



Central Industrial Corporation Berhad
12186-K

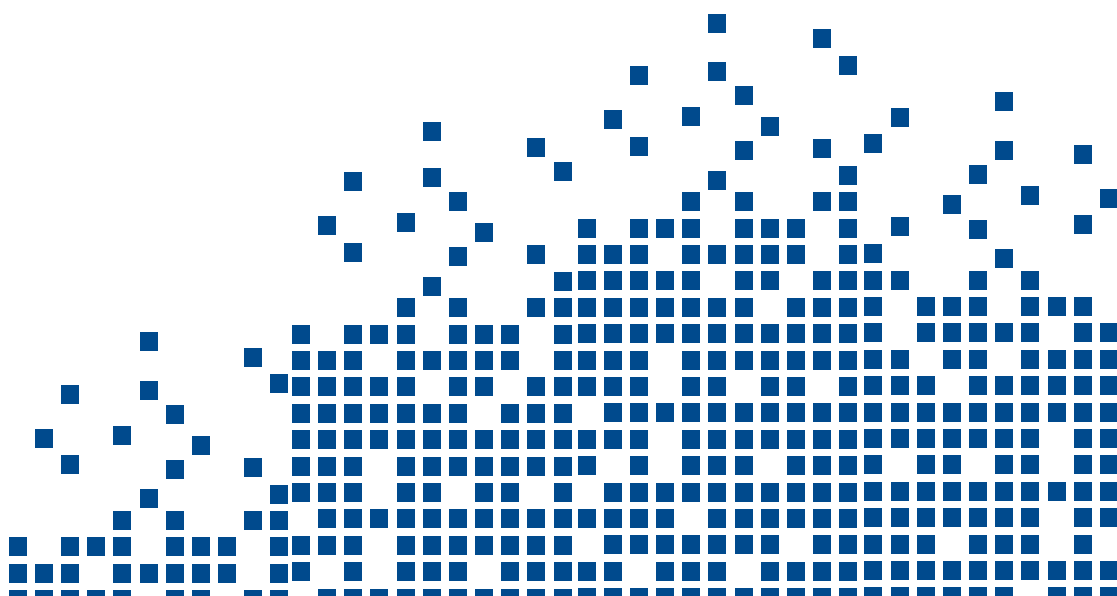
Central Industrial Corporation Berhad 12186-K

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08000 Sungai Petani, Kedah Darul Aman, Malaysia.

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CONTENTS

02	Notice of Annual General Meeting
03	Notice of Dividend Entitlement
04	Statement Accompanying Notice of Annual General Meeting
05	Corporate Information
06	Profile of Board of Directors
10	Chairman's Statement
11	Penyata Pengerusi
12	Audit and Risk Management Committee Report
16	Statement on Corporate Governance
26	Internal Control Statement
29	Statement on Corporate Social Responsibility
31	Financial Statements
99	Analysis of Shareholdings
101	List of Major Properties Held
Enclosed	Proxy Form



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fortieth Annual General Meeting of the Company will be held at Boardroom 4, Level 3, Eastin Hotel, 13, Jalan 16/11, Pusat Dagang Seksyen 16, 46350 Petaling Jaya, Selangor on Wednesday, 19 June 2013 at 10.00 a.m. for the following purposes :-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To approve the payment of a final dividend of 1.5% less 25% income tax for the financial year ended 31 December 2012. **Resolution 2**
3. To approve the payment of Directors' fees of RM146,000.00 for the financial year ended 31 December 2012. **Resolution 3**
4. To re-elect Mr. Wong Yuk Thin, the Director who retires pursuant to Article 84 of the Company's Articles of Association, and, being eligible, offer himself for re-election. **Resolution 4**
5. To re-elect the following Directors, who retire pursuant to the Company's Articles of Association, and, being eligible, offer themselves for re-election :-
 - a) Dato' Dr. Zabir Bin Bajuri Article 90 **Resolution 5**
 - b) Dato' Johan Bin Ariffin Article 90 **Resolution 6**
 - c) Mr. Foo Kee Fatt Article 90 **Resolution 7**
6. To re-appoint Messrs KPMG as Auditors of the Company and authorize the Directors to fix their remuneration. **Resolution 8**

SPECIAL BUSINESS

7. To consider and, if thought fit, pass the following resolutions:

Ordinary Resolution No. 1

Continuation in office as Independent Non-Executive Director pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 :-

"THAT approval be and is hereby given to Dato' Wira Zainuddin Bin Mahmud who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company."

Ordinary Resolution No. 2

Continuation in office as Independent Non-Executive Director pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 :-

"THAT approval be and is hereby given to Mr. Foo Kee Fatt who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company."

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

Notice of Dividend Entitlement

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that the Final Dividend of 1.5% less 25% income tax for the financial year ended 31 December 2012, if approved at the Fortieth Annual General Meeting, will be paid on 9 July 2013 to the shareholders whose names appear in the Record of Depositors at the close of business on 20 June, 2013.

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 20 June 2013 in respect of ordinary transfers; and
- b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

FONG PHOI SHAN (MAICSA 7014620)
Company Secretary

Kuala Lumpur
28th May 2013

Notes

1. *A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company and a member may appoint any person to be his proxy without limitation. The provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
2. *A member may appoint more than 2 proxies to attend at the same meeting. Where a member appoints two or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.*
4. *All forms of proxy must be deposited at the Registered Office of the Company situated at 16-A (1st Floor), Jalan Tun Sambanthan 3, Brickfields, 50470 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
5. *Depositors who appear in the Record of Depositors as at 13 June 2013 shall be regarded as Member of the Company entitled to attend the Fortieth Annual General Meeting or appoint a proxy to attend and vote on his behalf.*
6. *Shareholders' attention is hereby drawn to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, which allows a member of the Company which is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991, who holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") to appoint multiple proxies in respect of each omnibus account it holds.*
7. *Notes on Special Business*
Resolution No. 8 & 9
The Nomination Committee has assessed the independence of Dato' Wira Zainuddin Bin Mahmud and Mr. Foo Kee Fatt, who served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years. Upon recommendation of the Committee, the Board assessed and recommended that they continue to act as an Independent Non-Executive Director of the Company based on the following justifications :-
 - a) *They understand fully of the Company's objectives and strategies and would 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 Director of the Company;*
 - c) *They actively participated in the board discussion and provided independent view and judgement to the decision making of the Board in the interest of the Company and the shareholders.*

Statement Accompanying Notice of Annual General Meeting

1. **Director who is standing for re-election at the Fortieth Annual General Meeting of the Company pursuant to Article 84 of the Company's Articles of Association :-**

(a) Mr. Wong Yuk Thin

2. **Directors who are standing for re-election at the Fortieth Annual General Meeting of the Company pursuant to Article 90 of the Company's Articles of Association :-**

(a) Dato' Dr. Zabir Bin Bajuri

(b) Dato' Johan Bin Ariffin

(c) Mr. Foo Kee Fatt

3. **Details of Directors who are standing for re-election**

Further details of the Directors who are standing for re-election are set out in the Profile of Board of Directors appearing on pages 6 to 9 of this Annual Report.

BOARD OF DIRECTORS

Dato' Dr. Zabir Bin Bajuri

Independent Non-Executive Chairman

Wong Yuk Thin

Managing Director

Lim Shiak Ling

Executive Director

Datuk Abdul Jamil Bin Mohd Ali

Non-Independent Non-Executive Director

Dato' Johan Bin Ariffin

Non-Independent Non-Executive Director

Dato' Lim Chee Meng

Non-Independent Non-Executive Director

Dato' Wira Zainuddin Bin Mahmud

Independent Non-Executive Director

Koay Then Hin

Independent Non-Executive Director

Foo Kee Fatt

Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Dato' Wira Zainuddin Bin Mahmud

(Chairman)

Koay Then Hin

Foo Kee Fatt

REMUNERATION COMMITTEE

Datuk Abdul Jamil Bin Mohd Ali

(Chairman)

Dato' Lim Chee Meng

Wong Yuk Thin

NOMINATION COMMITTEE

Dato' Wira Zainuddin Bin Mahmud

(Chairman)

Dato' Lim Chee Meng

Koay Then Hin

SECRETARY

Fong Phoi Shan

AUDITORS

KPMG

1st Floor, Wisma Penang Garden,

42, Jalan Sultan Ahmad Shah,

10050 Penang.

Tel : 04-227 2288

Fax : 04-227 1888

SHARE REGISTRARS

Symphony Share Registrars

Sdn. Bhd.

55, Medan Ipoh 1A,

Medan Ipoh Bistari,

31400 Ipoh, Perak.

Tel : 05-547 4833

Fax : 05-547 4363

BANKERS

Malayan Banking Bhd.

United Overseas Bank

(Malaysia) Bhd.

RHB Bank Bhd.

Standard Chartered

Bank Malaysia Bhd.

Hong Leong Bank Bhd.

REGISTERED OFFICE

No. 16-A (1st Floor),
Jalan Tun Sambanthan 3,
Brickfields,
50470 Kuala Lumpur.

Tel : 03-2273 3488

Fax : 03-2276 3488

HEAD OFFICE

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

Tel : 04-422 7888

Fax : 04-421 7888

E mail : cicb@cicb.com.my

Website : www.cicb.com.my

STOCK EXCHANGE LISTING

Main Market of the

Bursa Malaysia Securities Berhad

Stock Code : 8052

Stock Name : CICB

Profile of Board of Directors

DATO' DR. ZABIR BIN BAJURI, DBA, DPMS, SSA, KMN, PPT
(Chairman, Independent Non-Executive Director) Malaysian, 66 years of age

YBhg. Dato' Dr. Zabir Bin Bajuri was appointed to the Board of CICB on 4 February 2005. He graduated with a Bachelor of Economics (Hons) degree from University of Malaya in 1970 and obtained his Certificate of Commercial Banking from Manchester Business School, United Kingdom in 1978.

He began his career in 1970 as Assistant Economist at Bank Negara Malaysia and in 1971 was appointed Director of Housing & City Development at Penang Development Corporation.

In 1974, he was appointed Manager of Bumiputra Special Division at Bank Bumiputra Malaysia Berhad and in 1979, Chief Executive Officer of Credit Guarantee Corporation (M) Bhd.

He was appointed Group Managing Director of Kumpulan Perangsang Selangor Berhad (KPSB) from 1987 to 1995. From 1998 to 31 August 2004, he was the President of Kumpulan Darul Ehsan Berhad (KDEB) and Executive Chairman of Kumpulan Perangsang Selangor Berhad (KPSB).

Currently, he is the Executive Chairman of DZB Resources Sdn. Bhd. and Zetcom Sdn. Bhd. He is also a Director of Selangor Specialist Hospital Sdn. Bhd. and Koperasi Anak-Anak Selangor Berhad.

He 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 ten (10) years. He attended five out of the total six Board Meetings held during the financial year.

DATUK ABDUL JAMIL BIN MOHD ALI, DPMT, PJJ
(Non-Independent Non-Executive Director) Malaysian, 68 years of age

YBhg. Datuk Abdul Jamil Bin Mohd Ali was appointed to the Board of CICB on 4 February 2005. He is the Chairman of the Remuneration Committee of the Company. He obtained a BSc (Hons) degree from University of Malaya in 1968. Subsequently in 1972, he gained a post-graduate MSc degree from University of Ghent, Belgium.

In 1995, he attended the Advanced Management Program at Harvard, USA. He retired from Government service in September 1999 holding the post of Director-General of Agriculture. He then joined Golden Hope Plantations Bhd as Agri-Business Consultant where he served for 5 years. He retired from the said post in February 2005.

He 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 ten (10) years. He attended five out of the total six Board Meetings held during the financial year.

Profile of Board of Directors (cont'd)

DATO' WIRA ZAINUDDIN BIN MAHMUD, DGMK, DSDK, KMN, AMK, BCK
(Independent Non-Executive Director) Malaysian, 67 years of age

YBhg. Dato' Wira Zainuddin Bin Mahmud was appointed to the Board of CICB on 26 May 2004. He is the Chairman of the Nomination Committee, Audit and Risk Management Committee of the Company. He holds a Higher School Certificate from the Royal Military College, Sungai Besi, Kuala Lumpur. In 1965 to 1966, he attended the Faculty of Agriculture, University of Malaya.

YBhg. Dato' Wira Zainuddin 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.

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

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

He 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 ten (10) years. He attended all of the six Board Meetings held during the financial year.

DATO' JOHAN BIN ARIFFIN, DPTJ
(Non-Independent Non-Executive Director) Malaysian, 54 years of age

YBhg. Dato' Johan Ariffin was appointed to the Board of CICB on 4 February 2005.

YBhg Dato' Johan Ariffin graduated from Indiana University, USA with a degree in Bachelor of Arts (Economics). He also holds a Masters in Business Administration (Marketing) from Miami University, USA.

He started his career in the real estate division of Citibank. Thereafter, he held various senior positions in several public listed companies as well as venturing into his own successful marketing and advertising consultancy and property development business. He then headed Danaharta's Property Division as Senior General Manager before moving on to head TTDI Development Sdn Bhd up to January 2009.

He is currently the Chairman of Mitraland Properties Sdn Bhd and a National Council Member of the Real Estate Housing Developers' Association Malaysia (REHDA), besides serving on the boards of Malayan Banking Berhad, Sime Darby Property Berhad and several other companies.

He 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 ten (10) years. He attended all of the six Board Meetings held during the financial year.

Profile of Board of Directors (cont'd)

DATO' LIM CHEE MENG, DSDK

(Non-Independent Non-Executive Director) Malaysian, 40 years of age

YBhg. Dato' Lim Chee Meng was appointed to the Board of CICB on 4 September 2001. He is a member of the Remuneration and Nomination Committee of the Company. He holds a Bachelor in Civil Engineering (Hons) Degree from the University of Wales, United Kingdom. He presently sits on the boards of directors of various companies which are involved inter-alia in manufacturing, business development, infrastructure and utility projects and oversees the management of these companies.

YBhg. Dato' Lim Chee Meng is the brother of Ms. Lim Shiak Ling. He is also the brother of Mr. Lim Chin Sean, a major shareholder of the Company by virtue of his deemed interest. He has no conflict of interest with the Company and has no conviction for offences within the past ten (10) years. He attended all of the six Board Meetings held during the financial year.

WONG YUK THIN

(Managing Director) Malaysian, 52 years of age

Mr. Wong Yuk Thin was appointed as the Managing Director of Central Industrial Corporation Berhad on 30 August 2012. Prior to his appointment, he was the Chief Executive Officer of the Company from 14th May 2012 to 30 August 2012. He graduated with a Master Of Business Administration degree from University of Strathclyde, Glasgow, United Kingdom in 1992 and obtained his Diploma in Marketing from the Chartered Institute Of Marketing, United Kingdom in 1988.

He began his career in 1983 in sales and has been employed by several multinational companies in the role of sales, marketing and general management. Amongst the multinational companies he has served are DKSH (M) Sdn Bhd, ICI Paints (M) Sdn Bhd, Larfarge Malayan Cement Bhd and Nylex Bhd.

He has experience managing across the South Asia region and familiar with cross cultural markets gained from his tenure with ICI Paints.

Prior to joining CICB, he held the position of General Manager for Swiss based multinational DKSH (M) Sdn Bhd's Performance Materials Business Unit.

He 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 ten (10) years. He attended two out of the total six Board Meetings held during the year.

Profile of Board of Directors (cont'd)

LIM SHIAK LING

(Non-Independent Executive Director) Malaysian, 41 years of age

Ms. Lim Shiak Ling was appointed to the Board of CICB on 24 November 2008. Prior to her appointment, she was the Alternate Director to YBhg. Dato' Lim Chee Meng from 4 September 2001 to 24 November 2008. She holds a Bachelor in Commerce degree from Curtin University of Technology Perth, Australia. She also sits on the boards of directors of several private companies and currently oversees the marketing and business development activities of these companies.

Ms. Lim Shiak Ling is the sister of Dato' Lim Chee Meng. She is also the sister of Mr. Lim Chin Sean, a major shareholder of the Company by virtue of his deemed interest. She has no conflict of interest with the Company and has no conviction for offences within the past ten (10) years. She attended five out of the total six Board Meetings held during the financial year.

KOAY THEN HIN

(Independent Non-Executive Director) Malaysian, 67 years of age

Mr. Koay Then Hin joined the Company as a Mechanical Engineer in 1974. He 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. He was appointed to the Board of CICB on 28 January 1993. He is a member of the Audit and Risk Management Committee and the Nomination Committee of the Company. He is also a Director of the Company's wholly owned subsidiary, CIC Marketing Sdn. Bhd.

He holds a Bachelor in Engineering Degree from National Taiwan University. He has more than 20 years of experience in industrial management.

He 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 ten (10) years. He attended all of the six Board Meetings held during the financial year.

FOO KEE FATT

(Independent Non-Executive Director) Malaysian, 47 years of age

Mr. Foo Kee Fatt was appointed to the Board of CICB on 26 May 2004. He is a member of the Audit and Risk Management Committee of the Company. He is a member of The Malaysian Institute of Certified Public Accountant and Malaysian Institute of Accountants. He is also an approved company auditor under Section 8 of the Malaysian Companies Act 1965.

In 1987, he joined and served his articleship with one of the international accounting firms. From 1993 to 2006, he was with a local accounting firm with international affiliation. He is currently in public practice. He is also an Independent Non-Executive Director of Padini Holdings Berhad and Tatt Giap Group Berhad.

He 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 ten (10) years. He attended all of the six Board Meetings held during the financial year.

Chairman's Statement

On behalf of the Board Of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of the Group for the financial year ended 31 December 2012.

FINANCIAL PERFORMANCE

For the year under review, the Group registered a consolidated loss after tax of RM3.085 million against a profit after tax of RM1.189 million recorded in the previous year. The significant loss was mainly attributed to a challenging year which resulted in lower revenues and decline in gross margins. In addition, the Group made inventories provisions and impairment loss on trade receivables.

The consolidated overall sales declined 15.10% against the previous year from RM63.103 million to RM53.577million. At Company level, Export sales recorded in 2012 was RM16.780 million, a decline of 13.47% from the previous year sales of RM19.392 million. Domestic sales recorded were at RM33.894 million and declined 9.04% against the previous year's sales recorded at RM37.263 million.

The Company's wholly owned subsidiary in Singapore, CICS Distributors Pte Ltd, also recorded a decline of 47.29% in revenue at RM4.215 million compared to the previous year's RM7.996 million.

OPERATIONAL REVIEW AND FUTURE OUTLOOK

The overall gross profit achieved in 2012 declined to 12.27%, impacted by increased cost of key raw materials and lower production volumes compared to 14.42% achieved in 2011. However, in spite of the incident at our plant in February 2013 which will have negative implications, the Group will endeavour to improve its gross profit in the new financial year, focusing on supplier rationalization to strengthen relationships with key raw material suppliers and driving up production volumes to lower unit costs. Increased initiatives to drive sales for both domestic and export markets are in place targeting new market segments and new products introduced to improve gross profit. In addition, effective cost management measures continue to be a focus area to positively contribute to improvement in gross profit.

DIVIDEND

Your Board of Directors is pleased to recommend a final dividend of 1.5% per ordinary share less 25% tax for the financial year ended 31 December 2012 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to take this opportunity to thank our shareholders, valued customers, financiers, suppliers and business associates for their continued confidence and support.

I am grateful to my fellow Board of Directors for their guidance, foresight and commitment during the past year. I also thank the Management and Staff for their loyalty, commitment and valuable contributions which are crucial to return the Company to profitability in the new financial year.

On behalf of the Board, I would like to thank Mr. Lai Kim Hean for his invaluable contributions as Managing Director of the Company over the past sixteen years. He has elected to retire on 30 August 2012 and relinquished his position in the Management and as a Director of the Company. I take this opportunity to wish him all the best in his future endeavours.

I welcome Mr. Wong Yuk Thin who was appointed the Managing Director and a member of the Board on 30 August 2012 succeeding Mr. Lai Kim Hean. The Board believes that the Company will benefit from his experience and valuable contributions in the years ahead.

The Board looks forward to your continuous support and cooperation for the financial year ahead.

Dato' Dr Zabir Bin Bajuri

DBA, DPMS, SSA, KMN, PPT
Chairman

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya menyampaikan Laporan Tahunan dan Penyata Kewangan Kumpulan Syarikat yang diaudit bagi tahun kewangan berakhir 31 Disember 2012.

PRESTASI KEWANGAN

Bagi tahun di bawah kajian, Kumpulan Syarikat telah mencatatkan kerugian disatukan selepas cukai sebanyak RM3.085 juta berbanding dengan keuntungan selepas cukai sebanyak RM1.189 juta yang dicatatkan pada tahun sebelumnya. Kerugian yang ketara adalah disebabkan terutamanya oleh tahun yang mencabar di mana telah menyebabkan pendapatan yang lebih rendah dan penurunan dalam margin kasar. Di samping itu, Kumpulan Syarikat telah membuat peruntukan inventori dan kemerosotan nilai untuk penghutang perniagaan.

Keseluruhan jualan disatukan menurun sebanyak 15.10% berbanding dengan tahun sebelumnya dari RM63.103 juta kepada RM53.577 juta. Di peringkat Syarikat, jualan eksport yang dicatatkan pada tahun 2012 adalah RM16.780 juta, penurunan sebanyak 13.47% daripada jualan tahun sebelumnya sebanyak RM19.392 juta. Jualan domestik dicatatkan adalah pada RM33.894 juta dan menurun sebanyak 9.04% berbanding dengan jualan direkod pada tahun sebelumnya pada RM37.263 juta.

Anak Syarikat yang dimiliki sepenuhnya di Singapura, CICS Distributors Pte. Ltd., juga mencatatkan penurunan pendapatan sebanyak 47.29% pada RM4.215 juta berbanding dengan tahun sebelumnya sebanyak RM7.996 juta.

ULASAN OPERASI DAN TINJAUAN MASA DEPAN

Keuntungan kasar keseluruhan yang dicapai pada tahun 2012 menurun kepada 12.27%, terjejas oleh kenaikan kos bahan-bahan mentah utama dan jumlah pengeluaran yang lebih rendah berbanding dengan 14.42% yang dicapai pada tahun 2011. Walaupun berlaku kejadian di kilang kami pada bulan Februari 2013 yang memberi implikasi negatif, Kumpulan Syarikat akan terus berusaha untuk meningkatkan keuntungan kasar pada tahun kewangan yang baru dengan menumpukan kepada rasionalisasi pembekal untuk mengukuhkan hubungan dengan pembekal bahan-bahan mentah utama dan meningkatkan jumlah pengeluaran untuk mengurangkan kos unit. Peningkatan inisiatif bagi menambahkan jualan untuk kedua-dua pasaran domestik dan eksport diadakan mensasarkan segmen pasaran baru dan produk baru yang diperkenalkan untuk meningkatkan keuntungan kasar. Di samping itu, langkah-langkah berkesan pengurusan kos terus menjadi tumpuan untuk memberi sumbangan positif kepada peningkatan dalam keuntungan kasar.

DIVIDEN

Lembaga Pengarah Syarikat anda sekalian dengan sukacitanya mengesyorkan kadar dividen sebanyak 1.5% ditolak 25% cukai pendapatan bagi tahun kewangan berakhir 31 Disember 2012 tertakluk kepada kelulusan para pemegang saham di Mesyuarat Agung Tahunan akan datang.

PENGHARGAAN

Bagi Pihak Lembaga Pengarah, saya ingin mengambil kesempatan ini untuk mengucapkan terima kasih kepada para pemegang saham, pelanggan yang dihargai, pembiaya, pembekal dan rakan perniagaan di atas keyakinan dan sokongan mereka yang berterusan.

Saya berterima kasih kepada Ahli Lembaga Pengarah atas bimbingan mereka, pandangan jauh dan komitmen sepanjang tahun yang lalu. Saya juga mengucapkan terima kasih kepada Pengurusan dan Kakitangan atas kesetiaan, komitmen dan sumbangan berharga mereka yang amat penting untuk membolehkan Syarikat kembali kepada kedudukan menguntungkan dalam tahun kewangan yang baru.

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih kepada Encik Lai Kim Hean atas sumbangan beliau yang tidak ternilai sebagai Pengarah Urusan Syarikat sejak enam belas tahun yang lalu. Beliau telah memilih untuk bersara pada 30 Ogos 2012 dan meletakkan jawatan beliau dalam pengurusan dan sebagai pengarah Syarikat. Saya mengambil kesempatan ini untuk mengucapkan maju jaya dalam usaha beliau pada masa hadapan.

Saya mengalu-alukan Encik Wong Yuk Thin yang dilantik sebagai Pengarah Urusan dan ahli Lembaga Pengarah pada 30 Ogos 2012 menggantikan Encik Lai Kim Hean. Lembaga Pengarah percaya bahawa Syarikat akan mendapat manfaat daripada pengalaman dan sumbangan berharga beliau dalam tahun-tahun akan datang.

Lembaga Pengarah Syarikat berharap kepada sokongan dan kerjasama anda yang berterusan bagi tahun kewangan akan datang.

Dato' Dr Zabir Bin Bajuri
DBA, DPMS, SSA, KMN, PPT
Chairman

Audit and Risk Management Committee Report

MEMBERS

Dato' Wira Zainuddin Bin Mahmud (*Chairman, Independent Non-Executive Director*)

Mr. Foo Kee Fatt (*Independent Non-Executive Director*)

Mr. Koay Then Hin (*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 3 members. All the members of the Committee must be non-executive directors, with a majority of them being independent directors. Alternate Directors must not be appointed as members of the Committee. All members of the Committee shall be financially literate and at least one of the members of the Committee :-

- (i) must be a member of the Malaysian Institute of Accountants (MIA); or
- (ii) if he is not a member of MIA
 - (a) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967 and have at least three (3) years working experience; or
 - (b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the 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 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 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 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 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)

Authority

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

- (a) have the authority to investigate any matters within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Group;
- (d) have direct communication channels with the External and Internal Auditors, as well as employees of the Group;
- (e) be able to obtain independent professional or other advice if it deems necessary; and
- (f) 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 request the auditors to look into the following specific areas, if necessary :-
 - (a) to determine any misuse of funds;
 - (b) to determine whether the capital expenditure is approved in accordance with the Company's guidelines;
 - (c) to determine whether common expenses are fairly apportioned to the Company.

Audit and Risk Management Committee Report (cont'd)

Duties (cont'd)

10. 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;
11. To verify that the allocation of options during the year pursuant to Employees' Share Option Scheme complies with the criteria of allocation;
12. 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;
13. To review such other functions as may be agreed to by the Committee and the Board of Directors from time to time.

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 2012. Details of the attendance of Audit and Risk Management Committee members at the meetings are as follows :

Name	Total Meetings Attendance
Dato' Wira Zainuddin Bin Mahmud	5/5 meetings
Foo Kee Fatt	5/5 meetings
Koay Then Hin	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.
- (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 the Internal Auditors and reviewed the report of the internal auditors.

Audit and Risk Management Committee Report (cont'd)

SUMMARY OF ACTIVITIES OF THE COMMITTEE DURING THE YEAR (cont'd)

- (e) Reviewed the fees of the external auditors and made recommendations for the re-appointment of the external auditors;
- (f) Reviewed the Audit And Risk Management Committee Report for inclusion in the Annual Report.

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 function to Messrs. BDO Governance Advisory Sdn Bhd. During the financial year, the Internal Auditors carried out a total of five (5) 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.

For the financial year 2012, the total cost incurred for the internal audit function was RM46,265.00

Statement on Corporate Governance

The Board of Directors (“the Board”) of Central Industrial Corporation Berhad (the “Company”) fully appreciates the importance of adopting high standards of corporate governance within the Group, comprising the Company and its subsidiaries. The Board views corporate governance as synonymous with three key concepts, namely transparency, accountability and integrity.

The Board evaluates the status of the Group’s corporate governance practices with a view to adopt and apply, where practicable the corporate governance principles and recommendations as stated in The Malaysian Code on Corporate Governance 2012 (MCCG 2012). As such, the Board is fully committed to the maintenance of high standards of corporate governance in its quest to enhance shareholder value. The Board reaffirms its support to the Code and believes that good corporate governance is fundamental in achieving the Group’s objectives.

PRINCIPLES STATEMENT

The following statement sets out how the Group has applied the Principles of the Code and how the Board has complied with the Best Practices set out in the Code for the financial year under review.

A. BOARD OF DIRECTORS

Board duties and responsibilities

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 fulfill this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for Management and monitoring the achievement of these goals. The Board has a formal schedule of matters reserved to itself for decision, which includes 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.

The Board delegates the day-to-day operations of the Group to the Managing Director and Executive Director, who have vast experience in the business of the Group.

The Board has established clear functions reserved for the Board and those delegated to Management in the Board Charter. The Charter provides guidance for Directors and 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.

Board Composition and Balance

At the date of this statement, the Board consists of nine (9) members; comprising two (2) Executive Directors, three (3) Non-Executive Directors and four (4) Independent Non-Executive Directors. A brief profile of each Director is presented on pages 6 to 9 of the Annual Report.

The concept of independence adopted by the Board is in tandem with the definition of an independent Director in Section 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). The key elements for fulfilling the criteria are the appointment of Directors who are not members of Management and who are free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company. The Board complies with paragraph 15.02 of the Listing Requirements, which requires that at least two (2) Directors or one-third of the Board of the Company, whichever is the higher, are independent Directors.

Statement on Corporate Governance (cont'd)

A. BOARD OF DIRECTORS (cont'd)

Board Composition and Balance (cont'd)

The role of the Chairman and 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 Dato' Dr. Zabir Bin Bajuri, an independent non-executive Chairman while the executive management of the Company is led by Mr. Wong Yuk Thin, the Managing Director since 30/08/2012.

The Executive Directors are 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 specializations, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, marketing and operations.

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 Executive Directors, 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 Executive Directors who have 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.

During the year, the Board has conducted an assessment on the Independent Directors. The Board has deliberated and views that although the tenure of some of the Independent Directors has exceeded 9 years, they continue to provide independent judgement in carrying out their duties and thus the Board will seek shareholders' approval to allow the affected Directors to continue in office as Independent Directors of the Company.

The Board has also appointed the Independent Non-Executive Director, Dato' Wira Zainuddin Bin Mahmud, as the Senior Independent Director to whom concerns pertaining to the Group may be conveyed by the shareholders and public.

Code of Ethic of Directors

The Company has also formalised a set of ethical standards through a code of business conduct to ensure Directors and employees practise ethical, businesslike and lawful conduct, including proper use of authority and provide mechanisms to report unethical conduct and help foster a culture of honesty and accountability.

Whistle-Blowing Policy

The Company has established a whistle-blowing 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.

Statement on Corporate Governance (cont'd)

A. BOARD OF DIRECTORS (cont'd)

Meetings

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 2012, 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.

The attendances of the Directors during the financial year are as follows :-

Name of directors	No. of meetings	
	Held	Attended
Dato' Dr. Zabir Bin Bajuri	6	5
Datuk Abdul Jamil Bin Mohd Ali	6	5
Dato' Wira Zainuddin Bin Mahmud	6	6
Dato' Johan Bin Ariffin	6	6
Dato' Lim Chee Meng	6	6
Mr. Koay Then Hin	6	6
Mr. Foo Kee Fatt	6	6
Ms. Lim Shiak Ling	6	5
Mr. Wong Yuk Thin (<i>appointed on 30-08-2012 and there were two Board Meetings held in 2012 after his appointment</i>)	6	2
Mr. Lai Kim Hean (<i>resigned on 30-08-2012 and there were four Board Meetings held in 2012 prior to his resignation</i>)	6	4

All Directors are furnished with an agenda and 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.

Board Committees

The Board of Directors delegates certain responsibilities to Board Committees, namely an Audit and Risk Management Committee, a Nomination Committee, a Remuneration Committee and an Employees' Share Option Scheme ("ESOS") Committee in order to enhance business and operational efficiency as well as efficacy. The ESOS Committee was established to administer the Company's ESOS in accordance with the by-laws thereof to determine, amongst others, participation eligibility, option offers and share allocations.

All Board Committees have written terms of reference and the Board receives reports of their proceedings and deliberations, where relevant. The Chairman of various Committees reports to the Board the outcome of the Committee meetings.

Statement on Corporate Governance (cont'd)

A. BOARD OF DIRECTORS (cont'd)

Supply of information

The Board recognises that the decision-making process is highly dependent on the quality of information furnished. As such, all Directors have unrestricted access to any information pertaining to the Group.

The Chairman, with the assistance of the Company Secretary, ensures that all Directors have full and timely access to information with Board papers distributed in advance of Board meetings. This ensures that Directors have sufficient time to understand and appreciate issues deliberated at the Board meeting and expedites the decision-making process.

Every Director also has unhindered access to the advice and services of the Company Secretary. The Board believes that the current Company Secretary is capable of carrying out her duties to ensure the effective functioning of the Board. The Articles of Association specify that the removal of the Company Secretary is a matter for the Board as a whole.

Before meetings of the Board and Board Committees, appropriate documents, which include the agenda 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 obtain further explanation, where necessary, in order to be properly briefed before the meeting.

The Directors meet, review and approve all corporate announcements, including the announcement of quarterly financial results, before releasing them to Bursa Securities.

The Board as a whole will determine, whether as a full board or in their individual capacity, to take independent professional advice, where necessary and under appropriate circumstances, in furtherance of their duties, at the Group's expense. However, where necessary and under appropriate circumstances in furtherance of his duties, any Director may do so with the prior consent and approval of the Chairman.

Along with good governance practises, the Board has established and put in place the following policies and procedures and the full detail are made available at the Company's website at www.cicb.com.my :-

- Board Charter;
- Code of Business Conduct;
- Whistle-Blowing Policy.

Appointments to the Board

Nomination Committee

The Nomination Committee comprises the following members :

- | | |
|-----------------------------------|--|
| • Dato' Wira Zainuddin Bin Mahmud | Chairman, Independent Non-Executive Director |
| • Dato' Lim Chee Meng | Member, Non-Independent Non-Executive Director |
| • Mr. Koay Then Hin | Member, Independent Non-Executive Director |

Statement on Corporate Governance (cont'd)

A. BOARD OF DIRECTORS (cont'd)

Appointments to the Board (cont'd)

Nomination Committee (cont'd)

The Committee consists entirely of Non-Executive Directors, a majority of whom are independent in accordance with Best Practices of the Code.

The Nomination Committee is empowered by the Board and its terms of reference to bring to the Board recommendations on the appointment of new Directors. The Nomination Committee is to systematically keep under review the effectiveness of the Board and Board Committees as a whole and for assessing the contribution of each individual Director in discharging his duties. The Nomination Committee is also empowered to seek professional advice within or outside the Group as it considers necessary in the discharge of its responsibilities.

The Nomination Committee shall meet at least once a year and as and when it is necessary, and at least once every year in carrying out an annual review of the Board, the Board Committees and the contribution of individual Directors to the Company.

The Company Secretary will ensure that all necessary information is obtained and that all legal and regulatory obligations are met before appointments of new Directors are made.

The Committee met two times during the financial year and all members of the Committee attended the meetings. During the year, the Committee had considered the appointment of new Managing Director, reviewed the performance of the Board and Board Committees as a whole and the contribution of each individual director.

Directors' 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 Directors continue to undergo the continuous education program to enhance their skills and knowledge, where relevant.

Among the training programmes and seminars attended by the Directors during the year are as follows :-

- Sharpening The Corporate Planning Roadmap - Dato' Lim Chee Meng & Ms. Lim Shiak Ling
- Crisis Communications Management - Dato' Johan Bin Ariffin
- The Malaysian Code on Corporate Governance 2012 (MCCG 2012) - Dato' Wira Zainuddin Bin Mahmud
- Case Studies for Boardroom Excellence Fraud Detection And Prevention - A necessity, Not A Choice - Mr. Koay Then Hin, Dato' Dr Zabir Bin Bajuri & Datuk Abdul Jamil Bin Mohd Ali
- Mandatory Accreditation Programme for Directors - Mr. Wong Yuk Thin
- Updates Of The 2012 IFRSs-Compliant MFRSs - Preparing For The Convergence To IFRSs And Increasing The Value Of Internal Audit – Mr. Foo Kee Fatt

Re-election

In accordance with the provisions of the Articles of Association of the Company, 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.

Statement on Corporate Governance (cont'd)

A. BOARD OF DIRECTORS (cont'd)

Appointments to the Board (cont'd)

Re-election (cont'd)

To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and the shareholdings in the Group of each Director standing for election are furnished in the statement accompanying notice of the Annual General Meeting and this statement.

In accordance with Section 129(6) of the Companies Act, 1965, Directors who are over seventy (70) years of age are required to submit themselves for re-appointment on an annual basis.

B. DIRECTORS' REMUNERATION

Remuneration Committee

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

- Datuk Abdul Jamil Bin Mohd Ali Chairman, Non-Independent Non-Executive Director
- Dato' Lim Chee Meng Member, Non-Independent Non-Executive Director
- Mr. Wong Yuk Thin Member, Non-Independent Executive Director

The Remuneration Committee is responsible for recommending and putting in place a structured remuneration framework for Executive Directors. The determination of remuneration packages of Non-Executive Directors shall be a matter for the Board as a whole, with individual Directors abstaining from decisions in respect of their individual remuneration. The policy adopted by the Committee on Directors' remuneration is to structure remuneration packages necessary to attract, retain and motivate Directors to effectively manage the business of the Group.

During the financial year, the Remuneration Committee met three times and all members of the Committee attended the meetings. During the year, the Remuneration Committee proposed the remuneration package for the new Managing Director and reviewed the bonuses and increments of the Executive Directors.

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 2012, are as follows:

Directors	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Fees	20,000	126,000	146,000
Salary and bonus	639,643	-	639,643
Benefits-in-kind	21,025	-	21,025
EPF contribution	80,118	-	80,118
Total	760,786	126,000	886,786

Statement on Corporate Governance (cont'd)

B. DIRECTORS' REMUNERATION (cont'd)

Details of the Directors' remuneration (cont'd)

The remuneration paid/payable to Directors, analysed into bands of RM50,000 each for the financial year ended 31 December 2012, is summarised as follows:

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	7
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	1	-
RM200,001 – RM250,000	-	-
RM250,001 -- RM300,000	1	-
RM300,001 – RM350,000	1	-
RM350,001 – RM400,000	-	-
RM400,001 -- RM450,000	-	-
RM450,001 -- RM500,000	-	-

C. SHAREHOLDERS

The Company recognises the importance of accountability to its shareholders and investors through proper communication. 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 the Listing Requirements of Bursa Securities provide shareholders with a current overview of the Group's performance.

Whilst the Annual Report provides a comprehensive source of information on the Group's financial and operational performance, the 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 the Annual Report and/or circulars. The Company's practice is to send out the notice of AGM and related papers to shareholders at least twenty-one (21) days before the meeting.

In addition, the Board and 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. Besides, the Company also maintains an official web site at 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.

Statement on Corporate Governance (cont'd)

D. ACCOUNTABILITY AND AUDIT

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, quarterly announcement of 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 reporting.

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, 1965 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 Internal Control Statement furnished on pages 26 to 28 of the Annual Report, provides an overview on the state of internal controls within the Group.

Relationship with the Auditors

Key features underlying the relationship of the Audit and Risk Management Committee with the internal and external auditors are included in the Audit and Risk Management Committee's terms of reference as detailed on pages 12 to 15 of the Annual Report.

A summary of the activities of the Audit and Risk Management Committee during the financial year are set out in the Audit and Risk Management Committee Report on pages 14 to 15 of the Annual Report.

E. SUSTAINABILITY POLICY

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 recognizes that the sustainability of ecosystems is an integral part of sustaining its long term business plans.

Statement on Corporate Governance (cont'd)

OTHER INFORMATION

- **Utilisation Of Proceeds**

The Company did not raise any funds through any corporate proposal during the financial year under review.

- **Share Buy-Back**

The Company has not undertaken any share buy-back exercise during the financial year under review.

- **Options, Warrants Or Convertible Securities**

During the financial year ended 31 December 2012, the Company did not issue any options, warrants or convertible securities

- **American Depository Receipt (ADR) Or Global Depository Receipt (GDR)**

The Company did not sponsor any ADR or GDR programme.

- **Sanctions And/Or Penalties**

There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries, Directors or management by any regulatory bodies during the financial year under review.

- **Non-audit Fees**

The total non-audit fees paid to the external auditors and its affiliates during the financial year ended 31 December 2012 amounted to RM10,200.00.

- **Profit Guarantee**

There was no profit guarantee given by the Company for the financial year ended 31 December 2012.

- **Variation In Results**

There was no material variances between the audited results for the financial year ended 31 December 2012 and the unaudited results previously announced.

- **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 2012 or since the end of the previous financial year.

- **Information In Relation To Employees' Share Option Scheme**

Employees' Share Option Scheme (ESOS) is the only share scheme of the Company in the financial year 2012. Information on the ESOS is set out in Note 11.2 of the Audited Financial Statement on pages 69 to 70 of this Annual Report.

Statement on Corporate Governance (cont'd)

OTHER INFORMATION (CONT'D)

• Information In Relation To Employees' Share Option Scheme (cont'd)

The following are brief details on the number of options granted and exercised during the financial year ended 31 December 2012 :-

	During the financial year ended 31 December 2012		
	Executive Directors and Senior Management	Other Employees	Total
Total number of options or shares granted	-	-	-
Total number of options exercised or shares vested	-	-	-
Total number of options outstanding	209,000	845,000	1,054,000

In regard to the options or shares granted to the Executive Directors and Senior Management during the financial year ended 31 December 2012 and since commencement of ESOS :-

1. The aggregate maximum allocation is 50% of the shares available under the Scheme; and
2. The actual percentage of shares granted to them as at 31 December 2012 is 19.82% of the total number of shares granted.

Internal Control Statement

INTERNAL CONTROL STATEMENT

Pursuant to Paragraph 15.26(b) Main Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of Central Industrial Corporation Berhad is pleased to provide the following statement that was prepared in accordance with the revised guideline, called the Statement on Risk Management and Internal Control – Guidelines for Directors of Public Listed Issuers which outline the nature and scope of risk management and internal control of the Group during the financial year under review.

RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

The Board recognises the importance of risk management and risk-based internal audit to establish and maintain a sound system of internal control. The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and integrity of those systems to safeguard the shareholders' interest and the Group's assets. Because of the limitations that are inherent in any systems of internal control, those systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material losses, fraud, misstatements or breaches of laws and regulations.

The Board and Management acknowledges 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.

RISK MANAGEMENT

As part of risk identification process, the Board review progress reports circulated by the Management during the Board meetings. These progress reports contained updates on financial and operational findings, major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment. The Board respond to those issues and risks identified during the Board meeting and subsequently put in place appropriate risk response strategies and controls until those risks are managed to, and maintained at, a level acceptable to the Board.

INTERNAL AUDIT

The Board acknowledges the importance of internal audit function and has engaged the services of an external independent professional accounting and consulting firm to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control, risk management and governance.

Internal Control Statement (cont'd)

INTERNAL AUDIT (CONT'D)

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit and Risk Management Committee. The audit focuses on areas with high risk and inadequate controls to ensure that an adequate action plan has been put in place to improve the controls. For those areas with high risk and inadequate controls, the audit ascertains that the risks are effectively mitigated by the controls. On a quarterly basis or earlier as appropriate, the internal auditors report to the Audit and Risk Management Committee on areas for improvement and will subsequently follow up to determine the extent of their recommendations that have been implemented.

Internal audit findings are discussed at management level and actions are agreed in response to the internal audit recommendations. The progress of implementation of the agreed actions is being monitored by Internal Audit through follow up reviews.

INTERNAL CONTROL

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control :

- An organization structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- A set of documented internal policies and procedures which is subject to regular review and improvement;
- Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary;
- Regular visits to operating units by members of the Board and senior management;
- Adherence to health, safety, environmental and quality standards of the Group as enforced by the regulatory authorities;
- An annual planning and budgetary exercise is undertaken requiring all divisions to prepare business plans and budgets for the forthcoming year, which are deliberated upon and approved by the Board before implementation;
- A Code of Business Conduct has been established in February 2013 for all employees, which defines the ethical standards and conduct of work required;
- The Group has established a whistleblowing programme in February 2013 with the objective of providing the staff with a mechanism to raise their concerns regarding malpractices and irregularities affecting the Group whilst keeping the identity of the whistleblower confidential;
- The Company have been certified to MS ISO 9001; and
- The Group ensures sufficient assets are adequately covered against any mishap that could result in material loss. A yearly insurance policy renewal exercise is undertaken in which Management reviews the coverage based on the current fixed asset inventory and the respective net book values and 'replacement value'.

Internal Control Statement (cont'd)

INTERNAL CONTROL (CONT'D)

Based on the internal auditors' report for the financial year ended 31 December 2012, there is reasonable assurance that the Group's systems of internal control are generally adequate and appear to be operating satisfactorily. A number of minor internal control weaknesses were identified during the financial year, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report. Furthermore, the fire that occurred at the Company's plant subsequent to the financial year end which affected the production line used for the manufacture of tapes as disclosed in Note 28 to the financial statements was not a result of material internal control weakness.

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.

The statement is made in accordance with a resolution of the Board of Directors dated 23 April 2013.



Statement on Corporate Social Responsibility

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

Environmental Awareness

The Company is committed to prevent pollution through environmental controls, minimization of wastes and efficient use of all the energy. The Company has engaged competent consultants to conduct Air Emission/Pollution Monitoring and Noise Monitor to ensure that our operations meet the requirements set by the various authorities. The Company has its environment team to promote environmental awareness and in the conservation of the environment. The environment team will continue to play an active part in providing awareness to our employees and education in environment CSR. 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 minimization of waste. We are obliged to ensure that our operations do not degrade the environment. The Company has over the years undertaken its fair share to conserve the environment including :-

(i) Solvent Recovery

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

(ii) Scheduled Waste Management

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

(iii) Non-Scheduled Waste Management

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

(iv) Chemical Health Risk Assessment

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

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

Contribution to the Community

(i) Industrial Training

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

Statement on Corporate Social Responsibility (cont'd)

Contribution to the Community

(ii) Charitable Contributions

We have during the year contributed to the local community and charitable organizations with the cash donation and would continue to support the needy and the underprivileged.

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

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

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 all our employees :-

(i) Safety & Health Team

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

(ii) Human Capital Development

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

(iii) Employees' Share Option Scheme

We are providing opportunity to the employees to share the success of the Company through the granting of options under an Employees' Share Option Scheme.

(iv) Emergency Response Team

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

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



Financial Statements

32	Directors' Report
36	Consolidated Statement of Financial Position
37	Consolidated Statement of Comprehensive Income
38	Consolidated Statement of Changes in Equity
39	Consolidated Statement of Cash Flows
41	Statement of Financial Position
42	Statement of Comprehensive Income
43	Statement of Changes in Equity
44	Statement of Cash Flows
46	Notes to the Financial Statements
96	Statement by Directors
96	Statutory Declaration
97	Independent Auditors' Report



Directors' Report

for the year ended 31 December 2012

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2012.

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.

Results

	Group RM	Company RM
Loss for the year attributable to owners of the Company	3,084,748	2,652,696

Reserves and provisions

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

Dividends

Since the end of the previous financial year, the Company paid a final dividend of 2.00% per ordinary share less 25% tax totalling RM686,700 in respect of the financial year ended 31 December 2011 on 9 July 2012.

The Directors recommend a final dividend of 1.50% per ordinary share less 25% tax totalling RM515,024 in respect of the financial year ended 31 December 2012 subject to shareholders' approval at the forthcoming Annual General Meeting.

Directors of the Company

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

Dato' Dr. Zabir Bin Bajuri
Dato' Wira Zainuddin Bin Mahmud
Datuk Abdul Jamil Bin Mohd. Ali
Dato' Johan Bin Ariffin
Dato' Lim Chee Meng
Koay Then Hin
Foo Kee Fatt
Lim Shiak Ling
Wong Yuk Thin (*Appointed on 30.08.2012*)
Lai Kim Hean (*Resigned on 30.08.2012*)

Directors' Report

for the year ended 31 December 2012 (cont'd)

Directors' interest in shares

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

	Number of ordinary shares of RM1 each			Balance at 31.12.2012
	Balance at 1.1.2012	Bought	(Sold)	
Deemed interest in the Company :				
Dato' Lim Chee Meng - own	12,232,000	-	-	12,232,000

	Exercise price RM	Number of options over ordinary shares of RM1 each			Balance at 31.12.2012
		Balance at 1.1.2012	Granted	(Exercised)	
Lim Shiak Ling - own	1.00	47,000	-	-	47,000

By virtue of his interest in the shares of the Company, Dato' Lim Chee Meng is also deemed interested in the shares of the subsidiaries during the financial year to the extent that Central Industrial Corporation Berhad has an interest.

None of the other Directors holding office at 31 December 2012 had any interest in the ordinary shares and options over shares of the Company and of its related companies 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 a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of 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 apart from the issue of the Employees Share Option Scheme ("ESOS").

Issue of shares and debentures

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

Directors' Report

for the year ended 31 December 2012 (cont'd)

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the ESOS.

The Company's ESOS was approved by the shareholders at the Extraordinary General Meeting on 6 August 2003. The scheme was effective for a period of five (5) years commencing on 23 March 2004 and had expired on 22 March 2009 ("Option Period"). In year 2009, the Board of Directors decided to extend the ESOS period for up to a maximum period of an additional five (5) years, commencing on 23 March 2009 and expiring on 22 March 2014 based on terms and conditions as set out in the ESOS bye-laws upon recommendation from the ESOS Committee.

The salient features of the ESOS scheme are summarised below :

- i) The total number of shares to be offered under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point of time during the existence of the Scheme;
- ii) Eligible employees are employees of the Group who have been confirmed in service on the date of the offer and with at least one (1) year of continuous service;
- iii) The option price shall be the higher of the following :
 - a) at a discount of not more than ten percent (10%) from the weighted average market price of the ordinary shares of RM1.00 each in the Company as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of offer; or
 - b) the par value of the ordinary shares in the Company; and
- iv) The options granted to eligible employees shall automatically lapse when they are no longer in employment of the Group.

The options offered to take up unissued ordinary shares of RM1 each and the exercise price is as follows :

Date of offer	Exercise price RM	Number of options over ordinary shares of RM1 each			At 31.12.2012
		At 1.1.2012	Granted	(Lapsed)	
23 March 2006	1.00	1,238,000	-	(184,000)	1,054,000

The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

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.

Directors' Report

for the year ended 31 December 2012 (cont'd)

Other statutory information (cont'd)

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

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

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, except for impairment loss on trade receivables and inventories written off as disclosed in Note 17 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsequent event

Details of such event are disclosed in Note 28 to the financial statements.

Auditors

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

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

.....
Wong Yuk Thin

.....
Koay Then Hin

Penang,
Date : 23 April 2013

Consolidated Statement of Financial Position

as at 31 December 2012

	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Assets				
Property, plant and equipment	3	19,405,595	19,245,901	20,851,152
Investment properties	4	1,334,508	2,066,510	2,095,350
Prepaid lease payments	5	1,705,774	1,751,883	1,797,992
Total non-current assets		22,445,877	23,064,294	24,744,494
Inventories	7	26,510,377	31,059,235	31,304,161
Trade and other receivables, including derivatives	8	11,543,444	12,421,437	14,482,584
Current tax assets		72,528	48,718	87,482
Cash and bank balances		2,214,728	3,474,690	1,478,055
Total current assets		40,341,077	47,004,080	47,352,282
Total assets		62,786,954	70,068,374	72,096,776
Equity				
Share capital	9	45,780,000	45,780,000	45,780,000
Reserves	10	12,813,612	16,543,736	15,848,372
Total equity attributable to owners of the Company		58,593,612	62,323,736	61,628,372
Liabilities				
Employee benefits	11	1,623,090	1,594,848	1,479,396
Deferred tax liabilities	12	-	-	159,690
Total non-current liabilities		1,623,090	1,594,848	1,639,086
Trade and other payables	13	2,570,252	2,053,827	3,341,279
Borrowings	14	-	4,057,454	5,463,230
Current tax liabilities		-	38,509	24,809
Total current liabilities		2,570,252	6,149,790	8,829,318
Total liabilities		4,193,342	7,744,638	10,468,404
Total equity and liabilities		62,786,954	70,068,374	72,096,776

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

	Note	2012 RM	2011 RM
Continuing operations			
Revenue	15	53,576,934	63,103,471
Cost of sales		(47,003,634)	(54,001,255)
Gross profit		6,573,300	9,102,216
Other operating income		431,670	517,314
Distribution expenses		(3,223,893)	(3,413,499)
Administrative expenses		(4,636,277)	(4,053,117)
Other operating expenses		(2,143,700)	(842,849)
Results from operating activities		(2,998,900)	1,310,065
Finance costs	16	(86,036)	(248,147)
(Loss)/Profit before tax	17	(3,084,936)	1,061,918
Income tax	19	188	126,632
(Loss)/Profit for the year		(3,084,748)	1,188,550
Other comprehensive income for the year, net of tax			
Foreign currency translation differences for foreign operations		41,324	21,838
Total comprehensive (expense)/income for the year		(3,043,424)	1,210,388
(Loss)/Profit for the year attributable to owners of the Company		(3,084,748)	1,188,550
Total comprehensive (expense)/ income for the year attributable to owners of the Company		(3,043,424)	1,210,388
Basic (loss)/earnings per ordinary share (sen)	20	(6.74)	2.60
Diluted (loss)/earnings per ordinary share (sen)	20	(6.74)	2.60

The notes on pages 46 to 95 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

	Note	← Attributable to owners of the Company →					Total equity RM
		Share capital RM	Share premium RM	Translation reserve RM	Share option reserve RM	Retained earnings RM	
At 1 January 2011		45,780,000	1,406,679	-	288,132	14,153,561	61,628,372
Foreign currency translation differences for foreign operation, representing total other comprehensive income for the year		-	-	21,838	-	-	21,838
Profit for the year		-	-	-	-	1,188,550	1,188,550
Total comprehensive income for the year			-	21,838	-	1,188,550	1,210,388
Dividend to owners of the Company	21	-	-	-	-	(515,024)	(515,024)
At 31 December 2011		45,780,000	1,406,679	21,838	288,132	14,827,087	62,323,736
1 January 2012		45,780,000	1,406,679	21,838	288,132	14,827,087	62,323,736
Foreign currency translation differences for foreign operation, representing total other comprehensive income for the year		-	-	41,324	-	-	41,324
Loss for the year		-	-	-	-	(3,084,748)	(3,084,748)
Total comprehensive income/(expense) for the year		-	-	41,324	-	(3,084,748)	(3,043,424)
Dividend to owners of the Company	21	-	-	-	-	(686,700)	(686,700)
At 31 December 2012		45,780,000	1,406,679	63,162	288,132	11,055,639	58,593,612

Note 9

Note 10

Consolidated Statement of Cash Flows

for the year ended 31 December 2012

	Note	2012 RM	2011 RM
Cash flows from operating activities			
(Loss)/Profit before tax		(3,084,936)	1,061,918
Adjustments for :			
Amortisation of prepaid lease payments	5	46,109	46,109
Depreciation			
- Property, plant and equipment	3	1,849,038	1,793,485
- Investment properties	4	30,477	45,828
Interest expense	16	86,036	248,147
Interest income	17	(861)	-
Plant and equipment written off	17	33,316	2,441
Provision for retirement/resignation benefits	11	280,030	193,592
Gain on disposal of plant and equipment	17	(95,700)	(38,313)
		<hr/>	<hr/>
Operating (loss)/profit before changes in working capital		(856,491)	3,353,207
Changes in working capital :			
Trade and other receivables, including derivatives		942,016	(1,337,475)
Inventories		4,567,795	263,706
Trade and other payables		473,364	2,117,539
		<hr/>	<hr/>
Cash generated from operations		5,126,684	4,396,977
Tax (paid)/refunded		(63,173)	13,008
Retirement/resignation benefits paid	11	(251,788)	(78,140)
		<hr/>	<hr/>
Net cash from operating activities		4,811,723	4,331,845

Consolidated Statement of Cash Flows

for the year ended 31 December 2012 (cont'd)

	Note	2012 RM	2011 RM
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		252,015	38,313
Purchase of plant and equipment	3	(1,496,685)	(190,583)
Purchase of investment property	4	-	(16,988)
Interest received		861	-
Net cash used in investing activities		(1,243,809)	(169,258)
Cash flows from financing activities			
Dividend paid		(686,700)	(515,024)
Interest paid		(86,036)	(248,147)
Repayment of borrowings, net		(4,057,454)	(1,257,546)
Net cash used in financing activities		(4,830,190)	(2,020,717)
Net (decrease)/increase in cash and cash equivalents		(1,262,276)	2,141,870
Effect of exchange rate fluctuations on cash and cash equivalents		2,314	2,995
Cash and cash equivalents at 1 January		3,474,690	1,329,825
Cash and cash equivalents at 31 December		2,214,728	3,474,690

Note

Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise cash and bank balances, net of bank overdrafts (Note 14) as shown in the consolidated statement of financial position.

Statement of Financial Position

at 31 December 2012

	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Assets				
Property, plant and equipment	3	18,506,922	19,148,191	20,730,546
Investment properties	4	2,020,370	2,066,510	2,095,350
Prepaid lease payments	5	1,705,774	1,751,883	1,797,992
Investments in subsidiaries	6	1,213,000	1,213,000	1,213,000
Total non-current assets		23,446,066	24,179,584	25,836,888
Inventories	7	26,049,992	30,358,864	30,432,406
Trade and other receivables, including derivatives	8	10,454,110	11,011,504	13,396,450
Current tax assets		52,938	35,594	-
Cash and bank balances		1,869,608	3,283,090	1,141,295
Total current assets		38,426,648	44,689,052	44,970,151
Total assets		61,872,714	68,868,636	70,807,039
Equity				
Share capital	9	45,780,000	45,780,000	45,780,000
Reserves	10	10,297,313	13,636,709	13,313,263
Total equity		56,077,313	59,416,709	59,093,263
Liabilities				
Employee benefits	11	1,623,090	1,594,848	1,479,396
Deferred tax liabilities	12	-	-	149,000
Total non-current liabilities		1,623,090	1,594,848	1,628,396
Trade and other payables	13	4,172,311	3,799,625	4,622,150
Borrowings	14	-	4,057,454	5,463,230
Total current liabilities		4,172,311	7,857,079	10,085,380
Total liabilities		5,795,401	9,451,927	11,713,776
Total equity and liabilities		61,872,714	68,868,636	70,807,039

Statement of Comprehensive Income

for the year ended 31 December 2012

	Note	2012 RM	2011 RM
Continuing operations			
Revenue	15	50,673,714	56,655,414
Cost of sales		(44,731,208)	(48,863,278)
Gross profit		5,942,506	7,792,136
Other operating income		344,887	258,768
Distribution expenses		(3,294,498)	(3,395,957)
Administrative expenses		(3,461,223)	(2,880,813)
Other operating expenses		(2,098,332)	(837,361)
Results from operating activities		(2,566,660)	936,773
Finance costs	16	(86,036)	(248,147)
(Loss)/Profit before tax	17	(2,652,696)	688,626
Income tax	19	-	149,844
(Loss)/Profit and total comprehensive (expense)/income for the year attributable to owners of the Company		(2,652,696)	838,470

Statement of Changes In Equity

for the year ended 31 December 2012

Note	Attributable to owners of the Company					Total equity RM
	Share capital RM	Share premium RM	Share option reserve RM	Retained earnings RM	Non-distributable	
At 1 January 2011	45,780,000	1,406,679	288,132	11,618,452		59,093,263
Profit and total comprehensive income for the year	-	-	-	838,470		838,470
Dividend to owners of the Company	21	-	-	(515,024)		(515,024)
At 31 December 2011/1 January 2012	45,780,000	1,406,679	288,132	11,941,898		59,416,709
Loss and total comprehensive expense for the year	-	-	-	(2,652,696)		(2,652,696)
Dividend to owners of the Company	21	-	-	(686,700)		(686,700)
At 31 December 2012	45,780,000	1,406,679	288,132	8,602,502		56,077,313
	Note 9		Note 10			

Statement of Cash Flows

for the year ended 31 December 2012

	Note	2012 RM	2011 RM
Cash flows from operating activities			
(Loss)/Profit before tax		(2,652,696)	688,626
Adjustments for :			
Amortisation of prepaid lease payments	5	46,109	46,109
Depreciation			
- Property, plant and equipment	3	1,794,782	1,762,048
- Investment properties	4	46,140	45,828
Gain on disposal of plant and equipment	17	(80,200)	(3,460)
Interest expense	16	86,036	248,147
Interest income	17	(861)	-
Provision for retirement/resignation benefits	11	280,030	193,592
Plant and equipment written off	17	674	-
Operating (loss)/profit before changes in working capital		(479,986)	2,980,890
Changes in working capital :			
Inventories		4,308,872	73,542
Trade and other receivables, including derivatives		557,394	2,384,946
Trade and other payables		372,686	(822,525)
Cash generated from operations		4,758,966	4,616,853
Tax paid		(17,344)	(34,750)
Retirement/resignation benefits paid	11	(251,788)	(78,140)
Net cash from operating activities		4,489,834	4,503,963

Statement of Cash Flows

for the year ended 31 December 2012 (cont'd)

	Note	2012 RM	2011 RM
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		236,515	3,460
Purchase of plant and equipment	3	(1,310,502)	(179,693)
Purchase of investment property	4	-	(16,988)
Interest received		861	-
Net cash used in investing activities		(1,073,126)	(193,221)
Cash flows from financing activities			
Dividend paid		(686,700)	(515,024)
Interest paid		(86,036)	(248,147)
Repayment of borrowings, net		(4,057,454)	(1,257,546)
Net cash used in financing activities		(4,830,190)	(2,020,717)
Net (decrease)/increase in cash and cash equivalents		(1,413,482)	2,290,025
Cash and cash equivalents at 1 January		3,283,090	993,065
Cash and cash equivalents at 31 December		1,869,608	3,283,090

Note

Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise cash and bank balance, net of bank overdrafts (Note 14) as shown in the statement of financial position.

Notes to the Financial Statements

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

Registered office

Suite 3A33, Block A2
Leisure Commerce Square
9, Jalan PJS 8/9
46150 Petaling Jaya
Selangor

Principal place of business

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as “the Group”) and individually referred to as “Group entities”. The financial statements of the Company as at and for the year ended 31 December 2012 do not include other entities.

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

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

The financial statements were approved by the Board of Directors on 23 April 2013.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the Companies Act, 1965 in Malaysia. These are the Group’s and the Company’s first financial statements prepared in accordance with MFRS and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards (“FRSs”). The financial impacts of transition to MFRS are disclosed in Note 27 to the financial statements.

Notes to the Financial Statements (cont'd)

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

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 July 2012

- Amendments to MFRS 101, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements**
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits (2011)*
- MFRS 127, *Separate Financial Statements (2011)*
- MFRS 128, *Investments in Associates and Joint Ventures (2011)**
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine**
- Amendments to MFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards - Government Loans**
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance**
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

Notes to the Financial Statements (cont'd)

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- Amendments to MFRS 7, *Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures*

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

- from the annual period beginning on 1 January 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2012 and 1 January 2013, except for those marked “**” which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014.
- from the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

Material impacts of initial application of a standard, an amendment or an interpretation, which will be applied retrospectively, are discussed below:

(i) MFRS 119, *Employee Benefits* (2011)

The amendments to MFRS 119 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the ‘corridor method’ permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to MFRS 119 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. The Group is currently assessing the financial impact of adopting the amendments to MFRS 119.

The initial application of the other standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior periods financial statements of the Group and the Company upon their first adoption.

(b) Basis of measurement

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

Notes to the Financial Statements (cont'd)

1. Basis of preparation (cont'd)

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with Malaysian Financial Reporting Standards ("MFRS") requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of asset, 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 estimate is 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 as disclosed in Note 4 - Valuation of investment properties.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

(a) Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are entities, including unincorporated 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. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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 investments includes transaction costs.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(ii) *Business combinations (cont'd)*

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.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, 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.

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.

Acquisitions before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

(iii) *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.

(iv) *Loss of control*

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

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(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, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a cash flow hedge of currency risk, which are recognised in other comprehensive income.

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

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

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) in equity. When the foreign operation is disposed of, in part or in full, the cumulative amount in the FCTR related to that foreign operation is transferred to profit or loss as part of the profit or loss on disposal.

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 within equity in the FCTR.

(c) Financial instruments

(i) Initial recognition and measurement

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

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

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(i) Initial recognition and measurement (cont'd)

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows :

Financial assets

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

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

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

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

(b) Loans and receivables

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

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

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

Financial liabilities

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

Fair value through profit or loss category comprises financial liabilities that are derivatives 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 unquoted equity 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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. 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 or 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 stated 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 includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(d) Property, plant and equipment (cont'd)

(ii) Subsequent costs

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

(iii) Depreciation

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

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. 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 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 reporting period and, adjusted as appropriate.

(e) Leased assets

(i) Finance leases

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

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

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(e) Leased assets (cont'd)

(ii) 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.

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

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

(f) Investment properties

Investment properties carried at cost

Investment properties are properties which are owned 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 lives of 20 to 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 measured based on weighted average cost formula, 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.

Notes to the Financial Statements (cont'd)

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 cash flow statements, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(i) Impairment of assets

(i) Financial assets

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

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(i) Impairment of assets (cont'd)

(ii) Other assets (cont'd)

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 other assets in the cash-generating unit (or a group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decrease or no longer exist. 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 year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are stated at cost on initial recognition and are not re-measured 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 the statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(k) Employee benefits (cont'd)

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit retirement/resignations plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in its current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service cost and the fair value of any plan assets is deducted. The discount rate is the yield at the end of reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and 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. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. The latest actuarial valuation was carried out as at 31 December 2011.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

(iv) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The fair value of employee share options is measured using a Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(l) Provisions

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

(m) Contingencies 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.

(n) Revenue and other income

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, 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.

(ii) Rental income

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

(o) Borrowings 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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of 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 entity, 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 and investment tax 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 and diluted (loss)/earnings per share data for its ordinary shares ("EPS").

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

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

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(r) Operating segments

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

The Group is principally confined to the manufacture, and sale and trading of self-adhesive label stocks and tapes of its own brand, which are principally carried out in Malaysia.

Notes to the Financial Statements (cont'd)

3. Property, plant and equipment

Group Cost	Buildings RM	Plant, machinery and loose tools RM	Furniture, fittings, equipment and installations RM	Motor vehicles RM	Under construction RM	Total RM
1 January 2011	9,512,643	25,015,622	2,920,808	1,791,063	799,718	40,039,854
Additions	-	71,643	28,160	3,825	86,955	190,583
Disposals	-	(36,425)	-	(62,027)	-	(98,452)
Write offs	-	-	(90,893)	-	-	(90,893)
Reclassifications	-	886,673	-	-	(886,673)	-
Effect of movements in exchange rates	-	-	2,964	1,825	-	4,789
At 31 December 2011/						
1 January 2012	9,512,643	25,937,513	2,861,039	1,734,686	-	40,045,881
Additions	23,900	532,892	219,944	719,949	-	1,496,685
Disposals	-	(72,840)	(3,053)	(725,616)	-	(801,509)
Write offs	-	(11,417)	(329,502)	-	-	(340,919)
Transfer from investment properties (Note 4)	783,162	-	-	-	-	783,162
Effect of movements in exchange rates	-	-	3,907	791	-	4,698
At 31 December 2012	10,319,705	26,386,148	2,752,335	1,729,810	-	41,187,998
Depreciation						
At 1 January 2011	953,146	14,241,536	2,476,397	1,517,623	-	19,188,702
Depreciation for the year	207,167	1,392,076	116,982	77,260	-	1,793,485
Disposals	-	(36,425)	-	(62,027)	-	(98,452)
Write offs	-	-	(88,452)	-	-	(88,452)
Effect of movements in exchange rates	-	-	2,872	1,825	-	4,697
At 31 December 2011/						
1 January 2012	1,160,313	15,597,187	2,507,799	1,534,681	-	20,799,980
Depreciation for the year	223,024	1,356,778	136,179	133,057	-	1,849,038
Disposals	-	(72,840)	(3,053)	(569,301)	-	(645,194)
Write offs	-	(11,417)	(296,186)	-	-	(307,603)
Transfer from investment properties (Note 4)	81,637	-	-	-	-	81,637
Effect of movements in exchange rates	-	-	3,754	791	-	4,545
At 31 December 2012	1,464,974	16,869,708	2,348,493	1,099,228	-	21,782,403
Carrying amounts						
At 1 January 2011	8,559,497	10,774,086	444,411	273,440	799,718	20,851,152
At 31 December 2011/						
1 January 2012	8,352,330	10,340,326	353,240	200,005	-	19,245,901
At 31 December 2012	8,854,731	9,516,440	403,842	630,582	-	19,405,595

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	Under construction RM	Total RM
Company Cost						
At 1 January 2011	9,512,643	25,015,622	2,252,395	1,485,597	799,718	39,065,975
Additions	-	71,643	17,270	3,825	86,955	179,693
Reclassifications	-	886,673	-	-	(886,673)	-
Transfer from investment properties	-	(36,425)	-	(4,750)	-	(41,175)
At 31 December 2011/ 1 January 2012	9,512,643	25,937,513	2,269,665	1,484,672	-	39,204,493
Additions	23,900	532,892	33,761	719,949	-	1,310,502
Disposals	-	(72,840)	(3,053)	(504,850)	-	(580,743)
Written off	-	(11,417)	(105,257)	-	-	(116,674)
At 31 December 2012	9,536,543	26,386,148	2,195,116	1,699,771	-	39,817,578
Depreciation						
At 1 January 2011	953,146	14,241,536	1,928,590	1,212,157	-	18,335,429
Depreciation for the year	207,167	1,392,076	85,545	77,260	-	1,762,048
Disposals	-	(36,425)	-	(4,750)	-	(41,175)
At 31 December 2011/ 1 January 2012	1,160,313	15,597,187	2,014,135	1,284,667	-	20,056,302
Depreciation for the year	207,361	1,356,778	97,586	133,057	-	1,794,782
Disposals	-	(72,840)	(3,053)	(348,535)	-	(424,428)
Written off	-	(11,417)	(104,583)	-	-	(116,000)
At 31 December 2012	1,367,674	16,869,708	2,004,085	1,069,189	-	21,310,656
Carrying amounts						
At 1 January 2011	8,559,497	10,774,086	323,805	273,440	799,718	20,730,546
At 31 December 2011/ 1 January 2012	8,352,330	10,340,326	255,530	200,005	-	19,148,191
At 31 December 2012	8,168,869	9,516,440	191,031	630,582	-	18,506,922

Notes to the Financial Statements (cont'd)

4. Investment properties

	Group Building RM	Company Building RM
Cost		
1 January 2011	2,290,000	2,290,000
Addition	16,988	16,988
At 31 December 2011/1 January 2012	2,306,988	2,306,988
Transfer to property, plant and equipment	(783,162)	-
At 31 December 2012	1,523,826	2,306,988
Depreciation		
1 January 2011	194,650	194,650
Depreciation for the year	45,828	45,828
At 31 December 2011/1 January 2012	240,478	240,478
Depreciation for the year	30,477	46,140
Transfer to property, plant and equipment	(81,637)	-
At 31 December 2012	189,318	286,618
Carrying amounts		
1 January 2011	2,095,350	2,095,350
At 31 December 2011/1 January 2012	2,066,510	2,066,510
At 31 December 2012	1,334,508	2,020,370

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Rental income	182,350	-	201,550	-
Direct operating expenses				
- Income generating investment properties	80,875	84,190	80,875	84,190

Investment properties comprise commercial property that is leased to third parties. The Directors estimated that the fair value of the investment properties to be approximately RM2,600,000 (2011: RM2,600,000) based on an external independent valuation in 2011 using an open market value method.

Notes to the Financial Statements (cont'd)

5. Prepaid lease payments - Group/Company

	Unexpired period less than 50 years RM
Cost	
At 1 January 2011/31 December 2011/31 December 2012	2,017,009
Amortisation	
At 1 January 2011	219,017
Amortisation for the year	46,109
At 31 December 2011/1 January 2012	265,126
Amortisation for the year	46,109
At 31 December 2012	311,235
Carrying amounts	
At 1 January 2011	1,797,992
At 31 December 2011	1,751,883
At 31 December 2012	1,705,774

The Group and the Company continued to use the surrogate cost of the prepaid lease payments under the previous FRS framework, as the deemed cost upon transition to MFRS framework. The deemed cost becomes the new MFRS cost basis at the date of the revaluation in accordance with the transition exemptions under MFRS 1, *First-Time Adoption of Malaysian Financial Reporting Standards*.

6. Investments in subsidiaries - Company

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Unquoted shares, at cost	1,213,000	1,213,000	1,213,000

Details of the subsidiaries are as follows :

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest		
			31.12.2012	31.12.2011	1.1.2011
			%	%	%
CIC Marketing Sdn. Bhd.	Malaysia	Marketing of self-adhesive label stocks and tapes	100	100	100
CICS Distributors Pte. Ltd. #	Singapore	Trading of adhesive tapes	100	100	100

Not audited by member firms of KPMG International.

Notes to the Financial Statements (cont'd)

7. Inventories

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
At cost						
Raw materials	8,561,131	9,988,524	12,408,682	8,561,131	9,988,524	12,408,682
Work-in-progress	9,962,476	10,814,230	10,655,613	9,962,476	10,814,230	10,655,613
Manufactured inventories	4,196,684	6,328,589	5,479,528	3,736,299	5,628,218	4,607,773
Trading inventories	3,690,491	3,807,419	2,609,699	3,690,491	3,807,419	2,609,699
Consumables	99,595	120,473	150,639	99,595	120,473	150,639
	<u>26,510,377</u>	<u>31,059,235</u>	<u>31,304,161</u>	<u>26,049,992</u>	<u>30,358,864</u>	<u>30,432,406</u>

8. Trade and other receivables, including derivatives

Note	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Trade						
Trade receivables	11,116,602	11,894,681	13,850,941	9,818,085	9,571,361	11,539,579
Amount due from a subsidiary	-	-	-	449,330	1,193,253	1,362,276
8.1	<u>11,116,602</u>	<u>11,894,681</u>	<u>13,850,941</u>	<u>10,267,415</u>	<u>10,764,614</u>	<u>12,901,855</u>
Non-trade						
Other receivables	147,748	148,359	151,579	3,294	3,040	149,113
Deposits	158,690	180,579	169,854	63,150	47,553	37,562
Prepayments	105,354	197,818	293,792	105,201	196,297	291,502
Financial asset at fair value through profit or loss - held for trading including derivatives #	15,050	-	16,418	15,050	-	16,418
	<u>11,543,444</u>	<u>12,421,437</u>	<u>14,482,584</u>	<u>10,454,110</u>	<u>11,011,504</u>	<u>13,396,450</u>

This represents forward exchange contracts.

8.1 Trade receivables

All trade receivables are subject to normal trade terms.

9. Share capital - Group/Company

	31.12.2012		31.12.2011		1.1.2011	
	Amount RM	Number of shares	Amount RM	Number of shares	Amount RM	Number of shares
Ordinary shares of RM1 each :						
Authorised	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Issued and fully paid	<u>45,780,000</u>	<u>45,780,000</u>	<u>45,780,000</u>	<u>45,780,000</u>	<u>45,780,000</u>	<u>45,780,000</u>

Notes to the Financial Statements (cont'd)

10. Reserves

Note	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Distributable						
Retained earnings	11,055,639	14,827,087	14,153,561	8,602,502	11,941,898	11,618,452
Non-distributable						
Share premium	1,406,679	1,406,679	1,406,679	1,406,679	1,406,679	1,406,679
Translation reserve	10.1	63,162	21,838	-	-	-
Share option reserve	10.2	288,132	288,132	288,132	288,132	288,132
		1,757,973	1,716,649	1,694,811	1,694,811	1,694,811
		12,813,612	16,543,736	15,848,372	10,297,313	13,636,709
				10,297,313	13,636,709	13,313,263

The movement of reserves is shown in the Statements of Changes in Equity.

10.1 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

10.2 Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

10.3 Section 108 tax credit and tax exempt income

Subject to agreement with the Inland Revenue Board, the Company has sufficient :

- Section 108 tax credit to frank all of its distributable reserves; and
- Tax exempt income to distribute approximately RM8,584,000 of its distributable reserves;

if paid out as dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2012 will be available to the Company until such time the credit is fully utilised or upon expiry of the six years transitional period on 31 December 2013, whichever is earlier.

11. Employee benefits - Group/Company

11.1 Retirement/resignation benefits

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Present value of unfunded obligations	1,623,090	1,594,848	1,479,396
Recognised liability for defined benefit obligations	1,623,090	1,594,848	1,479,396

Notes to the Financial Statements (cont'd)

11. Employee benefits - Group/Company (cont'd)

11.1 Retirement/resignation benefits (cont'd)

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

Movements in the liability for defined benefit obligations

	2012 RM	2011 RM
Defined benefit obligations at 1 January	1,594,848	1,479,396
Benefits paid by the scheme	(251,788)	(78,140)
Current service costs and interest (Note 17)	280,030	193,592
Defined benefit obligations at 31 December	1,623,090	1,594,848

Expense recognised in profit or loss

	2012 RM	2011 RM
Current service costs	257,628	178,105
Interest on obligation	22,402	15,487
Net benefit expense	280,030	193,592

The expense is recognised in the following line items in the statements of comprehensive income :

	2012 RM	2011 RM
Cost of sales	121,328	178,487
Administrative expenses	158,702	15,105
	280,030	193,592

Actuarial assumption

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

	2012	2011
Discount rate at 31 December	10.0%	10.0%
Future salary increases	5.2%	5.0%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 55 is 27 years.

Notes to the Financial Statements (cont'd)

11. Employee benefits - Group/Company (cont'd)

11.2 Share-based payment transactions

On 23 March 2006, the Group established a share option programme that entitles eligible employees to purchase shares in the Company.

In accordance with this programme, options are exercisable at the market price of the shares at the date of grant.

The terms and conditions of the grants are as follows :

	← Vesting condition →				
	1st Period until 22.03.2010	2nd Period 23.03.2010 to 22.03.2011	3rd Period 23.03.2011 to 22.03.2012	4th Period 23.03.2012 to 22.03.2013	5th Period 23.03.2013 to 22.03.2014
Directors and Senior Management	20%	40%	60%	80%	100%
Middle Management and Executives	20%	40%	60%	80%	100%
Non-Executives	20%	40%	60%	80%	100%

The number and weighted average exercise prices of share options are as follows :

	Weighted average exercise price RM	2012 Number of options (‘000)	2011 Number of options (‘000)
Outstanding at 1 January	1.00	1,238	1,290
Lapsed during the year	1.00	(184)	(52)
Outstanding at 31 December	1.00	1,054	1,238
Exercisable at 31 December	1.00	1,054	1,238

The options outstanding at 31 December 2012 have an exercise price of RM1 and a weighted average contractual life of three (3) years.

In year 2009, the Board of Directors decided to extend the existing ESOS period for up to a maximum period of an additional five (5) years commencing on 23 March 2010 and expiring on 22 March 2014 based on terms and conditions as set out in the ESOS bye-laws upon the recommendation from the ESOS Committee.

Notes to the Financial Statements (cont'd)

11. Employee benefits - Group/Company (cont'd)

11.2 Share-based payment transactions (cont'd)

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a Black-Scholes model, with the following inputs :

Fair value of share options and assumptions

Fair value at grant date	RM1.07
Weighted average share price	RM1.10
Exercise price	RM1.00
Expected volatility (weighted average volatility)	56.86%
Option life (expected weighted average life)	5 years
Expected dividends	1.15%
Risk-free interest rate (based on Malaysian government bonds)	3.73%

12. Deferred tax liabilities

The recognised deferred tax liabilities are as follows :

	← Group →			← Company →		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM	RM	RM	RM
Property, plant and equipment (including prepaid lease payments)						
- capital allowances	-	-	900,335	-	-	882,974
Unutilised tax losses	-	-	(6,671)	-	-	-
Provisions	-	-	(733,845)	-	-	(733,845)
Others	-	-	(129)	-	-	(129)
	-	-	159,690	-	-	149,000

The component and movement of deferred tax liabilities during the financial year are as follows :

	Recognised		At 1 January		Recognised	
	At 1 January	in profit or loss	2012/ 31	December	in profit or loss	At 31
	2011	(Note 19)	2011	2011	(Note 19)	December
	RM	RM	RM	RM	RM	RM
Group						
Property, plant and equipment (including prepaid lease payments)						
- capital allowances	900,335	(900,335)	-	-	-	-
Unutilised tax losses	(6,671)	6,671	-	-	-	-
Provisions	(733,845)	733,845	-	-	-	-
Others	(129)	129	-	-	-	-
	159,690	(159,690)	-	-	-	-

Notes to the Financial Statements (cont'd)

12. Deferred tax liabilities

The component and movement of deferred tax liabilities during the financial year are as follows : (cont'd)

	At 1 January 2011 RM	Recognised in profit or loss (Note 19) RM	At 1 January 2012/ 31 December 2011 RM	Recognised in profit or loss (Note 19) RM	At 31 December 2012 RM
Company					
Property, plant and equipment (including prepaid lease payments)					
- capital allowances	882,974	(882,974)	-	-	-
Provisions	(733,845)	733,845	-	-	-
Others	(129)	129	-	-	-
	149,000	(149,000)	-	-	-

Unrecognised deferred tax assets

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

	← Group →			← Company →		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Provision	2,003,000	2,115,000	-	2,003,000	2,115,000	-
Property, plant and equipment	(9,305,000)	(10,107,984)	-	(9,233,000)	(10,054,000)	-
Unabsorbed capital allowances	9,663,000	8,817,636	-	9,612,000	8,807,000	-
Unutilised reinvestment allowances	10,238,000	10,238,000	10,238,000	10,238,000	10,238,000	10,238,000
Unutilised tax losses	824,000	137,830	-	578,000	-	-
	13,423,000	11,200,482	10,238,000	13,198,000	11,106,000	10,238,000

The comparative figures have been restated to reflect the revised unabsorbed capital allowances and unutilised tax losses available to the Group and the Company. The deductible tax temporary differences carry-forward do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits therefrom.

Notes to the Financial Statements (cont'd)

13. Trade and other payables

	Note	Group			Company		
		31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Trade							
Trade payables	13.1	1,218,639	628,469	1,720,281	965,510	311,244	861,933
Non-trade							
Amount due to a subsidiary	13.2	-	-	-	1,912,761	2,230,612	2,368,634
Other payables		131,893	156,325	220,376	110,248	84,581	112,190
Accrued expense		1,219,720	1,236,811	1,400,622	1,183,792	1,140,966	1,279,393
Financial liability at fair value through profit or loss - held for trading including derivatives	#	-	32,222	-	-	32,222	-
		1,351,613	1,425,358	1,620,998	3,206,801	3,488,381	3,760,217
		2,570,252	2,053,827	3,341,279	4,172,311	3,799,625	4,622,150

This represents forward exchange contracts.

13.1 Trade payables

All trade payables are subject to normal trade terms.

13.2 Amount due to a subsidiary

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

14. Borrowings, unsecured - Group/Company

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Current			
Bank overdrafts	-	-	148,230
Bankers' acceptances	-	4,057,454	5,315,000
	-	4,057,454	5,463,230

The bank overdrafts and bankers' acceptances are subject to interest rates ranging from 1.00% to 4.43% (31.12.2011 : 2.25% to 4.43%; 1.1.2011: 3.81% to 4.01%) per annum.

15. Revenue - Group/Company

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

Notes to the Financial Statements (cont'd)

16. Finance costs - Group/Company

	2012 RM	2011 RM
Interest paid on :		
Bank overdrafts	35,333	44,282
Other borrowings	50,703	203,865
	86,036	248,147

17. (Loss)/Profit before tax

(Loss)/Profit before tax is arrived at :

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
After charging :				
Auditors' remuneration				
Audit fees				
- KPMG Malaysia	42,000	42,000	36,000	36,000
- Other auditor	7,510	7,312	-	-
Non-audit fees				
- KPMG Malaysia				
- current year	3,000	3,000	3,000	3,000
- prior years	-	6,000	-	6,000
- Local affiliates of KPMG Malaysia	7,200	7,200	7,200	7,200
Impairment loss on trade receivables	212,305	-	164,376	-
Amortisation of prepaid				
lease payments (Note 5)	46,109	46,109	46,109	46,109
Depreciation				
- Property, plant and equipment (Note 3)	1,849,038	1,793,485	1,794,782	1,762,048
- Investment properties (Note 4)	30,477	45,828	46,140	45,828
Inventories written off	1,640,692	380,331	1,640,692	380,331
Loss on foreign exchange				
- realised	-	-	41,268	29,279
- unrealised	11,330	77,875	12,614	41,863
Directors' emoluments				
Directors of the Company				
- Fees				
- Past Director	10,000	-	10,000	-
- Current Directors	136,000	146,000	136,000	146,000
- Remuneration				
- Past Director	305,046	-	305,046	-
- Current Directors	414,715	566,337	414,715	566,337
- Benefits-in-kind				
- Past Director	11,600	-	11,600	-
- Current Directors	9,425	17,400	9,425	17,400
Other Directors' remuneration	112,914	166,487	-	-
Plant and equipment written off	33,316	2,441	674	-
Provision for retirement/ resignation benefits (Note 11)	280,030	193,592	280,030	193,592
Rental expense				
- Land and building	463,245	482,930	12,350	12,350
- Equipment	24,481	20,052	20,671	17,466

Notes to the Financial Statements (cont'd)

17. (Loss)/Profit before tax (cont'd)

(Loss)/Profit before tax is arrived at :

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Bad debt written off	28,010	13,783	28,010	13,783
Personnel expenses (excluding Directors' emoluments)				
- Wages, salaries and others	5,219,500	5,429,538	4,028,312	4,114,988
- Employees' Provident Fund contributions	604,105	592,486	449,680	432,045
and after crediting :				
Realised gain on foreign exchange	12,651	162,050	-	-
Gain on disposal of plant and equipment	95,700	38,313	80,200	3,460
Rental income from investment properties	182,350	-	201,550	-
Impairment loss reversed	-	147,093	-	117,031
Bad debts recovered	48,568	-	48,568	-
Interest income	861	-	861	-

74

18. Key management personnel compensation

The key management personnel compensations are as follows :

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Directors of the Company				
- Fees				
- Past Directors	10,000	-	10,000	-
- Current Directors	136,000	146,000	136,000	146,000
- Remuneration				
- Past Directors	305,046	-	305,046	-
- Current Directors	414,715	566,337	414,715	566,337
- Benefits-in-kind				
- Past Directors	11,600	-	11,600	-
- Current Directors	9,425	17,400	9,425	17,400
	886,786	729,737	886,786	729,737
Other Directors				
- Remuneration	112,914	166,487	-	-
	999,700	896,224	886,786	729,737

Notes to the Financial Statements (cont'd)

19. Income tax

Recognised in profit or loss

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Current tax expense				
Current year				
- Overseas	-	38,509	-	-
Prior year				
- Malaysia	-	418	-	(844)
- Overseas	(188)	(5,869)	-	-
	(188)	(5,451)	-	(844)
Total current tax recognised in profit or loss	(188)	33,058	-	(844)
Deferred tax expense				
- Reversal of temporary differences	-	(11,237)	-	-
- Prior year	-	(148,453)	-	(149,000)
Total deferred tax expense recognised in profit or loss	-	(159,690)	-	(149,000)
Total income tax expense	(188)	(126,632)	-	(149,844)

Reconciliation of effective tax expense

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
(Loss)/Profit for the year	(3,084,748)	1,188,550	(2,652,696)	838,470
Total income tax	(188)	(126,632)	-	(149,844)
(Loss)/Profit excluding tax	(3,084,936)	1,061,918	(2,652,696)	688,626
Income tax calculated using Malaysian tax rate of 25% (2011 : 25%)	(771,234)	265,480	(663,174)	172,157
Effect of lower tax rate in foreign jurisdictions*	19,691	(42,035)	-	-
Non-deductible expenses	255,179	146,793	197,325	142,183
Income not subject to tax	(59,844)	(51,595)	(57,716)	-
Utilisation of previously unrecognised deferred tax assets	(41,619)	(292,031)	(41,619)	(315,000)
Deferred tax assets not recognised	597,249	-	564,619	-
Other items	578	660	565	660
	-	27,272	-	-
Over provided in prior year				
- current tax	(188)	(5,451)	-	(844)
- deferred tax	-	(148,453)	-	(149,000)
Income tax	(188)	(126,632)	-	(149,844)

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

Notes to the Financial Statements (cont'd)

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

Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/earnings per ordinary share for the year ended 31 December 2012 was based on the (loss)/profit attributable to ordinary shareholders of (RM3,084,748) (2011 : RM1,188,550) and a weighted average number of ordinary shares outstanding during the year of 45,780,000 (2011 : 45,780,000).

Diluted (loss)/earnings per ordinary share

The Company has outstanding options to subscribe for new ordinary shares which are not converted at year end. As the exercise price exceeded the market value of the ordinary shares, the effect of the assumed conversion of the options to ordinary shares on the (loss)/earnings per share was anti-dilutive for the current and preceding financial year.

21. Dividend - Group/Company

Dividend recognised in the current year by the Company are :

	Sen per share (net of tax)	Total amount RM	Date of payment
2012			
2011 final dividend of 2.00% per ordinary share less 25% tax	1.500	686,700	9.7.2012
2011			
2010 final dividend of 1.50% per ordinary share less 25% tax	1.125	515,024	13.9.2011

After the reporting period, the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial year upon approval by the owners of the Company.

	Sen per share (net of tax)	Total amount RM
2012 Final ordinary	1.125	515,024

22. 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 or common significant influence. Related parties may be individuals or other entities.

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

Notes to the Financial Statements (cont'd)

22. Related parties (cont'd)

Significant related party transactions of the Company, other than key management personnel compensation (Note 18), are as follows :

- i) Transactions between the Company and its subsidiaries :

	Note	Amount transacted for the year ended 31 December RM	Net outstanding at 31 December RM
Company			
2012			
Subsidiaries			
Sales	22.1	1,311,388	449,330
Commission paid/payable	22.2	1,948,886	1,912,761
2011			
Subsidiaries			
Sales	22.1	1,548,256	1,193,253
Commission paid/payable	22.2	2,154,055	2,230,612

The above transactions have been entered in the normal course of business and have been established under negotiated terms.

All of the above outstanding balances are expected to be settled in cash by the related parties.

22.1 Sales to subsidiaries are based on normal trade terms. Balances outstanding are unsecured.

22.2 The outstanding balance is unsecured, interest free and payable on demand.

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

23. Operating segments - Group

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

Geographical information

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

Notes to the Financial Statements (cont'd)

23. Operating segments - Group (cont'd)

	Revenue RM	Non-current assets RM
2012		
Malaysia	35,126,462	22,413,341
Asia (excluding Malaysia)	7,517,532	32,536
Australia	6,633,972	-
United States of America	3,276,503	-
Europe	363,298	-
Others	659,167	-
	53,576,934	22,445,877
2011		
Malaysia	38,420,141	23,058,715
Asia (excluding Malaysia)	12,064,979	5,579
Australia	6,906,319	-
United States of America	4,654,892	-
Europe	572,803	-
Others	484,337	-
	63,103,471	23,064,294

24. Financial instruments

24.1 Categories of financial instruments

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

- (a) Loans and receivables (L&R);
- (b) Fair value through profit or loss (FVTPL)
 - Held for trading ("HTF"); and
- (c) Other financial liabilities measured at amortised cost (OL).

	Carrying amount RM	L&R RM	HFT RM
31.12.2012			
Financial assets			
Group			
Trade and other receivables, including derivatives	11,279,400	11,264,350	15,050
Cash and bank balances	2,214,728	2,214,728	-
	13,494,128	13,479,078	15,050
Company			
Trade and other receivables, including derivatives	10,285,759	10,270,709	15,050
Cash and bank balances	1,869,608	1,869,608	-
	12,155,367	12,140,317	15,050

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	HFT RM
31.12.2011			
Financial assets			
Group			
Trade and other receivables, including derivatives	12,043,040	12,043,040	-
Cash and bank balances	3,474,690	3,474,690	-
	15,517,730	15,517,730	-
Company			
Trade and other receivables, including derivatives	10,767,654	10,767,654	-
Cash and cash equivalents	3,283,090	3,283,090	-
	14,050,744	14,050,744	-
1.1.2011			
Financial assets			
Group			
Trade and other receivables, including derivatives	14,018,938	14,002,520	16,418
Cash and cash equivalents	1,478,055	1,478,055	-
	15,496,993	15,480,575	16,418
Company			
Trade and other receivables, including derivatives	13,067,386	13,050,968	16,418
Cash and cash equivalents	1,141,295	1,141,295	-
	14,208,681	14,192,263	16,418
31.12.2012			
Financial liabilities			
Group			
Trade and other payables	2,570,252	2,570,252	-
Company			
Trade and other payables	4,172,311	4,172,311	-

Notes to the Financial Statements (cont'd)

24. Financial instruments (cont'd)

24.1 Categories of financial instruments (cont'd)

	Carrying amount RM	OL RM	HFT RM
31.12.2011			
Financial liabilities			
Group			
Trade and other payables	2,053,827	2,021,605	32,222
Borrowings	4,057,454	4,057,454	-
	<u>6,111,281</u>	<u>6,079,059</u>	<u>32,222</u>
Company			
Trade and other payables	3,799,625	3,767,403	32,222
Borrowings	4,057,454	4,057,454	-
	<u>7,857,079</u>	<u>7,824,857</u>	<u>32,222</u>
1.1.2011			
Financial liabilities			
Group			
Trade and other payables	3,341,279	3,341,279	-
Borrowings	5,463,230	5,463,230	-
	<u>8,804,509</u>	<u>8,804,509</u>	<u>-</u>
Company			
Trade and other payables	4,622,150	4,622,150	-
Borrowings	5,463,230	5,463,230	-
	<u>10,085,380</u>	<u>10,085,380</u>	<u>-</u>

24.2 Net (loss)/gain arising from financial instruments

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Net gain/(loss) arising on :				
Fair value through profit or loss :				
- Held for trading	47,273	(32,222)	47,273	(32,222)
	<u>47,273</u>	<u>(32,222)</u>	<u>47,273</u>	<u>(32,222)</u>

24.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

Notes to the Financial Statements (cont'd)

24. Financial instruments (cont'd)

24.4 Credit risk

Credit risk is the risk of a financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and Company's exposure to credit risk arises principally from its receivables from customers. The Company also exposed to credit risk arising from trade amount due from subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 365 days, which are deemed to have higher credit risk, are monitored individually.

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

	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Group			
Malaysia	9,227,445	8,552,866	9,653,992
Asia (excluding Malaysia)	871,330	2,547,594	3,140,155
United States of America	828,097	592,190	1,017,918
Others	189,730	202,031	38,876
	<u>11,116,602</u>	<u>11,894,681</u>	<u>13,850,941</u>
Company			
Malaysia	8,697,325	8,458,449	9,653,993
Asia (excluding Malaysia)	552,263	1,511,944	2,191,068
United States of America	828,097	592,190	1,017,918
Others	189,730	202,031	38,876
	<u>10,267,415</u>	<u>10,764,614</u>	<u>12,901,855</u>

Notes to the Financial Statements (cont'd)

24. Financial instruments (cont'd)

24.4 Credit risk (cont'd)

Receivables (cont'd)

Impairment losses

The ageing of trade receivables as at the end of the reporting period was :

	Gross RM	Individual impairment RM	Net RM
Group			
31.12.2012			
Not past due	7,451,298	-	7,451,298
Past due 1 - 30 days	2,619,983	-	2,619,983
Past due 31 - 60 days	549,978	-	549,978
Past due 61 - 90 days	222,857	-	222,857
Past due 91- 120 days	109,130	-	109,130
Past due more than 121 days	430,594	(267,238)	163,356
	<u>11,383,840</u>	<u>(267,238)</u>	<u>11,116,602</u>
31.12.2011			
Not past due	7,508,747	-	7,508,747
Past due 1 - 30 days	2,661,344	-	2,661,344
Past due 31 - 60 days	824,975	-	824,975
Past due 61 - 90 days	202,969	-	202,969
Past due 91- 120 days	91,660	-	91,660
Past due more than 121 days	775,406	(170,420)	604,986
	<u>12,065,101</u>	<u>(170,420)</u>	<u>11,894,681</u>
1.1.2011			
Not past due	8,824,600	-	8,824,600
Past due 1 - 30 days	2,963,601	-	2,963,601
Past due 31 - 60 days	1,226,430	-	1,226,430
Past due 61 - 90 days	478,566	-	478,566
Past due 91- 120 days	183,583	(1,760)	181,823
Past due more than 121 days	1,065,558	(889,637)	175,921
	<u>14,742,338</u>	<u>(891,397)</u>	<u>13,850,941</u>
Company			
31.12.2012			
Not past due	7,425,871	-	7,425,871
Past due 1 - 30 days	2,349,384	-	2,349,384
Past due 31 - 60 days	295,568	-	295,568
Past due 61 - 90 days	56,372	-	56,372
Past due 91- 120 days	25,022	-	25,022
Past due more than 121 days	334,507	(219,309)	115,198

Notes to the Financial Statements (cont'd)

24. Financial instruments (cont'd)

24.4 Credit risk (cont'd)

Receivables (cont'd)

Company	Gross RM	Individual impairment RM	Net RM
31.12.2011			
Not past due	6,892,450	-	6,892,450
Past due 1 - 30 days	2,387,792	-	2,387,792
Past due 31 - 60 days	392,030	-	392,030
Past due 61 - 90 days	287,115	-	287,115
Past due 91- 120 days	115,751	-	115,751
Past due more than 121 days	839,193	(149,717)	689,476
	<u>10,914,331</u>	<u>(149,717)</u>	<u>10,764,614</u>
1.1.2011			
Not past due	7,658,720	-	7,658,720
Past due 1 - 30 days	2,495,562	-	2,495,562
Past due 31 - 60 days	966,571	-	966,571
Past due 61 - 90 days	326,387	-	326,387
Past due 91- 120 days	68,936	(1,760)	67,176
Past due more than 121 days	2,117,412	(729,973)	1,387,439
	<u>13,633,588</u>	<u>(731,733)</u>	<u>12,901,855</u>

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

Group	2012 RM	2011 RM
At 1 January	170,420	891,397
Impairment loss recognised	238,238	-
Impairment loss reversed	(25,933)	(147,093)
Impairment loss written off	(115,487)	(573,884)
At 31 December	<u>267,238</u>	<u>170,420</u>
Company		
At 1 January	149,717	731,733
Impairment loss recognised	190,309	-
Impairment loss reversed	(25,933)	(117,031)
Impairment loss written off	(94,784)	(464,985)
At 31 December	<u>219,309</u>	<u>149,717</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 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 allowance account.

24.5 Liquidity risk

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

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

Maturity analysis

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

	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years	More than 5 years
	RM	%	RM	RM	RM	RM	RM
31.12.2012							
Group							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	2,570,252	-	2,570,252	2,570,252	-	-	-
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled) :							
- outflow	-	-	305,800	305,800	-	-	-
- inflow	(15,050)	-	(320,850)	(320,850)	-	-	-
	<u>2,555,202</u>		<u>2,555,202</u>	<u>2,555,202</u>	-	-	-

Notes to the Financial Statements (cont'd)

24. Financial instruments (cont'd)

24.5 Liquidity risk

31.12.2011	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
Group							
<i>Non-derivative financial liabilities</i>							
Bankers' acceptances	4,057,454	2.25 - 4.43	4,057,454	4,057,454	-	-	-
Trade and other payables	2,053,827	-	2,053,827	2,053,827	-	-	-
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled) :							
- outflow	32,222	-	1,896,214	1,896,214	-	-	-
- inflow	-	-	(1,863,992)	(1,863,992)	-	-	-
	<u>6,143,503</u>		<u>6,143,503</u>	<u>6,143,503</u>	-	-	-
1.1.2011							
<i>Non-derivative financial liabilities</i>							
Bankers' acceptances	5,315,000	3.81 - 4.01	5,315,000	5,315,000	-	-	-
Bankers' overdraft	148,230	6.20 - 7.30	148,230	148,230	-	-	-
Trade and other payables	3,341,279	-	3,341,279	3,341,279	-	-	-
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled) :							
- outflow	-	-	797,178	797,178	-	-	-
- inflow	(16,418)	-	(813,596)	(813,596)	-	-	-
	<u>8,788,091</u>		<u>8,788,091</u>	<u>8,788,091</u>	-	-	-

Notes to the Financial Statements (cont'd)

24. Financial instruments (cont'd)

24.5 Liquidity risk (cont'd)

31.12.2012	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
Company							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	4,172,311	-	4,172,311	4,172,311	-	-	-
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled) :							
- outflow	-	-	305,800	305,800	-	-	-
- inflow	(15,050)	-	(320,850)	(320,850)	-	-	-
	<u>4,157,261</u>		<u>4,157,261</u>	<u>4,157,261</u>	-	-	-
31.12.2011							
<i>Non-derivative financial liabilities</i>							
Bankers' acceptances	4,057,454	2.25 - 4.43	4,057,454	4,057,454	-	-	-
Trade and other payables	3,799,625	-	3,799,625	3,799,625	-	-	-
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled) :							
- outflow	32,222	-	1,896,214	1,896,214	-	-	-
- inflow	-	-	(1,863,992)	(1,863,992)	-	-	-
	<u>7,889,301</u>		<u>7,889,301</u>	<u>7,889,301</u>	-	-	-

Notes to the Financial Statements (cont'd)

24. Financial instruments (cont'd)

24.5 Liquidity risk (cont'd)

1.1.2011	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
Company							
<i>Non-derivative financial liabilities</i>							
Bankers' acceptances	5,315,000	3.81 - 4.01	5,315,000	5,315,000	-	-	-
Bank overdrafts	148,230	6.20 - 7.30	148,230	148,230	-	-	-
Trade and other payables	4,622,150	-	4,622,150	4,622,150	-	-	-
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled) :							
- outflow	-	-	797,178	797,178	-	-	-
- inflow	(16,418)	-	(813,596)	(813,596)	-	-	-
	<u>10,068,962</u>		<u>10,068,962</u>	<u>10,068,962</u>	<u>-</u>	<u>-</u>	<u>-</u>

24.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices 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 and that are denominated in a currency other than the respective functional currency of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar (USD) and Singapore Dollar (SGD).

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.

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

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

Group	Denominated in	
	USD RM	SGD RM
31.12.2012		
Trade receivables	1,269,662	1,149,615
Trade payables	-	(224,304)
Forward exchange contracts	15,050	-
Net exposure	1,284,712	925,311
31.12.2011		
Borrowings	(546,454)	-
Trade receivables	1,323,270	2,114,209
Trade payables	-	(317,229)
Forward exchange contracts	(32,222)	-
Net exposure	744,594	1,796,980
1.1.2011		
Trade receivables	1,926,446	54,720
Trade payables	(295,603)	-
Forward exchange contracts	16,418	-
Net exposure	1,647,261	54,720
Company		
31.12.2012		
Trade receivables	1,120,759	-
Intra-group balances	449,330	-
Forward exchange contracts	15,050	-
Net exposure	1,585,139	-
31.12.2011		
Borrowings	(546,454)	-
Trade receivables	1,112,912	-
Intra-group balances	1,193,253	-
Forward exchange contracts	(32,222)	-
Net exposure	1,727,489	-
1.1.2011		
Trade receivables	1,882,736	54,720
Intra-group balances	1,362,276	-
Forward exchange contracts	16,418	-
Net exposure	3,261,430	54,720

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)

Currency risk sensitivity analysis

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

A 10% strengthening of the RM against the following currencies at the end of the reporting period would have decreased equity and pre-tax profit or loss 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.

Group	Equity RM	Profit or loss RM
2012		
USD	-	128,471
SGD	107,340	92,531
		<hr/>
2011		
USD	-	74,459
SGD	128,462	179,698
		<hr/>
Company		Profit or loss RM
2012		
USD		158,514
		<hr/>
2011		
USD		172,749
		<hr/>

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

24.6.2 Interest rate risk

The Group's variable rate borrowings were exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and 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

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		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM	RM	RM	RM
Floating rate instrument						
Financial liabilities	-	4,057,454	5,463,230	-	4,057,454	5,463,230

Interest rate risk sensitivity analysis

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

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

Group/Company	Profit or loss	
	50 bp increase RM	50 bp decrease RM
2012		
Floating rate instruments	-	-
2011		
Floating rate instruments	(20,287)	20,287

24.7 Fair value of financial instruments

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

The fair values of other financial assets together with their carrying amounts shown in the statement of financial position are as follows :

Group/Company	31.12.2012		31.12.2011		1.1.2011	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial asset						
Forward exchange contracts	15,050	15,050	-	-	16,418	16,418
Financial liability						
Forward exchange contracts	-	-	32,222	32,222	-	-

Notes to the Financial Statements (cont'd)

24. Financial instruments (cont'd)

24.7 Fair value of financial instruments (cont'd)

Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

24.7.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows :

- Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 2 RM	Total RM
31 December 2012		
Financial asset		
Forward exchange contracts	15,050	15,050
31 December 2011		
Financial liability		
Forward exchange contracts	(32,222)	(32,222)
1 January 2011		
Financial asset		
Forward exchange contracts	16,418	16,418

There are no Level 1 and Level 3 valuation method for financial instruments carried at fair value.

25. Capital management

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

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

Notes to the Financial Statements (cont'd)

26. Operating leases - Group

Leases as lessee

Non-cancellable operating lease rental are payable as follows :

	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Less than one year	-	347,790	466,350
Between one and five years	-	-	347,790
	-	347,790	814,140

A subsidiary leased an office under operating leases with a term of more than one year.

27. Explanation of transition to MFRSs

As stated in Note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the Group's date of transition to MFRSs).

In preparing the opening consolidated statement of financial position at 1 January 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position is set out as follows :

27.1 Reconciliation of financial position

Group	← 1.1.2011		← 31.12.2011		MFRSs RM
	FRSs RM	Effect of Transition to MFRSs RM	MFRSs RM	FRSs RM	
Assets					
Property, plant and equipment	20,851,152	-	20,851,152	19,245,901	- 19,245,901
Investment properties	2,095,350	-	2,095,350	2,066,510	- 2,066,510
Prepaid lease payments	1,797,992	-	1,797,992	1,751,883	- 1,751,883
Total non-current assets	24,744,494	-	24,744,494	23,064,294	- 23,064,294
Inventories	31,304,161	-	31,304,161	31,059,235	- 31,059,235
Current tax assets	87,482	-	87,482	48,718	- 48,718
Trade and other receivables including derivatives	14,482,584	-	14,482,584	12,421,437	- 12,421,437
Cash and cash equivalents	1,478,055	-	1,478,055	3,474,690	- 3,474,690
Total current assets	47,352,282	-	47,352,282	47,004,080	- 47,004,080
Total assets	72,096,776	-	72,096,776	70,068,374	- 70,068,374

Notes to the Financial Statements (cont'd)

27. Explanation of transition to MFRSs (cont'd)

27.1 Reconciliation of financial position (cont'd)

Group	← 1.1.2011 →			← 31.12.2011 →		
	FRSs RM	Effect of Transition to MFRSs RM	MFRSs RM	FRSs RM	Effect of Transition to MFRSs RM	MFRSs RM
Equity						
Share capital	45,780,000	-	45,780,000	45,780,000	-	45,780,000
Share premium	1,406,679	-	1,406,679	1,406,679	-	1,406,679
Other reserves (Note a)	280,804	7,328	288,132	302,642	7,328	309,970
Retained earnings (Note a)	14,160,889	(7,328)	14,153,561	14,834,415	(7,328)	14,827,087
Total equity attributable to owners of the Company	61,628,372	-	61,628,372	62,323,736	-	62,323,736
Liabilities						
Employee benefits	1,479,396	-	1,479,396	1,594,848	-	1,594,848
Deferred tax liabilities	159,690	-	159,690	-	-	-
Total non-current liabilities	1,639,086	-	1,639,086	1,594,848	-	1,594,848
Trade and other payables	3,341,279	-	3,341,279	2,053,827	-	2,053,827
Borrowings	5,463,230	-	5,463,230	4,057,454	-	4,057,454
Current tax liabilities	24,809	-	24,809	38,509	-	38,509
Total current liabilities	8,829,318	-	8,829,318	6,149,790	-	6,149,790
Total liabilities	10,468,404	-	10,468,404	7,744,638	-	7,744,638
Total equity and liabilities	72,096,776	-	72,096,776	70,068,374	-	70,068,374

Notes to the Financial Statements (cont'd)

27. Explanation of transition to MFRSs (cont'd)

27.2 Material adjustments to statements of comprehensive income and cash flows for 2011

There are no material differences between the statements of comprehensive income and cash flows presented under MFRSs and the statements of comprehensive income and cash flows presented under FRSs.

27.3 Notes to reconciliations

(a) Foreign currency translation differences

Under FRSs, the Group recognised foreign currency translation differences in other comprehensive income and accumulated the amount in the foreign currency translation reserve in equity.

Upon transition to MFRSs, the Group has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

	Group	
	1 January 2011 RM	31 December 2011 RM
Consolidated statement of financial position		
Adjustment to foreign currency translation reserve	(7,328)	(7,328)
Adjustment to retained earnings	7,328	7,328
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

28. Subsequent event

Subsequent to the year end, a fire occurred at the Company's plant which affected the production line used for the manufacture of tapes. The damage caused by the fire will result in the production line being shut down for a few months. Management estimated that the net book value of the machinery and carrying amount of the inventories affected from this incident to be approximately RM3.4 million and RM1.2 million respectively. The Company has filed the insurance claims which are currently pending approval.

Notes to the Financial Statements (cont'd)

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

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2012, into realised and unrealised profits, pursuant Paragraphs 2.06 and 2.23 of Bursa Main Market Listing Requirements, are as follows :

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained earnings of the Company and its subsidiaries :				
- Realised gain	11,020,976	14,917,439	8,567,844	12,032,401
- Unrealised gain/(loss)	34,663	(90,352)	34,658	(90,503)
Total retained earnings at 31 December	11,055,639	14,827,087	8,602,502	11,941,898

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

Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 36 to 94 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 29 on page 95 to the financial statements has been compiled in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

.....
Wong Yuk Thin

.....
Koay Then Hin

Penang,
Date : 23 April 2013

96

Central
Industrial
Corporation
Berhad
12186-K

Statutory Declaration

pursuant to Section 169(16) of the Companies Act, 1965

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 36 to 95 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Georgetown in the State of Penang on 23 April 2013.

.....
Wong Yuk Thin

Before me :

GOH SUAN BEE (No. P125)
Pesuruhjaya Sumpah
(Commissioner for Oaths)
Penang

Independent Auditors' Report

to the members of Central Industrial Corporation Berhad

Report on the Financial Statements

We have audited the financial statements of Central Industrial Corporation Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 94.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

Independent Auditors' Report

to the members of Central Industrial Corporation Berhad (cont'd)

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 29 on page 95 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

As stated in Note 1(a) to the financial statements, Central Industrial Corporation Berhad adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, changes in equity and cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

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

KPMG

AF 0758
Chartered Accountants

Date : 23 April 2013

Petaling Jaya

Muhammad Azman Bin Che Ani

2922/04/14(J)
Chartered Accountant

Analysis of Shareholdings

as at 30 April 2013

Authorised share capital	RM50,000,000
Issued and fully paid-up capital	RM45,780,000
Class of shares	Ordinary shares of RM1.00 each fully paid
Voting rights	One vote per RM1.00 share

BREAKDOWN OF SHAREHOLDINGS as at 30 APRIL 2013

Range of Shareholdings	No. of Holders	Percentage of Holders	No. of Shares	Percentage of Issued Capital
1 - 99	205	18.27	2,274	0.00
100 - 1,000	325	28.97	206,576	0.45
1,001 - 10,000	465	41.44	1,930,200	4.22
10,001 - 100,000	115	10.25	3,168,300	6.92
100,001 - 2,288,999(*)	9	0.80	6,544,550	14.30
2,289,000 And Above (**)	3	0.27	33,928,100	74.11
TOTAL	1,122	100.00	45,780,000	100.00

Remark : * - less than 5% of issued holdings
 ** - 5% and above of issued holdings

DIRECTORS' SHAREHOLDINGS as at 30 APRIL 2013

Name of Directors	Direct Interest	No. of Shares Held		%
		%	Indirect Interest	
1. Dato' Lim Chee Meng	-	-	12,232,000	26.72

SUBSTANTIAL SHAREHOLDERS as at 30 APRIL 2013

Name of Directors	Direct Interest	No. of Shares Held		%
		%	Indirect Interest	
1. Amanahraya Trustees Berhad - Skim Amanah Saham Bumiputera	15,756,100	34.42	-	-
2. Malar Segar Sdn. Bhd.	12,232,000	26.72	-	-
3. Grand Column Investments Limited (a)	5,940,000	12.98	-	-
4. L.G.B. Holdings Sdn. Bhd. (b)	-	-	12,232,000	26.72
5. Dato' Lim Chee Meng (c)	-	-	12,232,000	26.72
6. Lim Chin Sean (d)	-	-	12,232,000	26.72

Notes :-

- Held through HSBC Nominees (Asing) Sdn. Bhd. – Exempt An For BNP Paribas Wealth Management Singapore Branch (A/C Clients-FGN)
- 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.

Analysis of Shareholdings

as at 30 April 2013 (cont'd)

THIRTY (30) LARGEST SHAREHOLDERS as at 30 APRIL 2013

	Names of Shareholders	No. of Shares	Percentage (%)
(1)	Amanahraya Trustees Berhad - Skim Amanah Saham Bumiputera	15,756,100	34.42
(2)	Malar Segar Sdn. Bhd.	12,232,000	26.72
(3)	HSBC Nominees (Asing) Sdn. Bhd. - Exempt An For BNP Paribas Wealth Management Singapore Branch (A/C Clients-FGN)	5,940,000	12.98
(4)	Lambang Progresif Sdn. Bhd.	2,000,000	4.37
(5)	Ng Oi Han	1,300,000	2.84
(6)	Phang Wai Hoong	1,200,000	2.62
(7)	Juliet Yap Swee Hwang	620,200	1.35
(8)	Kembangan Sepadu Sdn. Bhd.	511,150	1.12
(9)	Lai Kim Hean	366,000	0.80
(10)	Lim, Yen Hsiu-Chuan	299,300	0.65
(11)	Yong Wo Moi	143,700	0.31
(12)	Yong Wo Moi	104,200	0.23
(13)	Khaw Chin Hong	100,000	0.22
(14)	Balakrisnen A/L Subban	100,000	0.22
(15)	Maybank Securities Nominees (Asing) Sdn. Bhd. - Maybank Kim Eng Securities Pte Ltd For Tan How Nguang	100,000	0.22
(16)	Lau Mui Sen	100,000	0.22
(17)	Lai Miau Fong	84,000	0.18
(18)	Citigroup Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Chen Choong Fatt (470421)	70,000	0.15
(19)	Kwan Pei Quen	66,000	0.14
(20)	ECML Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Khaw Chin Hong (002)	66,000	0.14
(21)	Ngan Chu Chu	66,000	0.14
(22)	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Kuan Shin Nyiap	61,200	0.13
(23)	Teoh Cheng Hoe	51,900	0.11
(24)	Khaw Kean Teck	50,000	0.11
(25)	Raymond Choo Pow Yoon	50,000	0.11
(26)	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chee Sai Mun (E-KLC)	49,900	0.11
(27)	Hacong (Hardware & Electrical) Sendirian Berhad	48,400	0.11
(28)	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Chung Chit Min	46,500	0.10
(29)	Teoh Yew Beng	45,500	0.10
(30)	Lai Kong Yong	42,600	0.09

List of Major Properties Held

as at 31 December 2012

Address/Location	Tenure	Year of Revaluation/ Acquisition	Area	Age of Building (Years)	Description/ Existing Use	Net Book Value (RM)
P.T. 8558/8559, Mukim Sungai Pasir Kuala Muda Kedah	Leasehold (Expiry : 2050)	2001	347,836 sq. ft.	22	Land with factory	9,874,643
No. 5-13.1, 5-13.2, 5-14.1, 5-14.2, 5-15.1, 5-15.2, 5-16.1, 5-16.2, 5-17.1, 5-17.2 and 5-18 Block A, Plaza Dwitasik, Phase 1, Bandar Sri Permaisuri, Off Jalan Permaisuri 1, Cheras, 56000 Kuala Lumpur.	Leasehold (Expiry : 2098)	2006	11,368 sq. ft.	14	Office Building	2,020,370

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Proxy Form



Central Industrial Corporation Berhad
12186-K

Number of shares held	
-----------------------	--

I/We _____

of _____

being a member of **CENTRAL INDUSTRIAL CORPORATION BERHAD** hereby appoint _____

of _____

or failing him/her _____

of _____

as my/our proxy, to vote for me/us and on my/our behalf at the Fortieth Annual General Meeting of the Company to be held at Boardroom 4, Level 3, Eastin Hotel, 13, Jalan 16/11, Pusat Dagang Seksyen 16, 46350 Petaling Jaya, Selangor on Wednesday, 19 June 2013 at 10.00 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below :-

No	Resolutions	For	Against
1.	To receive Audited Financial Statements and reports		
2.	To approve the payment of a final dividend of 1.5% less 25% income tax		
3.	To approve the payment of the Directors' fees of RM146,000.00		
4.	To re-elect Mr. Wong Yuk Thin - Article 84		
5.	To re-elect Dato' Dr. Zabir Bin Bajuri - Article 90		
6.	To re-elect Dato' Johan Bin Ariffin - Article 90		
7.	To re-elect Mr. Foo Kee Fatt - Article 90		
8.	To re-appoint Messrs KPMG as Auditors of the Company		
9.	To approve the continuation in office of Dato' Wira Zainuddin Bin Mahmud as Independent Non-Executive Director		
10.	To approve the continuation in office of Mr. Foo Kee Fatt as Independent Non-Executive Director		

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. If you do not indicate how you wish to vote on any resolutions, the proxy will vote as he thinks fit or, at his discretion, abstain from voting.

Signed this _____ day of _____ 2013

Signature/Common Seal of Appointer

Notes

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company and a member may appoint any person to be his proxy without limitation. The provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A member may appoint more than 2 proxies to attend at the same meeting. Where a member appoints two or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.
4. All forms of proxy must be deposited at the Registered Office of the Company situated at No. 16-A (1st Floor), Jalan Tun Sambanthan 3, Brickfields, 50470 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
5. Depositors who appear in the Record of Depositors as at 13 June 2013 shall be regarded as Member of the Company entitled to attend the Fortieth Annual General Meeting or appoint a proxy to attend and vote on his behalf.
6. Shareholders' attention is hereby drawn to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, which allows a member of the Company which is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991, who holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") to appoint multiple proxies in respect of each omnibus account it holds.

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Here

The Company Secretary

CENTRAL INDUSTRIAL CORPORATION BERHAD (12186-K)

Suite 3A33, Block A2
Leisure Commerce Square
No.9, Jalan PJS 8/9
46150 Petaling Jaya, Selangor

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