



Annual Report 2011

Central Industrial Corporation Berhad 12186-K

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Central Industrial Corporation Berhad
12186-K

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE THIRTY-NINTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT CONFERENCE ROOM, LEVEL 3, EASTIN HOTEL, 13, JALAN 16/11, PUSAT DAGANG SEKSYEN 16, 46350 PETALING JAYA, SELANGOR ON THURSDAY, 21 JUNE 2012 AT 10.00 A.M. FOR THE FOLLOWING PURPOSES :-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To approve the payment of a final dividend of 2.0% less 25% income tax for the financial year ended 31 December 2011. **Resolution 2**
3. To approve the payment of Directors' fees of RM146,000.00 for the financial year ended 31 December 2011. **Resolution 3**
4. 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) Datuk Abdul Jamil Bin Mohd Ali	Article 90	Resolution 4
b) Dato' Wira Zainuddin Bin Mahmud	Article 90	Resolution 5
c) Ms. Lim Shiak Ling	Article 90	Resolution 6
5. To consider and if thought fit, to pass the following resolution :-

"That pursuant to Section 129(6) of the Companies Act, 1965, Mr. Lai Kim Hean, who has attained the age of seventy (70) years, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting."

Resolution 7
6. To re-appoint Messrs KPMG as Auditors of the Company and authorize the Directors to fix their remuneration. **Resolution 8**
7. **As Special Business**

To consider and if thought fit, to pass the following Special Resolution :- **Resolution 9**

Proposed Amendments to the Articles of Association of the Company ("Proposed Amendments")

"THAT the Proposed Amendments to the Articles of Association of the Company as set out in Appendix 1 be and are hereby approved and adopted;

AND THAT the Directors and/or Secretary be and are hereby authorised to take all such steps as are necessary and expedient in order to implement, finalise and give full effect to the Proposed Amendments."
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 2.0% less 25% income tax for the financial year ended 31 December 2011, if approved at the Thirty-Ninth Annual General Meeting, will be paid on 9 July 2012 to the shareholders whose names appear in the Record of Depositors at the close of business on 22 June, 2012.

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 22 June 2012 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

Petaling Jaya
30th May 2012

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 appointor or his attorney duly authorised in writing or if such appointor is a corporation under its common seal or the hand of its attorney.
4. All forms of proxy must be deposited at the Registered Office of the Company situated at Suite 3A33, Block A2, Leisure Commerce Square, No. 9, Jalan PJS 8/9, 46150 Petaling Jaya, Selangor 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 15 June 2012 shall be regarded as Member of the Company entitled to attend the Thirty-Ninth 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. Explanatory note to Special Resolution

The proposed Special Resolution, if passed, will streamline the Company's Articles of Association to be in line with the amendments to Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Appendix 1

PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

The details of the Proposed Amendments to the Company's Articles of Association are as follows :-

Existing Articles	Amended Articles
<p>Article 2 - Interpretation Words & Meanings</p> <p>Authorised Nominee A person who is authorised to act as a nominee as specified under the Rules.</p>	<p>Article 2 - Interpretation Words & Meanings</p> <p>Exempt Authorised Nominee An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act.</p>
<p>Article 72 Subject to any special rights or restrictions as to voting for the time being attached to any class or classes of shares at meetings of members or classes of members and Article 57 above, each member shall be entitled to be present and vote at any general meeting of the Company either personally or by proxy or by attorney and to be reckoned in a quorum in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid. On a show of hands, every member, whether a holder of ordinary shares or preference shares, present in person or by proxy or represented by attorney shall have one (1) vote. On a poll, every member present in person or by proxy or attorney or representative of such member shall have one vote for every share held by him. A proxy or attorney shall be entitled to vote on a show of hands on any question at any General Meeting. 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 Act shall not apply.</p>	<p>Article 72 Subject to any special rights or restrictions as to voting for the time being attached to any class or classes of shares at meetings of members or classes of members and Article 57 above, each member shall be entitled to be present and vote at any general meeting of the Company either personally or by proxy or by attorney and to be reckoned in a quorum in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid. On a show of hands, every member, whether a holder of ordinary shares or preference shares, present in person or by proxy or represented by attorney shall have one (1) vote. On a poll, every member present in person or by proxy or attorney or representative of such member shall have one vote for every share held by him. A proxy or attorney shall be entitled to vote on a show of hands on any question at any General Meeting.</p> <p>A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.</p>
<p>Article 74 Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.</p>	<p>Article 74 Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.</p>

Statement Accompanying Notice of Annual General Meeting

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

- (a) Datuk Abdul Jamil Bin Mohd Ali
- (b) Dato' Wira Zainuddin Bin Mahmud
- (c) Ms. Lim Shiak Ling

2. 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 7 to 10 of this Annual Report.

Corporate Information

BOARD OF DIRECTORS

Dato' Dr. Zabir Bin Bajuri
Lai Kim Hean
Lim Shiak Ling
Datuk Abdul Jamil Bin Mohd Ali
Dato' Johan Bin Ariffin
Dato' Lim Chee Meng
Dato' Wira Zainuddin Bin Mahmud
Koay Then Hin
Foo Kee Fatt

Independent Non-Executive Chairman
Managing Director
Executive Director
Non-Independent Non-Executive Director
Non-Independent Non-Executive Director
Non-Independent Non-Executive Director
Independent Non-Executive Director
Independent Non-Executive Director
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
Lai Kim Hean

NOMINATION COMMITTEE

Foo Kee Fatt *(Chairman)*
Dato' Lim Chee Meng
Koay Then Hin

CHIEF EXECUTIVE OFFICER

Wong Yuk Thin

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

Suite 3A33, Block A2,
Leisure Commerce Square,
No. 9, Jalan PJS 8/9,
46150 Petaling Jaya, Selangor.
Tel 03-7877 2939
Fax 03-7877 6939

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
Email 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, 65 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 six Board Meetings held during the financial year.

DATUK ABDUL JAMIL BIN MOHD ALI, DPMT, PJN

(Non-Independent Non-Executive Director) Malaysian, 67 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 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, 66 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 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 six Board Meetings held during the financial year.

DATO' JOHAN BIN ARIFFIN, DPTJ

(Non-Independent Non-Executive Director) Malaysian, 53 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 five 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, 39 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 four Board Meetings held during the financial year.

LAI KIM HEAN

(Managing Director) Malaysian, 71 years of age

Mr. Lai Kim Hean was appointed to the Board of CICB on 4 July 1996. He is the Managing Director and a member of the Remuneration Committee of the Company. He holds a Master Of Science (MSc) degree in International Marketing from University of Strathclyde, Scotland and Diploma in Marketing from the Chartered Institute of Marketing, UK. He also attended overseas management courses in Ashridge Management College, UK and Asian Institute of Management, Manila.

Prior to his appointment as Director of CICB, he was the Managing Director of Hagemeyer Marketing Services Sdn. Bhd. from January 1992 to July 1996. He has considerable experience in marketing and general management and is a past Chairman of Institute of Marketing Malaysia (IMM). He is presently a Fellow Member of IMM, a Member of Malaysian Institute of Directors (MID) as well as Fellow Member of Malaysian Institute of Management (MIM). He is also a Director of the Company's wholly owned subsidiary, CIC Marketing Sdn. Bhd. He has served for over 18 years in the Malaysian Territorial Army (Malaysian Services Corps) and retired with the rank of Mejar.

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 six Board Meetings held during the financial year.

Profile of Board of Directors (cont'd)

LIM SHIAK LING

(Non-Independent Executive Director) Malaysian, 40 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 Board Meetings held during the financial year.

KOAY THEN HIN

(Independent Non-Executive Director) Malaysian, 66 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 six Board Meetings held during the financial year.

FOO KEE FATT

(Independent Non-Executive Director) Malaysian, 46 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 and the Chairman of the Nomination 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, another public listed company.

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 six Board Meetings held during the financial year.

Profile of Chief Executive Officer

WONG YUK THIN

(Chief Executive Officer) Malaysian, 51 years of age

Mr. Wong Yuk Thin, was appointed as Chief Executive Officer of CICB on 14th May 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, Lafarge 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.

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 2011.

FINANCIAL PERFORMANCE

For the year under review, the Group managed to register a consolidated profit after tax of RM1.188 million against RM2.304 million recorded in the previous financial year. The decrease in profit was mainly due to lower Group's sales recorded in 2011 and recognition of gain on disposal of property of RM2,095,568.00 in the previous financial year.

The consolidated revenue decreased by 3.97% against previous year from RM65.715 million to RM63.103 million in the current financial year under review. Export sales recorded in 2011 was lower at RM25.840 million or 10.00% lower as compared to RM28.712 million achieved in 2010. Domestic sales improved marginally from RM37.003 million in 2010 to RM37.263 million recorded in current financial year.

The Company's wholly-owned subsidiary in Singapore, CICS Distributors Pte. Ltd. recorded a 10.11% increase in its revenue from RM7.262 million in year 2010 to RM7.996 million in this financial year under review.

OPERATIONAL REVIEW AND FUTURE OUTLOOK

The overall gross profit has increased marginally from 13.78% in 2010 to 14.42% in 2011 as a result of better gross profit margin achieved for export sales. The Group's business segments will continue to operate in a challenging environment in 2012 due to global economic uncertainties as well as continuous increase in its raw materials costs and fluctuation in foreign exchange rate. The Board would continue with its efforts for measures which have already been put in place for stricter cost control and savings, improvement to product quality, streamlining the supply chain and to continue focusing on further development of its export markets and customers to improve its overall sales and profitability.

DIVIDEND

Your Board of Directors is pleased to recommend a dividend rate of 2.0% less 25% income tax for the financial year ended 31 December 2011 subject to the approval of shareholders at the forthcoming Annual General Meeting. The Company has continued to pay dividend every year since its listing in Bursa Malaysia Securities Berhad in March 1989. The Board certainly hopes that this policy of dividend payment can be maintained and improved with better and higher profits generated in the future.

ACKNOWLEDGEMENT

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

I also wish to take this opportunity to thank my fellow Board of Directors, Management and Staff for their loyalty, commitment, dedication and valuable contributions to enable the Company to achieve another successful year.

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

DATO' DR. ZABIR BIN BAJURI

DBA, DPMS, SSA, KMN, PPT
Chairman

Penyata Pengerusi

BAGI PIHAK LEMBAGA PENGARAH, SAYA DENGAN SUKACITANYA MEMBENTANGKAN LAPORAN TAHUNAN SYARIKAT DAN PENYATA KEWANGAN YANG DIAUDIT BAGI TAHUN KEWANGAN BERAKHIR 31 DISEMBER 2011.

PRESTASI KEWANGAN SYARIKAT

Dalam tahun di bawah kajian, kumpulan Syarikat berjaya mencatatkan keuntungan disatukan selepas cukai berjumlah RM1.188 juta berbanding dengan RM2.304 juta yang direkodkan pada tahun kewangan sebelumnya. Penurunan dalam keuntungan adalah disebabkan terutamanya oleh jualan kumpulan Syarikat yang lebih rendah dalam tahun 2011 dan pengiktirafan keuntungan daripada pelupusan harta bernilai RM2,095,568.00 pada tahun kewangan sebelumnya.

Jualan disatukan telah menurun sebanyak 3.97% jika dibandingkan dengan tahun sebelumnya daripada RM65.715 juta kepada RM63.103 juta dalam tahun kewangan kini yang dinilai. Jualan eksport yang direkodkan dalam tahun 2011 adalah lebih rendah iaitu RM25.840 juta atau 10.00% lebih rendah jika dibandingkan dengan RM28.712 juta yang dicapai dalam tahun 2010. Jualan domestik telah bertambah baik secara marginal daripada RM37.003 juta dalam tahun 2010 kepada RM37.263 juta yang direkodkan dalam tahun kewangan sekarang.

Subsidiari milik penuh Syarikat di Singapura, CICS Distributors Pte. Ltd. telah merekodkan peningkatan dalam pendapatan sebanyak 10.11% daripada RM7.262 juta dalam tahun 2010 kepada RM7.996 juta pada tahun kewangan yang dinilai.

ULASAN OPERASI DAN TINJAUAN MASA DEPAN

Keuntungan kasar keseluruhan telah bertambah secara marginal daripada 13.78% dalam 2010 kepada 14.42% dalam 2011 hasil daripada margin keuntungan kasar yang dicapai bagi jualan eksport. Segmen perniagaan Kumpulan Syarikat akan terus beroperasi dalam suasana yang bercabar dalam tahun 2012 disebabkan ketidakpastian ekonomi global serta peningkatan berterusan dalam kos bahan-bahan mentah dan kadar pertukaran asing yang berubah-ubah. Lembaga Pengarah Syarikat akan terus berusaha untuk mengambil langkah-langkah dalam pengawalan kos yang lebih ketat dan penjimatan, penambahbaikan kualiti produk, menyelaraskan rangkaian pembekalan dan terus fokus dalam perkembangan pasarann eksport dan pelanggan-pelanggan sebagai langkah untuk menambahbaik jualan dan keuntungan keseluruhannya.

DIVIDEN

Lembaga Pengarah Syarikat anda sekalian dengan sukacitanya mengesyorkan kadar dividen sebanyak 2.0% tolak cukai pendapatan sebanyak 25% bagi tahun kewangan berakhir 31 Disember 2011 tertakluk kepada kelulusan para pemegang saham pada Mesyuarat Agung Tahunan akan datang. Syarikat telah terus membayar dividen setiap tahun sejak penyenaraian di Bursa Malaysia Securities Berhad pada Mac 1989. Lembaga Pengarah Syarikat memang berharap bahawa polisi pembayaran dividen ini dapat dikekalkan dan bertambah baik dengan keuntungan yang lebih baik dan tinggi yang dijanakan pada masa hadapan.

PENGHARGAAN

Bagi pihak Lembaga Pengarah Syarikat, saya ingin mengambil kesempatan ini untuk menyampaikan ucapan terima kasih saya yang ikhlas kepada pemegang-pemegang saham, pelanggan-pelanggan yang dihargai, institusi-institusi kewangan, pembekal-pembekal dan rakan-rakan peniagaan atas keyakinan dan sokongan mereka yang berterusan.

Saya juga ingin mengambil kesempatan ini untuk mengucapkan terima kasih kepada Ahli-Ahli Lembaga Pengarah, Pihak Pengurusan dan Kakitangan-Kakitangan atas kesetiaan, komitmen, dedikasi dan sumbangan berharga mereka yang membolehkan Syarikat mencapai satu lagi tahun yang berjaya.

Lembaga Pengarah Syarikat memandang ke hadapan sokongan dan kerjasama anda yang berterusan pada tahun kewangan baru ini.

DATO' DR. ZABIR BIN BAJURI
DBA, DPMS, SSA, KMN, PPT
Pengerusi

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 ("Bursa Securities").

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.

Audit and Risk Management Committee Report (cont'd)

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.

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;

Audit and Risk Management Committee Report (cont'd)

Duties (cont'd)

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.

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 Securities 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 2011. 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

Audit and Risk Management Committee Report (cont'd)

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 Securities, 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.
- (d) Reviewed the proposed audit plan to be undertaken by the Internal Auditors and reviewed the report of the internal auditors.

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 2011, the total cost incurred for the internal audit function was RM43,462.00

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 Principles and Best Practices stated in Parts 1 and 2 of the Malaysian Code on Corporate Governance (the “Code”) respectively. As such, the Board is fully committed to the maintenance of high standards of corporate governance in its quest to enhance shareholder value.

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. Although it does not have a formal schedule of matters reserved to it for decision, the Board is normally involved in deciding 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.

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 2011, 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	6
Datuk Abdul Jamil Bin Mohd Ali	6	6
Dato’ Wira Zainuddin Bin Mahmud	6	6
Dato’ Johan Bin Ariffin	6	5
Dato’ Lim Chee Meng	6	4
Lai Kim Hean	6	6
Koay Then Hin	6	6
Foo Kee Fatt	6	6
Lim Shiak Ling	6	5

Statement on Corporate Governance (cont'd)

A. BOARD OF DIRECTORS (cont'd)

Meetings (cont'd)

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.

Board 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 7 to 10 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.

The 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, legal, marketing and operations.

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 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.

Statement on Corporate Governance (cont'd)

A. BOARD OF DIRECTORS (cont'd)

Board balance (cont'd)

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.

There is a clear division of responsibilities at the head of the Company to ensure a balance of authority and power. 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. Lai Kim Hean, the Managing Director.

Although the role of the Chairman is not defined with his position responsibilities, the Chairman in practice is responsible for running the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board decisions.

The Managing Director is responsible for the day-to-day management of the business as well as the implementation of Board's policies and decisions.

The Board is satisfied that the current Board composition fairly reflects the interests of minority shareholders in the Company.

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

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.

Statement on Corporate Governance (cont'd)

A. BOARD OF DIRECTORS (cont'd)

Appointments to the Board

Nomination Committee

The Nomination Committee comprises the following members :

- | | |
|-----------------------|--|
| • Mr. Foo Kee Fatt | Chairman, Independent Non-Executive Director |
| • Dato' Lim Chee Meng | Member, Non-Independent Non-Executive Director |
| • Mr. Koay Then Hin | Member, Independent Non-Executive Director |

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 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 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, its Committees and the contribution of individual Directors to the Company.

The Committee met once during the financial year to review the size and composition of the Board as well as performance of the other Board Committees. The Committee had also discussed and deliberated on the contributions of the Board and other Committees with the respective members of the Nomination Committee abstaining from the process.

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.

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 :-

- Directors' Obligations under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad - Dato' Lim Chee Meng & Lim Shiak Ling
- Political Risk Management - Datuk Abdul Jamil Bin Mohd Ali & Mr. Koay Then Hin
- The Inside Story Of The Annual Report - What You Need To Know - Dato' Wira Zainuddin Bin Mahmud & Dato' Johan Bin Ariffin
- Is the global economy still slowing down? Implications on Malaysia business - Dato' Dr Zabir Bin Bajuri
- Investor Relations And Financial Communications - Lai Kim Hean
- Driving Audit Quality: Enhancing The Role Of Stakeholders - Foo Kee Fatt
- Updates of 2011 New And Revised Financial Reporting Standards And New Bursa Listing Requirements - Foo Kee Fatt

Statement on Corporate Governance (cont'd)

A. BOARD OF DIRECTORS (cont'd)

Appointments to the Board (cont'd)

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.

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, analysis of shareholdings 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 comprises the following members:

- | | |
|----------------------------------|--|
| • Datuk Abdul Jamil Bin Mohd Ali | Chairman, Non-Independent Non-Executive Director |
| • Dato' Lim Chee Meng | Member, Non-Independent Non-Executive Director |
| • Mr. Lai Kim Hean | Member, Non-Independent Executive Director |

The Committee consists mainly of Non-Executive Directors. 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. During the financial year, the Remuneration Committee met once to review the bonuses and increments of the Executive Directors.

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.

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 2011, are as follows:

Directors	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Fees	20,000	126,000	146,000
Salary and bonus	502,560	-	502,560
Benefits-in-kind	17,400	-	17,400
EPF contribution	63,777	-	63,777
Total	603,737	126,000	729,737

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 2011, 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	1	-
RM150,001 – RM200,000	-	-
RM200,001 – RM250,000	-	-
RM250,001 -- RM300,000	-	-
RM300,001 – RM350,000	-	-
RM350,001 – RM400,000	-	-
RM400,001 -- RM450,000	-	-
RM450,001 -- RM500,000	1	-

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 Statement on Internal Control furnished on pages 27 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 14 to 17 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 page 17 of the Annual Report.

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 2011, the Company did not issue any options, warrants or convertible securities.

- **American Depositary Receipt (ADR) Or Global Depositary 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 2011 amounted to RM16,200.

- **Profit Guarantee**

There was no profit guarantee given by the Company for the financial year ended 31 December 2011.

- **Variation In Results**

There was no material variances between the audited results for the financial year ended 31 December 2011 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 2011 or since the end of the previous financial year.

Statement on Corporate Governance (cont'd)

OTHER INFORMATION (cont'd)

• 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 2011. Information on the ESOS is set out in Note 11.2 of the Audited Financial Statement on pages 66 to 67 of this Annual Report.

The following are brief details on the number of options granted and exercised during the financial year ended 31 December 2011 :-

	During the financial year ended 31 December 2011		
	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	343,000	895,000	1,238,000

In regard to the options or shares granted to the Executive Directors and Senior Management during the financial year ended 31 December 2011 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 2011 is 27.70% of the total number of shares granted.

Statement About the State of Internal Control

Pursuant to Paragraph 15.26(b) Listing Requirements of Bursa Securities, the Board of Directors of Central Industrial Corporation Berhad is pleased to provide the following statement on the state of internal control of the Group, which has been prepared in accordance with the Statement on Internal Control : Guidance for Directors of Public Listed Companies ('Internal Control Guidance') issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

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. 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 misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced, or potentially exposed to, by the Group in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report.

RISK MANAGEMENT

The Board and management practice proactive significant risks identification in the processes and activities of the Group, particularly any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks, and put in place the 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 independent professional accounting and consulting firm, Messrs BDO Governance Advisory Sdn. Bhd. 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.

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 in place to improve the controls. For those areas with high risk and adequate 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 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; and
- Adherence to health, safety, environmental and quality standards of the Group as enforced by the regulatory authorities.

Statement About the State of Internal Control (cont'd)

INTERNAL CONTROL (cont'd)

Based on the internal auditors' report for the financial year ended 31 December 2011, 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.

The Board continues to review and implement measures to strengthen the internal control environment of the Group. Where areas of improvement in the system are identified, the Board considers the recommendations made by both the Audit and Risk Management Committee and Management.

This statement has been reviewed by the external auditors in compliance with Paragraph 15.23 Listing Requirements of Bursa Securities.

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 corporate social responsibility ("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.

(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.

Statement on Corporate Social Responsibility (cont'd)

Employees' Welfare

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

(i) Safety & Health Team

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

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Directors' Report

for the year ended 31 December 2011

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2011.

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
Profit for the year attributable to owners of the Company	1,188,550	838,470

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.

Dividend

Since the end of the previous financial year, the Company paid a final dividend of 1.50% per ordinary share less 25% tax totalling RM515,024 in respect of the financial year ended 31 December 2010 on 13 September 2011.

The Directors recommend 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 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
Lai Kim Hean
Koay Then Hin
Foo Kee Fatt
Lim Shiak Ling

Directors' Report

for the year ended 31 December 2011 (cont'd)

Directors' interest in shares

The interests and deemed interests in the ordinary 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 31.12.2011
	Balance at 1.1.2011	Bought	(Sold)	
Interest in the Company :				
Lai Kim Hean - own	356,000	10,000	-	366,000
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 31.12.2011
		Balance at 1.1.2011	Granted	(Exercised)	
Lai Kim Hean	1.00	134,000	-	-	134,000
Lim Shiak Ling	1.00	47,000	-	-	47,000

By virtue of his interests 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 2011 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 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.

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 2011 (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 2010 ("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 2010 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 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 that have been confirmed on the date of 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 prices 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 1.1.2011	Granted	(Lapsed)	At 31.12.2011
23 March 2006	1.00	1,290,000	-	(52,000)	1,238,000

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.

Directors' Report

for the year ended 31 December 2011 (cont'd)

Other statutory information

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

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

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

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

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

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, 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 :

.....
Lai Kim Hean

.....
Koay Then Hin

Penang,
Date : 20 April 2012

Consolidated Statement of Financial Position

as at 31 December 2011

	Note	2011 RM	2010 RM
Assets			
Property, plant and equipment	3	19,245,901	20,851,152
Investment properties	4	2,066,510	2,095,350
Prepaid lease payments	5	1,751,883	1,797,992
Total non-current assets		23,064,294	24,744,494
Trade and other receivables, including derivatives	7	12,421,437	14,482,584
Inventories	8	31,059,235	31,304,161
Current tax assets		48,718	87,482
Cash and bank balances		3,474,690	1,478,055
Total current assets		47,004,080	47,352,282
Total assets		70,068,374	72,096,776
Equity			
Share capital	9	45,780,000	45,780,000
Reserves	10	16,543,736	15,848,372
Total equity attributable to owners of the Company		62,323,736	61,628,372
Liabilities			
Employee benefits	11	1,594,848	1,479,396
Deferred tax liabilities	12	-	159,690
Total non-current liabilities		1,594,848	1,639,086
Trade and other payables, including derivatives	13	2,053,827	3,341,279
Borrowings	14	4,057,454	5,463,230
Current tax liabilities		38,509	24,809
Total current liabilities		6,149,790	8,829,318
Total liabilities		7,744,638	10,468,404
Total equity and liabilities		70,068,374	72,096,776

The notes on pages 46 to 88 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

	Note	2011 RM	2010 RM
Continuing operations			
Revenue	15	63,103,471	65,714,795
Cost of sales		(54,001,255)	(56,659,815)
Gross profit		9,102,216	9,054,980
Other operating income		517,314	2,611,419
Distribution expenses		(3,413,499)	(3,184,403)
Administrative expenses		(4,053,117)	(4,257,239)
Other operating expenses		(842,849)	(1,442,760)
Results from operating activities		1,310,065	2,781,997
Finance costs	16	(248,147)	(287,948)
Profit before tax	17	1,061,918	2,494,049
Income tax expense	19	126,632	(190,333)
Profit for the year		1,188,550	2,303,716
Other comprehensive income for the year, net of tax			
Foreign currency translation differences for foreign operation		21,838	(4,700)
Total comprehensive income for the year		1,210,388	2,299,016
Profit for the year attributable to owners of the Company		1,188,550	2,303,716
Total comprehensive income for the year attributable to owners of the Company		1,210,388	2,299,016
Basic earnings per ordinary share (sen)	20	2.60	5.03
Diluted earnings per ordinary share (sen)	20	2.60	5.03

The notes on pages 46 to 88 are an integral part of these financial statements.

Consolidated Statement of Changes In Equity

for the year ended 31 December 2011

Note	Attributable to owners of the Company					
	Non-distributable			Distributable		Total equity RM
	Share capital RM	Share premium RM	Translation reserve RM	Share option reserve RM	Retained earnings RM	
At 1 January 2010	45,780,000	1,406,679	(2,628)	288,132	12,372,426	59,844,609
Total other comprehensive income for the year						
- Foreign currency translation differences for foreign operation	-	-	(4,700)	-	-	(4,700)
Profit for the year	-	-	-	-	2,303,716	2,303,716
Total comprehensive income for the year	-	-	(4,700)	-	2,303,716	2,299,016
Dividend to owners of the Company	21	-	-	-	(515,253)	(515,253)
At 31 December 2010	45,780,000	1,406,679	(7,328)	288,132	14,160,889	61,628,372
Total other comprehensive income for the year						
- Foreign currency translation differences for foreign operation	-	-	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	14,510	288,132	14,834,415	62,323,736
	Note 9	Note 10				

The notes on pages 46 to 88 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2011

	Note	2011 RM	2010 RM
Cash flows from operating activities			
Profit before tax		1,061,918	2,494,049
Adjustments for :			
Amortisation of prepaid lease payments	5	46,109	46,331
Depreciation			
- Property, plant and equipment	3	1,793,485	1,834,810
- Investment properties	4	45,828	66,233
Interest expense	16	248,147	287,948
Provision for retirement/resignation benefits	11	193,592	128,554
Plant and equipment written off	17	2,441	34,648
Gain on disposal of			
- Investment property	17	-	(1,960,192)
- Prepaid lease payment	17	-	(75,376)
- Plant and equipment	17	(38,313)	(60,000)
Operating profit before changes in working capital		3,353,207	2,797,005
Changes in working capital :			
Trade and other receivables, including derivatives		(1,337,475)	355,366
Inventories		263,706	(5,254,618)
Trade and other payables		2,117,539	74,740
Cash generated from/(used in) operations		4,396,977	(2,027,507)
Income tax paid		13,008	(88,878)
Retirement/resignation benefits paid	11	(78,140)	(117,967)
Net cash from/(used in) operating activities		4,331,845	(2,234,352)
Cash flows from investing activities			
Proceeds from disposal of :			
- Investment property		-	3,862,753
- Prepaid lease payment		-	240,697
- Plant and equipment		38,313	60,000
Purchase of plant and equipment	3	(190,583)	(1,312,410)
Purchase of investment property	4	(16,988)	-
Net cash (used in)/from investing activities		(169,258)	2,851,040

Consolidated Statement of Cash Flows

for the year ended 31 December 2011 (cont'd)

Cash flows from financing activities

Dividend paid	(515,024)	(515,253)
Interest paid	(248,147)	(287,948)
Repayment of borrowings, net	(1,257,546)	(1,029,000)
Net cash used in financing activities	(2,020,717)	(1,832,201)
Net increase/(decrease) in cash equivalents	2,141,870	(1,215,513)
Effect of exchange rate fluctuations on cash and cash equivalents	2,995	(931)
Cash and cash equivalents at 1 January	1,329,825	2,546,269
Cash and cash equivalents at 31 December	3,474,690	1,329,825

Note

Cash and cash equivalents

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

	2011 RM	2010 RM
Cash and bank balances	3,474,690	1,478,055
Bank overdrafts (Note 14)	-	(148,230)
	3,474,690	1,329,825

The notes on pages 46 to 88 are an integral part of these financial statements.

Statement of Financial Position

at 31 December 2011

	Note	2011 RM	2010 RM
Assets			
Property, plant and equipment	3	19,148,191	20,730,546
Investment properties	4	2,066,510	2,095,350
Prepaid lease payments	5	1,751,883	1,797,992
Investments in subsidiaries	6	1,213,000	1,213,000
Total non-current assets		24,179,584	25,836,888
Trade and other receivables, including derivatives	7	11,011,504	13,396,450
Inventories	8	30,358,864	30,432,406
Current tax assets		35,594	-
Cash and bank balances		3,283,090	1,141,295
Total current assets		44,689,052	44,970,151
Total assets		68,868,636	70,807,039
Equity			
Share capital	9	45,780,000	45,780,000
Reserves	10	13,636,709	13,313,263
Total equity		59,416,709	59,093,263
Liabilities			
Employee benefits	11	1,594,848	1,479,396
Deferred tax liabilities	12	-	149,000
Total non-current liabilities		1,594,848	1,628,396
Trade and other payables, including derivatives	13	3,799,625	4,622,150
Borrowings	14	4,057,454	5,463,230
Total current liabilities		7,857,079	10,085,380
Total liabilities		9,451,927	11,713,776
Total equity and liabilities		68,868,636	70,807,039

The notes on pages 46 to 88 are an integral part of these financial statements.

Statement of Comprehensive Income

for the year ended 31 December 2011

	Note	2011 RM	2010 RM
Continuing operations			
Revenue	15	56,655,414	59,743,817
Cost of sales		(48,863,278)	(51,967,193)
Gross profit		7,792,136	7,776,624
Distribution expenses		(3,395,957)	(3,336,985)
Administrative expenses		(2,880,813)	(2,760,601)
Other operating expenses		(837,361)	(1,442,335)
Other operating income		258,768	2,370,466
Results from operating activities		936,773	2,607,169
Finance costs	16	(248,147)	(287,948)
Profit before tax	17	688,626	2,319,221
Income tax expense	19	149,844	(163,525)
Profit and total comprehensive income for the year attributable to owners of the Company		838,470	2,155,696

The notes on pages 46 to 88 are an integral part of these financial statements.

Statement of Changes In Equity

for the year ended 31 December 2011

Attributable to owners of the Company					
Non-distributable			Distributable		
Note	Share capital RM	Share premium RM	Share option reserve RM	Retained earnings RM	Total equity RM
At 1 January 2010	45,780,000	1,406,679	288,132	9,978,009	57,452,820
Profit and total comprehensive income for the year	-	-	-	2,155,696	2,155,696
Dividend to owners of the Company	21	-	-	(515,253)	(515,253)
At 31 December 2010	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	45,780,000	1,406,679	288,132	11,941,898	59,416,709
	Note 9	Note 10			

The notes on pages 46 to 88 are an integral part of these financial statements.

Statement of Cash Flows

for the year ended 31 December 2011

	Note	2011 RM	2010 RM
Cash flows from operating activities			
Profit before tax		688,626	2,319,221
Adjustments for :			
Amortisation of prepaid lease payments	5	46,109	46,331
Depreciation			
- Property, plant and equipment	3	1,762,048	1,799,122
- Investment properties	4	45,828	66,233
Interest expense	16	248,147	287,948
Provision for retirement/resignation benefits	11	193,592	128,554
Plant and equipment written off	17	-	29,789
Gain on disposal of :			
- Investment property	17	-	(1,960,192)
- Prepaid lease payment	17	-	(75,376)
- Plant and equipment	17	(3,460)	(60,000)
Operating profit before changes in working capital		2,980,890	2,581,630
Changes in working capital :			
Trade and other receivables, including derivatives		2,384,946	864,474
Inventories		73,542	(5,267,134)
Trade and other payables		(822,525)	(356,497)
		4,616,853	(2,177,527)
Cash generated from/(used in) operations			
Income tax paid		(34,750)	(61,100)
Retirement/resignation benefits paid	11	(78,140)	(117,967)
Net cash from/(used in) operating activities		4,503,963	(2,356,594)
Cash flows from investing activities			
Proceeds from disposal of			
- Investment property		-	3,862,753
- Prepaid lease payment		-	240,697
- Plant and equipment		3,460	60,000
Purchase of plant and equipment	3	(179,693)	(1,293,706)
Purchase of investment property	4	(16,988)	-
Net cash (used in)/from investing activities		(193,221)	2,869,744

Statement of Cash Flows

for the year ended 31 December 2011 (cont'd)

Note	2011 RM	2010 RM
Cash flows from financing activities		
Dividend paid	(515,024)	(515,253)
Interest paid	(248,147)	(287,948)
Repayment of borrowings, net	(1,257,546)	(1,029,000)
Net cash used in financing activities	(2,020,717)	(1,832,201)
Net increase/(decrease) in cash and cash equivalents	2,290,025	(1,319,051)
Cash and cash equivalents at 1 January	993,065	2,312,116
Cash and cash equivalents at 31 December	3,283,090	993,065

Note

Cash and cash equivalents

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

	2011 RM	2010 RM
Cash and bank balances	3,283,090	1,141,295
Bank overdrafts (Note 14)	-	(148,230)
	3,283,090	993,065

The notes on pages 46 to 88 are an integral part of these financial statements.

Notes to the Financial Statements

Central Industrial Corporation Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of 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 2011 comprise the Company and its subsidiaries (together referred to as “the Group”) and individually referred to as “the Group entities”. The financial statements of the Company as at and for the year ended 31 December 2011 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 20 April 2012.

1. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

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

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, Related Party Disclosures (revised)
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to FRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets
- Amendments to FRS 112, Income Taxes - Deferred Tax: Recovery of Underlying Assets

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

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

Notes to the Financial Statements (cont'd)

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

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

- FRS 10, Consolidated Financial Statements
- FRS 11, Joint Arrangements
- FRS 12, Disclosure of Interests in Other Entities
- FRS 13, Fair Value Measurement
- FRS 119, Employee Benefits (2011)
- FRS 127, Separate Financial Statements (2011)
- FRS 128, Investments in Associates and Joint Ventures (2011)
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
- Amendments to FRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

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

- Amendments to FRS 132, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

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

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

The Group's and Company's financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group and the Company will not be adopting the above FRSs, Interpretations and amendments.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements in conformity with FRS 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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies

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

(a) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group 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 held for sale for sale or distribution. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for business combinations

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

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011 the Group has applied FRS 3, Business Combinations (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as :

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; 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.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, 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.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(ii) *Accounting for business combinations (cont'd)*

Acquisitions on or after 1 January 2011 (cont'd)

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 January 2006

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

(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.

(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 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 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

ii) *Operations denominated in functional currencies other than Ringgit Malaysia (RM) (cont'd)*

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

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

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised 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 trade and other receivables and cash and cash equivalents.

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

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

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial liabilities

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

Fair value through profit or loss category comprises financial liabilities that are held for trading, 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.

(iii) Financial guarantee contracts

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

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

(iv) Regular way purchase or sale of financial assets

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

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

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

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or 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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(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.

(ii) Subsequent costs

The cost of replacing part 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 part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced parts 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 calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part 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 - 20
Motor vehicles	20

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

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(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.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(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 lease and 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 unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. 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 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 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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(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.

(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 value. For the purpose of the statement of cash flows, 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 equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

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

(ii) Other assets

The carrying amounts of other assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (known as cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating units or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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.

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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(i) Impairment of assets (cont'd)

(ii) Other assets (cont'd)

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 decreased 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.

(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.

(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 reporting period date 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 net total of any unrecognised past service costs and the present value 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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(k) Employee benefits (cont'd)

(iii) Defined benefit plans (cont'd)

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 options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

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.

(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) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is 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 in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Rental income

Rental income from investment 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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(n) Revenue and other income (cont'd)

(iii) Government grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other operating income on a systematic basis in the same periods in which the expenses are recognised.

(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.

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is 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 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 years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and 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.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

Unutilised reinvestment allowance and investment tax allowance are treated as tax base of assets and are recognised as a reduction of tax expense as and when they are utilised.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(q) Earnings per ordinary share

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

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

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

(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	Buildings RM	Plant, machinery and loose tools RM	Furniture, fittings, equipment and installations RM	Motor vehicles RM	Under construction RM	Total RM
Cost						
At 1 January 2010	9,446,394	24,906,599	2,869,912	1,747,513	27,729	38,998,147
Additions	66,100	109,023	56,969	275,850	804,468	1,312,410
Disposals	-	-	-	(231,800)	-	(231,800)
Write offs	-	-	(10,046)	-	(27,729)	(37,775)
Reclassifications	-	-	4,750	-	(4,750)	-
Transfer from investment properties (Note 4)	149	-	-	-	-	149
Effect of movements in exchange rates	-	-	(777)	(500)	-	(1,277)
At 31 December 2010/ 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	9,512,643	25,937,513	2,861,039	1,734,686	-	40,045,881
Depreciation						
At 1 January 2010	1,047,760	12,844,593	2,354,205	1,643,338	-	17,889,896
Depreciation for the year	205,198	1,396,943	126,084	106,585	-	1,834,810
Disposals	-	-	-	(231,800)	-	(231,800)
Write offs	-	-	(3,127)	-	-	(3,127)
Transfer from investment properties (Note 4)	(299,812)	-	-	-	-	(299,812)
Effect of movements in exchange rates	-	-	(765)	(500)	-	(1,265)
At 31 December 2010/ 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	1,160,313	15,597,187	2,507,799	1,534,681	-	20,799,980

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
Group (cont'd)						
Carrying amounts						
At 1 January 2010	8,398,634	12,062,006	515,707	104,175	27,729	21,108,251
At 31 December 2010/ 1 January 2011	8,559,497	10,774,086	444,411	273,440	799,718	20,851,152
At 31 December 2011	8,352,330	10,340,326	353,240	200,005	-	19,245,901
Company						
Cost						
At 1 January 2010	9,446,394	24,906,599	2,212,963	1,441,547	27,729	38,035,232
Additions	66,100	109,023	38,265	275,850	804,468	1,293,706
Reclassifications	-	-	4,750	-	(4,750)	-
Transfer from investment properties (Note 4)	149	-	-	-	-	149
Write offs	-	-	(3,583)	-	(27,729)	(31,312)
Disposal	-	-	-	(231,800)	-	(231,800)
At 31 December 2010/ 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)	-
Disposals	-	(36,425)	-	(4,750)	-	(41,175)
At 31 December 2011	9,512,643	25,937,513	2,269,665	1,484,672	-	39,204,493
Depreciation						
At 1 January 2010	1,047,760	12,844,593	1,839,717	1,337,372	-	17,069,442
Depreciation for the year	205,198	1,396,943	90,396	106,585	-	1,799,122
Write offs	-	-	(1,523)	-	-	(1,523)
Transfer from investment properties (Note 4)	(299,812)	-	-	-	-	(299,812)
Disposals	-	-	-	(231,800)	-	(231,800)
At 31 December 2010/ 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	1,160,313	15,597,187	2,014,135	1,284,667	-	20,056,302

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 (cont'd)						
Carrying amounts						
At 1 January 2010	8,398,634	12,062,006	373,246	104,175	27,729	20,965,790
At 31 December 2010/ 1 January 2011	8,559,497	10,774,086	323,805	273,440	799,718	20,730,546
At 31 December 2011	8,352,330	10,340,326	255,530	200,005	-	19,148,191

4. Investment properties - Group/Company

	Buildings RM
Cost	
At 1 January 2010	8,635,453
Transfer to property, plant and equipment	(149)
Disposal	(6,345,304)
At 31 December 2010/1 January 2011	2,290,000
Addition	16,988
At 31 December 2011	2,306,988
Depreciation	
At 1 January 2010	4,271,348
Depreciation for the year	66,233
Transfer to property, plant and equipment	299,812
Disposal	(4,442,743)
At 31 December 2010/1 January 2011	194,650
Depreciation for the year	45,828
At 31 December 2011	240,478
Carrying amounts	
At 1 January 2010	4,364,105
At 31 December 2010/1 January 2011	2,095,350
At 31 December 2011	2,066,510

Notes to the Financial Statements (cont'd)

4. Investment properties - Group/Company (cont'd)

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

	2011 RM	2010 RM
Rental income	-	275,387
Direct operating expenses		
- Income generating investment properties	84,190	58,362

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 (2010: RM2,250,000).

5. Prepaid lease payments - Group/Company

	Unexpired period more than 50 years RM	Unexpired period less than 50 years RM	Total RM
Cost			
At 1 January 2010	244,000	2,017,009	2,261,009
Disposal	(244,000)	-	(244,000)
At 31 December 2010/1 January 2011/ 31 December 2011	-	2,017,009	2,017,009
Amortisation			
At 1 January 2010	78,461	172,904	251,365
Amortisation for the year	218	46,113	46,331
Disposal	(78,679)	-	(78,679)
At 31 December 2010/1 January 2011	-	219,017	219,017
Amortisation for the year	-	46,109	46,109
At 31 December 2011	-	265,126	265,126
Carrying amounts			
At 1 January 2010	165,539	1,844,105	2,009,644
At 31 December 2010/1 January 2011	-	1,797,992	1,797,992
At 31 December 2011	-	1,751,883	1,751,883

The Group and the Company have retained the unamortised revalued amount as the surrogated carrying amount of prepaid lease payments in accordance with the transitional provision in FRS 117.

Notes to the Financial Statements (cont'd)

6. Investments in subsidiaries - Company

	2011 RM	2010 RM
Unquoted shares, at cost	1,213,000	1,213,000

Details of the subsidiaries are as follows :

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2011 %	2010 %
CIC Marketing Sdn. Bhd.	Malaysia	Marketing of self-adhesive label stocks and tapes	100	100
CICS Distributors Pte. Ltd. #	Singapore	Trading of adhesive tapes	100	100

Not audited by member firms of KPMG International

7. Trade and other receivables, including derivatives

	Note	Group		Company	
		2011 RM	2010 RM	2011 RM	2010 RM
Trade					
Trade receivables		11,894,681	13,850,941	9,571,361	11,539,579
Amount due from a subsidiary		-	-	1,193,253	1,362,276
	7.1	11,894,681	13,850,941	10,764,614	12,901,855
Non-trade					
Other receivables		148,359	151,579	3,040	149,113
Deposits		180,579	169,854	47,553	37,562
Prepayments		197,818	293,792	196,297	291,502
Financial asset at fair value through profit or loss - held for trading including derivatives	#	-	16,418	-	16,418
		12,421,437	14,482,584	11,011,504	13,396,450

This represents forward exchange contracts.

7.1 Trade receivables

All trade receivables are subject to normal trade terms.

Notes to the Financial Statements (cont'd)

8. Inventories

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
At cost				
Raw materials	9,988,524	12,408,682	9,988,524	12,408,682
Work-in-progress	10,814,230	10,655,613	10,814,230	10,655,613
Manufactured inventories	6,328,589	5,479,528	5,628,218	4,607,773
Trading inventories	3,807,419	2,609,699	3,807,419	2,609,699
Consumables	120,473	150,639	120,473	150,639
	<u>31,059,235</u>	<u>31,304,161</u>	<u>30,358,864</u>	<u>30,432,406</u>

9. Share capital - Group/Company

	2011		2010	
	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
Issued and fully paid	45,780,000	45,780,000	45,780,000	45,780,000

10. Reserves

	Group		Company	
Note	2011 RM	2010 RM	2011 RM	2010 RM
Distributable				
Retained earnings	14,834,415	14,160,889	11,941,898	11,618,452
Non-distributable				
Share premium	1,406,679	1,406,679	1,406,679	1,406,679
Translation reserve	10.1 14,510	(7,328)	-	-
Share option reserve	10.2 288,132	288,132	288,132	288,132
	<u>1,709,321</u>	<u>1,687,483</u>	<u>1,694,811</u>	<u>1,694,811</u>
	<u>16,543,736</u>	<u>15,848,372</u>	<u>13,636,709</u>	<u>13,313,263</u>

Notes to the Financial Statements (cont'd)

10. Reserves (cont'd)

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 Group entity with functional currency 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 :

- i) Section 108 tax credit to frank all of its distributable reserves; and
- ii) 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 2011 will be available to the Company until such time the credit is fully utilised or upon expiry of the transitional period on 31 December 2013, whichever is earlier.

11. Employee benefits - Group/Company

11.1 Retirement/resignation benefits

	2011 RM	2010 RM
Present value of unfunded obligations	1,594,848	1,479,396
Recognised liability for defined benefit obligations	1,594,848	1,479,396

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

	2011 RM	2010 RM
Defined benefit obligations at 1 January	1,479,396	1,468,809
Benefits paid by the scheme	(78,140)	(117,967)
Actuarial losses recognised (Note 17)	193,592	128,554
Defined benefit obligations at 31 December	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)

Expense recognised in profit or loss

	2011 RM	2010 RM
Current service costs	178,105	118,270
Interest on obligation	15,487	10,284
Net benefit expense	193,592	128,554

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

	2011 RM	2010 RM
Cost of sales	178,487	108,124
Administrative expenses	15,105	20,430
	193,592	128,554

Actuarial assumption

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

	2011	2010
Discount rate at 31 December	10.0%	6.4%
Future salary increases	5.0%	3.0%

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.

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%

Notes to the Financial Statements (cont'd)

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

11.2 Share-based payment transactions (cont'd)

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

	Weighted average exercise price RM	2011 Number of options (‘000)	2010 Number of options (‘000)
Outstanding at 1 January	1.00	1,290	1,338
Lapsed during the year	1.00	(52)	(48)
Outstanding at 31 December	1.00	1,238	1,290
Exercisable at 31 December	1.00	1,238	1,290

The options outstanding at 31 December 2011 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 2011 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.

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%

Notes to the Financial Statements (cont'd)

12. Deferred tax liabilities

The recognised deferred tax liabilities are as follows :

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 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 :

	At 1 January 2010 RM	Recognised in profit or loss (Note 19) RM	At 31 December 2010 RM	Recognised in profit or loss (Note 19) RM	At 31 December 2011 RM
Group					
Property, plant and equipment (including prepaid lease payments)					
- capital allowances	15,144	885,191	900,335	(900,335)	-
Unutilised tax losses	(6,671)	-	(6,671)	6,671	-
Provisions	-	(733,845)	(733,845)	733,845	-
Others	-	(129)	(129)	129	-
	8,473	151,217	159,690	(159,690)	-
Company					
Property, plant and equipment (including prepaid lease payments)					
- capital allowances	-	882,974	882,974	(882,974)	-
Provisions	-	(733,845)	(733,845)	733,845	-
Others	-	(129)	(129)	129	-
	-	149,000	149,000	(149,000)	-

Notes to the Financial Statements (cont'd)

12. Deferred tax liabilities (cont'd)

No deferred tax has been recognised in respect of the following items :

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Provision	2,106,000	-	2,105,000	-
Property, plant and equipment	(10,137,000)	-	(10,122,000)	-
Unabsorbed capital allowances	8,831,000	-	8,794,000	-
Unutilised reinvestment allowances	10,238,000	10,238,000	10,238,000	10,238,000
	11,038,000	10,238,000	11,015,000	10,238,000

13. Trade and other payables, including derivatives

	Note	Group		Company	
		2011 RM	2010 RM	2011 RM	2010 RM
Trade					
Trade payables	13.1	628,469	1,720,281	311,244	861,933
Non-trade					
Amount due to a subsidiary	13.2	-	-	2,230,612	2,368,634
Other payables		156,325	220,376	84,581	112,190
Accrued expense		1,236,811	1,400,622	1,140,966	1,279,393
Financial liability at fair value through profit or loss - held for trading including derivatives	#	32,222	-	32,222	-
		1,425,358	1,620,998	3,488,381	3,760,217
		2,053,827	3,341,279	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.

Notes to the Financial Statements (cont'd)

14. Borrowings, unsecured - Group/Company

	2011 RM	2010 RM
Current		
Bank overdrafts	-	148,230
Bankers' acceptances	4,057,454	5,315,000
	<u>4,057,454</u>	<u>5,463,230</u>

The bank overdrafts and bankers' acceptances are subject to interest rates ranging from 2.25% to 4.43% (2010 : 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.

16. Finance costs - Group/Company

	2011 RM	2010 RM
Interest paid on :		
Bank overdrafts	44,282	54,411
Other borrowings	203,865	233,537
	<u>248,147</u>	<u>287,948</u>

17. Profit before tax

Profit before tax is arrived at :

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
After charging :				
Auditors' remuneration				
Audit fees				
- KPMG Malaysia	42,000	42,000	36,000	36,000
- Other auditor	7,312	6,000	-	-
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	38,660	7,200	35,700
Impairment loss on trade receivables	-	652,232	-	492,568
Amortisation of prepaid lease payments (Note 5)	46,109	46,331	46,109	46,331

Notes to the Financial Statements (cont'd)

17. Profit before tax (cont'd)

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Depreciation				
- Property, plant and equipment (Note 3)	1,793,485	1,834,810	1,762,048	1,799,122
- Investment properties (Note 4)	45,828	66,233	45,828	66,233
Inventories written off	380,331	203,793	380,331	203,793
Loss on foreign exchange				
- realised	53,720	345,192	53,720	140,110
- unrealised	78,026	-	76,907	225,502
Directors' emoluments				
Directors of the Company				
- Fees	146,000	146,000	146,000	146,000
- Remuneration	566,337	525,517	566,337	525,517
- Benefits-in-kind	17,400	13,150	17,400	13,150
Other Directors' remuneration	166,487	152,356	-	-
Plant and equipment written off	2,441	34,648	-	29,789
Provision for retirement/resignation benefits (Note 11)	193,592	128,554	193,592	128,554
Rental expense				
- Land and building	482,930	475,326	12,350	9,100
- Equipment	20,052	1,009	17,466	13,352
Bad debt written off	13,783	251,521	13,783	115,763
Personnel expenses (excluding Directors' emoluments)				
- Wages, salaries and others	5,429,538	4,740,036	4,114,988	3,463,833
- Employees' Provident Fund contributions	592,486	539,185	432,045	410,605
and after crediting :				
Gain on foreign exchange				
- realised	215,770	-	24,441	-
- unrealised	151	107,889	35,044	-
Gain on disposal of				
- Investment property	-	1,960,192	-	1,960,192
- Prepaid lease payment	-	75,376	-	75,376
- Plant and equipment	38,313	60,000	3,460	60,000
Rental income from investment properties	-	275,387	-	275,387
Grant received	-	11,204	-	-
Reversal of impairment loss on trade receivables	147,093	-	117,031	-

Notes to the Financial Statements (cont'd)

18. Key management personnel compensations

The key management personnel compensations are as follows :

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Directors of the Company				
- Fees	20,000	20,000	20,000	20,000
- Remuneration	566,337	525,517	566,337	525,517
- Benefits-in-kind	17,400	13,150	17,400	13,150
	603,737	558,667	603,737	558,667
Other Directors				
- Remuneration	292,487	278,356	126,000	126,000
	896,224	837,023	729,737	684,667

19. Income tax expense

Recognised in profit or loss

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Current tax expense				
Current year				
- Malaysia	-	55,000	-	55,000
- Overseas	38,509	24,807	-	-
	38,509	79,807	-	55,000
Prior year				
- Malaysia	418	(40,475)	(844)	(40,475)
- Overseas	(5,869)	(216)	-	-
	(5,451)	(40,691)	(844)	(40,475)
Total current tax recognised in profit or loss	33,058	39,116	(844)	14,525
Deferred tax expense				
- Origination and reversal of temporary differences	(11,237)	152,553	-	149,000
- Prior year	(148,453)	(1,336)	(149,000)	-
Total deferred tax recognised in profit or loss	(159,690)	151,217	(149,000)	149,000
Total income tax expense	(126,632)	190,333	(149,844)	163,525

Notes to the Financial Statements (cont'd)

19. Income tax expense (cont'd)

Reconciliation of effective tax expense

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Profit for the year	1,188,550	2,303,716	838,470	2,155,696
Total income tax expense	(126,632)	190,333	(149,844)	163,525
Profit excluding tax	1,061,918	2,494,049	688,626	2,319,221
Income tax calculated using Malaysian tax rate of 25% (2010 : 25%)	265,480	623,512	172,157	579,805
Effect of lower tax rate in foreign jurisdictions*	(42,035)	(19,446)	-	-
Non-deductible expenses	146,793	255,606	142,183	203,840
Income not subject to tax	(51,595)	(47,666)	-	-
Utilisation of previously unrecognised deferred tax assets	(320,281)	(582,000)	(343,250)	(582,000)
Other items	28,910	2,354	28,910	2,355
	27,272	232,360	-	204,000
Over provided in prior year				
- current tax	(5,451)	(40,691)	(844)	(40,475)
- deferred tax	(148,453)	(1,336)	(149,000)	-
Income tax expense	(126,632)	190,333	(149,844)	163,525

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

20. Earnings per ordinary share - Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the year ended 31 December 2011 was based on the profit attributable to ordinary shareholders of RM1,188,550 (2010 : RM2,303,716) and a weighted average number of ordinary shares outstanding during the year of 45,780,000 (2010 : 45,780,000).

Diluted earnings per ordinary share

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

Notes to the Financial Statements (cont'd)

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
2011			
2010 final dividend of 1.50% per ordinary share less 25% tax	1.125	<u>515,024</u>	13.9.2011
2010			
2009 final dividend of 1.50% per ordinary share less 25% tax	1.125	<u>515,253</u>	13.9.2010

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

	Sen per share (net of tax)	Total amount RM
2011 final ordinary	1.50	<u>686,700</u>

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 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.

Key management personnel are 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 compensations (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			
2011			
Subsidiaries			
Sales	22.1	1,548,256	1,193,253
Commission paid/payable	22.2	2,154,055	2,230,612
2010			
Subsidiaries			
Sales	22.1	1,291,389	1,362,276
Commission paid/payable	22.2	2,190,502	2,368,634

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 other than as disclosed in Note 18 to the financial statements.

23. Operating segments – Group

The Group is principally confined to the manufacture and sale of self adhesive label stocks and tapes which are principally carried out in Malaysia. Accordingly, information by operating segments of the Group's operations as required by FRS 8 is not presented.

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)

Geographical information (cont'd)

	Revenue RM	Non-current assets RM
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	-
	<u>63,103,471</u>	<u>23,064,294</u>
2010		
Malaysia	37,083,171	24,740,064
Asia (excluding Malaysia)	17,008,704	4,430
Australia	5,895,303	-
United States of America	3,650,492	-
Europe	1,394,170	-
Others	682,955	-
	<u>65,714,795</u>	<u>24,744,494</u>

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); and
- (c) Other financial liabilities measured at amortised cost (OL).

	Carrying amount RM	L&R RM	FVTPL RM
2011			
Financial assets			
Group			
Trade and other receivables, including derivatives	12,043,040	12,043,040	-
Cash and cash equivalents	3,474,690	3,474,690	-
	<u>15,517,730</u>	<u>15,517,730</u>	<u>-</u>

Notes to the Financial Statements (cont'd)

24. Financial instruments (cont'd)

24.1 Categories of financial instruments (cont'd)

	Carrying amount RM	L&R RM	FVTPL RM
2011			
Financial assets			
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	-
2010			
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
	Carrying amount RM	OL RM	FVTPL RM
2011			
Financial liabilities			
Group			
Trade and other payables	2,053,827	2,021,605	32,222
Borrowings	4,057,454	4,057,454	-
	6,111,281	6,079,059	32,222
Company			
Trade and other payables	3,799,625	3,767,403	32,222
Borrowings	4,057,454	4,057,454	-
	7,857,079	7,824,857	32,222

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
2010		
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>
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>

24.2 Net (loss)/gain arising from financial instruments

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Net (loss)/gain arising on :				
Fair value through profit or loss :				
- Held for trading	(32,222)	16,418	(32,222)	16,418

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 if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and advances to subsidiary.

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 trade receivables as at the end of the reporting period by geographic region was :

	2011 RM	2010 RM
Group		
Malaysia	8,552,866	9,653,992
Asia (excluding Malaysia)	2,547,594	3,140,155
United States of America	592,190	1,017,918
Others	202,031	38,876
	<u>11,894,681</u>	<u>13,850,941</u>
Company		
Malaysia	8,458,449	9,653,993
Asia (excluding Malaysia)	1,511,944	2,191,068
United States of America	592,190	1,017,918
Others	202,031	38,876
	<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			
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>
2010			
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			
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>
2010			
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>

Notes to the Financial Statements (cont'd)

24. Financial instruments (cont'd)

24.4 Credit risk (cont'd)

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

	2011 RM	2010 RM
Group		
At 1 January	891,397	239,165
Impairment loss recognised	-	669,130
Impairment loss reversed	(147,093)	(16,898)
Impairment loss written off	(573,884)	-
At 31 December	170,420	891,397
Company		
At 1 January	731,733	239,165
Impairment loss recognised	-	509,466
Impairment loss reversed	(117,031)	(16,898)
Impairment loss written off	(464,985)	-
At 31 December	149,717	731,733

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.

Notes to the Financial Statements (cont'd)

24. Financial instruments (cont'd)

24.5 Liquidity risk (cont'd)

Maturity analysis

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

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2011							
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>	-	-	-
2010							
<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	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)

	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
2011							
Company							
<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>	-	-	-
2010							
<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>	-	-	-

Notes to the Financial Statements (cont'd)

24. Financial instruments (cont'd)

24.6 Market risk

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

24.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of Group entities. The 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.

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 :

	Denominated in	
	USD	SGD
	RM	RM
Group		
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
2010		
Trade receivables	1,926,446	54,720
Trade payables	(295,603)	-
Forward exchange contracts	16,418	-
Net exposure	1,647,261	54,720
Company		
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	-
2010		
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) 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.

	Equity RM	Profit or loss RM
Group		
2011		
USD	-	74,459
SGD	128,462	179,698
2010		
USD	-	164,726
SGD	79,521	5,472
Company		
2011		
USD		172,749
2010		
USD		326,143
SGD		5,472

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 are 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.

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	
	2011 RM	2010 RM	2011 RM	2010 RM
Floating rate instruments				
Financial liabilities	4,057,454	5,463,230	4,057,454	5,463,230

Notes to the Financial Statements (cont'd)

24. Financial instruments (cont'd)

24.6 Market risk (cont'd)

24.6.2 Interest rate risk (cont'd)

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
2011		
Floating rate instruments	(20,287)	20,287
2010		
Floating rate instruments	(27,316)	27,316

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	2011		2010	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial asset				
Forward exchange contracts	-	-	16,418	16,418
Financial liability				
Forward exchange contracts	32,222	32,222	-	-

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).

Notes to the Financial Statements (cont'd)

24. Financial instruments (cont'd)

24.7 Fair value of financial instruments (cont'd)

24.7.1 Fair value hierarchy

Comparative figures have not been presented for 31 December 2010 by virtue of the exemption provided in paragraph 44G of FRS 7.

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
2011		
Financial liabilities		
Forward exchange contracts	32,222	32,222

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.

26. Operating leases - Group

Leases as leasee

Non-cancellable operating lease rental are payable as follows :

	2011 RM	2010 RM
Less than one year	347,790	466,350
Between one and five years	-	347,790
	347,790	814,140

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

Notes to the Financial Statements (cont'd)

27. 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 2011, into realised and unrealised profits, pursuant Paragraphs 2.06 and 2.23 of Bursa Main Market Listing Requirements, are as follows :

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Total retained earnings of the Company and its subsidiaries :				
- Realised gain	14,924,767	14,196,272	12,032,401	11,976,536
- Unrealised loss	(90,352)	(35,383)	(90,503)	(358,084)
Total retained earnings at 31 December	14,834,415	14,160,889	11,941,898	11,618,452

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 87 are drawn up in accordance with 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 at 31 December 2011 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 27 on page 88 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 :

.....
Lai Kim Hean

.....
Koay Then Hin

Penang,
Date : 20 April 2012

Statutory Declaration

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

I, **Lai Kim Hean**, 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 88 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 20 April 2012.

.....
Lai Kim Hean

Before me :

CHEAH BENG SUN (No. P. 103)
DJN, AMN, PKT, PJK, PJM, PK
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 2011 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 87.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with 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 2011 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' report of 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 reports 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 27 on page 88 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 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 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 and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

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

KPMG
AF 0758
Chartered Accountants

Ng Swee Weng
1414/03/14 (J/PH)
Chartered Accountant

Date : 20 April 2012

Penang

Analysis of Shareholdings

as at 30 April 2012

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 2012

Range of Shareholdings	No. of Holders	Percentage of Holders	No. of Shares	Percentage of Issued Capital
1 - 99	206	17.87	2,324	0.01
100 – 1,000	326	28.27	208,926	0.46
1,001 – 10,000	492	42.67	2,033,900	4.44
10,001 – 100,000	117	10.15	3,087,900	6.75
100,001 – 2,288,999(*)	9	0.78	6,518,850	14.24
2,289,000 And Above (**)	3	0.26	33,928,100	74.11
TOTAL	1,153	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 2012

Name of Directors	Direct Interest	No. of Shares Held	
		%	Indirect Interest %
1. Lai Kim Hean	366,000	0.80	-
2. Dato' Lim Chee Meng	-	-	12,232,000 26.72

SUBSTANTIAL SHAREHOLDERS as at 30 APRIL 2012

Names of Shareholders	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 :-

- (a) Held through HSBC Nominees (Asing) Sdn. Bhd. - Exempt An For BNP Paribas Wealth Management Singapore Branch (A/C Clients-FGN)
- (b) Deemed interested by virtue of its interest in Malar Segar Sdn. Bhd.
- (c) Deemed interested by virtue of his interest in L.G.B. Holdings Sdn. Bhd.
- (d) Deemed interested by virtue of his interest in L.G.B. Holdings Sdn. Bhd.

Analysis of Shareholdings

as at 30 April 2012 (cont'd)

THIRTY (30) LARGEST SHAREHOLDERS as at 30 APRIL 2012

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	273,600	0.60
(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) Public Invest Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Lai Miao Fong (M)	84,000	0.18
(18) Citigroup Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Chen Choong Fatt (470421)	70,000	0.15
(19) ECML Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Khaw Chin Hong (002)	66,000	0.14
(20) Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Kuan Shin Nyiap	61,200	0.13
(21) Koh Nai Cheng @ Koh Nai Chin	54,900	0.12
(22) Teoh Cheng Hoe	51,900	0.11
(23) Khaw Kean Teck	50,000	0.11
(24) Raymond Choo Pow Yoon	50,000	0.11
(25) Hacong (Hardware & Electrical) Sendirian Berhad	48,400	0.11
(26) Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Chung Chit Min	46,500	0.10
(27) Teoh Yew Beng	45,500	0.10
(28) Lai Kong Yong	42,600	0.09
(29) Maybank Securities Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Khaw Chin Hong (STF)	42,400	0.09
(30) Franklin S Beda	40,000	0.09
	41,600,350	90.87

List of Major Properties Held

as at 31 December 2011

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.	21	Land with factory	10,104,215
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.	13	Office Building	2,066,510

Proxy Form



Central Industrial Corporation Berhad
12186-K

Number of shares held	
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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 Thirty-Ninth Annual General Meeting of the Company to be held at Conference Room, Level 3, Eastin Hotel, 13, Jalan 16/11, Pusat Dagang Seksyen 16, 46350 Petaling Jaya, Selangor on Thursday, 21 June 2012 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 2.0% less 25% income tax		
3.	To approve the payment of the Directors' fees of RM146,000.00		
4.	To re-elect Datuk Abdul Jamil Bin Mohd Ali		
5.	To re-elect Dato' Wira Zainuddin Bin Mahmud		
6.	To re-elect Ms. Lim Shiak Ling		
7.	To re-appoint Mr. Lai Kim Hean as Director of the Company who retires pursuant to Section 129(6) of the Companies Act, 1965 and to hold office until the conclusion of the next Annual General Meeting		
8.	To re-appoint Messrs KPMG as Auditors of the Company		
9.	To approve the proposed amendment to the Company's Articles of Association		

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 _____ 2012

Signature of Shareholder

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 appointor or his attorney duly authorised in writing or if such appointor is a corporation under its common seal or the hand of its attorney.
4. All forms of proxy must be deposited at the Registered Office of the Company situated at Suite 3A33, Block A2, Leisure Commerce Square, No. 9, Jalan PJS 8/9, 46150 Petaling Jaya, Selangor 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 15 June 2012 shall be regarded as Member of the Company entitled to attend the Thirty-Ninth 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. Explanatory note to Special Resolution
The proposed Special Resolution, if passed, will streamline the Company's Articles of Association to be in line with the amendments to Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Please fold here

Affix Stamp
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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