–	–	–	178,168
Disposals	–	–	(850)	(469,070)	(469,920)
Write offs	–	(7,273)	(85,378)	–	(92,651)
Effect of movements in exchange rates	–	–	27,836	4,709	32,545
At 31 December 2015/1 January 2016	10,506,654	27,008,085	2,805,831	1,267,177	41,587,747
Additions	64,560	17,433	246,197	252,920	581,110
Disposals	–	(3,000)	(103,104)	(108,000)	(214,104)
Write offs	–	(1,250)	(39,156)	(4,590)	(44,996)
Effect of movements in exchange rates	–	–	4,604	779	5,383
At 31 December 2016	10,571,214	27,021,268	2,914,372	1,408,286	41,915,140

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 3. Property, plant and equipment (Cont'd)

	Buildings RM	Plant, machinery and loose tools RM	Furniture, fittings, equipment and installations RM	Motor vehicles RM	Total RM
<b>Group</b>					
<b>Depreciation</b>					
At 1 January 2015	1,911,816	19,600,602	2,425,794	1,392,213	25,330,425
Transfer from investment properties (Note 4)	29,262	–	–	–	29,262
Depreciation for the year	227,247	1,348,499	114,305	102,177	1,792,228
Disposals	–	–	(633)	(350,799)	(351,432)
Write offs	–	(7,273)	(84,918)	–	(92,191)
Effect of movements in exchange rates	–	–	22,023	4,708	26,731
At 31 December 2015/1 January 2016	2,168,325	20,941,828	2,476,571	1,148,299	26,735,023
Depreciation for the year	216,146	1,316,859	112,749	104,531	1,750,285
Disposals	–	(2,992)	(84,282)	(108,000)	(195,274)
Write offs	–	(961)	(37,155)	(4,590)	(42,706)
Effect of movements in exchange rates	–	–	3,890	781	4,671
At 31 December 2016	2,384,471	22,254,734	2,471,773	1,141,021	28,251,999
<b>Carrying amounts</b>					
At 1 January 2015	8,410,638	7,289,803	327,668	339,325	16,367,434
At 31 December 2015/1 January 2016	8,338,329	6,066,257	329,260	118,878	14,852,724
At 31 December 2016	8,186,743	4,766,534	442,599	267,265	13,663,141

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 3. Property, plant and equipment (Cont'd)

	Buildings RM	Plant, machinery and loose tools RM	Furniture, fittings, equipment and installations RM	Motor vehicles RM	Total RM
<b>Company</b>					
<b>Cost</b>					
At 1 January 2015	9,539,292	26,890,405	2,142,574	1,699,771	40,272,042
Additions	6,032	124,953	63,381	–	194,366
Disposals	–	–	(850)	(469,070)	(469,920)
Write offs	–	(7,273)	(85,378)	–	(92,651)
At 31 December 2015/1 January 2016	9,545,324	27,008,085	2,119,727	1,230,701	39,903,837
Additions	64,560	17,433	224,151	252,920	559,064
Disposals	–	(3,000)	(3,875)	(108,000)	(114,875)
Write offs	–	(1,250)	(37,057)	(4,590)	(42,897)
At 31 December 2016	9,609,884	27,021,268	2,302,946	1,371,031	40,305,129

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 3. Property, plant and equipment (Cont'd)

	Buildings RM	Plant, machinery and loose tools RM	Furniture, fittings, equipment and installations RM	Motor vehicles RM	Total RM
<b>Company</b>					
<b>Depreciation</b>					
At 1 January 2015	1,783,189	19,600,602	2,003,907	1,360,447	24,748,145
Depreciation for the year	208,020	1,348,499	65,473	102,177	1,724,169
Disposals	–	–	(633)	(350,799)	(351,432)
Write offs	–	(7,273)	(84,918)	–	(92,191)
At 31 December 2015/1 January 2016	1,991,209	20,941,828	1,983,829	1,111,825	26,028,691
Depreciation for the year	196,919	1,316,859	63,039	104,531	1,681,348
Disposals	–	(2,992)	(3,875)	(108,000)	(114,867)
Write offs	–	(961)	(36,525)	(4,590)	(42,076)
At 31 December 2016	2,188,128	22,254,734	2,006,468	1,103,766	27,553,096
<b>Carrying amounts</b>					
At 1 January 2015	7,756,103	7,289,803	138,667	339,324	15,523,897
At 31 December 2015/1 January 2016	7,554,115	6,066,257	135,898	118,876	13,875,146
At 31 December 2016	7,421,756	4,766,534	296,478	267,265	12,752,033

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 4. Investment properties

	← Buildings →	
	Group RM	Company RM
<b>Cost</b>		
At 1 January 2015	1,523,826	2,306,988
Transfer to property, plant and equipment (Note 3)	(178,168)	–
At 31 December 2015/31 December 2016	1,345,658	2,306,988
<b>Depreciation</b>		
1 January 2015	250,271	378,898
Transfer to property, plant and equipment (Note 3)	(29,262)	–
Depreciation for the year	26,913	46,140
At 31 December 2015/1 January 2016	247,922	425,038
Depreciation for the year	26,914	46,140
At 31 December 2016	274,836	471,178
<b>Carrying amounts</b>		
At 1 January 2015	1,273,555	1,928,090
At 31 December 2015/1 January 2016	1,097,736	1,881,950
At 31 December 2016	1,070,822	1,835,810

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Rental income	99,381	103,200	171,381	171,600
Direct operating expenses				
- Income generating investment properties	101,270	71,383	101,270	71,383

### Fair value information

The fair value was based on Directors' estimation using the latest available market information and recent experience and knowledge in the location and category property being valued. The fair values of all investment properties of the Group and of the Company as at 31 December 2016 are classified as level 3 of the fair value hierarchy and determined to be approximately RM2,153,000 (2015 : RM2,060,000) and RM3,693,000 (2015 : RM3,532,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 4. Investment properties (Cont'd)

*Estimation uncertainty, key assumptions and significant unobservable inputs*

The Directors estimate the fair values of the Group's and the Company's investment properties based on the following key assumptions for certain properties :

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

The significant unobservable input is price per square foot which is estimated at RM327 (2015 : RM313). The estimated fair value would increase (decrease) if the price per square foot is higher (lower).

The following table shows a reconciliation of level 3 fair values :

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1 January	2,060,000	1,717,000	3,532,000	2,600,000
Additions	93,000	343,000	161,000	932,000
At 31 December	<u>2,153,000</u>	<u>2,060,000</u>	<u>3,693,000</u>	<u>3,532,000</u>

## 5. Prepaid lease payments - Group/Company

Cost	Unexpired period less than 50 years RM
At 1 January 2015/31 December 2015/1 January 2016/31 December 2016	<u>2,017,009</u>
<b>Amortisation</b>	
At 1 January 2015	403,452
Amortisation for the year	46,108
At 31 December 2015/1 January 2016	<u>449,560</u>
Amortisation for the year	46,108
At 31 December 2016	<u>495,668</u>
<b>Carrying amounts</b>	
At 1 January 2015	<u>1,613,557</u>
At 31 December 2015/1 January 2016	<u>1,567,449</u>
At 31 December 2016	<u>1,521,341</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 6. Investments in subsidiaries - Company

	2016 RM	2015 RM
Unquoted shares, at cost	<u>1,213,000</u>	<u>1,213,000</u>

Details of the subsidiaries are as follows :

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2016 %	2015 %
CIC Marketing Sdn. Bhd.	Malaysia	Marketing of self-adhesive label stocks and tapes	100	100
CICS Distributors Pte. Ltd. #	Singapore	Trading of adhesive tapes	100	100

# Not audited by member firms of KPMG International.

## 7. Inventories

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Raw materials	4,852,478	4,319,410	4,852,478	4,319,410
Work-in-progress	3,405,888	3,406,397	3,405,888	3,406,397
Manufactured inventories	2,045,541	2,676,598	2,045,541	2,676,598
Trading inventories	3,868,566	4,907,321	3,463,039	4,583,073
Consumables	254,013	265,664	254,013	265,664
	<u>14,426,486</u>	<u>15,575,390</u>	<u>14,020,959</u>	<u>15,251,142</u>

### Inventories variances written off in 2015

During the previous financial year, the Company discovered that inventories balances had been overstated which could be due to operational and internal control weaknesses, functional limitations of the Company's current Enterprise Resource Planning ("ERP") system and possible fraud. Based on a physical inventory count conducted in July 2015, management had identified a cumulative overstatement of the Group and the Company inventories balances amounting to RM10,770,458. Management was unable to determine the portion of the overstatement that could have occurred in prior years which have an impact on the cost of sales figures in prior financial years' financial statements. Accordingly, the Group and the Company have accounted for the RM10,770,458 variance as inventories written off in the previous financial year ended 31 December 2015.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 8. Trade and other receivables

	Note	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
<b>Trade</b>					
Trade receivables		10,338,978	11,155,567	8,923,858	9,763,959
Amount due from a subsidiary		–	–	1,099,786	639,485
	8.1	10,338,978	11,155,567	10,023,644	10,403,444
<b>Non-trade</b>					
Other receivables		506,815	188,612	506,815	187,428
Deposits		99,341	95,132	29,797	53,080
Prepayments		553,061	95,160	534,150	79,962
		1,159,217	378,904	1,070,762	320,470
		11,498,195	11,534,471	11,094,406	10,723,914

### 8.1 Trade receivables

Trade receivables (including amount due from a subsidiary) are subject to normal trade terms.

## 9. Cash and cash equivalents

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Fixed deposits placed with licensed banks	1,554,869	1,526,687	1,554,869	1,526,687
Short term deposits placed with licensed banks	3,076,121	–	3,076,121	–
Cash and bank balances	5,835,167	4,230,730	5,035,240	3,748,428
	10,466,157	5,757,417	9,666,230	5,275,115

## 10. Share capital - Group/Company

	Amount RM	2016 Number of shares	Amount RM	2015 Number of shares
Ordinary shares of RM1 each :				
Authorised	50,000,000	50,000,000	50,000,000	50,000,000
Issued and fully paid	45,780,000	45,780,000	45,780,000	45,780,000

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 11. Reserves

	Note	Group 2016 RM	2015 RM	Company 2016 RM	2015 RM
<b>Non-distributable</b>					
Accumulated losses		(2,122,506)	(3,312,276)	(3,720,680)	(4,908,017)
Share premium		1,406,679	1,406,679	1,406,679	1,406,679
Translation reserve	11.1	300,384	278,252	–	–
		1,707,063	1,684,931	1,406,679	1,406,679
		<u>(415,443)</u>	<u>(1,627,345)</u>	<u>(2,314,001)</u>	<u>(3,501,338)</u>

The movement of reserves is shown in the statements of changes in equity.

### 11.1 Translation reserve

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

## 12. Employee benefits - Group/Company

### 12.1 Retirement benefits

	2016 RM	2015 RM
Present value of unfunded obligation	<u>1,659,023</u>	<u>1,817,369</u>

The Group makes contributions to an unfunded defined benefit scheme ("the Scheme") that provides retirement benefits for employees upon retirement benefits to non-executive employees who have served the Company for more than 10 years. Under the Scheme, a retired/resigned employee is entitled to receive an annual payment equal to 0.75 month of the final salary for each year of service the employee provided.

The defined benefit scheme exposes the Group to actuarial risks, such as interest rate risk.

### Movements in the net defined benefit obligation

	2016 RM	2015 RM
Balance at 1 January	1,817,369	1,252,180
<b>Included in profit or loss</b>		
Current service cost	99,230	442,588
Past service cost	26,907	120,013
Interest cost	33,791	150,716
	159,928	713,317
<b>Other</b>		
Benefits paid	(318,274)	(148,128)
Balance at 31 December	<u>1,659,023</u>	<u>1,817,369</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 12. Employee benefits - Group/Company (Cont'd)

### 12.1 Retirement benefits (Cont'd)

#### Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages) :

	2016	2015
Discount rate	8.8%	8.8%
Future salary growth	5.0%	5.0%

At 31 December 2016, the weighted-average duration of the defined benefit obligation of the Group and the Company was 12.8 years (2015 : 13.8 years).

#### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Defined benefit obligation Increase RM	Decrease RM
<b>2016</b>		
Discount rate (1% movement)	(212,374)	250,257
Future salary growth (1% movement)	249,685	(215,276)
<b>2015</b>		
Discount rate (1% movement)	(212,374)	250,257
Future salary growth (1% movement)	249,685	(215,276)

Although the analysis does not account to the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

The sensitivity analysis as at 31 December 2016 is assessed by the management, assuming the impact to defined benefit obligation is same as previous year. The sensitivity analysis in 2015 was assessed by a qualified actuary based on the valuation carried out for the financial year ended 31 December 2015.

## 13. Deferred tax

### Unrecognised deferred tax assets

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Provision	2,471,000	2,695,000	2,471,000	2,695,000
Property, plant and equipment	(5,867,000)	(6,430,000)	(5,827,000)	(6,405,000)
Unabsorbed capital allowances	4,130,000	6,382,000	4,130,000	6,359,000
Unutilised reinvestment allowances	10,238,000	10,238,000	10,238,000	10,238,000
Unutilised tax losses	1,050,000	1,056,000	–	–
	<u>12,022,000</u>	<u>13,941,000</u>	<u>11,012,000</u>	<u>12,887,000</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 13. Deferred tax (Cont'd)

### Unrecognised deferred tax assets (continued)

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

## 14. Trade and other payables

	Note	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
<b>Trade</b>					
Trade payables	14.1	4,352,868	3,268,562	3,978,740	2,902,544
<b>Non-trade</b>					
Amount due to a subsidiary	14.2	–	–	1,879,353	1,723,630
Other payables		356,920	257,920	354,326	256,826
Accrued expense		892,454	918,698	746,018	838,705
		1,249,374	1,176,618	2,979,697	2,819,161
		<u>5,602,242</u>	<u>4,445,180</u>	<u>6,958,437</u>	<u>5,721,705</u>

### 14.1 Trade payables

All trade payables are subject to normal trade terms.

### 14.2 Amount due to a subsidiary

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

## 15. Revenue - Group/Company

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

## 16. Finance costs - Group/Company

	2016 RM	2015 RM
Interest expense of financial liabilities that are not at fair value through profit or loss :		
- Bank overdrafts	<u>28</u>	<u>–</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 17. Profit/(Loss) before tax

Profit/(Loss) before tax is arrived at :

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
After charging :				
Auditors' remuneration				
Audit fees				
- KPMG Malaysia	45,000	45,000	39,000	39,000
- Other auditor	11,988	11,412	—	—
Non-audit fees				
- KPMG Malaysia				
- current year	6,000	6,000	6,000	6,000
- Local affiliate of KPMG Malaysia				
- current year	7,200	7,200	7,200	7,200
Impairment loss on trade receivables	91,665	62,449	91,665	62,449
Amortisation of prepaid lease payments (Note 5)	46,108	46,108	46,108	46,108
Depreciation				
- Property, plant and equipment (Note 3)	1,750,285	1,792,228	1,681,348	1,724,169
- Investment properties (Note 4)	26,914	26,913	46,140	46,140
Inventories written down	—	80,000	—	80,000
Inventories written off	384,486	427,500	377,821	427,500
Inventories variance written off @ (Note 7)	—	10,770,458	—	10,770,458
Plant and equipment written off	2,290	460	821	460
Provision for retirement benefits (Note 12)	159,928	713,317	159,928	713,317
Rental expense				
- Land and building	226,585	186,775	9,297	8,736
- Equipment	10,102	51,974	3,618	7,100
Bad debt written off	29,311	86,403	26,828	19,602
Personnel expenses (excluding Directors' emoluments)				
- Wages, salaries and others	6,278,696	5,753,196	4,752,484	4,398,748
- Employees' Provident Fund contributions	701,259	698,806	506,823	515,386
Foreign exchange loss				
- realised	67,959	—	—	—
- unrealised	4,508	—	4,508	—
Loss on disposal of plant and equipment	2,896	—	—	—

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 17. Profit/(Loss) before tax (Cont'd)

Profit/(Loss) before tax is arrived at : (Cont'd)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
and after crediting :				
Gain on foreign exchange				
- realised	-	27,380	18,273	68,912
- unrealised	-	91,636	-	91,495
Realised gain on forward foreign exchange contracts	-	31,300	-	31,300
Gain on disposal of plant and equipment	-	63,363	15,775	63,363
Rental income from investment properties (Note 4)	99,381	103,200	171,381	171,600
Reversal of impairment loss on trade receivables	47,851	126,620	47,851	126,620
Interest income	58,983	61,701	58,983	61,701
Insurance claims#	-	320,944	-	320,944

@ The inventories variance written off was included in other expenses.

# This represented insurance claims arising from the fire incident which had occurred in 2013.

## 18. Key management personnel compensation

The key management personnel compensations are as follows :

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Directors of the Company				
- Fees	240,000	26,000	240,000	26,000
- Remuneration	566,918	498,324	566,918	498,324
	806,918	524,324	806,918	524,324
Past Directors of the Company				
- Fees	-	120,000	-	120,000
- Remuneration	-	338,082	-	338,082
	-	458,082	-	458,082
Other Directors				
- Remuneration	241,397	182,654	-	-
	1,048,315	1,165,060	806,918	982,406

The Group's and the Company's estimated monetary value of Directors' benefit-in-kind are RM17,400 (2015 : RM17,400).

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 19. Tax expense/(benefit)

### Recognised in profit or loss

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Current tax expense</b>				
Current year				
- Malaysian	55,287	–	55,287	–
Prior year				
- Malaysian	40,480	(585)	40,480	(54)
<b>Total income tax expense</b>	<b>95,767</b>	<b>(585)</b>	<b>95,767</b>	<b>(54)</b>

### Reconciliation of tax expense

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit/(Loss) for the year	1,189,770	(11,979,310)	1,187,337	(11,692,159)
Total income tax expense/ (benefit)	95,767	(585)	95,767	(54)
Profit/(Loss) excluding tax	<u>1,285,537</u>	<u>(11,979,895)</u>	<u>1,283,104</u>	<u>(11,692,213)</u>
Income tax calculated using Malaysian tax rate of 24% (2015 : 25%)	308,529	(2,994,974)	307,945	(2,923,053)
Effect of lower tax rate in foreign jurisdiction*	1,106	(591)	–	–
Non-deductible expenses	264,410	2,931,150	255,331	2,920,960
Income not subject to tax	–	(4,405)	–	–
Changes in unrecognised deferred tax assets	(460,685)	162,190	(450,000)	76,000
Other items	(58,073)	(93,370)	(57,989)	(73,907)
	<u>55,287</u>	<u>–</u>	<u>55,287</u>	<u>–</u>
Under/(Over) provided in prior year	40,480	(585)	40,480	(54)
	<u>95,767</u>	<u>(585)</u>	<u>95,767</u>	<u>(54)</u>

\* A subsidiary operates in a tax jurisdiction with a lower tax rate.

The Malaysian Budget 2014 announced the reduction of corporate tax to 24% with effect from year of assessment 2016. Consequently, the deferred tax liabilities and assets which are expected to reverse in 2016 and beyond are measured using the tax rate of 24%.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 20. Earnings/(Loss) per ordinary share - Group

### *Basic earnings/(loss) per ordinary share*

The calculation of basic earnings/(loss) per ordinary share at 31 December 2016 was based on the profit attributable to ordinary shareholders of RM1,189,770 (2015 : loss of RM11,979,310) and a weighted average number of ordinary shares outstanding during the year of 45,780,000 (2015 : 45,780,000).

## 21. Dividend

Dividend recognised by the Company :

	Sen per share	Total amount RM	Date of payment
<b>2015</b>			
Final single tier dividend 2014	1.750	<u>801,151</u>	9 July 2015

## 22. 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. Key management personnel includes all the Directors of the Group.

The Group has related party relationship with its significant investors, subsidiaries and key management personnel.

### **Significant related party transactions**

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

	2016 RM	2015 RM
<b>Company</b>		
<b>Subsidiaries</b>		
Sales	<b>1,454,944</b>	756,593
Commission paid/payable	<b>2,089,916</b>	1,637,445
Rental income received/receivable	<u><b>72,000</b></u>	<u>68,400</u>

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 23. Operating segments - Group

The Group's only reportable segment comprises manufacturing and sale of self- adhesive label stocks and tapes which are principally carried out in Malaysia. Segment information has not been separately presented because internal reporting uses the Group's financial statements.

### Geographical information

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.

	Revenue RM	Non-current assets RM
<b>2016</b>		
Malaysia	37,019,898	16,251,686
Asia (excluding Malaysia)	10,180,939	3,618
Australia	6,706,788	–
United States of America	1,227,575	–
Europe	137,959	–
Others	801,449	–
	<b>56,074,608</b>	<b>16,255,304</b>
<b>2015</b>		
Malaysia	36,090,301	17,484,140
Asia (excluding Malaysia)	8,926,545	33,769
Australia	3,961,661	–
United States of America	2,707,037	–
Europe	154,171	–
Others	778,348	–
	<b>52,618,063</b>	<b>17,517,909</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 24. Financial instruments

### 24.1 Categories of financial instruments

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

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

	Carrying amount RM	L&R RM
<b>2016</b>		
<b>Financial assets</b>		
<b>Group</b>		
Trade and other receivables	10,945,134	10,945,134
Cash and cash equivalents	10,466,157	10,466,157
	<u>21,411,291</u>	<u>21,411,291</u>
<b>Company</b>		
Trade and other receivables	10,560,256	10,560,256
Cash and cash equivalents	9,666,230	9,666,230
	<u>20,226,486</u>	<u>20,226,486</u>
<b>2015</b>		
<b>Financial assets</b>		
<b>Group</b>		
Trade and other receivables	11,439,311	11,439,311
Cash and cash equivalents	5,757,417	5,757,417
	<u>17,196,728</u>	<u>17,196,728</u>
<b>Company</b>		
Trade and other receivables	10,643,952	10,643,952
Cash and cash equivalents	5,275,115	5,275,115
	<u>15,919,067</u>	<u>15,919,067</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 24. Financial instruments (Cont'd)

### 24.1 Categories of financial instruments (Cont'd)

	Carrying amount RM	FL RM
<b>2016</b>		
<b>Financial liabilities</b>		
<b>Group</b>		
Trade and other payables	<u>5,602,242</u>	<u>5,602,242</u>
<b>Company</b>		
Trade and other payables	<u>6,958,437</u>	<u>6,958,437</u>
<b>2015</b>		
<b>Financial liabilities</b>		
<b>Group</b>		
Trade and other payables	<u>4,445,180</u>	<u>4,445,180</u>
<b>Company</b>		
Trade and other payables	<u>5,721,705</u>	<u>5,721,705</u>

### 24.2 Net gain/(loss) arising from financial instruments

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Net gain/(loss) arising on :				
Loans and receivables	(86,609)	158,485	2,106	266,677
Financial liabilities measured at amortised cost	(28)	–	(28)	–
Fair value through profit or loss				
- Held for trading	<u>–</u>	<u>31,300</u>	<u>–</u>	<u>31,300</u>

### 24.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 24. Financial instruments (Cont'd)

### 24.4 Credit risk

Credit risk is the risk of a financial loss to the Group and to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's exposure to credit risk arises principally from its receivables from customers including subsidiary.

#### Receivables (including subsidiary)

*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.

Trade amount due from a subsidiary is subject to normal trade terms and the results of the subsidiary are monitored regularly to ensure that there is no indication of impairment.

*Exposure to credit risk, credit quality and collateral*

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of the Group's and the Company's receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

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

	2016 RM	2015 RM
<b>Group</b>		
Malaysia	6,476,358	8,749,804
Asia (excluding Malaysia)	2,715,642	1,305,675
United States of America	108,478	390,247
Others	1,038,500	709,841
	<b>10,338,978</b>	<b>11,155,567</b>
<b>Company</b>		
Malaysia	7,576,144	8,749,804
Asia (excluding Malaysia)	1,300,522	553,550
United States of America	108,478	390,247
Others	1,038,500	709,843
	<b>10,023,644</b>	<b>10,403,444</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 24. Financial instruments (Cont'd)

### 24.4 Credit risk (Cont'd)

#### Receivables (including subsidiary) (Cont'd)

##### Impairment losses

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

	Gross RM	Individual impairment RM	Net RM
<b>Group</b>			
<b>2016</b>			
Not past due	6,892,951	–	6,892,951
Past due 1 - 30 days	2,078,602	–	2,078,602
Past due 31 - 60 days	590,794	–	590,794
Past due 61 - 90 days	488,068	–	488,068
Past due 91- 120 days	200,209	–	200,209
Past due more than 120 days	291,740	(203,386)	88,354
	<b>10,542,364</b>	<b>(203,386)</b>	<b>10,338,978</b>
<b>2015</b>			
Not past due	6,926,621	–	6,926,621
Past due 1 - 30 days	1,818,768	–	1,818,768
Past due 31 - 60 days	1,453,620	–	1,453,620
Past due 61 - 90 days	432,864	–	432,864
Past due 91-120 days	292,197	–	292,197
Past due more than 120 days	473,238	(241,741)	231,497
	<b>11,397,308</b>	<b>(241,741)</b>	<b>11,155,567</b>
<b>Company</b>			
<b>2016</b>			
Not past due	6,960,263	–	6,960,263
Past due 1 - 30 days	1,858,604	–	1,858,604
Past due 31 - 60 days	506,370	–	506,370
Past due 61 - 90 days	346,902	–	346,902
Past due 91-120 days	255,342	–	255,342
Past due more than 120 days	299,549	(203,386)	96,163
	<b>10,227,030</b>	<b>(203,386)</b>	<b>10,023,644</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 24. Financial instruments (Cont'd)

### 24.4 Credit risk (Cont'd)

#### Receivables (including subsidiary) (Cont'd)

##### Impairment losses (Cont'd)

	Gross RM	Individual impairment RM	Net RM
<b>Company</b>			
<b>2015</b>			
Not past due	6,823,729	–	6,823,729
Past due 1 - 30 days	1,480,861	–	1,480,861
Past due 31 - 60 days	1,275,065	–	1,275,065
Past due 61 - 90 days	190,472	–	190,472
Past due 91-120 days	255,457	–	255,457
Past due more than 120 days	619,601	(241,741)	377,860
	<u>10,645,185</u>	<u>(241,741)</u>	<u>10,403,444</u>

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

	2016 RM	2015 RM
<b>Group</b>		
At 1 January	241,741	365,487
Impairment loss recognised	91,665	62,449
Impairment loss reversed	(47,851)	(126,620)
Impairment loss written off	(82,169)	(64,032)
Effect of movements in exchange rates	–	4,457
At 31 December	<u>203,386</u>	<u>241,741</u>
<b>Company</b>		
At 1 January	241,741	308,153
Impairment loss recognised	91,665	62,449
Impairment loss reversed	(47,851)	(126,620)
Impairment loss written off	(82,169)	(2,241)
At 31 December	<u>203,386</u>	<u>241,741</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 24. Financial instruments (Cont'd)

### 24.4 Credit risk (Cont'd)

#### Receivables (including subsidiary) (Cont'd)

##### *Impairment losses (Cont'd)*

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

### 24.5 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 and borrowing.

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 24. Financial instruments (Cont'd)

### 24.5 Liquidity risk (Cont'd)

#### Maturity analysis

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

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
<b>Group</b>							
<b>2016</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	<u>5,602,242</u>	–	<u>5,602,242</u>	<u>5,602,242</u>	–	–	–
<b>2015</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	<u>4,445,180</u>	–	<u>4,445,180</u>	<u>4,445,180</u>	–	–	–

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 24. Financial instruments (Cont'd)

### 24.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
<b>Company</b>							
<b>2016</b>							
Non-derivative financial liabilities							
Trade and other payables	<u>6,958,437</u>	–	<u>6,958,437</u>	<u>6,958,437</u>	–	–	–
<b>2015</b>							
Non-derivative financial liabilities							
Trade and other payables	<u>5,721,705</u>	–	<u>5,721,705</u>	<u>5,721,705</u>	–	–	–

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 24. Financial instruments (Cont'd)

### 24.6 Market risk

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

#### 24.6.1 Currency risk

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

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

The Group ensures that the net exposure is kept to an acceptable level, by buying and selling foreign currencies at spot rate where necessary to address short-term imbalances.

*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 :

	Denominate in USD RM
<b>Group</b>	
<b>2016</b>	
Trade receivables	1,385,058
Trade payables	(3,302,404)
Cash and cash equivalents	182,957
<b>Net exposure</b>	<b>(1,734,389)</b>
<b>2015</b>	
Trade receivables	1,069,444
Trade payables	(2,475,906)
Cash and cash equivalents	1,159,269
<b>Net exposure</b>	<b>(247,193)</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 24. Financial instruments (Cont'd)

### 24.6 Market risk (Cont'd)

#### 24.6.1 Currency risk (Cont'd)

*Exposure to foreign currency risk (Cont'd)*

Company	Denominate in
	USD RM
<b>2016</b>	
Trade receivables	1,385,058
Trade payables	(3,302,404)
Intra-group balances	1,099,786
Cash and cash equivalents	176,136
<b>Net exposure</b>	<b>(641,424)</b>
<b>2015</b>	
Trade receivables	1,069,444
Trade payables	(2,475,906)
Intra-group balances	639,485
Cash and cash equivalents	1,152,306
<b>Net exposure</b>	<b>385,329</b>

*Currency risk sensitivity analysis*

A 10% strengthening of the RM against the following currency at the end of the reporting period would have increased/(decreased) post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2016 RM	2015 RM
<b>Group</b>		
USD	<u>131,800</u>	<u>18,539</u>
<b>Company</b>		
USD	<u>48,700</u>	<u>(28,900)</u>

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 24. Financial instruments (Cont'd)

### 24.6 Market risk (Cont'd)

#### 24.6.2 Interest rate risk

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

#### *Exposure to interest rate risk*

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Fixed rate instruments</b>				
Cash and cash equivalents	<u>4,630,990</u>	<u>1,526,687</u>	<u>4,630,990</u>	<u>1,526,687</u>

#### *Interest rate risk 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 hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

## 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 are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

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

## 26. Operating leases

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows :

	Group	
	2016 RM	2015 RM
Less than one year	212,081	91,185
Between one and five years	88,367	–
	<u>300,448</u>	<u>91,185</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 27. Capital commitments - Group/Company

	2016 RM	2015 RM
Plant and equipment		
Authorised but not contracted for	449,100	1,780,500
Contracted but not provided for	<u>90,250</u>	<u>—</u>

## 28. Subsequent events

- 28.1** On 12 January 2017, the Company issued 1,420,000 new ordinary shares of RM1 per ordinary share via a private placement for a total cash consideration of RM1,420,000.
- 28.2** On 12 April 2017, the Company incorporated a wholly-owned subsidiary, namely CIC Construction Sdn. Bhd. ("CICC") with an initial share capital of RM100 comprising 100 ordinary shares. CICC will be principally engaged in investment holding, contractor of building and infrastructure, and trading of building materials.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 29. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the accumulated losses of the Group and of the Company at 31 December, into realised and unrealised (losses)/profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total accumulated losses of the Company and its subsidiaries :				
- Realised loss	(2,117,998)	(3,403,912)	(3,716,172)	(4,999,512)
- Unrealised (loss)/gain	(4,508)	91,636	(4,508)	91,495
Total accumulated losses at 31 December	<u>(2,122,506)</u>	<u>(3,312,276)</u>	<u>(3,720,680)</u>	<u>(4,908,017)</u>

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

# 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 44 to 92 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 29 on page 93 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

.....  
**Wong Yuk Thin**  
Director

.....  
**Koay Then Hin**  
Director

Penang,

Date : 25 April 2017  
Central Industrial Corporation Berhad  
(Company No. 12186 - K)  
(Incorporated in Malaysia)  
and its subsidiaries

# STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

I, **Wong Yuk Thin**, the Director primarily responsible for the financial management of Central Industrial Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 44 to 93 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 **Wong Yuk Thin**, NRIC: 601207-10-5795, at Georgetown in the State of Penang on 25 April 2017.

.....  
**Wong Yuk Thin**

Director

Before me :

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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRAL INDUSTRIAL CORPORATION BERHAD

(COMPANY NO.12186-K) (INCORPORATED IN MALAYSIA)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Central Industrial Corporation Berhad, which comprise the statements of financial position as at 31 December 2016 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 44 to 92.

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 31 December 2016, 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, 1965 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

#### (a) Existence and accuracy of inventories

Refer to Note 7 to the financial statements.

#### Key audit matter

As at 31 December 2016, the Group's and the Company's inventories were RM14,426,486 and RM14,020,959 respectively. We have identified the existence and accuracy of inventories as a key audit matter due to the voluminous nature of the inventories and the amount was significant to the Statements of Financial Position of the Group and the Company.

#### How the matter was addressed in our audit

We performed the following audit procedures, among others:

- Attended physical inventory count as at year end and tested a sample of items by checking the actual quantity held by the Group and the Company as at year end;
- Agreed a sample of inventories costs to invoices; and
- Tested a sample of inventories costs by agreeing the cost of production to the cost allocation computation prepared by the Group and the Company, checked that they were allocated based on an appropriate basis.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRAL INDUSTRIAL CORPORATION BERHAD (Cont'd)

(COMPANY NO.12186-K) (INCORPORATED IN MALAYSIA)

## **Key Audit Matter (Cont'd)**

### **(b) Valuation of inventories**

Refer to Note 7 to the financial statements.

#### **Key audit matter**

As at 31 December 2016, the Group's and the Company's inventories were RM14,426,486 and RM14,020,959 respectively. We have identified the valuation of inventories as a key audit matter because the amount was significant to the Statements of Financial Position of the Group and the Company and judgement was applied by the Group and the Company in determining the allowances for slow moving and obsolete inventory.

#### **How the matter was addressed in our audit**

We performed the following audit procedures, among others:

- Attended physical inventory count as at year end and observed whether there were inventories that may be slow moving or obsolete;
- Compared actual sales values subsequent to the financial year for a sample of inventory lines to test whether these exceeded the carrying amount of inventories at year end; and
- Assessed the Group's and the Company's process in identifying slow moving and obsolete inventories and determining the allowances for slow moving and obsolete inventories.

### **(c) Recoverability of trade receivables**

Refer to Note 8 to the financial statements.

#### **Key audit matter**

As at 31 December 2016, the Group's and the Company's gross trade receivables were RM10,542,364 and RM10,227,030 respectively, against which impairment allowances of RM203,386 and RM203,386 were made. The Group and the Company have a significant amount of trade receivables which are past it due date for collection amounting to RM3,649,413 and RM3,266,767 respectively.

We have identified the recoverability of trade receivables as a key audit matter because the profile and nature of the Group's and the Company's customers may expose the Group and the Company to the potential risk of trade receivables balance not being recovered. The Group and the Company also applied judgement in determining the impairment of trade receivables required by taking into account the credit and repayment history of the customers. Therefore, there is a potential risk of over valuation of the trade receivables.

#### **How the matter was addressed in our audit**

We performed the following audit procedures, among others:

- Checked receipts from customers subsequent to the financial year end;
- Assessed the adequacy of the impairment allowances against trade receivables by assessing the Directors' assumptions, taking account of historical data of the payment trend of their customers; and
- Assessed the accuracy of historical estimates made by the Directors by comparing to the actual outcome.

## **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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRAL INDUSTRIAL CORPORATION BERHAD (Cont'd)

(COMPANY NO.12186-K) (INCORPORATED IN MALAYSIA)

## 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, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements 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.

## 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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRAL INDUSTRIAL CORPORATION BERHAD (Cont'd)

(COMPANY NO.12186-K) (INCORPORATED IN MALAYSIA)

## Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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.

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors is disclosed in Note 6 to the financial statements.

## Other Reporting Responsibilities

The supplementary information set out in Note 29 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## 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

Date : 25 April 2017

Petaling Jaya

**Muhammad Azman Che Ani**  
Approval Number : 2922/04/18 (J)  
Chartered Accountant

# ANALYSIS OF SHAREHOLDINGS

AS AT 10 APRIL 2017

Share capital	:	RM47,200,000 divided into 47,200,000 Ordinary Shares
Class of shares	:	Ordinary Shares
Voting rights	:	One vote per Ordinary Share

## Distribution of Shareholdings

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 - 99	207	22.28	2,515	0.01
100 - 1,000	265	28.53	155,959	0.33
1,001 - 10,000	363	39.07	1,447,225	3.07
10,001 - 100,000	73	7.86	1,892,251	4.01
100,001 to less than 5% of issued shares	17	1.83	16,820,450	35.64
5% and above of issued shares	4	0.43	26,881,600	56.95
<b>TOTAL</b>	<b>929</b>	<b>100.00</b>	<b>47,200,000</b>	<b>100.00</b>

## Substantial Shareholders

No.	Name	No. of Shares	Direct Interest %	No. of Shares	Indirect Interest %
1	MALAR SEGAR SDN BHD	12,232,000	25.92		
2	MOHTAR BIN ABDULLAH	6,410,000	13.58		
3	GAN LOCK YONG @ GAN CHOON HUR	4,578,000	9.69		
4	TAN BAN AIK	3,661,600	7.76		
5	L.G.B. HOLDINGS SDN BHD, (a)			12,232,000	26.72
6	DATO' LIM CHEE MENG, (b)			12,232,000	26.72
7	LIM CHIN SEAN, (c)			12,232,000	26.72

### Note :

- (a) Deemed interested by virtue of its interest in Malar Segar Sdn Bhd
- (b) Deemed interested by virtue of his interest in L.G.B. Holdings Sdn Bhd
- (c) Deemed interested by virtue of his interest in L.G.B. Holdings Sdn Bhd

# ANALYSIS OF SHAREHOLDINGS (Cont'd)

AS AT 10 APRIL 2017

## List of Top 30 Shareholders

NO	NAME	NO OF SHARES	PERCENTAGE (%)
1	MALAR SEGAR SDN BHD	12,232,000	25.92
2	MOHTAR BIN ABDULLAH	6,410,000	13.58
3	GAN LOCK YONG @ GAN CHOON HUR	4,578,000	9.70
4	TAN BAN AIK	3,661,600	7.76
5	NG OI HAN	2,200,000	4.66
6	LAMBANG PROGRESIF SDN BHD	2,000,000	4.24
7	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG TECK FONG	1,815,000	3.85
8	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM ENG HUAT	1,584,300	3.36
9	PHANG WAI HOONG	1,200,000	2.54
10	KENANGA NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RA WHA HYUN (009)	1,140,000	2.42
11	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW KENG SIONG	1,070,000	2.27
12	CHUAH GUAN LEONG	1,000,000	2.12
13	NEOH POH LAN	990,900	2.10
14	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW KENG SIONG (8125104)	980,000	2.08
15	PHANG WAI HOONG	900,000	1.91
16	JULIET YAP SWEE HWANG	620,200	1.31
17	KEMBANGAN SEPADU SDN BHD	511,150	1.08
18	YANG LAI SEE	351,000	0.74
19	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG TECK FONG	210,000	0.44
20	YONG WO MOI	143,700	0.30
21	YONG WO MOI	104,200	0.22
22	BALAKRISNEN A/L SUBBAN	100,000	0.21
23	CHEN CHOONG FATT	100,000	0.21
24	LAI MIAU FONG	84,000	0.18
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KUAN SHIN NYIAP	61,200	0.13
26	LIM PENG HONG	56,000	0.12
27	TEOH CHENG HOE	51,900	0.11
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUNG CHIT MIN	46,500	0.10
29	TEOH YEW BENG	45,500	0.10
30	HOON LY MEI	42,300	0.09
		44,289,450	93.85

# LIST OF PROPERTIES

HELD AS AT 31 DECEMBER 2016

Address/Location	Tenure	Year of Revaluation/ Acquisition	Area	Age of Building (Years)	Description/ Existing Use	Net Book Value (RM)
P.T. 8558/8559, Mukim Sungai Pasir Kuala Muda Kedah	Leasehold (Expiry : 2050)	2001	347,836 sq. ft.	26	Land with factory	8,943,097
No. 5-13.1, 5-13.2, 5-14.1, 5-14.2, 5-15.1, 5-15.2, 5-16.1, 5-16.2, 5-17.1, 5-17.2 and 5-18 Block A, Plaza Dwitasik, Phase 1, Bandar Sri Permaisuri, Off Jalan Permaisuri 1, Cheras, 56000 Kuala Lumpur.	Leasehold (Expiry : 2095)	2006	11,368 sq. ft.	18	Office Building	1,835,810



**Central Industrial Corporation Berhad**  
12186-K

## PROXY FORM

No. of Shares Held:

I/We \_\_\_\_\_  
(Full name in block letters)

of \_\_\_\_\_  
(Full address)

being a member/members of **CENTRAL INDUSTRIAL CORPORATION BERHAD** hereby appoint the following person(s):-

**Name of proxy, NRIC No. & Address**

**No. of shares to be represented by proxy**

1. \_\_\_\_\_
2. \_\_\_\_\_

or failing him/her, the Chairman of the Meeting as \*my/our proxy/proxies to attend and vote for \*me/us and on my/our behalf at the Forty-Fourth Annual General Meeting of the Company to be held at The Royale 2, Level 2, The Royale Chulan Damansara, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Thursday, 25 May 2017 at 10:00 a.m. and at every adjournment thereof.

My/our proxy/proxies is(are) to vote as indicated below:-

Ordinary Resolution	Resolutions	First proxy		Second Proxy	
		For	Against	For	Against
1	To approve the payment of Directors' fees and allowances from 1 January 2017 until the next Annual General Meeting				
2	To re-elect the director, Mr. Ng Seng Bee				
3	To re-appoint the director, Dr. Uzir Bin Abdul Malik				
4	To re-appoint the director, Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud				
5	To re-appoint the director, Mr. Koay Then Hin				
6	To re-appoint Messrs. KPMG PLT as Auditors of the Company				
7	To approve the continuation in office of Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud as Independent Non-Executive Director				
8	To approve the continuation in office of Mr. Koay Then Hin as Independent Non-Executive Director				
9	Authority to allot shares				

(Please indicate with an "x" in the space provided above on how you wish your vote to be cast. If you do not indicate how you wish to vote on any resolutions, the proxy(ies) will vote or abstain from voting at his/her/their discretion(s)).

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

\_\_\_\_\_  
Signature/Common Seal

\* **Strike out whichever is not desired.**

**Notes:**

1. Only depositors whose names appear in the Record of Depositors as at 19 May 2017 shall be entitled to attend the Forty-Fourth Annual General Meeting or appoint a proxy to attend, speak and vote on his behalf.
2. A member of the Company entitled to attend, speak and vote at this meeting is entitled to appoint a proxy to attend, speak and vote in his stead. A member may appoint more than two (2) proxies to attend at the same meeting. All voting will be conducted by way of poll. Where a member appoints two or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
3. Where a member of the Company is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation under its Common Seal or the hand of its attorney.
5. All forms of proxy must be deposited at the Office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

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Affix  
Stamp Here

**Symphony Share Registrars Sdn Bhd**

Level 6, Symphony House,  
Pusat Dagangan Dana 1,  
Jalan PJU 1A/46,  
47301 Petaling Jaya,  
Selangor Darul Ehsan, Malaysia.

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[www.cicb.com.my](http://www.cicb.com.my)

**Central Industrial Corporation Berhad** (12186-K)  
Lot 77 & 78, Persiaran 11, Kawasan Perusahaan Bakar Arang,  
08000 Sungai Petani, Kedah Darul Aman, Malaysia.

Tel : 604 4227 888  
Fax : 604 4217 888