



**Central Industrial Corporation Berhad**  
12186-K



## **ASSURANCE *of* Excellence**

*ANNUAL REPORT 2017*



## 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.

## 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.





## Assurance of Excellence

Through the years, CIC has always placed customer satisfaction as priority. The visual on our Annual Report 2017 cover is an endorsement of our assurance of product quality and excellence. Committed to quality, innovation and value creation for our customers, we seek continuous possibilities to extend beyond our limitations to ensure the quality of our products are constantly elevated to meet our customers' demands globally and domestically.

# CONTENTS

<b>02</b>	Notice of Annual General Meeting
<b>04</b>	Notice on Entitlement and Payment of Final Dividend
<b>06</b>	Corporate Information
<b>07</b>	Profile of Board of Directors
<b>12</b>	Profile of Key Management
<b>15</b>	Key Financial Highlights
<b>17</b>	Management Discussion and Analysis
<b>23</b>	Sustainability Statement
<b>28</b>	Audit and Risk Management Committee Report
<b>32</b>	Statement on Corporate Governance
<b>43</b>	Statement on Risk Management and Internal Control
<b>46</b>	Other Information
<b>47</b>	Financial Statements
<b>108</b>	Shareholding Statistics
<b>110</b>	List of Properties
	Enclosed Proxy Form

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Forty-Fifth 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 Monday, 28 May 2018 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 2017 together with the Reports of the Directors and Auditors thereon.  | (Please refer to Note 1 of the Explanatory Notes)                       |
| 2) | To approve the payment of the first and final single-tier dividend of 1.75 sen per ordinary share for the financial year ended 31 December 2017.  | Ordinary Resolution 1   |
| 3) | To approve the payment of Directors' fees and meeting allowances up to RM350,000 from 1 June 2018 until the next Annual General Meeting of the Company.   | Ordinary Resolution 2   |
| 4) | To re-elect the following Directors retiring in accordance with the Company's Articles of Association:-<br>i) Mr. Wong Yuk Thin (Article 90)<br>ii) Dato' Tan Yee Boon (Article 90)<br>iii) Mr. Chuah Guan Leong (Article 84) | Ordinary Resolution 3<br>Ordinary Resolution 4<br>Ordinary Resolution 5 |
| 5) | To re-appoint Messrs. KPMG PLT as Auditors of the Company and authorise 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><br><br>i) "THAT 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."<br><br>ii) "THAT Mr. Koay Then Hin be and is hereby retained as Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance."  | Ordinary Resolution 7<br><br>Ordinary Resolution 8 |
| 7) | <b>AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016</b><br><br>"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                              |

## NOTICE OF ANNUAL GENERAL MEETING (Cont'd)



### SPECIAL BUSINESS (Cont'd)

- 8) **PROPOSED BONUS ISSUE OF 40,000,000 NEW ORDINARY SHARES IN CICB ("CICB SHARE(S)" OR "SHARE(S)") ("BONUS SHARE(S)") ON THE BASIS OF 4 BONUS SHARES FOR EVERY 5 EXISTING CICB SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("ENTITLEMENT DATE") ("PROPOSED BONUS ISSUE")**

**"THAT**, subject to the approvals of all relevant regulatory authorities and parties for the listing of and quotation for the Bonus Shares, approval be and is hereby given to the Board of Directors of the Company ("**Board**") to issue 40,000,000 Bonus Shares in the share capital of the Company to the entitled shareholders whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date on the basis of 4 Bonus Shares for every 5 existing CICB Shares held by such shareholders;

**THAT** fractional entitlements arising from the Proposed Bonus Issue, if any, shall be dealt with in such manner as the Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of the Company and its shareholders;

**THAT** the Bonus Shares will, upon allotment and issuance, rank *pari passu* in all respects with the existing CICB Shares, except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid where the entitlement date is before the date of allotment and issuance of the Bonus Shares;

**AND THAT** the Board be and is hereby authorised to sign and execute all documents to give effect to the Proposed Bonus Issue with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Bonus Issue."

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

### Ordinary Resolution 10

By order of the Board

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

Kuala Lumpur  
Dated this 27 April 2018

## NOTICE ON ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND

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**NOTICE IS ALSO HEREBY GIVEN** that the first and final single-tier dividend of 1.75 sen per ordinary share for the financial year ended 31 December 2017, if approved at the Forty-Fifth Annual General Meeting, will be paid on 27 August 2018 to the depositors registered in the Record of Depositors at the close of business on 30 July 2018.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

- a) Shares transferred into the Depositor's Securities Account before 4:00 p.m. on 30 July 2018 in respect of ordinary transfers; and
- b) Shares bought on the Exchange on a cum entitlement basis according to the Rules of the Exchange.

### Notes:

- i) Only depositors whose names appear in the Record of Depositors as at 22 May 2018 shall be entitled to attend the Forty-Fifth Annual General Meeting or appoint a proxy to attend, speak and vote on his behalf.
- ii) 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.
- iii) 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.
- iv) 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.
- v) All forms of proxy must be deposited at the Office of the Company's Share Registrar, Mega Corporate Services Sdn. Bhd., Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

### Explanatory Notes to Special Business

- 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. Hence, this item on the Agenda is not put forward for voting.
- 2) Ordinary Resolutions No. 7 and 8

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

The Board 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. The Board 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.



## **NOTICE ON ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND (Cont'd)**



### **Explanatory Notes to Special Business (Cont'd)**

#### **3) Ordinary Resolution No. 9**

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

The proposed 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.

No shares have been allotted by the Company since obtaining the said authority from its shareholders at the last Annual General Meeting held on 25 May 2017.

#### **4) Ordinary Resolution No. 10**

##### **Proposed Bonus Issue**

The detailed proposal of the Proposed Bonus Issue can be referred to the Circular to Shareholders dated 27 April 2018 which is despatched together with the Company's Annual Report.

# CORPORATE INFORMATION

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## BOARD OF DIRECTORS

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### 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

### MR. CHUAH GUAN LEONG

Independent Non-Executive Director  
(Appointed on 13 April 2018)

## AUDIT AND RISK MANAGEMENT COMMITTEE

Dato' Seraja Mahkota Dato' Wira Zainuddin  
Bin Mahmud (Chairman)

Mr. Koay Then Hin

Mr. Ng Seng Bee

## AUDITORS

KPMG PLT

Level 18, Hunza Tower,  
163E, Jalan Kelawei,  
10250 Penang.

Tel : 04-2382288

Fax : 04-2382222

## REGISTERED OFFICE

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

Tel : 03-26924271

Fax : 03-27325388

## REMUNERATION COMMITTEE

Mr. Phang Kwai Sang (Chairman)

Dato' Tan Yee Boon

Mr. Wong Yuk Thin

(ceased as member on 27 November 2017)

Mr. Koay Then Hin

(appointed as member on 27 November 2017)

## SHARE REGISTRAR

Mega Corporate

Services Sdn. Bhd.

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](mailto:cicb@cicb.com.my)

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

## NOMINATION COMMITTEE

Dato' Seraja Mahkota Dato' Wira Zainuddin  
Bin Mahmud (Chairman)

Mr. Koay Then Hin

Mr. Phang Kwai Sang

## BANKERS

Malayan Banking Bhd.

United Overseas Bank (Malaysia) Bhd.

RHB Bank Bhd.

Hong Leong Bank Bhd.

## STOCK EXCHANGE LISTING

Main Market of the  
Bursa Malaysia Securities Berhad

Stock Code : 8052

Stock Name : CICB

## SECRETARY

Lim Seck Wah (MAICSA 0799845)

Kong Mei Kee (MAICSA 7039391)



## PROFILE OF BOARD OF DIRECTORS



Front (from left): Mr. Wong Yuk Thin, Dr. Uzir Bin Abdul Malik, Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud  
Back (from left): Dato' Tan Yee Boon, Mr. Ng Seng Bee, Mr. Phang Kwai Sang, Mr. Koay Then Hin

### DR. UZIR BIN ABDUL MALIK

- Non-Independent  
Non-Executive Chairman
- Malaysian • 73 • Male

**Dr. Uzir Bin Abdul Malik** was appointed to the Board of Central Industrial Corporation Berhad ("CICB") 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.

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

### WONG YUK THIN

- Managing Director
- Malaysian • 57 • Male

**Mr. Wong Yuk Thin**, was appointed as the Managing Director of Central Industrial Corporation Berhad ("CICB") on 30 August 2012. 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 his 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 possess 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., CICS Distributors Pte. Ltd, CIC Construction Sdn. Bhd. and associate company, Proventus Bina Sdn. Bhd.

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.

### PHANG KWAI SANG

- Non-Independent  
Non-Executive Director
- Malaysian • 65 • Male

**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.

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



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

- Independent  
Non-Executive Director
- Malaysian • 72 • Male

**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 (MAKSAB).

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
- Malaysian • 43 • Male

**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 five out of six Board Meetings held during the financial year.

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

### KOAY THEN HIN

- Independent  
Non-Executive Director
- Malaysian • 72 • Male

**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, Audit and Risk Management Committee and Remuneration 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.

### NG SENG BEE

- Independent  
Non-Executive Director
- Malaysian • 64 • Male

**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 all the Board Meetings held during the financial year.

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



### CHUAH GUAN LEONG

- Independent  
Non-Executive Director
- Malaysian • 49 • Male

**Mr. Chuah Guan Leong** was appointed to the Board of Central Industrial Corporation Berhad ("CICB") on 13 April 2018. He obtained his Bachelor of Accountancy (Honours) from the University of Dundee, United Kingdom 1992.

Mr. Chuah was based in China for a period of 23 years from 1994 to 2017 and served in various roles in several businesses and industries. He had served as the Chief Representative of Yan Yao, China, which was primarily involved in raw materials trading (rubber) and related investments. Based out of Shanghai, he started a construction company in JiangSu Province named Delong Construction Company, and served as its director from 1995 to 2000. Delong Construction Company was mainly involved in the construction of infrastructure projects, commercial and industrial development. He was appointed as the Financial Controller of Lion Ningbo Brewery from 2000 to 2004, a JV company between the Lion Group Malaysia and the conglomerate Ningbo KK Group involved in manufacturing and distribution of various brands of beverages. He oversaw the financial operations of the group which had annual revenue of RMB400 Million and 1,500 employees. He was subsequently headhunted as a Consultant with KK Group Ningbo in 2004, a conglomerate involved in food distribution, property development and land reclamation projects with annual revenues of RMB1 Billion. He was responsible mainly in financial and corporate strategy advisory to the Group.

In 2005, Mr. Chuah joined Hangzhou Pacific Cement as Director of Operations/Chief Financial Officer. He started with the operations of the company and saw its annual revenues increase to RMB500 Million. In 2015, Mr. Chuah was involved in the negotiation of the mandatory shut down of Hangzhou Pacific Cement by the state government and obtained a substantial compensation and benefits for its stakeholders.

Mr. Chuah moved back to Malaysia with his family in 2017 to invest his time and his resources back to his home country.

Mr. Chuah 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.



## PROFILE OF KEY MANAGEMENT

### DINESH RAJIVNATHAN

Assistant General

- Manager, Central Industrial Corporation Berhad
- Malaysian • 41 • Male

**Mr. Dinesh** joined as the Operations Manager of Central Industrial Corporation Berhad ("CICB") 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.

### KEW SY LENG

Group Financial Controller,

- Central Industrial Corporation Berhad
- Malaysian • 50 • Male

**Mr. Kew** joined Central Industrial Corporation Berhad ("CICB") on 2 October 2017 as Group Financial Controller. He holds a Bachelor Degree in Accountancy and a professional certificate which he attained in the year 1993 from University Malaya and MICPA respectively. He is a qualified accountant and a member of the Malaysian Institute of Accountants since 1996. He was also a member of the Malaysian Institute of Certified Public Accountants (MICPA) from 1996 to 2010.

Upon graduation, Mr. Kew joined the Industrial Training program organised by the Lion Group in collaboration with MICPA and was assigned to various departments and operating companies within the Lion Group.

Besides the Lion Group, Mr. Kew has also worked for companies under the DRB-HICOM group which manufactured and assembled two wheelers vehicles for Suzuki and Honda. He has vast experiences in the manufacturing industry especially in the automotive sector where he has served as Head of Finance. His experiences include management reporting, costing, cost reduction, Enterprise Risks Management and ERP system implementation.

Mr. Kew 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.



## PROFILE OF KEY MANAGEMENT (Cont'd)



### YAP BEE LING

- Purchasing Manager,  
• Central Industrial  
Corporation Berhad  
• Malaysian • 47 • Female

**Ms. Yap** joined Central Industrial Corporation Berhad ("CICB") 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 CICB, 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.

### CHEW EH PENG

- Domestic Manager,  
• CIC Marketing Sdn. Bhd.,  
Wholly-owned subsidiary  
of "CICB"  
• Malaysian • 54 • Male

**Mr. Chew** joined CIC Marketing Sdn. Bhd. ("CICM") in 1998 and graduated from University of Sains Malaysia with a Bachelor Degree in Management (Marketing). 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 CICM 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.

## PROFILE OF KEY MANAGEMENT (Cont'd)

### LEAN LEE TATT

Export Manager, CIC

- Marketing Sdn. Bhd.,  
Wholly-owned subsidiary of  
"CICB"
- Malaysian • 36 • Male

**Mr. Lean** joined CIC Marketing Sdn. Bhd. ("CICM") 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 CICM, 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"
- Malaysian • 36 • Male

**Mr. Yao** joined CIC Marketing Sdn. Bhd. ("CICM") 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 CICM, 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.

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.

### TERENCE YEE WAI LEONG

Sales Manager

- CICS Distributors Pte Ltd  
Wholly-owned subsidiary  
of "CICB"
- Singaporean • 39 • Male

**Mr. Yee** joined CICS Distributors Pte Ltd ("CICS") on 1 July 2012 as Assistant Sales Manager. He holds a Diploma In International Business which he attained in 2001 from Southern Cross University, Australia. He obtained his Professional Certificate in Electroplating in 2004 from Singapore Surface Finishing Society and a Certificate In Finance for Non-Finance Managers in 2018 from Temasek Polytechnic.

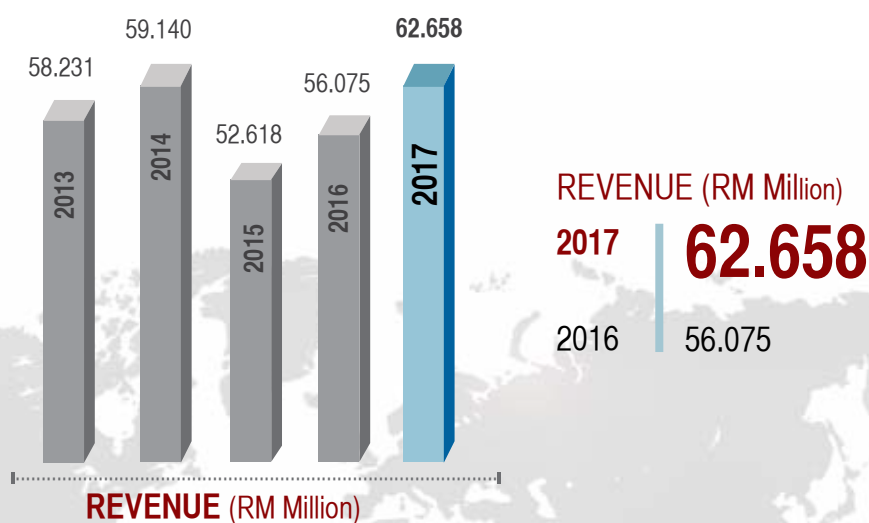
Prior to joining CICS, Mr Yee was the Assistant Manager of Business Development, for UK based Diesel Marine International whose principle activities are in the reconditioning of key engine component. He also held the portfolio of trading industrial products such as Loctite adhesive and sealants, responsible for South East Asia.

Mr. Yee 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 give (5) years.

## KEY FINANCIAL HIGHLIGHTS

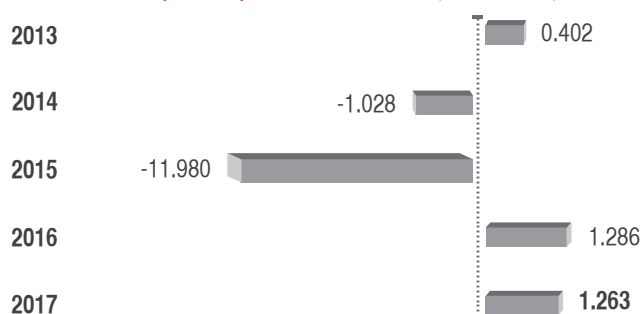


Description	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
<b>Revenue</b>	62,658	56,075	52,618	59,140	58,231
(Loss) / Profit before tax	1,263	1,286	(11,980)	(1,028)	402
(Loss) / Profit for the year	3,498	1,190	(11,979)	(1,046)	367
(Loss) / Profit attributable to shareholders	3,498	1,190	(11,979)	(1,046)	367
Share capital	51,407	45,780	45,780	45,780	45,780
Reserves	1,652	(415)	(1,627)	11,008	12,831
<b>TOTAL EQUITY</b>	53,059	45,365	44,153	56,788	58,611
Long term liabilities	1,715	1,659	1,817	1,252	1,170
Current liabilities	3,733	5,622	4,445	3,298	6,196
<b>TOTAL EQUITY AND LIABILITIES</b>	58,507	52,646	50,415	61,338	65,977
Property, plant and equipment	13,011	13,663	14,853	16,367	17,674
Investment properties	1,044	1,071	1,098	1,274	1,304
Prepaid lease payments	1,475	1,521	1,567	1,614	1,660
Investment in Associate	1,398	-	-	-	-
Deferred Tax Assets	2,275	-	-	-	-
Current assets	39,304	36,391	32,897	42,083	45,339
<b>TOTAL ASSETS</b>	58,507	52,646	50,415	61,338	65,977
Net assets per share (RM)	1.06	0.99	0.96	1.24	1.28
Net earnings / (loss) per share (sen)	7.16	2.60	(26.17)	(2.29)	0.80

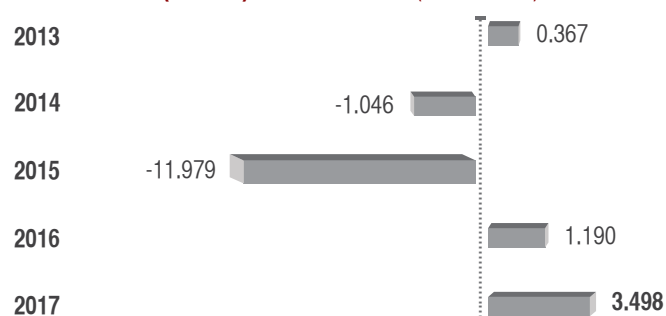


## KEY FINANCIAL HIGHLIGHTS (Cont'd)

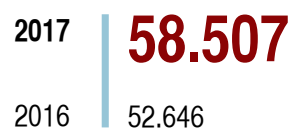
### PROFIT/(LOSS) BEFORE TAX (RM Million)



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



### TOTAL ASSETS (RM Million)



### EARNINGS PER SHARE (Sen)



### SHAREHOLDERS' FUND (RM Million)



### NET ASSETS PER SHARE (RM)



Quality,  
Innovation and  
Value Creation assured.

# MANAGEMENT DISCUSSION AND ANALYSIS



## Dear Stakeholders,

The financial year ended 31 December 2017 ("FY2017"), was another challenging year for Central Industrial Corporation Berhad ("CICB" or the "Company"). The Company remained steadfast in executing our strategies and worked hard to deliver growth amidst the soft local and global economy as the currency volatility continues to impact our business.

Our staff and management continued with unwavering commitment and resiliently navigated operational challenges and scaled business opportunities to achieve revenue growth to register a profitable year.

We continue to chart new achievements in our pursuit of growth during the year under review to successfully grow our masking tapes segment in both the domestic and export segments. New products launched towards the end of last financial year provided the growth momentum for our masking tapes sales, testimony to our product development activities bearing results.

As a result, the Company recorded revenue growth and sustained our profitability in FY2017.

## Financial Performance

For the financial year under review, the Group registered a consolidated profit before tax of RM1.263 Million, against a profit before tax of RM1.286 Million registered in the previous year.

The Group's consolidated profit after tax increased to RM3.498 Million from RM1.190 Million registered in the previous year attributed to the recognition of Deferred Tax Assets amounting to RM2.275 Million.

The consolidated overall sales increased by 11.74% to RM62.658 Million from RM56.075 Million recorded in previous year. At Company level, domestic segment revenue declined by 3.82% whereas export segment recorded revenue growth of 56.84% despite the challenging environment.

For FY2017, domestic sales recorded RM35.604 Million from RM37.020 Million recorded in the previous year while export sales recorded revenue of RM22.697 Million compared to RM14.471 Million in the previous year.

The Company's wholly owned subsidiary in Singapore, CICS Distributors Pte Ltd, recorded a decline of 4.93% in revenue at RM4.357 Million compared to the previous year's RM4.584 Million.

## Diversification

During the financial year, the Company continued to seek out opportunities to increase revenue and profitability in addition to our existing core business of manufacturing and marketing of specialized industrial tapes and labels stocks.

On 27 April 2017, the Company, via its newly incorporated subsidiary, CIC Construction Sdn. Bhd., subscribed 327,500 new ordinary shares for a cash subscription price of RM1.30 Million in a construction related company, Messrs Proventus Bina Sdn. Bhd. ("PBSB"), representing 20% of the total enlarged share capital of PBSB.

After our initial investment and evaluation of the performance of PBSB, the Company entered into a conditional share subscription agreement on 22 December 2017 with PBSB and its shareholders to further subscribe for an additional 1,035,969 new ordinary shares in PBSB, representing 38.75% of the enlarged number of issued shares of PBSB after the Proposed Subscription, for a cash consideration of RM2,983,749.

Subsequently, at the Extraordinary General Meeting held on 27 February 2018, our shareholders voted in favour for both the resolutions tabled for the Company to subscribe the additional shares in PBSB and diversify into construction related activities.

# MANAGEMENT

## DISCUSSION AND ANALYSIS (Cont'd)

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### Diversification (Cont'd)

For the financial year, our initial investment in PBSB contributed RM98,531 to group profits from our investment of 20%.

This investment will provide our group with an additional source of revenue and profits and allow the group to diversify from our existing business which will continue to focus on adhesive tapes manufacturing and trading in tapes and tape related business.

### OPERATIONAL REVIEW

For the year under review, the Company's operations faced headwinds with a softened domestic market in H2 of the year after a strong H1 performance, reflecting uncertain consumer spending in key business segments.

Domestic sales revenue declined 3.82% in 2017 while the export sales posted strong growth of 56.84%.

The Company's operational efficiencies and quality continued to improve and supported the strong growth of masking tapes sales in both export and domestic segments. In the year under review, supply chain strategies focused on reducing costs of raw materials and the Company was successful in partially substituting its crepe paper to an alternative source which resulted in significant cost savings and shorter supply lead time for critical crepe paper.

The Company concluded the upgrade of its ERP system in September 2017 which strengthened internal controls and provide real time reports on its operations for speedier management response and decision making.

In addition, our internal controls and risk management were addressed via a risk management framework with scheduled meetings to review and mitigate business and operational risks. The Company adopted the Balance Score Card as its performance management tool to drive and chart its progress toward set KPIs and corporate objectives.

For the year under review, the Group achieved a revenue of **RM62.658 Million**, a 11.74% Year On Year increase and Profit Before Tax of **RM1.263 Million**.

For the year under review, the highlights are:-

- a) Significantly expanded export sales of General Purpose Masking Tapes via a collaborative partnership with a global MNC for jumbo rolls which resulted in sales volumes in excess of 9.0 Million m2;
- b) Increased our domestic market share for High Temperature Masking Tapes market share to 85% from 66% with sales increase of RM1.80 Million and gross profit margin improvement.
- c) Exceeded our target for domestic General Purpose Masking Tapes with market share of 35% with sales of RM4.350 Million against prior year's RM2.880 Million at 24% market share.
- d) Reinforced our leadership position for masking tapes in the domestic market and creating opportunities to leverage the brand for sales and gross profit expansion in the new financial year.

Masking tapes continue to drive the Company's revenue and profit growth and the ability to leverage our experience to produce tapes with high levels of quality consistency is the main thrust behind our success in the domestic market and growth in the export market. The consistency in quality, as the Company had experienced in the past is one of the main factors that affect operating activities and volumes. The Company had increased output and volume by 17.4% Year On Year, and production capacities are being evaluated to ensure we are able to meet our customers' requirements going forward.



# MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)



## OPERATIONAL REVIEW (Cont'd)

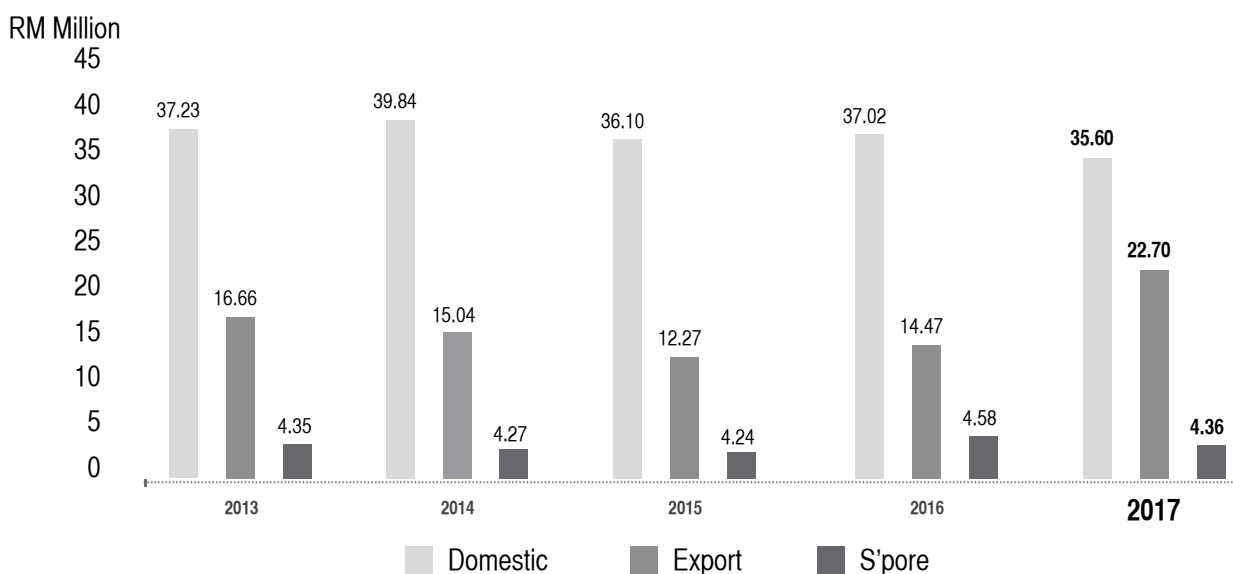
“Traded Items” though recording marginal growth of 3.0% in revenue compared to the previous year, generally underperformed attributed to the lack of new product launches in the domestic market. Increased resources and focus are required to urgently source new products for the Company’s current domestic reseller channel as well as new products for new sales channels.

However, the lack of new product launches in the past two years bear testimony that the current approach to grow traded items revenue require a strategic review to realign strategies.

Labels stocks, consistently declining in revenue in the past years, remain a challenge from increased credit risks, resulting from a highly competitive end user environment with high frequencies of customers incurring operational losses and exiting the industry. The Company’s network of end user customers continue to be supportive but are impacted by reduced business activities related to the increase competition from new entrants. As the Company has already outsourced its labels stocks intermediary raw materials, opportunities to improved gross profits margins are challenging as value adding is limited to converting and distribution of labels stocks.

## Revenue Performance by Segment

### Revenue by Segment from 2013 to 2017



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

- Domestic sales revenue declined 3.82% in 2017 to RM35.604 Million compared to RM37.020 Million in 2016. The domestic sales performance continued to be weighed down by lower labels stocks sales which declined 26.30% from the previous year as credit risk in this business segment increased on the back of lower consumer spending which impacted retail sales for consumer products. Masking tapes sales continue to grow 22.80% Year on Year as the Company focused its resources to increase sales to offset the decline in labels stocks revenue. However, traded items revenue registered a small growth of 2.8% against prior year due to a lack of new product offerings. The Company’s sourcing team underperformed in sourcing for new agencies for traded items for its current sales channel in hardware and stationery.
- Export sales revenue grew by 56.84% in 2017 to RM22.697 Million compared to RM14.471 Million in 2016. Export sales for masking tapes were hugely boosted by sales to the Indian sub-continent despite the intense competition from China and Taiwan made masking tapes. This was made possible by the quality consistency in our masking tapes products which were able to undergo robust market application requirements.

# MANAGEMENT

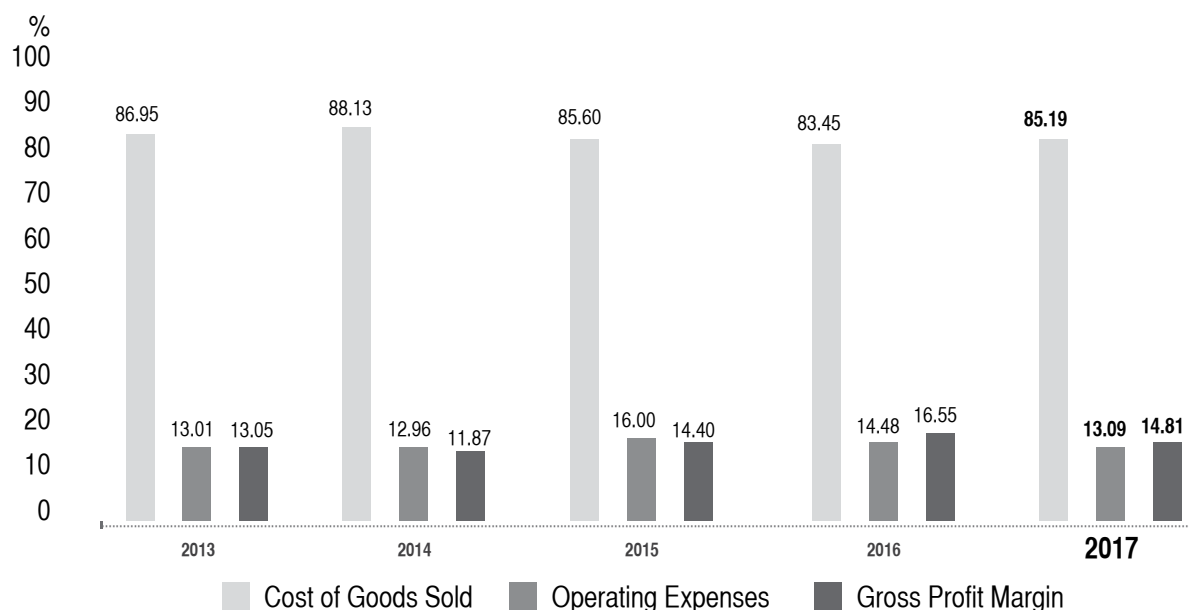
## DISCUSSION AND ANALYSIS (Cont'd)

### OPERATIONAL REVIEW (Cont'd)

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

- Singapore operations revenue declined by 4.93% in 2017 to RM4.357 Million compared to RM4.584 Million in 2016. The decline is attributed to the lower sales of its "Traded Items" which declined 19.70% in a highly competitive market.

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



The rising USD currency through a large part of the financial year continue to impact costs of imported raw materials until the final quarter of the year when the greenback receded against Asian currencies. However, as raw materials are purchased ahead of their production consumption, Costs of Goods in the financial year deteriorated 1.74% from 83.45% in 2016 to 85.19% in 2017. The benefit of lower raw material prices will only be realised in the 1<sup>st</sup> quarter of the new financial year.

Despite the unfavorable currency exchange, continuous improvements to supply chain efficiencies, better product sales mix, and higher plant volumes of 25% which contributed to lower production unit costs, the Company was able to contain the increase in Costs of Goods at 1.74%.

Operating Expenses reduced by 1.39% from 14.48% in 2016 to 13.09% in 2017 arising from the revenue growth of 11.74%.

Gross profit margin, however, declined 1.74% to 14.81% in 2017 compared to the previous year's 16.55% attributed to higher Costs Of Goods and foreign exchange translation losses in the final quarter.

#### Net Profit

CICB reported a Profit Before Tax of RM1.263 Million compared to the previous year's RM1.286 Million. The Profit Before Tax include the share of profits from our associate company, Proventus Bina Sdn. Bhd. which amounted to RM98,531.

Compared to the previous year, the marginally lower Profit Before Tax is attributed to higher Operating Expenses amounting to RM8.198 Million compared to RM8.143 Million in the previous year, partially attributed to the professional fees incurred for the issuance of new 4.220 Million new ordinary shares in the financial year. Unfavourable changes to Non Operating Income & Expenses amounting to RM59,549 during the year had also contributed to the lower profit performance.

However, the Company's Profit After Tax increased significantly to RM3.498 Million. As a result, the Company responded positively to the challenging operating conditions to record revenue growth and sustained our profitability in FY2017.

# MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)



## Dividend

The Company declared a final single tier dividend of 1.75 sen per share for FY2017, subject to shareholders approval at the 45<sup>th</sup> Annual General Meeting to be held on 28 May 2018.

## What 2018 hold for us

Our strategies in 2017 has guided us well and we will continue to adopt most of prior year's strategies for the domestic and export markets opportunities albeit with a higher sense of urgency to aggressively increase trading activities and tapes sales in the domestic segment while rationalising export product sales to improve gross profit margins to attain our revenue and profit growth objectives.

### Market

These opportunities will sustain export sales and enhance gross profit margins for industrial, automotive and general purpose tape via existing and new geographical markets;

At the same token, the Company is confident of sustaining its export sales of General Purpose Masking Tapes sales as the interest in our products has increased significantly from positive inquiries from the export market. Furthermore, our new product development activities will allow us to develop more cost effective products to address the entrance of a major European competitor with saturation and coating capabilities in Asia;

Domestic tapes sales are poised to grow for automotive masking tapes with a reengineered product to meet market requirements and gain further market share from imported automotive masking tapes;

While domestic masking tapes sales are projected to grow from reengineered masking tapes products, domestic gross profit margin will expand further for high temperature masking tapes via cost down of critical raw material;

On "traded items", the Company's strategies will reviewed to re-strategised.

Regretfully, the Company forecast a further reduction of labels stocks sales and associated operations;

### Plant Operations

- a) Our operational efficiency improvements will continue to leverage KAIZEN and LEAN manufacturing techniques which has brought us results in stabilising our quality consistency and optimising resources;
- b) Improvements to Working Capital with targets and actions for inventories and receivables;
- c) Increase utilisation of production assets to reduce unit costs;
- d) Accelerate product innovation and raw material substitution for General Purpose, Industrial and Automotive Masking Tapes for cost reductions;
- e) Quality stability via stringent quality control checks for raw material and production processes;
- f) Enhance knowledge in the chemistry of saturation, release coating and crepe paper compatibility with solvent rubber adhesive to sustain a high level of quality products;

### People

- g) Well define and balance people training and development programs focusing on upskilling management team, staff productivity and motivation with a higher training budget allocation and utilisation of government training funds;

# MANAGEMENT

## DISCUSSION AND ANALYSIS (Cont'd)

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### What 2018 hold for us (Cont'd)

#### **System/Processes**

- h) Drive performance via Strategic Performance Management Tool (Balance Scorecard) and align key actions to Company's goals;
- i) Further ERP system improvements to enhance internal controls and business decision making.

#### **Outlook and Prospects**

With the completion of the subscription of additional shares in PBSB, our Group will have two business segments, namely industrial tapes manufacturing and construction. Moving forward, these two core business are expected to enhance the financial performance and prospect of our Group in 2018.

#### **Industrial tape business**

The outlook for the 2018, remain unchanged with soft domestic market overhang conditions amidst challenges to the export segments due to entrance of a new manufacturer of masking tapes in Asia.

Revenue growth for domestic segment will focus on growth from tapes and traded items sales as we continue to downsize unprofitable labels stocks sales. Our Company's tapes and traded items strategy focuses on creating new sales channels to drive growth and complement existing resellers channels.

The export segment has pushed ahead with product re-engineering to enter new geographical markets and anticipate to regain lost market share in its traditional export markets as well as increase export sales to Central and Latin America. Its re-engineered products rolled out in soft launches in the last quarter of 2017 has been well received and anticipated to contribute to optimisation of plant assets, resources and lower production unit costs.

Though challenging, 2018 will continue to present opportunities for the Company to sustain its positive performance trajectory for industrial tapes manufacturing segment.

#### **Diversification**

Our associate company, PBSB has outstanding order book of RM60.2 Million scheduled for completion in 2018. PBSB is also currently tendering for new construction projects and when secured, will enhance their order book and earnings further.

The construction sector is forecast to register a growth of 7.5% in 2018, attributed to positive growth in all subsectors, albeit civil engineering (14.2%) and specialized construction activities (8.5%). However, the residential subsector moderated 1.1% weighed down by lower sales in high end properties but cushioned by construction of service apartments and Government affordable housing projects. Taking into consideration the Profit Guarantee provided by the PBSB, we are of the view that our associate company will contribute positively to the Group profits.

With the above developments, the Company is well poised to sustain its business into the longer term future. In the short term, the Management will need to execute the strategies to ensure a firm foundation for the future of the Company.

On behalf of the Management, I would like to thank all our customers, shareholders, suppliers and staff for their continual support to the CICB Group of Companies. In addition I wish to convey my personal gratitude to my Board of Directors and our staff for their support in the year and moving forward into 2018.

**Wong Yuk Thin**  
*Managing Director*

# SUSTAINABILITY STATEMENT



Central Industrial Corporation Berhad takes pleasure to present our first Sustainability Statement.

Sustainability is central to our Company as we strive to achieve our goals and meet the expectations of our stakeholders. We have undertaken the following initiatives to integrate sustainability into our business operations and practices. Our Sustainability Statement is prepared in accordance to the guideline of Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Sustainability Statements in Annual Reports.

Our sustainability initiatives are based on material sustainability identified and prioritised by the Management and related to economic, environment and social issues relevant to our business.

## **ECONOMIC**

### **i) Business Growth**

Our Company had our first expansion project in 2007 when we relocated our old plant at Perai, Pulau Pinang to Sungai Petani, Kedah to a new plant with increased production capacities.

Market opportunities in the competitive self-adhesive tapes markets has driven us to plan for further capacity expansion to cater for our customers growing demand. In addition to potentially increasing production capacity for core products, we also plan to enhance our range of speciality tapes.

Besides our core business of manufacturing self adhesive tapes and labels, we consistently extend our product portfolio for tape related trading items to cater to a wider spectrum of customers and end-users requirements. Our ultimate objective is to become a preferred solution provider to the regional self adhesive tapes and label industries.

### **ii) New Product Development**

In our line of business, innovation is a key driver to sustainability. We recognise this important equation to remain competitive and be of value to our customers. Our New Product Development team spearhead the development of new products and enhancement of existing range of products.

Our products are developed to enhance user experience. Samples and test outcomes are shared with customers for their review and acceptance prior to commercialized.

In the past 2 years, our New Product Development pipeline has resulted in a total of 6 new products commercialised in addition to the enhancement of another 6 existing products. This had allowed our Company to sustain our business growth trajectory.

### **iii) ISO9001:2008**

We are committed to deliver high quality products to our customers and have been accredited ISO9001 from SIRIM Malaysia since 1994. To sustain our quality standards, we are in the process of upgrading our existing system to ISO9001:2015 in 2018.

### **iv) Code of Business Conduct and Whistleblower Policy**

Our policy is to conduct business in an honest and ethical manner and in accordance with the laws that apply us. The Company seeks to be a good corporate citizen and achieve our business goals in a manner that enhances our reputation for integrity.

In order to do that, we have instituted a Code of Business Conduct as part of our efforts to foster proper business conduct and ethical decision-making; to prevent unethical or unlawful behavior and to stop any such behavior as soon as reasonably possible after its discovery.

# SUSTAINABILITY STATEMENT (Cont'd)

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## **ECONOMIC (Cont'd)**

### **iv) Code of Business Conduct and Whistleblower Policy (Cont'd)**

In line with good corporate governance practices, our Company has established a Whistleblower Policy together with the relevant mechanism and encourages our employees to report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste and abuse involving the resources of the Company.

## **ENVIRONMENT STEWARDSHIP**

Our Company is committed to prevent pollution through environmental controls, minimisation of wastes and efficient use of all the energy and engages competent consultants to conduct Air Emission Monitoring and Noise Monitoring to ensure that our operations meet the requirements set by the Department of Environment and Department of Occupational Safety and Health.

Our Company has its environment team to promote environmental awareness and in the conservation of the environment. The environment team plays 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 and over the years, undertaken its fair share to conserve the environment including:-

### **i) Solvent Recovery**

Our 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.

### **ii) Scheduled Waste Management**

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

### **iii) Non-Scheduled Waste Management**

All our non-scheduled waste are disposed by licensed contractors at industrial waste dump sites. Recyclable waste will be sold to salvage buyer to reduce consumption of natural resources.

### **iv) Wood Fuel for Boiler**

Instead of using diesel which is not environment friendly, waste wood from logging and furniture factories are used as wood fuel for Boiler for steam generation. Our boiler (and other machines) undergoes inspection from Department of Occupational Safety and Health every 12 months.

### **v) Chemical Health Risk Assessment**

As various chemicals are used in our production process, we engage 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.

## **SOCIAL RESPONSIBILITY**

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



# SUSTAINABILITY STATEMENT (Cont'd)



## SOCIAL RESPONSIBILITY (Cont'd)

We continue to play our part as a responsible corporate citizen and discharge our social responsibilities through active participation in CSR programs.

### i) Industrial Training

Our 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. For suitable and qualified trainees, the company may offer permanent employment to them after they graduated.

### ii) Charitable Contributions

Our Company co-sponsored the SP Half Marathon together with other corporations in 2017. This event promoted a) a healthy lifestyle, b) encourage new runners especially the young generation and c) donation to needful.

A total of 48 of our employees turned up on 23 September 2017 at Dataran Sungai Petani with 6 of our employees accomplishing the 12KM run while the rest completed the 5KM run. The good turn-up and team spirit earned us the 2nd Highest Participants Turn-Up Award in the Corporate category.



# SUSTAINABILITY STATEMENT (Cont'd)

## SOCIAL RESPONSIBILITY (Cont'd)

### iii) Employees' Welfare

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

- **Safety & Health Team**

Our Company has an in-house Occupational Safety & Health Committee which meet at least once quarterly to discuss on safety and health related issues concerning our employees, plant & equipment and also the working environment. The Committee's objective is to 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.

- **Emergency Response Team**

Our Emergency Response Team (ERT) assists the Management and employees during emergencies to ensure that all our employees are safe during such incidents and our Company's properties and materials are well protected from accidents or mishaps.





## **SOCIAL RESPONSIBILITY (Cont'd)**

### **iii) Employees' Welfare (Cont'd)**

- **Personal Protective Equipment**

Employees' safety and health are our utmost concern. Our Company issues Personal Protective Equipment including safety shoes, ear plug, handglove, face mask/aspirator, back brace, etc, to ensure all employees carry out their duties in a safe environment.

- **Human Capital Development**

Our Company believes that our human capital forms the backbone of the organisation. Our human resource's strategy is align to business priorities as we recognise the symbiosis between an organisation and our human capital. Aligning our growth strategy to external changes and mobilising our employees to act quickly in response to these changes is critical to our sustainable growth. Our policy is to provide training for all levels of staff and we contribute to Human Resource Development Fund and committed to the development and training of our employees to enhance their respective skills and competencies.

In 2017, a total of 17 public training programs and seminars were attended by our employees with total training costs amounting to RM25,000, in additional to the continuous on-the-job trainings conducted by our Managers, Executives and Supervisors.

- **Appreciation for Suggestions**

Suggestions from employees are encouraged and recognized. The Company rewards employees in kind or cash for suggestions that help to increase productivity, reduce costs and minimize wastages. Since the introduction of our Appreciation Reward Scheme, we have active employee participation for suggestions which contribute to improving production process, boosting products quality and enhancing safety at work.

- **Employee Engagement**

In today's HR, employee engagement is critical. We recognise the importance and benefits of an engaged and satisfied workforce in sustaining high levels of productivity, improve employee retention, promote customer loyalty and Company profitability. We carried out an employee engagement survey in the fourth quarter of 2017 and have undertaken measures to narrow the gap between the present and desired levels of employee satisfaction.

# 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 1 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 1 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 15.11 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 five (5) Audit and Risk Management Committee meetings held during the financial year ended 31 December 2017. 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	5/5 meetings
Mr. Koay Then Hin	5/5 meetings
Mr. Ng Seng Bee	5/5 meetings

## SUMMARY OF ACTIVITIES OF THE COMMITTEE DURING THE YEAR

The activities 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) Reviewed the Audit and Risk Management Committee Report and the Statement of Risk Management and Internal Control prior to submission of the same to the Board for consideration and inclusion in the Annual Report.



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

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## 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 ending 31 December 2017.

During the financial year, RSM carried out a total of two (2) 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 2017, the total cost incurred for the internal audit function was RM38,851.59.

# STATEMENT ON CORPORATE GOVERNANCE

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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 ("MCCG") issued by the Securities Commission and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR").

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### I. BOARD RESPONSIBILITIES

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.

#### 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.

#### 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;

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)



## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### I. BOARD RESPONSIBILITIES (Cont'd)

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

viii) Establish such committees, policies and procedures to effectively discharge the Board's roles and responsibilities;

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 Board assumes, amongst others, the following duties and responsibilities:- (Cont'd)

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.

#### 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).

#### 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 Sustainability Statement is set out in pages 23 and 27 of this Annual Report.

#### 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.

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### I. BOARD RESPONSIBILITIES (Cont'd)

#### Access to Information and Advice (Cont'd)

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.

#### 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.

#### 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 27 February 2018 and is published on the Company's website at [www.cicb.com.my](http://www.cicb.com.my).

## REINFORCE INDEPENDENCE

### 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.

### Tenure of Independent Director

One of the recommendations of MCCG 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.

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)



## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### I. BOARD RESPONSIBILITIES (Cont'd)

#### REINFORCE INDEPENDENCE (Cont'd))

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

The shareholders' approval was obtained at the 44<sup>th</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 45<sup>th</sup> AGM to retain Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud and Mr. Koay Then Hin as Independent Non-Executive Directors.

##### **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.

##### **Composition of the Board**

At the date of this statement, the Board consists of eight (8) members comprising one (1) Managing Director, two (2) Non-Independent Non-Executive Directors and five (5) 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.

## FOSTER COMMITMENT

### **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 2017, the Board met on six (6) 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.

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### I. BOARD RESPONSIBILITIES (Cont'd)

#### FOSTER COMMITMENT (Cont'd)

##### Time Commitment and Expectations (Cont'd)

	Meetings Attended
Dr. Uzir Bin Abdul Malik	6/6
Mr. Wong Yuk Thin	6/6
Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud	6/6
Dato' Tan Yee Boon	4/6
Mr. Phang Kwai Sang	6/6
Mr. Koay Then Hin	6/6
Mr. Ng Seng Bee	6/6

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.

#### 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.

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

NO.	NAME	PROGRAMME
1.	Dr. Uzir Bin Abdul Malik	<ul style="list-style-type: none"> <li>Being Financially Literate: An Introduction to Understanding Financial Statements</li> <li>CG Breakfast Series for Directors: "Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World"</li> </ul>
2.	Mr. Wong Yuk Thin	<ul style="list-style-type: none"> <li>Mid-Tier Companies Development Programme (MTCDP) CEO Forum #1</li> <li>Mid-Tier Companies Development Programme (MTCDP) Wave 4: B2B Branding &amp; Marketing Workshop</li> <li>Mid-Tier Companies Development Programme (MTCDP) CEO Forum #2</li> <li>Experience the Power of CEO Peer Advisory Group</li> </ul>
3.	Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud	<ul style="list-style-type: none"> <li>Effective Internal Audit Function for Audit Committee Workshop – A Programme for Audit Committee Members</li> </ul>



# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)



## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### I. BOARD RESPONSIBILITIES (Cont'd)

#### FOSTER COMMITMENT (Cont'd)

##### Training (Cont'd)

NO.	NAME	PROGRAMME
4.	Dato' Tan Yee Boon	<ul style="list-style-type: none"><li>BDO – transfer pricing</li><li>BDO – Analysis on 2017 worldwide acquisition transactions</li></ul>
5.	Mr. Phang Kwai Sang	<ul style="list-style-type: none"><li>Being Financially Literate: An Introduction to Understanding Financial Statements</li></ul>
6.	Mr. Koay Then Hin	<ul style="list-style-type: none"><li>Sustainability Report and Management Discussion &amp; Analysis – What a Director Needs to Know</li></ul>
7.	Mr. Ng Seng Bee	<ul style="list-style-type: none"><li>2017 Budget Seminar – Updates for Corporate Accountants</li></ul>

#### UPHOLD INTEGRITY IN FINANCIAL REPORTING

##### 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 and the provisions of the Companies Act 2016 have been applied.

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.

##### State of internal controls

The Statement on Risk Management and Internal Control furnished on pages 43 to 45 of this Annual Report, provides an overview on the state of internal controls within the Group.

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### I. BOARD RESPONSIBILITIES (Cont'd)

#### UPHOLD INTEGRITY IN FINANCIAL REPORTING (Cont'd)

##### 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 29 to 30 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 22 of this Annual Report.

##### 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.

### II. BOARD COMPOSITION

#### Nomination

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

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

The Committee consists entirely of Non-Executive Directors with a majority of them being Independent Directors. In observance with MCCG, the Committee is chaired by an Independent Non-Executive Director.

#### 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 A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### II. BOARD COMPOSITION (Cont'd)

#### 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.

### III. DIRECTORS' REMUNERATION

#### Remuneration Committee

The Remuneration Committee ("the Committee") consists of the following Directors:-

- Mr. Phang Kwai Sang : Chairman, Non-Independent Non-Executive Director
- Dato' Tan Yee Boon : Member, Independent Non-Executive Director
- Mr. Koay Then Hin : Member, Independent Non-Executive Director (appointed as member on 27 November 2017)
- Mr. Wong Yuk Thin : Member, Managing Director (ceased as member on 27 November 2017)

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.

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### III. DIRECTORS' REMUNERATION (Cont'd)

#### Remuneration Committee (Cont'd)

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.

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 one (1) time 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 2017, are as follows:-

	<b>Fees RM</b>	<b>Salaries RM</b>	<b>Bonuses RM</b>	<b>Statutory contributions RM</b>	<b>Benefits &amp; Allowances RM</b>	<b>Total RM</b>
Wong Yuk Thin	10,000	436,968	40,000	71,700	17,400	576,068
Dr Uzir Bin Abdul Malik	50,000	-	-	-	10,500	60,500
Ng Seng Bee	36,000	-	-	-	10,750	46,750
Koay Then Hin	36,000	-	-	-	11,500	47,500
Dato'Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud	36,000	-	-	-	13,000	49,000
Phang Kwai Sang	36,000	-	-	-	8,500	44,500
Dato'Tan Yee Boon	36,000	-	-	-	4,750	40,750
<b>Total</b>	<b>240,000</b>	<b>436,968</b>	<b>40,000</b>	<b>71,700</b>	<b>76,400</b>	<b>865,068</b>

The number of top six (6) senior management staff whose total remuneration falls within the following bands are:

<b>Range of remuneration</b>	<b>Number of Senior Management staff</b>
RM100,001 – RM150,000	3
RM150,001 – RM200,000	2
RM200,001 – RM250,000	1

*The Board has chosen to disclose the remuneration of the senior management staff in bands instead of named basis as the Board considered the information of the remuneration of these staff to be sensitive and proprietary. The transparency and accountability aspects of corporate governance applicable to the remuneration of these staff are deemed appropriately served by the above disclosures.*

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)



## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### 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.

### 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 C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP

### 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.

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.

### 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.

### 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-eight (28) days before the meeting.

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP (Cont'd)

### 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, take 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.

### 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.

## COMPLIANCE STATEMENT

The Board is satisfied that the Company had applied most of the principle and best practices of MCCG during the financial year. The Board is committed and will continue to enhance compliance with MCCG within the Company and the Group. This statement on Corporate Governance has been approved by the Board of the Company.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



The Malaysian Code on Corporate Governance 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 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") 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 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 Management through meetings scheduled quarterly or as and when deemed necessary.

The following processes are carried out continuously:

- a) 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;
- b) 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;
- c) The Sales and Finance departments jointly conduct Account Receivable meetings every month analyzing 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)

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## 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 Management execute measures and controls to ensure that risks are effectively managed. As part of risk identification process, the Board receives updates of the Company's risk management by the Management during the Board meetings.

The Board, assisted by 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 2017.

The principal role 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.

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

- Performed one (1) follow up review on 2016 audits and two (2) internal audit reviews, once on each of the areas relating to:-
  - Product Costing
  - Cyber Risk Management
- 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.

## INTERNAL CONTROL

### 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.

### 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 Limits of Authority for the Group's operating units.

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



## INTERNAL CONTROL (Cont'd)

### Organisational Structure and Authorisation (Cont'd)

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.

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. Actual performances are monitored and measured monthly against Budget by the Management and corrective actions taken to address shortfall areas. 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 auditors 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 the Board of Directors and Management 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.

### 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 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.

The Board has received assurance from the Managing Director and Group Financial Controller that the Group's risk management and internal controls system are operating adequately and 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.

This Statement on Risk Management and Internal Control covers Central Industrial Corporation Berhad and its subsidiaries only and excludes associated company, Proventus Bina Sdn. Bhd. It is made in accordance with a resolution of the Board of Directors dated 13 April 2018.

## OTHER INFORMATION

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- **Utilisation of Proceeds**

The Company issued 4,220,000 new ordinary shares in two tranches via private placements with proceeds raised used for working capital during the financial year ended 31 December 2017.

- **Diversification**

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. The intended principal activities of CICC are that of investment holding, contractor of building and infrastructure, and trading of building materials.

On 27 April 2017, the Company's wholly-owned subsidiary, CIC Construction Sdn. Bhd. ("CICC") entered into a subscription agreement with Proventus Bina Sdn. Bhd. ("PBSB") and the existing shareholders of PBSB to subscribe 327,500 new ordinary shares of PBSB, representing 20% of the total enlarged share capital of PBSB, at a total consideration of RM1,300,000. Consequently, PBSB became an indirect 20% owned associate of the Group.

On 22 December 2017, the Company's wholly-owned subsidiary, CIC Construction Sdn. Bhd. ("CICC") entered into a conditional share subscription agreement with its associate, Proventus Bina Sdn. Bhd. ("PBSB") and the existing shareholders of PBSB to further subscribe for an additional 1,035,969 new PBSB's shares, representing 38.75% of the enlarged number of issued shares of PBSB after the proposed subscription for a cash consideration of RM2,983,749. The proposed subscription will result in CICC increasing its equity stake in PBSB from existing 20% to 51%. The proposed subscription has not been completed at the date of this report.

- **Audit Fees**

Audit Fees paid to external auditors amounted to RM97,461, which were paid to its statutory auditors.

- **Non-Audit Fees**

The total non-audit fees paid to external auditors and its affiliates during the financial year ended 31 December 2017 amounted to RM12,100.

- **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 2017 or since the end of the previous financial year.



## FINANCIAL STATEMENTS

DIRECTORS' REPORT	48
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	51
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	52
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	53
CONSOLIDATED STATEMENT OF CASH FLOWS	54
STATEMENT OF FINANCIAL POSITION	56
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	57
STATEMENT OF CHANGES IN EQUITY	58
STATEMENT OF CASH FLOWS	59
NOTES TO THE FINANCIAL STATEMENTS	60
STATEMENT BY DIRECTORS	102
STATUTORY DECLARATION	103
INDEPENDENT AUDITORS' REPORT	104

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017.

## 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	3,497,521	3,349,908

## Reserves and provisions

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

## Dividend

No dividend was paid since the end of the previous financial year.

A first and final single-tier dividend of 1.75 sen per ordinary share totalling RM875,000 in respect of the financial year ended 31 December 2017 has been recommended by the Directors, subject to the approval of the members at the forthcoming Annual General Meeting.

## Directors of the Company

Directors who served during the financial year until the date of this report are:

Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud  
Koay Then Hin  
Wong Yuk Thin  
Dato' Tan Yee Boon  
Phang Kwai Sang  
Ng Seng Bee  
Dr. Uzir Bin Abdul Malik  
Chuah Guan Leong (appointed on 13 April 2018)

## Directors of subsidiaries

Pursuant to Section 253(2) of the Companies Act 2016, the directors who served in the subsidiaries during the financial year and up to the date of this report are as follows:

Wong Yuk Thin  
Koay Then Hin  
Phang Kwai Sang  
Terence Yee Wai Leong





### **Directors' interests in shares**

None of the Directors holding office at 31 December 2017 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

### **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**

During the financial year, the Company issued 4,220,000 new ordinary shares at an issue price of RM1 each for a total cash consideration of RM4,220,000 via a private placement for working capital purposes.

There were no other changes in the issued and paid-up capital of the Company and no debentures were issued by the Company during the financial year other than as disclosed above.

### **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 paid for Director and officer of the Group and of the Company is RM9,000 for a total sum insured of RM5,000,000. There was no indemnity given to Director/officer/auditor of the Group and 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

# **DIRECTORS' REPORT** (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

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## **Other statutory information (Cont'd)**

At the date of this report, the Directors are not aware of any circumstances: (Cont'd)

- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## **Significant events**

The details of such events are disclosed in Note 30 to the financial statements.

## **Subsequent event**

The details of such event are disclosed in Note 31 to the financial statements.

## **Auditors**

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

The auditors' remuneration is disclosed in Note 18 to the financial statements.

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

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**Wong Yuk Thin**  
Director

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**Koay Then Hin**  
Director

Date: 13 April 2018  
Penang

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017



	Note	2017 RM	2016 RM
<b>Assets</b>			
Property, plant and equipment	3	13,010,559	13,663,141
Investment properties	4	1,043,909	1,070,822
Prepaid lease payments	5	1,475,204	1,521,341
Investment in associate	7	1,398,531	-
Deferred tax assets	14	2,275,000	-
<b>Total non-current assets</b>		<b>19,203,203</b>	<b>16,255,304</b>
Inventories	8	15,498,484	14,426,486
Trade and other receivables	9	11,312,651	11,498,195
Cash and cash equivalents	10	12,492,976	10,466,157
<b>Total current assets</b>		<b>39,304,111</b>	<b>36,390,838</b>
<b>Total assets</b>		<b>58,507,314</b>	<b>52,646,142</b>
<b>Equity</b>			
Share capital	11	51,406,679	45,780,000
Reserves	12	1,652,120	(415,443)
<b>Total equity attributable to owners of the Company</b>		<b>53,058,799</b>	<b>45,364,557</b>
<b>Liabilities</b>			
Employee benefits	13	1,714,880	1,659,023
<b>Total non-current liabilities</b>		<b>1,714,880</b>	<b>1,659,023</b>
Trade and other payables	15	3,713,134	5,602,242
Current tax liabilities		20,501	20,320
<b>Total current liabilities</b>		<b>3,733,635</b>	<b>5,622,562</b>
<b>Total liabilities</b>		<b>5,448,515</b>	<b>7,281,585</b>
<b>Total equity and liabilities</b>		<b>58,507,314</b>	<b>52,646,142</b>

The notes on pages 60 to 101 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM	2016 RM
<b>Revenue</b>	16	<b>62,657,848</b>	56,074,608
Cost of sales		(53,380,782)	(46,791,802)
<b>Gross profit</b>		<b>9,277,066</b>	9,282,806
Other income		980,504	910,674
Distribution expenses		(3,489,162)	(3,612,907)
Administrative expenses		(4,709,276)	(4,529,924)
Other expenses		(894,463)	(765,084)
<b>Results from operating activities</b>		<b>1,164,669</b>	1,285,565
Finance costs	17	-	(28)
Share of profit of equity-accounted associate, net of tax		98,531	-
<b>Profit before tax</b>	18	<b>1,263,200</b>	1,285,537
Tax benefit/(expense)	20	2,234,321	(95,767)
<b>Profit for the year</b>		<b>3,497,521</b>	1,189,770
<b>Other comprehensive (expense)/income, net of tax</b>			
<b>Item that is or may be reclassified subsequently to profit or loss</b>			
Foreign currency translation differences for foreign operation		(23,279)	22,132
<b>Other comprehensive (expense)/income for the year, net of tax</b>	29	<b>(23,279)</b>	22,132
<b>Total comprehensive income for the year</b>		<b>3,474,242</b>	1,211,902
<b>Profit for the year attributable to owners of the Company</b>		<b>3,497,521</b>	1,189,770
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>3,474,242</b>	1,211,902
<b>Basic earnings per ordinary share (sen)</b>	21	<b>7.16</b>	2.60

The notes on pages 60 to 101 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017



	Attributable to owners of the Company				
	Non-distributable		Distributable (Accumulated losses)/ Retained earnings		
	Share capital RM	Share premium RM	Translation reserve RM	RM	Total equity RM
<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 11		Note 12		
<b>1 January 2017</b>	45,780,000	1,406,679	300,384	(2,122,506)	45,364,557
Foreign currency translation differences for foreign operation	-	-	(23,279)	-	(23,279)
Total other comprehensive expense for the year	-	-	(23,279)	-	(23,279)
Profit for the year	-	-	-	3,497,521	3,497,521
Total comprehensive (expense)/ income for the year	-	-	(23,279)	3,497,521	3,474,242
<i>Contributions by owners of the Company</i>					
- Issuance of shares	4,220,000	-	-	-	4,220,000
<b>Total transactions with owners of the Company</b>	4,220,000	-	-	-	4,220,000
Transfer in accordance with Section 618(2) of the Companies Act 2016	1,406,679	(1,406,679)	-	-	-
<b>At 31 December 2017</b>	51,406,679	-	277,105	1,375,015	53,058,799
	Note 11		Note 12		

The notes on pages 60 to 101 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM	2016 RM
<b>Cash flows from operating activities</b>			
Profit before tax		1,263,200	1,285,537
Adjustments for:			
Amortisation of prepaid lease payments	5	46,137	46,108
Depreciation			
- Property, plant and equipment	3	1,767,512	1,750,285
- Investment properties	4	26,913	26,914
(Gain)/Loss on disposal of plant and equipment	18	(102,000)	2,896
Finance costs	17	-	28
Interest income	18	(149,885)	(58,983)
Plant and equipment written off	18	7,214	2,290
Provision for retirement benefits	13	174,002	159,928
Share of profit of equity-accounted associate		(98,531)	-
<b>Operating profit before changes in working capital</b>		<b>2,934,562</b>	<b>3,215,003</b>
Changes in inventories		(1,080,028)	1,148,904
Changes in trade and other receivables		156,311	36,276
Changes in trade and other payables		(1,859,260)	1,157,062
Cash generated from operations		151,585	5,557,245
Tax paid		(40,498)	(45,430)
Retirement benefits paid	13	(118,145)	(318,274)
<b>Net cash (used in)/from operating activities</b>		<b>(7,058)</b>	<b>5,193,541</b>

The notes on pages 60 to 101 are an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017



	Note	2017 RM	2016 RM
<b>Cash flows from investing activities</b>			
Proceeds from disposal of plant and equipment		102,000	15,934
Purchase of property, plant and equipment	3	(1,122,213)	(581,110)
Interest received		149,885	58,983
Addition of investment in associate		(1,300,000)	-
<b>Net cash used in investing activities</b>		<b>(2,170,328)</b>	<b>(506,193)</b>
<b>Cash flows from financing activities</b>			
Interest paid		-	(28)
Proceeds from issuance of shares		4,220,000	-
<b>Net cash from/(used in) financing activities</b>		<b>4,220,000</b>	<b>(28)</b>
Net increase in cash and cash equivalents		<b>2,042,614</b>	4,687,320
Effect of exchange rate fluctuations on cash and cash equivalents		<b>(15,795)</b>	21,420
Cash and cash equivalents at 1 January		<b>10,466,157</b>	5,757,417
<b>Cash and cash equivalents at 31 December</b>	10	<b>12,492,976</b>	10,466,157

The notes on pages 60 to 101 are an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 RM	2016 RM
<b>Assets</b>			
Property, plant and equipment	3	12,122,210	12,752,033
Investment properties	4	1,789,670	1,835,810
Prepaid lease payments	5	1,475,204	1,521,341
Investments in subsidiaries	6	1,213,100	1,213,000
Deferred tax assets	14	2,275,000	-
<b>Total non-current assets</b>		<b>18,875,184</b>	<b>17,322,184</b>
Inventories	8	15,285,345	14,020,959
Trade and other receivables	9	11,495,225	11,094,406
Cash and cash equivalents	10	12,296,246	9,666,230
<b>Total current assets</b>		<b>39,076,816</b>	<b>34,781,595</b>
<b>Total assets</b>		<b>57,952,000</b>	<b>52,103,779</b>
<b>Equity</b>			
Share capital	11	51,406,679	45,780,000
Reserves	12	(370,772)	(2,314,001)
<b>Total equity</b>		<b>51,035,907</b>	<b>43,465,999</b>
<b>Liabilities</b>			
Employee benefits	13	1,714,880	1,659,023
<b>Total non-current liabilities</b>		<b>1,714,880</b>	<b>1,659,023</b>
Trade and other payables	15	5,180,712	6,958,437
Current tax liabilities		20,501	20,320
<b>Total current liabilities</b>		<b>5,201,213</b>	<b>6,978,757</b>
<b>Total liabilities</b>		<b>6,916,093</b>	<b>8,637,780</b>
<b>Total equity and liabilities</b>		<b>57,952,000</b>	<b>52,103,779</b>

The notes on pages 60 to 101 are an integral part of these financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017



	Note	2017 RM	2016 RM
<b>Revenue</b>	16	<b>59,542,510</b>	52,945,482
Cost of sales		(51,074,093)	(44,602,734)
<b>Gross profit</b>		<b>8,468,417</b>	8,342,748
Other income		934,586	956,882
Distribution expenses		(3,812,958)	(3,840,210)
Administrative expenses		(3,581,245)	(3,412,799)
Other expenses		(893,213)	(763,489)
<b>Results from operating activities</b>		<b>1,115,587</b>	1,283,132
Finance costs	17	-	(28)
<b>Profit before tax</b>	18	<b>1,115,587</b>	1,283,104
Tax benefit/(expense)	20	2,234,321	(95,767)
<b>Profit for the year representing total comprehensive income for the year attributable to owners of the Company</b>		<b>3,349,908</b>	1,187,337

The notes on pages 60 to 101 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company			
	Non-distributable			
	Share capital RM	Share premium RM	Accumulated losses RM	Total equity RM
<b>At 1 January 2016</b>	45,780,000	1,406,679	(4,908,017)	42,278,662
Profit for the year representing total comprehensive income for the year	-	-	1,187,337	1,187,337
<b>At 31 December 2016/ 1 January 2017</b>	45,780,000	1,406,679	(3,720,680)	43,465,999
Profit for the year representing total comprehensive income for the year	-	-	3,349,908	3,349,908
<i>Contributions by owners of the Company</i>				
- Issuance of shares	4,220,000	-	-	4,220,000
<b>Total transactions with owners of the Company</b>	4,220,000	-	-	4,220,000
Transfer in accordance with Section 618(2) of the Companies Act 2016	1,406,679	(1,406,679)	-	-
	51,406,679	-	(370,772)	51,035,907
	Note 11	Note 12		

The notes on pages 60 to 101 are an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017



	Note	2017 RM	2016 RM
<b>Cash flows from operating activities</b>			
Profit before tax		1,115,587	1,283,104
Adjustments for :			
Amortisation of prepaid lease payments	5	46,137	46,108
Depreciation			
- Property, plant and equipment	3	1,716,405	1,681,348
- Investment properties	4	46,140	46,140
Gain on disposal of plant and equipment	18	(102,000)	(15,775)
Finance costs	17	-	28
Interest income	18	(149,882)	(58,983)
Provision for retirement benefits	13	174,002	159,928
Plant and equipment written off	18	5,964	821
<b>Operating profit before changes in working capital</b>		<b>2,852,353</b>	<b>3,142,719</b>
Changes in inventories		(1,264,386)	1,230,183
Changes in trade and other receivables		(400,819)	(370,492)
Changes in trade and other payables		(1,777,725)	1,236,732
Cash (used in)/generated from operations		(590,577)	5,239,142
Tax paid		(40,498)	(45,427)
Retirement benefits paid	13	(118,145)	(318,274)
<b>Net cash (used in)/from operating activities</b>		<b>(749,220)</b>	<b>4,875,441</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of plant and equipment		102,000	15,783
Addition of investment in a subsidiary		(100)	-
Purchase of property, plant and equipment	3	(1,092,546)	(559,064)
Interest received		149,882	58,983
<b>Net cash used in investing activities</b>		<b>(840,764)</b>	<b>(484,298)</b>
<b>Cash flows from financing activities</b>			
Interest paid		-	(28)
Proceeds from issuance of shares		4,220,000	-
<b>Net cash from/(used in) financing activities</b>		<b>4,220,000</b>	<b>(28)</b>
Net increase in cash and cash equivalents		2,630,016	4,391,115
Cash and cash equivalents at 1 January		9,666,230	5,275,115
<b>Cash and cash equivalents at 31 December</b>	10	<b>12,296,246</b>	<b>9,666,230</b>

The notes on pages 60 to 101 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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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 2017 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interests in associate.

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 13 April 2018.

## 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 2016 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 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*





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

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021***

- MFRS 17, *Insurance Contracts*

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

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

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations in the respective financial years when the abovementioned accounting standards, amendments and interpretations become effective.

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 and the Company have assessed the estimated impact that the initial application of MFRS 15 will have on their financial statements as at 1 January 2018. Based on the assessment, the Group and the Company do not expect the application of MFRS 15 to have a significant impact on their financial statements.

#### **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.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. MFRS 9 also introduces a new impairment model with a forward-looking expected credit loss (ECL) model.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

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

#### ii) MFRS 9, *Financial Instruments* (Cont'd)

The Group and the Company have assessed the estimated impact that the initial application of MFRS 9 will have on their financial statements as at 1 January 2018. Based on the assessment, the Group and the Company do not expect the application of MFRS 9 to have a significant impact on their financial statements.

#### 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*.

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

The Group and the Company 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.

### 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 8 - assessment of inventory obsolescence provision
- Note 9 - 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.

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

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

#### iii) *Loss of control*

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

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

#### iv) *Associates*

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution (or included in a disposal group that is classified as held for sale or distribution). The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

#### v) *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.



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

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

#### i) *Foreign currency transactions (Cont'd)*

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.

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***

##### **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)).

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

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

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

##### ***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.

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.



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



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

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

#### i) *Recognition and measurement (Cont'd)*

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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

#### 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.

#### 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.



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

#### 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, investments in subsidiaries and investment in associate) 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.

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 and deferred tax assets) 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

### i) Impairment (Cont'd)

#### ii) *Other assets (Cont'd)*

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.

### 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.



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

#### k) Employee benefits (Cont'd)

##### iii) *Defined benefit plans (Cont'd)*

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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

#### 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.

#### 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.





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

### p) Income tax (Cont'd)

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 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.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

#### s) Fair value measurement (Cont'd)

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.

### 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 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 2016/1 January 2017	10,571,214	27,021,268	2,914,372	1,408,286	41,915,140
Additions	33,100	56,647	692,466	340,000	1,122,213
Disposals	-	-	-	(295,500)	(295,500)
Write off	-	(19,419)	(55,310)	-	(74,729)
Effect of movements in exchange rates	-	-	(2,501)	(739)	(3,240)
At 31 December 2017	10,604,314	27,058,496	3,549,027	1,452,047	42,663,884

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



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

Group	Buildings RM	Plant, machinery and loose tools RM	Furniture, fittings, equipment and installations RM	Motor vehicles RM	Total RM
<b>Depreciation</b>					
At 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 2016/1 January 2017	2,384,471	22,254,734	2,471,773	1,141,021	28,251,999
Depreciation for the year	213,031	1,301,988	127,921	124,572	1,767,512
Disposals	-	-	-	(295,500)	(295,500)
Write off	-	(13,455)	(54,060)	-	(67,515)
Effect of movements in exchange rates	-	-	(2,432)	(739)	(3,171)
At 31 December 2017	2,597,502	23,543,267	2,543,202	969,354	29,653,325
<b>Carrying amounts</b>					
At 1 January 2016	8,338,329	6,066,257	329,260	118,878	14,852,724
At 31 December 2016/1 January 2017	8,186,743	4,766,534	442,599	267,265	13,663,141
At 31 December 2017	8,006,812	3,515,229	1,005,825	482,693	13,010,559

## 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 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 2016/1 January 2017	9,609,884	27,021,268	2,302,946	1,371,031	40,305,129
Additions	33,100	56,647	662,799	340,000	1,092,546
Disposals	-	-	-	(295,500)	(295,500)
Write offs	-	(19,419)	(7,015)	-	(26,434)
At 31 December 2017	9,642,984	27,058,496	2,958,730	1,415,531	41,075,741
<b>Depreciation</b>					
At 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 2016/1 January 2017	2,188,128	22,254,734	2,006,468	1,103,766	27,553,096
Depreciation for the year	193,804	1,301,988	96,041	124,572	1,716,405
Disposals	-	-	-	(295,500)	(295,500)
Write offs	-	(13,455)	(7,015)	-	(20,470)
At 31 December 2017	2,381,932	23,543,267	2,095,494	932,838	28,953,531
<b>Carrying amounts</b>					
At 1 January 2016	7,554,115	6,066,257	135,898	118,876	13,875,146
At 31 December 2016/1 January 2017	7,421,756	4,766,534	296,478	267,265	12,752,033
At 31 December 2017	7,261,052	3,515,229	863,236	482,693	12,122,210

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 4. Investment properties

	Buildings	
	Group RM	Company RM
<b>Cost</b>		
At 1 January 2016/31 December 2016/1 January 2017/ 31 December 2017	1,345,658	2,306,988
<b>Depreciation</b>		
1 January 2016	247,922	425,038
Depreciation for the year	26,914	46,140
At 31 December 2016/1 January 2017	274,836	471,178
Depreciation for the year	26,913	46,140
At 31 December 2017	301,749	517,318
<b>Carrying amounts</b>		
At 1 January 2016	1,097,736	1,881,950
At 31 December 2016/1 January 2017	1,070,822	1,835,810
At 31 December 2017	1,043,909	1,789,670

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Rental income	91,000	99,381	163,000	171,381
Direct operating expenses				
- Income generating investment properties	42,541	59,070	72,932	101,270

### 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 2017 are classified as level 3 of the fair value hierarchy and determined to be approximately RM2,153,000 (2016: RM2,153,000) and RM3,693,000 (2016: RM3,693,000) respectively.

### Estimation uncertainty, key assumptions and significant unobservable inputs

The Directors estimate the fair values of the Group's and the Company's investment properties by comparing 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.

The significant unobservable input is price per square foot which is estimated at RM327 (2016: RM327). The estimated fair value would increase (decrease) if the price per square foot is higher (lower).

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 5. Prepaid lease payments - Group/Company

<i>Cost</i>	Unexpired period less than 50 years RM
At 1 January 2016/31 December 2016/1 January 2017/ 31 December 2017	2,017,009
<i>Amortisation</i>	
At 1 January 2016	449,560
Amortisation for the year	46,108
At 31 December 2016/1 January 2017	495,668
Amortisation for the year	46,137
At 31 December 2017	541,805
<i>Carrying amounts</i>	
At 1 January 2016	1,567,449
At 31 December 2016/1 January 2017	1,521,341
At 31 December 2017	1,475,204

### 6. Investments in subsidiaries - Company

	2017 RM	2016 RM
Unquoted shares, at cost	1,213,100	1,213,000

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2017 %	2016 %
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
CIC Construction Sdn. Bhd. ("CICC")	Malaysia	Investment holding, contractor of building and infrastructure and trading of building materials	100	-

# Not audited by member firms of KPMG International.



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 7. Investment in associate - Group

	2017 RM	2016 RM
Unquoted shares, at cost	1,300,000	-
Share of post-acquisition reserves	98,531	-
	<u>1,398,531</u>	<u>-</u>

Details of the associate are as follows:

Name of associate	Country of incorporation	Principal activities	Effective ownership interest	
			2017 %	2016 %
<i>Associate of CICC</i> Proventus Bina Sdn. Bhd.	Malaysia	Contractor of building and general contract works and trading of construction materials	20	-

The following table summarises the information of the Group's associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

Summarised financial information	RM
<b>As at 31 December 2017</b>	
Non-current assets	4,850,310
Current assets	14,946,481
Non-current liabilities	(1,088,623)
Current liabilities	(14,877,184)
Net assets	<u>3,830,984</u>
<b>Period from 1.6.2017 to 31.12.2017 (post-acquisition)</b>	
Profit for the period representing total comprehensive income for the period	<u>492,656</u>
<b>Reconciliation of net assets to carrying amount as at 31 December 2017</b>	
Group's share of net assets	766,197
Goodwill	632,334
Carrying amount in the consolidated statement of financial position	<u>1,398,531</u>
<b>Group's share of results for the year ended 31 December 2017</b>	
Group's share of profit/total comprehensive income	<u>98,531</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 8. Inventories

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Raw materials	6,623,787	7,273,409	6,623,787	7,273,409
Work-in-progress	3,487,124	3,405,888	3,487,124	3,405,888
Manufactured inventories	3,884,209	2,222,423	3,884,209	2,222,423
Trading inventories	1,206,986	1,270,753	993,847	865,226
Consumables	296,378	254,013	296,378	254,013
	<b>15,498,484</b>	<b>14,426,486</b>	<b>15,285,345</b>	<b>14,020,959</b>

## 9. Trade and other receivables

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
<b>Trade</b>					
Trade receivables		10,833,427	10,338,978	9,388,488	8,923,858
Amount due from a subsidiary		-	-	397,197	1,099,786
		<b>10,833,427</b>	<b>10,338,978</b>	<b>9,785,685</b>	<b>10,023,644</b>
<b>Non-trade</b>					
Amount due from a subsidiary	9.1	-	-	1,300,915	-
Other receivables		317,187	506,815	311,199	506,815
Deposits		79,593	99,341	34,557	29,797
Prepayments		82,444	553,061	62,869	534,150
		<b>479,224</b>	<b>1,159,217</b>	<b>1,709,540</b>	<b>1,070,762</b>
		<b>11,312,651</b>	<b>11,498,195</b>	<b>11,495,225</b>	<b>11,094,406</b>

### 9.1 Non-trade amount due from a subsidiary - Company

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

## 10. Cash and cash equivalents

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Fixed deposits placed with licensed banks	9,099,162	1,554,869	9,099,162	1,554,869
Short term deposits placed with licensed banks	471,701	3,076,121	471,701	3,076,121
Cash and bank balances	2,922,113	5,835,167	2,725,383	5,035,240
	<b>12,492,976</b>	<b>10,466,157</b>	<b>12,296,246</b>	<b>9,666,230</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 11. Share capital - Group/Company

	2017		2016	
	Amount RM	Number of shares	Amount RM	Number of shares
<b>Issued and paid ordinary shares:</b>				
At 1 January	45,780,000	45,780,000	45,780,000	45,780,000
Issued during the year	4,220,000	4,220,000	-	-
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 11.1)	1,406,679	-	-	-
At 31 December	<u>51,406,679</u>	<u>50,000,000</u>	<u>45,780,000</u>	<u>45,780,000</u>
	<b>Note 11.2</b>			

11.1 In accordance with Section 618(2) of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has 24 months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit.

11.2 Included in share capital is share premium amounting to RM1,406,679 (2016: RM Nil) that is available to utilise in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74).

## 12. Reserves

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
<b>Non-distributable</b>					
Retained earnings/ (Accumulated losses)		1,375,015	(2,122,506)	(370,772)	(3,720,680)
Share premium	12.1	-	1,406,679	-	1,406,679
Translation reserve	12.2	277,105	300,384	-	-
		277,105	1,707,063	-	1,406,679
		<u>1,652,120</u>	<u>(415,443)</u>	<u>(370,772)</u>	<u>(2,314,001)</u>

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

### 12.1 Share premium

Share premium comprised the premium paid on subscription of shares in the Company over and above the par value of the shares. As disclosed in Note 11 and the statements of changes in equity, share premium has become part of the Company's share capital.

### 12.2 Translation reserve

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 13. Employee benefits - Group/Company

### 13.1 Retirement benefits

	2017 RM	2016 RM
Present value of unfunded obligation	<u>1,714,880</u>	<u>1,659,023</u>

The Group provides retirement benefits for non-executive employees who have served the Company for more than 10 years upon retirement. 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.

#### Movements in the net defined benefit obligation

	2017 RM	2016 RM
Balance at 1 January	1,659,023	1,817,369
<b>Included in profit or loss</b>		
Current service cost	107,962	99,230
Past service cost	29,275	26,907
Interest cost	36,765	33,791
	<b>174,002</b>	159,928
Benefits paid	(118,145)	(318,274)
Balance at 31 December	<u>1,714,880</u>	<u>1,659,023</u>

#### Actuarial assumptions

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

	2017 RM	2016 RM
Discount rate	8.8%	8.8%
Future salary growth	<u>5.0%</u>	<u>5.0%</u>

At 31 December 2017, the weighted-average duration of the defined benefit obligation of the Group and the Company was 11.8 years (2016: 12.8 years).

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



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

### 13.1 Retirement benefits (Cont'd)

#### 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>2017</b>		
Discount rate (1% movement)	(212,374)	250,257
Future salary growth (1% movement)	<u>249,685</u>	<u>(215,276)</u>
<b>2016</b>		
Discount rate (1% movement)	(212,374)	250,257
Future salary growth (1% movement)	<u>249,685</u>	<u>(215,276)</u>

Although the analysis does not account for 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 2017 and 2016 was assessed by the management, assuming the impact to defined benefit obligation was the same as 2015. 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.

## 14. Deferred tax assets - Group/Company

#### Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Group/Company	
	2017 RM	2016 RM
Unutilised reinvestment allowances	2,457,000	-
Unabsorbed capital allowances	331,000	-
Provisions	640,000	-
Property, plant and equipment	(1,153,000)	-
	<u>2,275,000</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 14. Deferred tax assets - Group/Company (Cont'd)

#### Recognised deferred tax assets (Cont'd)

Movements in temporary differences during the financial year are as follows:

	At 1.1.2016/ 31.12.2016/ 1.1.2017 RM	Recognised in profit or loss (Note 20) RM	At 31.12.2017 RM
<b>Group/Company</b>			
Unutilised reinvestment allowances	-	2,457,000	2,457,000
Unabsorbed capital allowances	-	331,000	331,000
Provisions	-	640,000	640,000
Property, plant and equipment	-	(1,153,000)	(1,153,000)
	-	2,275,000	2,275,000

#### Unrecognised deferred tax assets

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

	<b>Group</b>		<b>Company</b>	
	<b>2017 RM</b>	<b>2016 RM</b>	<b>2017 RM</b>	<b>2016 RM</b>
Unutilised tax losses	946,000	1,050,000	-	-
Unutilised reinvestment allowances	-	10,238,000	-	10,238,000
Unabsorbed capital allowances	-	4,246,000	-	4,260,000
Provisions	-	2,471,000	-	2,471,000
Property, plant and equipment	(26,000)	(5,867,000)	-	(5,827,000)
	<u>920,000</u>	<u>12,138,000</u>	<u>-</u>	<u>11,142,000</u>

The unutilised tax losses do not expire under current tax legislation. The comparative figures for deferred tax assets not recognised have been restated to reflect the revised unabsorbed capital allowances available to the Group and the Company.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group entities can utilise the benefits therefrom.

### 15. Trade and other payables

	<b>Group</b>		<b>Company</b>	
	<b>2017 RM</b>	<b>2016 RM</b>	<b>2017 RM</b>	<b>2016 RM</b>
<b>Note</b>				
<b>Trade</b>				
Trade payables	2,382,523	4,352,868	2,063,574	3,978,740



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 15. Trade and other payables (Cont'd)

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Non-trade					
Amount due to a subsidiary	15.1	-	-	1,962,079	1,879,353
Other payables		282,179	356,920	277,334	354,326
Accrued expense		1,048,432	892,454	877,725	746,018
		1,330,611	1,249,374	3,117,138	2,979,697
		3,713,134	5,602,242	5,180,712	6,958,437

### 15.1 Amount due to a subsidiary

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

## 16. Revenue - Group/Company

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

## 17. Finance costs - Group/Company

	2017 RM	2016 RM
Interest expense of financial liabilities that are not at fair value through profit or loss:		
- Bank overdrafts	-	28

## 18. Profit before tax

Profit before tax is arrived at:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
After charging:				
Auditors' remuneration				
Audit fees				
- KPMG PLT				
- current year	76,000	45,000	65,000	39,000
- prior year	9,000	-	9,000	-
- Other auditor	12,461	11,988	-	-
Non-audit fees				
- KPMG PLT				
- current year	3,000	6,000	3,000	6,000
- Local affiliate of KPMG PLT				
- current year	9,100	7,200	9,100	7,200

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 18. Profit before tax (Cont'd)

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Impairment loss on trade receivables	-	91,665	-	91,665
Amortisation of prepaid lease payments (Note 5)	46,137	46,108	46,137	46,108
Depreciation				
- Property, plant and equipment (Note 3)	1,767,512	1,750,285	1,716,405	1,681,348
- Investment properties (Note 4)	26,913	26,914	46,140	46,140
Inventories written off	194,197	384,486	194,147	377,821
Plant and equipment written off	7,214	2,290	5,964	821
Provision for retirement benefits (Note 13)	174,002	159,928	174,002	159,928
Rental expense				
- Land and building	229,671	226,585	8,789	9,297
- Equipment	7,601	10,102	2,846	3,618
Bad debt written off	64,549	29,311	29,297	26,828
Personnel expenses (excluding Directors' emoluments)				
- Wages, salaries and others	6,939,990	6,278,696	5,391,054	4,752,484
- Employees' Provident Fund contributions	754,945	701,259	555,023	506,823
Foreign exchange loss				
- realised	8,435	67,959	90,007	-
- unrealised	128,388	4,508	128,388	4,508
Loss on disposal of plant and equipment	-	2,896	-	-
and after crediting :				
Gain on foreign exchange				
- realised	-	-	-	18,273
Gain on disposal of plant and equipment	102,000	-	102,000	15,775
Rental income from investment properties (Note 4)	91,000	99,381	163,000	171,381
Reversal of impairment loss on trade receivables	24,888	47,851	24,888	47,851
Interest income	149,885	58,983	149,882	58,983

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 19. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors of the Company				
- Fees	240,000	240,000	240,000	240,000
- Remuneration	607,668	566,918	607,668	566,918
	847,668	806,918	847,668	806,918
Other Directors				
- Remuneration	261,863	241,397	-	-
	<u>1,109,531</u>	<u>1,048,315</u>	<u>847,668</u>	<u>806,918</u>

The Group's and the Company's estimated monetary value of Directors' benefit-in-kind are RM17,400 (2016: RM17,400).

## 20. Tax (benefit)/expense

### Recognised in profit or loss

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Current tax expense</b>				
- Current year	57,588	55,287	57,588	55,287
- Prior year	(16,909)	40,480	(16,909)	40,480
	<u>40,679</u>	<u>95,767</u>	<u>40,679</u>	<u>95,767</u>
<b>Deferred tax expense</b>				
- Current year	(2,275,000)	-	(2,275,000)	-
<b>Total tax (benefit)/expense</b>	<u>(2,234,321)</u>	<u>95,767</u>	<u>(2,234,321)</u>	<u>95,767</u>

### Reconciliation of tax expense

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit for the year	3,497,521	1,189,770	3,349,908	1,187,337
Total tax (benefit)/expense	(2,234,321)	95,767	(2,234,321)	95,767
Profit excluding tax	<u>1,263,200</u>	<u>1,285,537</u>	<u>1,115,587</u>	<u>1,283,104</u>
Income tax calculated using Malaysian tax rate of 24%	303,168	308,529	267,741	307,945

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 20. Tax (benefit)/expense (Cont'd)

#### Reconciliation of tax expense (Cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Effect of lower tax rate in foreign jurisdiction*	(2,299)	1,106	-	-
Non-deductible expenses	211,243	264,410	203,818	255,331
Income not subject to tax	(23,647)	-	-	-
Utilisation of previously unrecognised deferred tax assets	(416,000)	(460,685)	(399,000)	(450,000)
Recognition of deferred tax assets	(2,275,000)	-	(2,275,000)	-
Other items	(14,877)	(58,073)	(14,971)	(57,989)
	<u>(2,217,412)</u>	<u>55,287</u>	<u>(2,217,412)</u>	<u>55,287</u>
(Over)/Under provided in prior year	(16,909)	40,480	(16,909)	40,480
	<u>(2,234,321)</u>	<u>95,767</u>	<u>(2,234,321)</u>	<u>95,767</u>

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

### 21. Earnings per ordinary share - Group

#### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2017 was based on the profit attributable to ordinary shareholders of RM3,497,521 (2016: RM1,189,770) and a weighted average number of ordinary shares outstanding during the year of 48,818,000 (2016: 45,780,000).

#### Diluted earnings per ordinary share

Diluted earnings per ordinary share was not presented as there is no dilutive potential ordinary share.

### 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, associate and key management personnel.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



### 22. Related parties (Cont'd)

#### Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 9 and 15.

	2017 RM	2016 RM
<b>Company</b>		
<b>Subsidiaries</b>		
Sales	1,241,048	1,454,944
Commission paid/payable	2,150,796	2,089,916
Rental income received/receivable	72,000	72,000

#### Group/Company

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 19 to the financial statements.

### 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 all the Group's revenue, operating profit, assets employed, liabilities, capital expenditure, depreciation and amortisation and non-cash expenses are mainly confined to one business segment.

#### 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 (including investment in associate) and deferred tax assets.

	Revenue RM	Non-current assets RM
<b>2017</b>		
Malaysia	35,604,182	15,527,900
Asia (excluding Malaysia)	18,241,296	1,772
Australia	4,037,781	-
United States of America	3,131,506	-
Europe	917,929	-
Others	725,154	-
	<b>62,657,848</b>	<b>15,529,672</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 23. Operating segments - Group (Cont'd)

### *Geographical information (Cont'd)*

	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	-
	<u>56,074,608</u>	<u>16,255,304</u>

### **Major customer**

A major customer of the Group, with revenue equal or more than 10% of the Group's total revenue, contributes approximately RM9,242,054 of the Group's total revenue. In 2016, none of the customers contributed equal or more than 10% of the Group's total revenue.

## 24. Financial instruments

### 24.1 Categories of financial instruments

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

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

	Carrying amount RM	L&R RM
<b>2017</b>		
<b>Financial assets</b>		
<b>Group</b>		
Trade and other receivables (excluding prepayments)	11,230,207	11,230,207
Cash and cash equivalents	12,492,976	12,492,976
	<u>23,723,183</u>	<u>23,723,183</u>
<b>Company</b>		
Trade and other receivables (excluding prepayments)	11,432,356	11,432,356
Cash and cash equivalents	12,296,246	12,296,246
	<u>23,728,602</u>	<u>23,728,602</u>



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 24. Financial instruments (Cont'd)

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

	Carrying amount RM	L&R RM
<b>2016</b>		
<b>Financial assets</b>		
<b>Group</b>		
Trade and other receivables (excluding prepayments)	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 (excluding prepayments)	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>
	Carrying amount RM	FL RM
<b>2017</b>		
<b>Financial liabilities</b>		
<b>Group</b>		
Trade and other payables	<u>3,713,134</u>	<u>3,713,134</u>
<b>Company</b>		
Trade and other payables	<u>5,180,712</u>	<u>5,180,712</u>
<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>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 24. Financial instruments (Cont'd)

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Net (loss)/gain arising on:				
Loans and receivables	(26,599)	(86,609)	(72,922)	2,106
Financial liabilities measured at amortised cost	-	(28)	-	(28)

### 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

### 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.

#### Receivables

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

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

##### *Exposure to credit risk, credit quality and collateral*

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 24. Financial instruments (Cont'd)

### 24.4 Credit risk (Cont'd)

#### Receivables (Cont'd)

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

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

	2017 RM	2016 RM
<b>Group</b>		
Malaysia	7,022,254	6,476,358
Asia (excluding Malaysia)	2,162,934	2,715,642
United States of America	904,240	108,478
Others	743,999	1,038,500
	<u>10,833,427</u>	<u>10,338,978</u>
<b>Company</b>		
Malaysia	7,022,424	7,576,144
Asia (excluding Malaysia)	1,115,022	1,300,522
United States of America	904,240	108,478
Others	743,999	1,038,500
	<u>9,785,685</u>	<u>10,023,644</u>

#### Impairment losses

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

	Gross RM	Individual impairment RM	Net RM
<b>Group</b>			
<b>2017</b>			
Not past due	6,713,038	-	6,713,038
Past due 1 - 30 days	2,122,864	-	2,122,864
Past due 31 - 60 days	1,190,620	-	1,190,620
Past due 61 - 90 days	522,052	-	522,052
Past due 91 - 120 days	145,127	-	145,127
Past due more than 120 days	192,921	(53,195)	139,726
	<u>10,886,622</u>	<u>(53,195)</u>	<u>10,833,427</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 24. Financial instruments (Cont'd)

### 24.4 Credit risk (Cont'd)

#### Receivables (Cont'd)

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

	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
	<u>10,542,364</u>	<u>(203,386)</u>	<u>10,338,978</u>
<b>Company</b>			
<b>2017</b>			
Not past due	6,613,103	-	6,613,103
Past due 1 - 30 days	1,809,902	-	1,809,902
Past due 31 - 60 days	956,744	-	956,744
Past due 61 - 90 days	219,745	-	219,745
Past due 91-120 days	39,481	-	39,481
Past due more than 120 days	199,905	(53,195)	146,710
	<u>9,838,880</u>	<u>(53,195)</u>	<u>9,785,685</u>
<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
	<u>10,227,030</u>	<u>(203,386)</u>	<u>10,023,644</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 24. Financial instruments (Cont'd)

### 24.4 Credit risk (Cont'd)

#### Receivables (Cont'd)

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

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

	2017 RM	2016 RM
<b>Group/Company</b>		
At 1 January	203,386	241,741
Impairment loss recognised	-	91,665
Impairment loss reversed	(24,888)	(47,851)
Impairment loss written off	(125,303)	(82,169)
At 31 December	<u>53,195</u>	<u>203,386</u>

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.

#### Inter-company balances

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

The Company has unsecured non-trade balance due from subsidiary as disclosed in Note 9. The Company monitors the results of its subsidiary regularly.

##### *Exposure to credit risk, credit quality and collateral*

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

##### *Impairment losses*

As at the end of the reporting period, there was no indication that the amount due from the subsidiary is not recoverable. The Company does not specifically monitor the ageing of the non-trade balance due from subsidiary. Nevertheless, the balance is not considered to be overdue and is repayable on demand.

### 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.

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:

Group	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>2017</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	<u>3,713,134</u>	-	<u>3,713,134</u>	<u>3,713,134</u>	-	-	-
<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>	-	-	-



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 24. Financial instruments (Cont'd)

### 24.5 Liquidity risk (Cont'd)

#### *Maturity analysis (Cont'd)*

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: (Cont'd)

Company	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>2017</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	5,180,712	-	5,180,712	5,180,712	-	-	-
<b>2016</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	6,958,437	-	6,958,437	6,958,437	-	-	-

# 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>2017</b>	
Trade receivables	2,366,064
Trade payables	(827,060)
Cash and cash equivalents	744,093
<b>Net exposure</b>	<b>2,283,097</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>Company</b>	
<b>2017</b>	
Trade receivables	2,366,064
Trade payables	(827,060)
Intra-group balances	397,197
Cash and cash equivalents	738,808
<b>Net exposure</b>	<b>2,675,009</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)*

	Denominate in USD RM
<b>Company</b>	
<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>	<u>(641,424)</u>

*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	
	2017 RM	2016 RM
<b>Group</b>		
USD	<u>(173,500)</u>	<u>131,800</u>
<b>Company</b>		
USD	<u>(203,300)</u>	<u>48,700</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.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 24. Financial instruments (Cont'd)

### 24.6 Market risk (Cont'd)

#### 24.6.2 Interest rate risk (Cont'd)

##### *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	
	2017 RM	2016 RM
<b>Fixed rate instruments</b>		
Cash and cash equivalents	<u>9,570,863</u>	<u>4,630,990</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.

### 24.7 Fair value information

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

## 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.

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

## 26. Operating leases - Group

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2017 RM	2016 RM
Less than one year	86,617	212,081
Between one and five years	-	88,367
	<u>86,617</u>	<u>300,448</u>

## 27. Capital commitments - Group/Company

	2017 RM	2016 RM
<b>Plant and equipment</b>		
Contracted but not provided for	<u>30,210</u>	<u>90,250</u>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



## 28. Dividend

A first and final single-tier dividend of 1.75 sen per ordinary share totalling RM875,000 in respect of the financial year ended 31 December 2017 has been recommended by the Directors, subject to the approval of the members at the forthcoming Annual General Meeting.

This proposed dividend will be recognised in subsequent financial period upon approval by the members of the Company.

## 29. Other comprehensive (expense)/income - Group

	2017			2016		
	Before tax RM	Tax expense RM	Net of tax RM	Before tax RM	Tax expense RM	Net of tax RM
<b>Item that is or may be reclassified subsequently to profit or loss</b>						
Foreign currency translation differences for foreign operation	(23,279)	-	(23,279)	22,132	-	22,132

## 30. Significant events

- 30.1 During the year, the Company issued 4,220,000 new ordinary shares at an issue price of RM1 each for a total cash consideration of RM4,220,000 via a private placement for working capital purposes.
- 30.2 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. The intended principal activities of CICC are that of investment holding, contractor of building and infrastructure, and trading of building materials.
- 30.3 On 27 April 2017, the Company's wholly-owned subsidiary, CIC Construction Sdn. Bhd. ("CICC") entered into a subscription agreement with Proventus Bina Sdn. Bhd. ("PBSB") and the existing shareholders of PBSB to subscribe 327,500 new ordinary shares of PBSB, representing 20% of the total enlarged share capital of PBSB, at a total consideration of RM1,300,000. Consequently, PBSB became an indirect 20% owned associate of the Group.
- 30.4 On 22 December 2017, the Company's wholly-owned subsidiary, CIC Construction Sdn. Bhd. ("CICC") entered into a conditional share subscription agreement with its associate, Proventus Bina Sdn. Bhd. ("PBSB") and the existing shareholders of PBSB to further subscribe for an additional 1,035,969 new PBSB's shares, representing 38.75% of the enlarged number of issued shares of PBSB after the proposed subscription for a cash consideration of RM2,983,749. The proposed subscription will result in CICC increasing its equity stake in PBSB from existing 20% to 51%.

The proposed subscription has not been completed at the date of this report.

## 31. Subsequent event

On 6 April 2018, the Company proposed to undertake a bonus issue of 40,000,000 bonus shares on the basis of four (4) bonus shares for every five (5) existing ordinary shares held on entitlement date to be determined later.

# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

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In the opinion of the Directors, the financial statements set out on pages 51 to 101 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

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

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

Date: 13 April 2018  
Penang

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 51 to 101 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 13 April 2018.

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

Before me:

Commissioner for Oaths



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

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

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## 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 2017 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 51 to 101.

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 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

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

### Independence and Other Ethical Responsibilities

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

### Key Audit Matters

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

#### a) Existence and accuracy of inventories

Refer to Note 8 to the financial statements.

#### Key audit matter

As at 31 December 2017, the Group's and the Company's inventories were RM15,498,484 and RM15,285,345 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, and 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 Matters (Cont'd)

### b) Valuation of inventories

Refer to Note 8 to the financial statements.

#### Key audit matter

As at 31 December 2017, the Group's and the Company's inventories were RM15,498,484 and RM15,285,345 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 inventories.

#### 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 9 to the financial statements.

#### Key audit matter

As at 31 December 2017, the Group's and the Company's gross trade receivables were RM10,886,622 and RM9,838,880 respectively, against which impairment allowances of RM53,195 and RM53,195 were made.

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 a 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 the receipts from customers subsequent to the financial year end;
- Assessed the adequacy of the impairment allowances for trade receivables by assessing the Directors' assumptions, taking into account the historical data of the payment trend of the customers; and
- Assessed the accuracy of historical estimates of impairment allowances made by the Directors by comparing to the actual outcome.
- Performed detailed testing on the trade receivables ageing to ascertain the underlying accuracy of information used in assessing the adequacy of impairment allowances for trade receivables.

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

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

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

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

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

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

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

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

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

## **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.

# 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)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## 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 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: 13 April 2018  
Penang

**Dato' Ooi Kok Seng**  
Approval Number: 02432/05/2019 J  
Chartered Accountant

# SHAREHOLDING STATISTICS

AS AT 30 MARCH 2018

Total Number of Issued Shares	:	50,000,000 ordinary shares
Class of Shares	:	There is only one class of shares in the Company • Ordinary Shares
Voting Rights	:	One vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

As at 30 March 2018

Size of Holdings	No. of Holders	Total Holdings	%
Less than 100 shares	206	2,515	0.01
100 – 1,000 shares	256	148,459	0.30
1,001 – 10,000 shares	342	1,356,625	2.71
10,001 – 100,000 shares	70	1,869,451	3.74
100,001 – below 5% of issued shares	18	19,741,350	39.48
5% and above of issued shares	4	26,881,600	53.76
<b>Total</b>	<b>896</b>	<b>50,000,000</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

As at 30 March 2018

No.	Name	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
1)	MALAR SEGAR SDN. BHD.	12,232,000	24.46		
2)	MOHTAR BIN ABDULLAH	6,410,000	12.82		
3)	GAN LOCK YONG @ GAN CHOON HUR	4,578,000	9.16		
4)	TAN BAN AIK	3,661,600	7.32		
5)	L.G.B. HOLDINGS SDN. BHD. <sup>(a)</sup>			12,232,000	24.46
6)	DATO' LIM CHEE MENG <sup>(b)</sup>			12,232,000	24.46
7)	LIM CHIN SEAN <sup>(c)</sup>			12,232,000	24.46

### Note:

- Deemed interested by virtue of its interest in Malar Segar Sdn. Bhd.
- Deemed interested by virtue of his interest in L.G.B. Holdings Sdn. Bhd.
- Deemed interested by virtue of his interest in L.G.B. Holdings Sdn. Bhd.

## DIRECTORS' SHAREHOLDINGS

As at 30 March 2018

No.	Name	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
1)	CHUAH GUAN LEONG	2,438,300	4.88		

# SHAREHOLDING STATISTICS (Cont'd)

AS AT 30 MARCH 2018



## THIRTY (30) LARGEST SHAREHOLDERS as at 30 March 2018

No.	Names	No. of Shares held	%
1)	MALAR SEGAR SDN. BHD.	12,232,000	24.46
2)	MOHTAR BIN ABDULLAH	6,410,000	12.82
3)	GAN LOCK YONG @ GAN CHOON HUR	4,578,000	9.16
4)	TAN BAN AIK	3,661,600	7.32
5)	CHUAH GUAN LEONG	2,400,000	4.80
6)	NG OI HAN	2,200,000	4.40
7)	LAMBANG PROGRESIF SDN. BHD.	2,000,000	4.00
8)	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR KONG TECK FONG	1,815,000	3.63
9)	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR LIM ENG HUAT	1,584,300	3.17
10)	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR LOW KENG SIONG	1,470,000	2.94
11)	PHANG WAI HOONG	1,200,000	2.40
12)	KENANGA NOMINEES (ASING) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR RA WHA HYUN	1,140,000	2.28
13)	NEOH POH LAN	1,111,800	2.22
14)	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR THAM JOOI LOON	1,000,000	2.00
15)	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR LOW KENG SIONG	980,000	1.96
16)	PHANG WAI HOONG	900,000	1.80
17)	JULIET YAP SWEE HWANG	620,200	1.24
18)	KEMBANGAN SEPADU SDN. BHD.	511,150	1.02
19)	YANG LAI SEE	351,000	0.70
20)	HLB NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR KONG TECK FONG	210,000	0.42
21)	YONG WO MOI	143,700	0.29
22)	YONG WO MOI	104,200	0.21
23)	CHEN CHOONG FATT	100,000	0.20
24)	BALAKRISNEN A/L SUBBAN	100,000	0.20
25)	PUBLIC INVEST NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR LAI OIE KUN	84,000	0.17
26)	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR KUAN SHIN NYIAP	61,200	0.12
27)	LIM PENG HONG	56,000	0.11
28)	TEOH CHENG HOE	51,900	0.10
29)	ONG WEE LIEH	48,700	0.10
30)	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR CHUNG CHIT MIN	46,500	0.09

# LIST OF PROPERTIES

HELD AS AT 31 DECEMBER 2017

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 (Expire:2050)	2001	347,836 sq.ft.	27	Land with Factory	8,736,256
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, Cheras, 56000 Kuala Lumpur.	Leasehold (Expire:2095)	2006	11,368 sq.ft.	19	Office Building	1,789,670





## 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):-

<b>Name of proxy, NRIC No. &amp; Address</b>	<b>No. of shares to be represented by proxy</b>
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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-Fifth 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 Monday, 28 May 2018 at 10:00 a.m. and at every adjournment thereof.

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

Ordinary Resolutions		For	Against
1	To approve first and final dividend for the financial year ended 31 December 2017		
2	To approve the payment of Directors' fees and meeting allowance from 1 June 2018 until the next Annual General Meeting		
3	To re-elect the director, Mr. Wong Yuk Thin		
4	To re-elect the director, Dato' Tan Yee Boon		
5	To re-elect the director, Mr. Chuah Guan Leong		
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		
10	Proposed Bonus Issue		

(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.....2018.

.....  
Signature/Common Seal

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

**Notes:**

- 1) Only depositors whose names appear in the Record of Depositors as at 22 May 2018 shall be entitled to attend the Forty-Fifth 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 Company's Registered Office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

*Fold here*

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Affix  
Stamp Here

**Mega Corporate Services Sdn. Bhd.**  
Level 15-2, Bangunan Faber Imperial Court,  
Jalan Sultan Ismail,  
50250 Kuala Lumpur, Malaysia.

*Fold here*

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A large roll of yellow paper, partially unrolled, showing a textured surface. The roll is positioned horizontally across the middle of the page.

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

**Central Industrial Corporation Berhad** (12186-K)  
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