

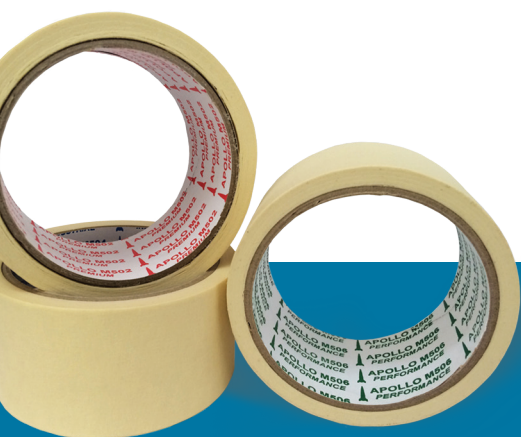


Central Industrial Corporation Berhad
12186-K



ANNUAL REPORT 2014

Quality, Always A Step Ahead



Contents

- 02** Notice of Annual General Meeting
- 03** Notice on Entitlement and Payment of Final Dividend
- 04** Statement Accompanying Notice of Annual General Meeting
- 05** Corporate Information
- 06** Profile of Board of Directors
- 11** Chairman's Statement / Penyata Pengerusi
- 13** Audit and Risk Management Committee Report
- 17** Statement on Corporate Governance
- 27** Statement of Risk Management and Internal Control
- 29** Statement on Corporate Social Responsibility
- 31** Financial Statements
- 101** Analysis of Shareholdings
- 103** List of Major Properties Held
- Enclosed Proxy Form

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-Second Annual General Meeting of the Company will be held at Room Mutiara 5, The Royale Chulan Damansara, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 16 June 2015 at 10.00 a.m. for the purpose of considering the following business :-

AGENDA

- | | |
|---|--|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon.
(Please refer to Note 1 of the Explanatory Notes) | Ordinary Resolutions |
| 2. To approve the payment of a Final Single-tier Dividend of 1.75% for the financial year ended 31 December 2014. | Resolution 1 |
| 3. To approve the payment of Directors' fees of RM146,000.00 for the financial year ended 31 December 2014. | Resolution 2 |
| 4. To re-elect the following Directors, who retire pursuant to Article 90 of the Company's Articles of Association, and, being eligible, offer themselves for re-election :-

(a) Dato' Dr. Zabir Bin Bajuri
(b) Ms. Lim Shiak Ling | Resolution 3
Resolution 4 |
| Mr. Foo Kee Fatt who retires pursuant to Article 90 of the Company's Articles of Association, has expressed his intention of not seeking re-election. Hence, he will retain office until the conclusion of the Forty Second Annual General Meeting. | |
| 5. To consider and if thought fit, pass the following resolution :-

"That pursuant to Section 129(6) of the Companies Act, 1965, Datuk Abdul Jamil Bin Mohd Ali, 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 5 |
| 6. To re-appoint Messrs. KPMG as Auditors of the Company and authorize the Directors to fix their remuneration. | Resolution 6 |
| 7. SPECIAL BUSINESS

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

<u>Ordinary Resolution No. 1</u>
"That Dato' Dr. Zabir Bin Bajuri having served as Independent Non-Executive Director for a cumulative term of more than 9 years, continue to act as Independent Non-Executive Director of the Company."

<u>Ordinary Resolution No. 2</u>
"That Dato' Wira Zainuddin Bin Mahmud having served as Independent Non-Executive Director for a cumulative term of more than 9 years, continue to act as Independent Non-Executive Director of the Company." | Resolution 7

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

Notice on Entitlement and Payment of Final Dividend

NOTICE ON ENTITLEMENT AND PAYMENT OF FINAL DEVIDEND

NOTICE IS ALSO HEREBY GIVEN that the Final Single-tier dividend of 1.75% for the financial year ended 31 December 2014, if approved at the Forty-Second Annual General Meeting, will be paid on 9 July 2015 to the shareholders whose names appear in the Record of Depositors at the close of business on 17 June, 2015.

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 17 June 2015 in respect of ordinary transfers; and
- b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

FONG PHOI SHAN (MAICSA 7014620)
Company Secretary

Kuala Lumpur
25 May 2015

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 10 June 2015 shall be regarded as members of the Company and entitled to attend the Forty-Second Annual General Meeting or appoint a proxy to attend and vote on his behalf.
2. 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. 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. Where a member of the Company is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation under its common seal or the hand of its attorney.
5. All forms of proxy must be deposited at the Office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Explanatory Notes

1. To receive the Audited Financial Statements Agenda item no. 1 is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.
2. Resolution No. 7 and 8

Proposed Continuation In Office As Independent Non-Executive Director

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

- a) *They understand fully of the Company's objectives and strategies and will be able to provide an element of objectivity, independent judgment and balance to the Board;*
- b) *They have devoted sufficient time and commitment to their role and responsibilities as an Independent Director, exercised due care and discharged their duties with reasonable skill and competence during their tenure as Independent Directors of the Company;*
- c) *They actively participated in the board discussion and provided independent view and judgement to the decision making of the Board in the interest of the Company and the shareholders.*

Statement Accompanying Notice of Annual General Meeting

1. Directors who are seeking re-election at the Forty-Second Annual General Meeting of the Company pursuant to Article 90 of the Company's Articles of Association :-

(a) Dato' Dr. Zabir Bin Bajuri
(b) Ms. Lim Shiak Ling

2. Director who is standing for re-appointment at the Forty-Second Annual General Meeting of the Company pursuant to Section 129(6) of the Companies Act, 1965 :-

(a) Datuk Abdul Jamil Bin Mohd Ali

3. Details of Directors who are seeking re-election and re-appointment

Further details of the Directors who are seeking re-election and re-appointment are set out in the Profile of Board of Directors appearing on pages 6 to 10 of this Annual Report.



Corporate Information

BOARD OF DIRECTORS

Dato' Dr. Zabir Bin Bajuri

Independent Non-Executive Chairman

Wong Yuk Thin

Managing Director

Lim Shiak Ling

Executive Director

Datuk Abdul Jamil Bin Mohd Ali

Non-Independent Non-Executive Director

Dato' Johan Bin Ariffin

Non-Independent Non-Executive Director

Dato' Lim Chee Meng

Non-Independent Non-Executive Director

Dato' Wira Zainuddin Bin Mahmud

Independent Non-Executive Director

Koay Then Hin

Independent Non-Executive Director

Foo Kee Fatt

Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Dato' Wira Zainuddin Bin Mahmud

(Chairman)

Koay Then Hin

Foo Kee Fatt

REMUNERATION COMMITTEE

Datuk Abdul Jamil Bin Mohd Ali

(Chairman)

Dato' Lim Chee Meng

Wong Yuk Thin

NOMINATION COMMITTEE

Dato' Wira Zainuddin Bin Mahmud

(Chairman)

Dato' Lim Chee Meng

Koay Then Hin

SECRETARY

Fong Phoi Shan

AUDITORS

KPMG

Level 18, Hunza Tower,

163E, Jalan Kelawai,

10250 Penang.

Tel : 04-2382288

Fax : 04-2382222

SHARE REGISTRARS

Symphony Share Registrars Sdn. Bhd.

Level 6, Symphony House,

Pusat Dagangan Dana 1,

Jalan PJU 1A/46,

47301 Petaling Jaya, Selangor.

Tel : 03-78418000

Fax : 03-78418151

BANKERS

Malayan Banking Bhd.

United Overseas Bank (Malaysia) Bhd.

RHB Bank Bhd.

Hong Leong Bank Bhd.

REGISTERED OFFICE

No. 16-A (1st Floor),

Jalan Tun Sambanthan 3,

Brickfields,

50470 Kuala Lumpur.

Tel : 03-2273 3488

Fax : 03-2276 3488

HEAD OFFICE

Lot 77 & 78, Persiaran 11,

Kawasan Perusahaan Bakar Arang,

08000 Sungai Petani,

Kedah Darul Aman.

Tel : 04-422 7888

Fax : 04-421 7888

E mail : cicb@cicb.com.my

Website : www.cicb.com.my

STOCK EXCHANGE LISTING

Main Market of the

Bursa Malaysia Securities Berhad

Stock Code : 8052

Stock Name : CICB

Profile of Board of Directors



DATO' DR. ZABIR BIN BAJURI, DBA, DPMS, SSA, KMN, PPT
(Chairman, Independent Non-Executive Director)
Malaysian, 68 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 out of the total seven Board Meetings held during the financial year.

Profile of Board of Directors (cont'd)

DATUK ABDUL JAMIL BIN MOHD ALI, DPMT, PJN
(Non-Independent Non-Executive Director)
Malaysian, 70 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 all of the seven Board Meetings held during the financial year.

DATO' WIRA ZAINUDDIN BIN MAHMUD, DGMK, DSDK, KMN, AMK, BCK
(Independent Non-Executive Director)
Malaysian, 69 years of age

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

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

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

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

He has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past ten (10) years. He attended all of the seven Board Meetings held during the financial year.

Profile of Board of Directors (cont'd)

DATO' JOHAN BIN ARIFFIN, DPTJ
(Non-Independent Non-Executive Director)
Malaysian, 56 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 six out of the total seven Board Meetings held during the financial year.

DATO' LIM CHEE MENG, DSDK
(Non-Independent Non-Executive Director)
Malaysian, 42 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 out of the total seven Board Meetings held during the year.

Profile of Board of Directors (cont'd)

WONG YUK THIN

(Managing Director)

Malaysian, 54 years of age

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

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

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

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

He has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past ten (10) years. He attended all of the seven Board Meetings held during the financial year.

LIM SHIAK LING

(Non-Independent Executive Director)

Malaysian, 43 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 six out of the total seven Board Meetings held during the financial year.

Profile of Board of Directors (cont'd)

KOAY THEN HIN

(Independent Non-Executive Director)

Malaysian, 69 years of age

Mr. Koay Then Hin joined the Company as a Mechanical Engineer in 1974. He was promoted to Production Manager in 1977, Factory Manager in 1981, General Manager in 1986 and Senior General Manager from January 1993 to July 2005. Subsequently, he acted as the Advisor of the Company from August 2005 to July 2006. He was appointed to the Board of CICB on 28 January 1993. He is a member of the Audit and Risk Management Committee and the Nomination Committee of the Company. He is also a Director of the Company's wholly owned subsidiary, CIC Marketing Sdn. Bhd.

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

He has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past ten (10) years. He attended all of the seven Board Meetings held during the financial year.

FOO KEE FATT

(Independent Non-Executive Director)

Malaysian, 49 years of age

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

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

He has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past ten (10) years. He attended all of the seven Board Meetings held during the financial year.

Chairman's Statement/ Penyata Pengerusi



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 2014.

FINANCIAL PERFORMANCE

The Company experienced a challenging year in 2014 in which the Company had to contend with intensified competition in the export markets on the back of a sluggish global market. For the year under review, the Group registered a consolidated loss before tax of RM1.028 million against a profit before tax of RM0.402 million recorded in the previous year. The decline in performance was mainly attributed to the erosion of market share in our key export markets due to aggressive masking tapes competition.

The consolidated overall sales increased marginally by 1.56% to RM59.140 million against the previous year's sales of RM58.231 million. At Company level, Export sales recorded in 2014 were RM15.901 million, a decline of 10.45% from the previous year's sales of RM17.756 million reflecting the challenging external market and intensified competition. Domestic sales recorded were at RM39.748 million, an increase of 7.03% against the previous year's sales recorded at RM37.137 million.

The Company's wholly owned subsidiary in Singapore, CICS Distributors Pte Ltd, recorded a marginal decline of 1.82% in revenue at RM4.266 million compared to the previous year's RM4.345 million.

OPERATIONAL REVIEW AND FUTURE OUTLOOK

The overall gross profit achieved in 2014 declined to 11.87% compared to the gross profit of 13.05% achieved in 2013. The Export gross profit was negatively impacted as the Company defended its market share against the aggressive competition. Product sales mix affected operational efficiency and contributed to the lower gross profits in 2014. The Company has reviewed and rationalized its product sales mix to improve its efficiencies and competitive position.

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya menyampaikan Laporan Tahunan dan Penyata Kewangan Kumpulan Syarikat yang diaudit bagi tahun kewangan berakhir 31 Disember 2014.

PRESTASI KEWANGAN

Syarikat kami telah mengalami tahun yang mencabar pada tahun 2014 di mana Syarikat kami terpaksa berhadapan dengan persaingan yang semakin hebat dalam pasaran eksport tambahan pula dengan pasaran global yang lembap. Bagi tahun di bawah kajian, Kumpulan Syarikat mencatatkan kerugian sebelum cukai disatukan sebanyak RM1.028 juta berbanding dengan keuntungan sebelum cukai pada RM0.402 juta yang dicatatkan pada tahun sebelumnya. Penurunan dalam prestasi adalah disebabkan oleh kemerosotan penguasaan pasaran dalam pasaran eksport utama kami kerana persaingan agresif pita pelekat.

Jualan keseluruhan yang disatukan meningkat sebanyak 1.56% kepada RM59.140 juta berbanding dengan jualan tahun lepas sebanyak RM58.231 juta. Di peringkat Syarikat, Jualan eksport dicatatkan pada tahun 2014 ialah RM15.901 juta, penurunan sebanyak 10.45% daripada jualan tahun lepas sebanyak RM17.756 juta mencerminkan pasaran luar yang mencabar dan persaingan yang semakin hebat. Jualan domestik tercatat pada RM39.748 juta, peningkatan sebanyak 7.03% berbanding dengan jualan tahun sebelumnya yang direkod pada RM37.137 juta.

Anak Syarikat milik penuh di Singapura, CICS Distributors Pte. Ltd. mencatatkan penurunan yang marginal sebanyak 1.82% dalam hasil pada RM4.266 juta berbanding tahun sebelumnya sebanyak RM4.345 juta.

ULASAN OPERASI DAN TINJAUAN MASA DEPAN

Keuntungan kasar keseluruhan yang dicapai pada tahun 2014 menurun kepada 11.87% berbanding dengan keuntungan kasar sebanyak 13.05% yang dicapai pada tahun 2013. Keuntungan kasar eksport terimpak secara negatif disebabkan Syarikat mempertahankan bahagian pasarannya terhadap persaingan yang agresif. Campuran jualan produk menjejaskan kecekapan operasi dan menyumbang kepada keuntungan kasar yang lebih rendah pada tahun 2014. Syarikat kami telah mengkaji semula dan merasionalkan campuran jualan produknya untuk meningkatkan kecekapan dan kedudukan daya saing.

Chairman's Statement/ Penyata Pengerusi (cont'd)



OPERATIONAL REVIEW AND FUTURE OUTLOOK (cont'd)

2015 will remain challenging for the Company's Export and Domestic markets. The challenge will be to regain its Export market share which has seen increased competition from regional manufacturers from China and even Europe.

The Company will nurture new markets developed through its 2014 initiatives to gain traction from geographical expansion, new market segments and newly introduced products for painter's and masking tapes.

The Domestic market is anticipated to be softer given the local economic outlook and the implementation of GST. However, the Company will increase efforts with effective cost management initiatives including reengineering its product line up as well as new product launches to improve its sales revenues and gross profit.

DIVIDEND

In spite of the unfavourable 2014 performance, your Board of Directors is pleased to recommend a Final Single-tier dividend of 1.75% per ordinary share for the financial year ended 31 December 2014 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

APPRECIATION

On behalf of the Board, I would like to thank Mr. Foo Kee Fatt for his contribution as an Independent Director of the Company over the past eleven years. He has expressed his intention not to seek re-election and will retire at the conclusion of our Forty-Second Annual General Meeting.

On behalf of my fellow Board of Directors, I would like to thank all our shareholders, customers and suppliers for their continual support and confidence in the Company and the Management and Staff for their loyalty, commitment and contributions in the year under review.

As always, I remain grateful to my fellow Board of Directors for their guidance, foresight and commitment during the past year.

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

ULASAN OPERASI DAN TINJAUAN MASA DEPAN (cont'd)

Tahun 2015 akan kekal mencabar bagi pasaran Eksport dan Domestik Syarikat. Cabaran adalah untuk mendapatkan semula bahagian pasaran Eksportnya yang telah bertambah persaingan daripada pengeluar serantau dari China dan juga Eropah. Syarikat akan memupuk pasaran baru dibangunkan melalui inisiatif tahun 2014 untuk memperolehi penarikan daripada pengembangan geografi, pasaran segmen baru dan produk baru diperkenalkan untuk pengecat dan pita pelekat. Pasaran Domestik dijangka akan lebih perlahan memandangkan tinjauan ekonomi tempatan dan pelaksanaan GST. Walau bagaimanapun, Syarikat akan meningkatkan usaha dengan inisiatif pengurusan kos yang berkesan termasuk mengembangkan barisan produknya dan juga melancarkan produk baru untuk meningkatkan hasil jualan dan keuntungan kasar.

DIVIDEN

Walaupun prestasi yang tidak memberangsangkan dalam tahun 2014, Lembaga Pengarah Syarikat dengan sukacitanya mengesyorkan kadar dividen akhir peringkat tunggal sebanyak 1.75% bagi setiap saham biasa bagi tahun kewangan berakhir 31 Disember 2014 tertakluk kepada kelulusan para pemegang saham di Mesyuarat Agung Tahunan yang akan datang.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih kepada Encik Foo Kee Fatt atas sumbangan beliau sebagai Pengarah Bebas Syarikat sejak sebelas tahun lalu. Beliau telah menyatakan hasrat beliau untuk tidak dilantik semula dan akan bersara pada akhir Mesyuarat Agung Tahunan Keempat Puluh Kedua Syarikat ini.

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih kepada semua pemegang saham, pelanggan dan pembekal di atas sokongan dan keyakinan terhadap Syarikat dan pihak Pengurusan dan Kakitangan untuk kesetiaan, komitmen dan sumbangan dalam tahun di bawah kajian.

Seperti biasa, saya amat berterima kasih kepada rakan-rakan Lembaga Pengarah atas bimbingan mereka, pandangan jauh dan komitmen sepanjang tahun yang lalu.

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.

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

Notice of Meeting and Attendance

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

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

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

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

Frequency of Meetings

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

Audit and Risk Management Committee Report (cont'd)

TERMS OF REFERENCE (cont'd)

Authority

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

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

Duties

The duties of the Committee shall be:-

1. To review with the external auditors :-
 - the audit plan;
 - the evaluation of the system of internal accounting controls;
 - problems and reservation arising from their audits; and
 - the audit report on the financial statements.
2. To review the assistance given by the employees of the Company to the external and internal auditors;
3. To review the external auditors' management letter and management response;
4. To review the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on :-
 - (a) Changes in or implementation of major accounting policy changes;
 - (b) Significant and unusual events;
 - (c) Significant adjustments arising from audit;
 - (d) The going concern assumption; and
 - (e) Compliance with accounting standards and other legal requirements.
5. To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
6. To review the internal audit programme, processes, results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken regarding the recommendations of the internal audit function;
7. To review any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
8. To consider the nomination/appointment, remuneration and resignation or dismissal of the auditors;
9. To request the auditors to look into the following specific areas, if necessary :-
 - (a) to determine any misuse of funds;
 - (b) to determine whether the capital expenditure is approved in accordance with the Company's guidelines;
 - (c) to determine whether common expenses are fairly apportioned to the Company.

Audit and Risk Management Committee Report (cont'd)

TERMS OF REFERENCE (cont'd)

Duties (cont'd)

10. To review the risk profile of the Company and establish risk management processes that should be adopted and develop appropriate strategy, guidelines and policies for implementation;
11. To verify that the allocation of options during the year pursuant to Employees' Share Option Scheme complies with the criteria of allocation;
12. To promptly report to Bursa Malaysia Securities Berhad if it is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in breach of the Listing Requirements;
13. To review such other functions as may be agreed to by the Committee and the Board of Directors from time to time.

Reporting Procedures

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

Details of attendance at audit and risk management committee Meetings

There were Five (5) Audit and Risk Management Committee meetings held during the financial year ended 31 December 2014. 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
Mr. Foo Kee Fatt	5/5 meetings
Mr. Koay Then Hin	5/5 meetings

SUMMARY OF ACTIVITIES OF THE COMMITTEE DURING THE YEAR

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

- (a) Reviewed with the external auditors on the audit plan and the audit report on the financial statements;
- (b) Reviewed the quarterly financial results for each quarter of the Company and the Group prior to the Board of Directors' approval and announcement to Bursa Malaysia Securities Berhad, focusing particularly on :-
 - the overall performance of the Company;
 - the prospects for the Group;
 - compliance with accounting standards and other legal requirements;
 - changes in or implementation of major accounting policy changes;
 - significant and unusual events;
 - significant adjustments arising from audit.

Audit and Risk Management Committee Report (cont'd)

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

The activities carried out by the Audit and Risk Management Committee during the financial year under review were as follows:- (cont'd)

- (c) Reviewed the annual budget and year-end financial statements prior to submission to the Board of Directors for consideration and approval;
- (d) Reviewed the internal audit reports, audit recommendations and Management's responses to these recommendations as well as the timely actions taken to improve the system of internal controls and procedures, and completion of the internal audit plan;
- (e) Reviewed the proposed audit plan to be undertaken by the Internal Auditors and reviewed the report of the internal auditors;
- (f) Evaluated the performance of the external and internal auditors and made recommendations in relation to their re-appointment and audit fees to the Board for consideration;
- (g) Met with the External Auditors without the presence of the Management;
- (h) Reviewed the Audit And Risk Management Committee Report for inclusion in the Annual Report.

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 four (4) 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 2014, the total cost incurred for the internal audit function was RM42,307.00

Statement on Corporate Governance

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

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

The following statement reports on how the Company has applied the principles and recommendations of good corporate governance during the financial year under review as set out in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) issued by the Securities Commission.

A. BOARD OF DIRECTORS AND BOARD COMMITTEES

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, which involves reviewing and adopting a strategic plan for the Group, overseeing the conduct of the Group’s businesses and to evaluate whether the businesses are properly managed, identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures, succession planning, overseeing the development and implementation of a shareholder communication policy, reviewing the adequacy and the integrity of the management information and internal control system of the Group. Key matters, such as approval for interim and final results, major capital expenditure, formalizing the budgetary process are reserved for the Board.

The Board delegates the day-to-day operations of the Group to the Managing Director and Executive Director, who have vast experience in the business of the Group. The Board has established clear functions reserved for the Board and those delegated to Management in the Board Charter. The Charter provides guidance for Directors and Management on the responsibilities of the Board, its Committees and requirements of Directors which are subject to periodical review to ensure consistency with the Board’s strategic intent as well as relevant standards of corporate governance. The Board Charter is published on the Company’s website at www.cicb.com.my.

The Company has formalised a set of ethical standards through a code of business conduct to ensure Directors and employees practise ethical, business like and lawful conduct, including proper use of authority and provide mechanisms to report unethical conduct and help foster a culture of honesty and accountability. The Code is published on the Company’s website at www.cicb.com.my.

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

The Group is committed to operate its business in accordance with environmental, social and economic responsibilities in compliance with all relevant laws in order to meet the requirements and aspirations of various stakeholders. The company strives to achieve a long term sustainable balance between meeting its business goals and preserving the environment as it recognizes that the sustainability of ecosystems is an integral part of sustaining its long term business plans. A report of the Group’s corporate responsibility is set out in pages 29 and 30 of this Annual Report.

Statement on Corporate Governance

(cont'd)

A. BOARD OF DIRECTORS AND BOARD COMMITTEES (cont'd)

Board Composition and Balance

At the date of this statement, the Board consists of nine (9) members comprising two (2) Executive Directors, three (3) Non-Executive Directors and four (4) Independent Non-Executive Directors. All the Independent Non-Executive Directors fulfill the criteria of independence as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The proportion of more than one third Independent Non-Executive Directors provides effective check and balance in the functioning of the Board.

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

The role of the Chairman and Managing Director are separated to ensure there is a balance of power and authority. The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board, while the Managing Director has overall responsibility for the day-to-day management of the business and implementation of the Board's policies and decisions. The Board is led by Dato' Dr. Zabir Bin Bajuri, an independent non-executive Chairman while the executive management of the Company is led by Mr. Wong Yuk Thin, the Managing Director. The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies.

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

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

Board 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 2014, the Board met on seven (7) occasions, where it deliberated upon and considered a variety of matters including the Group's financial results, strategic decisions and the direction of the Group.

Statement on Corporate Governance

(cont'd)

A. BOARD OF DIRECTORS AND BOARD COMMITTEES (cont'd)

Board Meetings (cont'd)

Name of directors	No. of meetings	
	Held	Attended
Dato' Dr. Zabir Bin Bajuri	7	6
Datuk Abdul Jamil Bin Mohd Ali	7	7
Dato' Wira Zainuddin Bin Mahmud	7	7
Dato' Johan Bin Ariffin	7	6
Dato' Lim Chee Meng	7	4
Mr. Koay Then Hin	7	7
Mr. Foo Kee Fatt	7	7
Ms. Lim Shiak Ling	7	6
Mr. Wong Yuk Thin	7	7

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

To assist in the execution of its responsibilities, the Board has established three Board committees, namely, the Audit And Risk Management Committee, Nomination Committee and Remuneration Committee in order to enhance business and operational efficiency as well as efficacy. All the Board Committees function within their respective clearly defined terms of reference. The Chairman of various Committees reports to the Board the outcome of the Committee meetings and makes recommendation to the Board. The ultimate responsibility for the final decision on all matters, however, lies with the members of the entire Board.

Supply of information

Prior to 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 review the reports, obtain further explanation, if necessary and enable focused and constructive deliberation at meetings. All proceedings of Board meetings are minuted and signed by the Chairman of the Meeting in accordance with the provisions of the Companies Act, 1965.

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

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

Statement on Corporate Governance

(cont'd)

A. BOARD OF DIRECTORS AND BOARD COMMITTEES (cont'd)

Supply of information (cont'd)

All Directors have direct access to the services of the Company Secretary. The Board is regularly updated and advised by the Company Secretary who is qualified and competent on statutory and regulatory requirements. The appointment and removal of Company Secretary is subject to the approval of the Board.

Nomination Committee

The Nomination Committee comprises the following members:

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

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

The Nomination Committee is responsible for identifying, evaluating and nominating suitable candidates to be filled in the Board and Board Committees. In proposing its recommendation, the Committee will consider and evaluate the candidates' required mix of skills, knowledge, experience, expertise, professionalism, integrity, capabilities, competencies, time commitment and in case of candidates for the position of independent non-executive directors, the candidates' ability to discharge such responsibilities is also evaluated.

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

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

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

Statement on Corporate Governance

(cont'd)

A. BOARD OF DIRECTORS AND BOARD COMMITTEES (cont'd)

Nomination Committee (cont'd)

The Board is committed to ensuring diversity and inclusiveness in its composition and deliberations. The present Board composition reflects the broad range of experience, skills and expertise necessary for the success and essential criteria for an effective board.

The Board has not established a specific policy on setting targets for women candidates but the Nomination Committee will from time to time review the suitability and competency of women candidates for the board. The Board believes that there is no need to adopt a formal gender diversity policy as the Company is committed to provide fair and equal opportunities and nurturing diversity within the Group based on character, experience and knowledge.

Currently the Board has a female Executive Director on the Board representing 11% of the board composition. In the absence of formal procedure, a Director accepting new directorship will notify the Board ahead of his new appointment and pledged his or her time commitment for accepting new directorships with other listed entities. Going forward, the Board would obtain from its directors their full commitment to devote sufficient time to carry out their responsibilities effectively and efficiently and where appropriate, the ability of the candidates to act as independent non-executive directors to exercise independent judgement and opinion.

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

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

- Continuous Listing Obligations of Directors (Roles and responsibilities of Directors under the listing requirements) – Dato' Lim Chee Meng & Ms. Lim Shiak Ling
- Driving business in a complex global environment – Dato' Johan Bin Ariffin, Datuk Abdul Jamil Bin Mohd Ali & Mr Koay Then Hin
- GST seminar – Dato' Wira Zainuddin Bin Mahmud
- The new landscape for global political risk management – Dato' Dr. Zahir Bin Bajuri
- Goods and services tax (GST) training course and Updates of the 2013 & 2014 MFRS-Compliant MFRSs-Preparing MFRS-Compliant Financial Statements in 2014 and thereafter – Mr Foo Kee Fatt
- Understanding GST in Malaysia – Mr. Wong Yuk Thin

Statement on Corporate Governance

(cont'd)

A. BOARD OF DIRECTORS AND BOARD COMMITTEES (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.

In accordance with Section 129 of the Companies Act, 1965, the office of a Director of or over the age of 70 years becomes vacant at every AGM unless he is re-appointed by a resolution passed at such an AGM of which no shorter notice than that required for the AGM has been given and the majority by which such resolution is passed is not less than three-fourths of all members present and voting at such AGM.

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 re-election and re-appointment are furnished in the statement accompanying notice of the Annual General Meeting and this statement.

B. DIRECTORS' REMUNERATION

Remuneration Committee

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

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

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

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

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

Statement on Corporate Governance

(cont'd)

B. DIRECTORS' REMUNERATION (cont'd)

Remuneration Committee (cont'd)

All Directors are provided with directors' fees and additional fees for undertaking responsibilities as Chairman of the Board. The aggregate amount of directors' fees to be paid to the Directors is subject to the approval of the shareholders at the annual general meeting. Non-Executive Directors are also remunerated with meeting allowances and other medical health claims. The Company reimburses all expenses incurred by the Directors, where relevant, in the course of carrying out their duties as Directors.

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

During the financial year, the Remuneration Committee met two times and all members of the Committee attended the meetings. During the year, the Remuneration Committee reviewed the meeting allowance of sub-committee, bonuses and increments of the Executive Directors.

Details of the Directors' remuneration

Details of the nature and amount of each major element of the remuneration of Directors of the Company during the financial year ended 31 December 2014, are as follows:

Directors	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Fees	20,000	126,000	146,000
Salary and bonus	574,930	-	574,930
Benefits-in-kind	17,400	-	17,400
EPF contribution	72,408	-	72,408
Total	684,738	126,000	810,738

Statement on Corporate Governance

(cont'd)

B. DIRECTORS' REMUNERATION

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 2014, 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	-	-
RM500,001 – RM550,000	1	-

C. CORPORATE DISCLOSURE AND SHAREHOLDERS

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

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 Board encourages poll voting for the resolutions and active participation of the shareholders at the AGM. 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.

Statement on Corporate Governance

(cont'd)

C. CORPORATE DISCLOSURE AND SHAREHOLDERS (cont'd)

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 website 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.

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 Risk Management And Internal Control Statement 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 13 to 16 of the Annual Report.

A summary of the activities of the Audit and Risk Management Committee during the financial year are set out in the Audit and Risk Management Committee Report on pages 15 and 16 of the Annual Report.

Statement on Corporate Governance

(cont'd)

D. ACCOUNTABILITY AND AUDIT (cont'd)

Relationship with the Auditors (cont'd)

Currently, the Company does not have any policy to review procedures for appointment and assessing the independence of auditors. Going forward, the Audit And Risk Management Committee will establish procedures to assess the suitability and independence of the External Auditors and policy governing the circumstance under which contracts for provision of non-audit services could be entered into by the External Auditors.

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 2014, 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 2014 amounted to RM13,200.00.

- **Profit Guarantee**

There was no profit guarantee given by the Company for the financial year ended 31 December 2014.

- **Variation In Results**

There was no material variances between the audited results for the financial year ended 31 December 2014 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 2014 or since the end of the previous financial year.

Statement of Risk Management and Internal Control

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

RESPONSIBILITY FOR RISK MANAGEMENT AND INTERNAL CONTROL

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

The Board and Management acknowledge that a sound internal control system is a vital process developed to ensure effective and efficient operation, provide reliable and relevant reporting, and compliance with the applicable laws and regulations.

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

RISK MANAGEMENT

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

INTERNAL AUDIT

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

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

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

Statement of Risk Management and Internal Control (cont'd)

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 heads of department and senior management;
- Adherence to health, safety, environmental and quality standards of the Group as enforced by the regulatory authorities;
- An annual planning and budgetary exercise is undertaken requiring all divisions to prepare business plans and budgets for the forthcoming year, which are deliberated upon and approved by the Board before implementation;
- A Code of Business Conduct has been established since February 2013 for all employees, which defines the ethical standards and conduct of work required;
- The Group has also established a whistleblowing programme since February 2013 with the objective of providing the staff with a mechanism to raise their concerns regarding malpractices and irregularities affecting the Group whilst keeping the identity of the whistleblower confidential;
- The Company have been certified to MS ISO 9001; and
- The Group ensures assets are adequately covered against any mishap that could result in material loss. A yearly insurance policy renewal exercise is undertaken in which Management reviews the coverage based on the current fixed asset inventory and the respective net book values and 'replacement value'.

The internal auditors had conducted the following reviews of the Group Internal Audit activities for the financial year ended 31 December 2014.

Review on Company's Information Technology and Inventory Management.

Review on Procure to Pay and Cash Management at both subsidiaries.

Based on the internal auditors' reports for the financial year ended 31 December 2014, there is reasonable assurance that the Group's systems of internal control are adequate and appears 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 is committed towards enhancing the internal control system of the Group. Where areas of improvement in the system are identified, the Board considers the recommendations made by both the Audit and Risk Management Committee and Management.

The Board has received assurance from the Managing Director and Group Financial Controller that the Group's risk management and internal controls system is operating adequately and effectively in all material aspects, based on the risk management and internal controls system of the Group.

The statement is made in accordance with a resolution of the Board of Directors dated 29 April 2015.

Statement on Corporate Social Responsibility

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

Environmental Awareness

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

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

(i) Solvent Recovery

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

(ii) Scheduled Waste Management

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

(iii) Non-Scheduled Waste Management

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

(iv) Chemical Health Risk Assessment

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

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

Statement on Corporate Social Responsibility (cont'd)

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

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

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

Employees' Welfare

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

(i) Safety & Health Team

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

(ii) Human Capital Development

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

(iii) Emergency Response Team

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

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

Financial Statements

32	Directors' Report
37	Consolidated Statement of Financial Position
38	Consolidated Statement of Profit or Loss and Other Comprehensive Income
39	Consolidated Statement of Changes In Equity
41	Consolidated Statement of Cash Flows
43	Statement of Financial Position
44	Statement of Profit or Loss and Other Comprehensive Income
45	Statement of Changes In Equity
46	Statement of Cash Flows
47	Notes to the Financial Statements
97	Statement by Directors
98	Statutory Declaration
99	Independent Auditors' Report

Directors' Report

for the year ended 31 December 2014

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS

	GROUP RM	COMPANY RM
Loss for the year attributable to owners of the Company	1,046,496	905,910

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the Company paid a final single tier dividend of 1.75% per ordinary share totalling RM801,151 in respect of the financial year ended 31 December 2013 on 9 July 2014.

DIRECTORS OF THE COMPANY

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

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

Directors' Report

for the year ended 31 December 2014 (cont'd)

DIRECTORS' INTERESTS IN SHARES

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

	NUMBER OF ORDINARY SHARES OF RM1 EACH			
	BALANCE AT 1.1.2014	BOUGHT	(SOLD)	BALANCE AT 31.12.2014
Deemed interests in the Company :				
Dato' Lim Chee Meng - own	12,232,000	-	-	12,232,000

	EXERCISE PRICE	NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM1 EACH			BALANCE AT 31.12.2014
		BALANCE AT 1.1.2014	GRANTED	(EXPIRED)	
Lim Shiak Ling	RM1.00	47,000	-	(47,000)	-

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

None of the other Directors holding office at 31 December 2014 had any interest in the ordinary shares and options over shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in Note 24 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of the Employees Share Option Scheme ("ESOS").

Directors' Report

for the year ended 31 December 2014 (cont'd)

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

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

The ESOS expired on 22 March 2014 and was not further extended.

The salient features of the ESOS scheme are, inter alia, as follows :

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

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

DATE OF OFFER	NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM1 EACH				
	EXERCISE PRICE	AT 1.1.2014	GRANTED	(EXPIRED)	AT 31.12.2014
23 March 2006	RM1.00	1,006,000	-	(1,006,000)	-

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 2014 (cont'd)

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2014 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.

Directors' Report

for the year ended 31 December 2014 (cont'd)

AUDITORS

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

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

WONG YUK THIN

KOAY THEN HIN

Penang,

Date : 29 April 2015

Consolidated Statement of Financial Position

as at 31 December 2014

	NOTE	2014 RM	2013 RM
ASSETS			
Property, plant and equipment	3	16,367,434	17,673,905
Investment properties	4	1,273,555	1,304,031
Prepaid lease payments	5	1,613,557	1,659,665
TOTAL NON-CURRENT ASSETS		19,254,546	20,637,601
Inventories	7	26,180,561	29,115,233
Trade and other receivables	8	11,610,850	14,220,326
Current tax assets		6,708	38,037
Cash and cash equivalents	9	4,284,870	1,965,753
TOTAL CURRENT ASSETS		42,082,989	45,339,349
TOTAL ASSETS		61,337,535	65,976,950
EQUITY			
Share capital	10	45,780,000	45,780,000
Reserves	11	11,007,928	12,831,311
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		56,787,928	58,611,311
LIABILITIES			
Employee benefits	12	1,252,180	1,169,987
TOTAL NON-CURRENT LIABILITIES		1,252,180	1,169,987
Trade and other payables	14	3,266,127	5,051,018
Borrowing	15	-	1,113,806
Derivative financial liabilities	16	31,300	30,828
TOTAL CURRENT LIABILITIES		3,297,427	6,195,652
TOTAL LIABILITIES		4,549,607	7,365,639
TOTAL EQUITY AND LIABILITIES		61,337,535	65,976,950

The notes on pages 47 to 96 are an integral part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2014

	NOTE	2014 RM	2013 RM
CONTINUING OPERATIONS			
REVENUE	17	59,140,413	58,230,754
Cost of sales		(52,120,296)	(50,631,868)
GROSS PROFIT		7,020,117	7,598,886
Other income		497,148	6,056,270
Distribution expenses		(3,594,383)	(3,569,402)
Administrative expenses		(4,073,466)	(4,007,172)
Other expenses		(841,600)	(5,663,085)
RESULTS FROM OPERATING ACTIVITIES		(992,184)	415,497
Finance costs	18	(36,102)	(13,114)
(LOSS)/PROFIT BEFORE TAX	19	(1,028,286)	402,383
Tax expense	21	(18,210)	(35,718)
(LOSS)/PROFIT FOR THE YEAR		(1,046,496)	366,665
OTHER COMPREHENSIVE INCOME, NET OF TAX			
ITEM THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Remeasurement of defined benefit obligation		-	120,421
ITEM THAT IS OR MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Foreign currency translation differences for foreign operation		24,264	45,638
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		24,264	166,059
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR		(1,022,232)	532,724
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(1,046,496)	366,665
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(1,022,232)	532,724
BASIC (LOSS)/EARNINGS PER ORDINARY SHARE (SEN)	22	(2.29)	0.80
DILUTED (LOSS)/EARNINGS PER ORDINARY SHARE (SEN)	22	(2.29)	0.80

The notes on pages 47 to 96 are an integral part of these financial statements.

Consolidated Statement of Changes In Equity

for the year ended 31 December 2014

<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: center;"> <div style="margin-bottom: 5px;">←</div> <div>ATTRIBUTABLE TO OWNERS OF THE COMPANY</div> <div style="margin-bottom: 5px;">→</div> </div> <div style="text-align: center;"> <div style="margin-bottom: 5px;">←</div> <div>NON-DISTRIBUTABLE</div> <div style="margin-bottom: 5px;">→</div> </div> <div style="text-align: center;"> <div style="margin-bottom: 5px;">←</div> <div>DISTRIBUTABLE</div> <div style="margin-bottom: 5px;">→</div> </div> </div>						
NOTE	SHARE CAPITAL RM	SHARE PREMIUM RM	TRANSLATION RESERVE RM	SHARE OPTION RESERVE RM	RETAINED EARNINGS RM	TOTAL EQUITY RM
1 JANUARY 2013	45,780,000	1,406,679	63,162	288,132	11,055,639	58,593,612
Foreign currency translation differences for foreign operation	-	-	45,638	-	-	45,638
Remeasurement of defined benefit obligation	-	-	-	-	120,421	120,421
Total other comprehensive income for the year	-	-	45,638	-	120,421	166,059
Profit for the year	-	-	-	-	366,665	366,665
Total comprehensive income for the year	-	-	45,638	-	487,086	532,724
TRANSACTION WITH OWNERS OF THE COMPANY						
- Dividend to owners of the Company	23	-	-	-	(515,025)	(515,025)
AT 31 DECEMBER 2013	45,780,000	1,406,679	108,800	288,132	11,027,700	58,611,311
	Note 10 ←		Note 11 →			

The notes on pages 47 to 96 are an integral part of these financial statements.

Consolidated Statement of Changes In Equity

for the year ended 31 December 2014 (cont'd)

<div> <div>←</div> <div>ATTRIBUTABLE TO OWNERS OF THE COMPANY</div> <div>→</div> </div>						
<div> <div>←</div> <div>NON-DISTRIBUTABLE</div> <div>→</div> <div>DISTRIBUTABLE</div> </div>						
NOTE	SHARE CAPITAL RM	SHARE PREMIUM RM	TRANSLATION RESERVE RM	SHARE OPTION RESERVE RM	RETAINED EARNINGS RM	TOTAL EQUITY RM
1 JANUARY 2014	45,780,000	1,406,679	108,800	288,132	11,027,700	58,611,311
Foreign currency translation differences for foreign operation	-	-	24,264	-	-	24,264
Total other comprehensive income for the year	-	-	24,264	-	-	24,264
Loss for the year	-	-	-	-	(1,046,496)	(1,046,496)
Total comprehensive income/ (expense) for the year	-	-	24,264	-	(1,046,496)	(1,022,232)
TRANSACTION WITH OWNERS OF THE COMPANY						
- Dividend to owners of the Company	23	-	-	-	(801,151)	(801,151)
Transfer to retained earnings for share options expired		-	-	(288,132)	288,132	-
AT 31 DECEMBER 2014	45,780,000	1,406,679	133,064	-	9,468,185	56,787,928
	Note 10			Note 11		

The notes on pages 47 to 96 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2014

	NOTE	2014 RM	2013 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax from continuing operations		(1,028,286)	402,383
Adjustments for :			
Amortisation of prepaid lease payments	5	46,108	46,109
Depreciation			
- Property, plant and equipment	3	1,850,920	1,846,883
- Investment properties	4	30,476	30,477
Gain on disposal of plant and equipment	19	(75)	(50)
Finance costs	18	36,102	13,114
Finance income	19	(8,819)	(7,724)
Plant and equipment written off	19	24,585	1,796
Provision for retirement benefits	12	173,437	(164,678)
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL		1,124,448	2,168,310
Changes in inventories		2,943,819	(2,631,291)
Changes in trade and other receivables		2,801,970	(2,588,983)
Changes in trade and other payables, and other financial liabilities		(1,970,733)	2,486,278
Cash generated from/(used in) operations		4,899,504	(565,686)
Tax refunded/(paid)		13,119	(1,227)
Retirement benefits paid	12	(91,244)	(168,004)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		4,821,379	(734,917)

The notes on pages 47 to 96 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2014 (cont'd)

	NOTE	2014 RM	2013 RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of plant and equipment	3	950	50
Purchase of property, plant and equipment		(569,414)	(115,867)
Interest received		8,819	7,724
NET CASH USED IN INVESTING ACTIVITIES		(559,645)	(108,093)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid to owners of the Company	23	(801,151)	(515,025)
Interest paid		(36,102)	(13,114)
(Repayment)/Drawdown of borrowing, net		(1,113,806)	1,113,806
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(1,951,059)	585,667
Net increase/(decrease) in cash and cash equivalents		2,310,675	(257,343)
Effect of exchange rate fluctuations on cash and cash equivalents		8,442	8,368
Cash and cash equivalents at 1 January		1,965,753	2,214,728
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	4,284,870	1,965,753

The notes on pages 47 to 96 are an integral part of these financial statements.

Statement of Financial Position

as at 31 December 2014

	NOTE	2014 RM	2013 RM
ASSETS			
Property, plant and equipment	3	15,523,897	16,814,589
Investment properties	4	1,928,090	1,974,230
Prepaid lease payments	5	1,613,557	1,659,665
Investments in subsidiaries	6	1,213,000	1,213,000
TOTAL NON-CURRENT ASSETS		20,278,544	21,661,484
Inventories	7	25,843,760	28,703,964
Trade and other receivables	8	10,638,370	13,226,028
Current tax assets		1,929	19,509
Cash and cash equivalents	9	3,894,052	1,560,260
TOTAL CURRENT ASSETS		40,378,111	43,509,761
TOTAL ASSETS		60,656,655	65,171,245
EQUITY			
Share capital	10	45,780,000	45,780,000
Reserves	11	8,991,972	10,699,033
TOTAL EQUITY		54,771,972	56,479,033
LIABILITIES			
Employee benefits	12	1,252,180	1,169,987
TOTAL NON-CURRENT LIABILITIES		1,252,180	1,169,987
Trade and other payables	14	4,601,203	6,377,591
Borrowing	15	-	1,113,806
Derivatives financial liabilities	16	31,300	30,828
TOTAL CURRENT LIABILITIES		4,632,503	7,522,225
TOTAL LIABILITIES		5,884,683	8,692,212
TOTAL EQUITY AND LIABILITIES		60,656,655	65,171,245

The notes on pages 47 to 96 are an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2014

	NOTE	2014 RM	2013 RM
CONTINUING OPERATIONS			
REVENUE	17	55,648,362	54,893,797
Cost of sales		(49,178,459)	(47,890,111)
GROSS PROFIT		6,469,903	7,003,686
Other income		457,986	6,090,821
Distribution expenses		(3,709,259)	(3,618,144)
Administrative expenses		(3,255,111)	(3,217,311)
Other expenses		(814,397)	(5,396,621)
RESULTS FROM OPERATING ACTIVITIES		(850,878)	862,431
Finance costs	18	(36,102)	(13,114)
(LOSS)/PROFIT BEFORE TAX	19	(886,980)	849,317
Tax expense	21	(18,930)	(52,993)
(LOSS)/PROFIT FOR THE YEAR		(905,910)	796,324
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX			
ITEM THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Remeasurement of defined benefit obligation	12	-	120,421
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(905,910)	916,745

The notes on pages 47 to 96 are an integral part of these financial statements.

Statement of Changes In Equity

for the year ended 31 December 2014

		← 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 2013						
Remeasurement of defined benefit obligation representing total other comprehensive income for the year		45,780,000	1,406,679	288,132	8,602,502	56,077,313
Profit for the year		-	-	-	120,421	120,421
Total comprehensive income for the year		-	-	-	796,324	796,324
TRANSACTION WITH OWNERS OF THE COMPANY						
- Dividend to owners of the Company	23	-	-	-	(515,025)	(515,025)
AT 31 DECEMBER 2013/ 1 JANUARY 2014						
Loss for the year		45,780,000	1,406,679	288,132	9,004,222	56,479,033
Total comprehensive expense for the year		-	-	-	(905,910)	(905,910)
TRANSACTION WITH OWNERS OF THE COMPANY						
- Dividend to owners of the Company	23	-	-	-	(801,151)	(801,151)
Transfer to retained earnings for share options expired		-	-	(288,132)	288,132	-
AT 31 DECEMBER 2014						
		45,780,000	1,406,679	-	7,585,293	54,771,972
		Note 10	← Note 11 →			

The notes on pages 47 to 96 are an integral part of these financial statements.

Statement of Cash Flows

for the year ended 31 December 2014

	NOTE	2014 RM	2013 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax from continuing operations		(886,980)	849,317
Adjustments for :			
Amortisation of prepaid lease payments	5	46,108	46,109
Depreciation			
- Property, plant and equipment	3	1,784,475	1,789,483
- Investment properties	4	46,140	46,140
Gain on disposal of plant and equipment	19	(75)	(50)
Finance costs	18	36,102	13,114
Finance income	19	(8,819)	(7,721)
Provision for retirement benefits	12	173,437	(164,678)
Plant and equipment written off	19	-	1,684
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL		1,190,388	2,573,398
Changes in inventories		2,860,204	(2,653,972)
Changes in trade and other receivables		2,587,658	(2,771,918)
Changes in trade and other payables, and other financial liabilities		(1,775,916)	2,236,108
Cash generated from/(used in) operations		4,862,334	(616,384)
Tax paid		(1,350)	(19,564)
Retirement benefits paid	12	(91,244)	(168,004)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		4,769,740	(803,952)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of plant and equipment		950	50
Purchase of property, plant and equipment	3	(494,658)	(98,834)
Interest received		8,819	7,721
NET CASH USED IN INVESTING ACTIVITIES		(484,889)	(91,063)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid to owners of the Company	23	(801,151)	(515,025)
Interest paid		(36,102)	(13,114)
(Repayment)/Drawdown of borrowing, net		(1,113,806)	1,113,806
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(1,951,059)	585,667
Net increase/(decrease) in cash and cash equivalents		2,333,792	(309,348)
Cash and cash equivalents at 1 January		1,560,260	1,869,608
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	3,894,052	1,560,260

The notes on pages 47 to 96 are an integral part of these financial statements.

Notes to the Financial Statements

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

PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

16-A (1st Floor)
Jalan Tun Sambanthan 3
Brickfields
50470 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2014 do not include other entities.

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

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

The financial statements were authorised for issue by the Board of Directors on 29 April 2015.

1. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

AMENDMENTS EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JULY 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*

Notes to the Financial Statements (cont'd)

1. BASIS OF PREPARATION (CONT'D)

(A) STATEMENT OF COMPLIANCE (CONT'D)

AMENDMENTS EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JULY 2014 (CONT'D)

- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)**
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

MFRSs, INTERPRETATIONS AND AMENDMENTS EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)#*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations#*
- MFRS 14, *Regulatory Deferral Accounts#*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements#*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

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

- MFRS 15, *Revenue from Contracts with Customers*

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

- MFRS 9, *Financial Instruments (2014)*

Notes to the Financial Statements (cont'd)

1. BASIS OF PREPARATION (CONT'D)

(A) STATEMENT OF COMPLIANCE (CONT'D)

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

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014 except for those indicated with “*” which are not applicable to the Group and the Company;
- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016 except for those indicate with “#” which are not applicable to the Group and the Company;
- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017; and
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

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

(I) MFRS 15, *REVENUE FROM CONTRACTS WITH CUSTOMERS*

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

The Group and the Company is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(II) MFRS 9, *FINANCIAL INSTRUMENTS*

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

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

Notes to the Financial Statements (cont'd)

1. BASIS OF PREPARATION (CONT'D)

(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, unless otherwise stated.

(D) USE OF ESTIMATES AND JUDGEMENTS

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

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

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

- Note 4 - valuation of investment properties
- Note 8 - provisions and contingencies
- Note 13 - unrecognised deferred tax assets

2. SIGNIFICANT ACCOUNTING POLICIES

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

(A) BASIS OF CONSOLIDATION

(I) SUBSIDIARIES

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

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

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(A) BASIS OF CONSOLIDATION (CONT'D)

(I) SUBSIDIARIES (CONT'D)

current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(II) BUSINESS COMBINATIONS

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as :

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

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

(III) LOSS OF CONTROL

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

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(A) BASIS OF CONSOLIDATION (CONT'D)

(IV) *TRANSACTIONS ELIMINATED ON CONSOLIDATION*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(B) FOREIGN CURRENCY

(I) *FOREIGN CURRENCY TRANSACTIONS*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

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

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

(II) *OPERATIONS DENOMINATED IN FUNCTIONAL CURRENCIES OTHER THAN RINGGIT MALAYSIA*

The assets and liabilities of operations denominated in functional currencies other than RM, including fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for fair value adjustments arising from business combinations before 1 January 2012 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies are translated to RM at exchange rates at the dates of the transactions.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(B) FOREIGN CURRENCY (CONT'D)

(II) OPERATIONS DENOMINATED IN FUNCTIONAL CURRENCIES OTHER THAN RINGGIT MALAYSIA (CONT'D)

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. When a foreign operation is disposed of such that control, in part or in full, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(C) FINANCIAL INSTRUMENTS

(I) INITIAL RECOGNITION AND MEASUREMENT

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

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

(II) FINANCIAL INSTRUMENT CATEGORIES AND SUBSEQUENT MEASUREMENT

The Group and the Company categorise financial instruments as follows :

FINANCIAL ASSETS

(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.

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)

(B) LOANS AND RECEIVABLES

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

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

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

FINANCIAL LIABILITIES

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

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

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

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

(III) DERECOGNITION

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

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

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 measured at cost less any accumulated depreciation and any accumulated impairment losses.

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

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

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

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

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

(II) SUBSEQUENT COSTS

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

(III) DEPRECIATION

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

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(D) PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(III) DEPRECIATION (CONT'D)

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

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

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

(E) LEASED ASSETS

OPERATING LEASES

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

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

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

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

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(F) INVESTMENT PROPERTIES

INVESTMENT PROPERTIES CARRIED AT COST

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purpose. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

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

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

The fair values are based on market values, being the estimated amount by the Directors for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(G) INVENTORIES

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

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(H) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(I) IMPAIRMENT

(I) *FINANCIAL ASSETS*

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

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

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

(II) *OTHER ASSETS*

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

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

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

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(I) IMPAIRMENT (CONT'D)

(II) OTHER ASSETS (CONT'D)

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(J) EQUITY INSTRUMENTS

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

(I) ISSUE EXPENSES

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

(II) ORDINARY SHARES

Ordinary shares are classified as equity.

(III) DISTRIBUTIONS OF ASSETS TO OWNERS OF THE COMPANY

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

(K) EMPLOYEE BENEFITS

(I) SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(K) EMPLOYEE BENEFITS (CONT'D)

(II) STATE PLANS

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(III) DEFINED BENEFIT PLANS

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

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

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

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

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

(IV) SHARE-BASED PAYMENT TRANSACTIONS

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

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(K) EMPLOYEE BENEFITS (CONT'D)

(IV) SHARE-BASED PAYMENT TRANSACTIONS (CONT'D)

The fair value of the employee share options is measured using a binomial lattice 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) CONTINGENCIES

(I) CONTINGENT LIABILITIES

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(II) CONTINGENT ASSETS

Where it is not probable that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow 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 assets unless the probability of inflow of economic benefits is remote.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(N) REVENUE AND OTHER INCOME

(I) *GOODS SOLD*

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

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(II) *RENTAL INCOME*

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

(III) *INTEREST INCOME*

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(O) BORROWING COSTS

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(O) BORROWING COSTS (CONT'D)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(P) INCOME TAX

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

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

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

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

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

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

(Q) EARNINGS PER ORDINARY SHARE

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

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

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(Q) EARNINGS PER ORDINARY SHARE (CONT'D)

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 share 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 Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(S) FAIR VALUE MEASUREMENT

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

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

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

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

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

Notes to the Financial Statements (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

	BUILDINGS RM	PLANT, MACHINERY AND LOOSE TOOLS RM	FURNITURE, FITTINGS, EQUIPMENT AND INSTALLATIONS RM	MOTOR VEHICLES RM	UNDER CONSTRUCTION RM	TOTAL RM
GROUP						
COST						
At 1 January 2013	10,319,705	26,386,148	2,752,335	1,729,810	-	41,187,998
Additions	-	14,476	62,329	-	39,062	115,867
Disposals	-	-	(5,400)	-	-	(5,400)
Write offs	-	(2,800)	(92,649)	-	-	(95,449)
Effect of movements in exchange rates	-	-	5,037	1,036	-	6,073
At 31 December 2013/ 1 January 2014	10,319,705	26,397,824	2,721,652	1,730,846	39,062	41,209,089
Additions	2,749	36,254	110,646	-	419,765	569,414
Disposals	-	(2,500)	(6,389)	-	-	(8,889)
Write offs	-	-	(75,805)	-	-	(75,805)
Transfer	-	458,827	-	-	(458,827)	-
Effect of movements in exchange rates	-	-	3,358	692	-	4,050
At 31 December 2014	10,322,454	26,890,405	2,753,462	1,731,538	-	41,697,859
DEPRECIATION						
At 1 January 2013	1,464,974	16,869,708	2,348,493	1,099,228	-	21,782,403
Depreciation for the year	223,307	1,366,299	110,772	146,505	-	1,846,883
Disposals	-	-	(5,400)	-	-	(5,400)
Write offs	-	(2,065)	(91,588)	-	-	(93,653)
Effect of movements in exchange rates	-	-	3,915	1,036	-	4,951
At 31 December 2013/ 1 January 2014	1,688,281	18,233,942	2,366,192	1,246,769	-	23,535,184
Depreciation for the year	223,535	1,369,160	113,466	144,759	-	1,850,920
Disposals	-	(2,500)	(5,514)	-	-	(8,014)
Write offs	-	-	(51,220)	-	-	(51,220)
Effect of movements in exchange rates	-	-	2,870	685	-	3,555
At 31 December 2014	1,911,816	19,600,602	2,425,794	1,392,213	-	25,330,425

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
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GROUP

CARRYING AMOUNTS

At 31 December 2013/ 1 January 2014	8,631,424	8,163,882	355,460	484,077	39,062	17,673,905
At 31 December 2014	8,410,638	7,289,803	327,668	339,325	-	16,367,434

	BUILDINGS RM	PLANT, MACHINERY AND LOOSE TOOLS RM	FURNITURE, FITTINGS, EQUIPMENT AND INSTALLATIONS RM	MOTOR VEHICLES RM	UNDER CONSTRUCTION RM	TOTAL RM
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COMPANY

COST

At 1 January 2013	9,536,543	26,386,148	2,195,116	1,699,771	-	39,817,578
Additions	-	14,476	45,296	-	39,062	98,834
Disposals	-	-	(5,400)	-	-	(5,400)
Write offs	-	(2,800)	(92,150)	-	-	(94,950)
At 31 December 2013/ 1 January 2014	9,536,543	26,397,824	2,142,862	1,699,771	39,062	39,816,062
Additions	2,749	36,254	35,890	-	419,765	494,658
Disposals	-	(2,500)	(6,389)	-	-	(8,889)
Write offs	-	-	(29,789)	-	-	(29,789)
Transfer	-	458,827	-	-	(458,827)	-
At 31 December 2014	9,539,292	26,890,405	2,142,574	1,699,771	-	40,272,042

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						
DEPRECIATION						
At 1 January 2013	1,367,674	16,869,708	2,004,085	1,069,189	-	21,310,656
Depreciation for the year	207,644	1,366,299	69,035	146,505	-	1,789,483
Disposals	-	-	(5,400)	-	-	(5,400)
Write offs	-	(2,065)	(91,201)	-	-	(93,266)
At 31 December 2013/ 1 January 2014	1,575,318	18,233,942	1,976,519	1,215,694	-	23,001,473
Depreciation for the year	207,871	1,369,160	62,691	144,753	-	1,784,475
Disposals	-	(2,500)	(5,514)	-	-	(8,014)
Write offs	-	-	(29,789)	-	-	(29,789)
At 31 December 2014	1,783,189	19,600,602	2,003,907	1,360,447	-	24,748,145
CARRYING AMOUNTS						
At 31 December 2013/ 1 January 2014	7,961,225	8,163,882	166,343	484,077	39,062	16,814,589
At 31 December 2014	7,756,103	7,289,803	138,667	339,324	-	15,523,897

Notes to the Financial Statements (cont'd)

4. INVESTMENT PROPERTIES

	← BUILDINGS →	
	GROUP RM	COMPANY RM
COST		
At 1 January 2013/31 December 2013/1 January 2014/ 31 December 2014	1,523,826	2,306,988
DEPRECIATION		
1 January 2013	189,318	286,618
Depreciation for the year	30,477	46,140
At 31 December 2013/1 January 2014	219,795	332,758
Depreciation for the year	30,476	46,140
At 31 December 2014	250,271	378,898
CARRYING AMOUNTS		
At 31 December 2013/1 January 2014	1,304,031	1,974,230
At 31 December 2014	1,273,555	1,928,090

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

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Rental income	98,300	98,000	155,900	155,600
Direct operating expenses				
- Income generating investment properties	96,935	65,163	96,935	65,163

FAIR VALUE INFORMATION

The fair value was based on Directors' estimation using the latest available market information and recent experience and knowledge in the location and category property being valued. The fair values of all investment properties of the Group and of the Company as at 31 December 2014 are classified as level 3 of the fair value hierarchy and determined to be approximately RM1,717,000 (2013 : RM1,717,000) and RM2,600,000 (2013 : RM2,600,000) respectively.

ESTIMATION UNCERTAINTY AND KEY ASSUMPTIONS

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

- Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from the properties, taking into account expected rental growth rate and occupancy rate. Among other factors, the discount rate estimation considers the quality of the building and its location (prime vs secondary).

Notes to the Financial Statements (cont'd)

4. INVESTMENT PROPERTIES (CONT'D)

FAIR VALUE INFORMATION (CONT'D)

ESTIMATION UNCERTAINTY AND KEY ASSUMPTIONS (CONT'D)

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

5. PREPAID LEASE PAYMENTS - GROUP/COMPANY

COST	UNEXPIRED PERIOD LESS THAN 50 YEARS RM
At 1 January 2013/31 December 2013/ 1 January 2014/31 December 2014	2,017,009
AMORTISATION	
At 1 January 2013	311,235
Amortisation for the year	46,109
At 31 December 2013/1 January 2014	357,344
Amortisation for the year	46,108
At 31 December 2014	403,452
CARRYING AMOUNTS	
At 31 December 2013/1 January 2014	1,659,665
At 31 December 2014	1,613,557

Notes to the Financial Statements (cont'd)

6. INVESTMENTS IN SUBSIDIARIES - COMPANY

	2014 RM	2013 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 AND VOTING INTEREST	
			2014 %	2013 %
CIC Marketing Sdn. Bhd.	Malaysia	Marketing of self-adhesive label stocks and tapes	100	100
CICS Distributors Pte. Ltd. #	Singapore	Trading of adhesive tapes	100	100

Not audited by member firms of KPMG International.

7. INVENTORIES

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Raw materials	6,917,510	8,757,064	6,917,510	8,757,064
Work-in-progress	11,432,758	10,726,679	11,432,758	10,726,679
Manufactured inventories	4,547,289	5,117,661	4,547,289	5,117,661
Trading inventories	2,939,328	4,432,543	2,602,527	4,021,274
Consumables	343,676	81,286	343,676	81,286
	26,180,561	29,115,233	25,843,760	28,703,964

Reversal of write down amounting to RM70,000 (2013 : write down of RM175,798) is included in other income (2013 : other expenses).

Notes to the Financial Statements (cont'd)

8. TRADE AND OTHER RECEIVABLES

	NOTE	GROUP		COMPANY	
		2014 RM	2013 RM	2014 RM	2013 RM
Trade					
Trade receivables		11,330,106	12,262,253	10,040,501	10,892,312
Amount due from a subsidiary		-	-	376,745	406,365
	8.1	11,330,106	12,262,253	10,417,246	11,298,677
Non-trade					
Other receivables	8.2	63,191	1,627,375	57,108	1,622,809
Deposits		115,978	92,592	75,677	66,436
Prepayments		101,575	238,106	88,339	238,106
		280,744	1,958,073	221,124	1,927,351
		11,610,850	14,220,326	10,638,370	13,226,028

8.1 TRADE RECEIVABLES

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

8.2 OTHER RECEIVABLES

Included in other receivables of the Group and of the Company are insurance claims receivable amounting to RM Nil (2013 : RM1,319,896).

9. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Fixed deposits placed with licensed banks	1,000,000	500,000	1,000,000	500,000
Short term deposits placed with licensed banks	900,000	-	900,000	-
Cash and bank balances	2,384,870	1,465,753	1,994,052	1,060,260
	4,284,870	1,965,753	3,894,052	1,560,260

10. SHARE CAPITAL - GROUP/COMPANY

	AMOUNT RM	2014 NUMBER OF SHARES	AMOUNT RM	2013 NUMBER OF SHARES
Ordinary shares of RM1 each :				
Authorised	50,000,000	50,000,000	50,000,000	50,000,000
Issued and fully paid	45,780,000	45,780,000	45,780,000	45,780,000

Notes to the Financial Statements (cont'd)

11. RESERVES

		GROUP		COMPANY	
	NOTE	2014 RM	2013 RM	2014 RM	2013 RM
DISTRIBUTABLE					
Retained earnings	11.1	9,468,185	11,027,700	7,585,293	9,004,222
NON-DISTRIBUTABLE					
Share premium		1,406,679	1,406,679	1,406,679	1,406,679
Translation reserve	11.2	133,064	108,800	-	-
Share option reserve	11.3	-	288,132	-	288,132
		1,539,743	1,803,611	1,406,679	1,694,811
		11,007,928	12,831,311	8,991,972	10,699,033

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

11.1 RETAINED EARNINGS

The entire retained earnings of the Company is eligible to be paid out as dividend under the single-tier Company income tax system in accordance with The Finance Act, 2007.

11.2 TRANSLATION RESERVE

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

11.3 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. Share option is disclosed in Note 12.2 to the financial statements.

The share options expired on 22 March 2014 and the balance of RM288,132 (2013 : RM Nil) was transferred from share option reserve to retained earnings.

12. EMPLOYEE BENEFITS - GROUP/COMPANY

12.1 RETIREMENT BENEFITS

	2014 RM	2013 RM
Present value of unfunded obligation	1,252,180	1,169,987

Notes to the Financial Statements (cont'd)

12. EMPLOYEE BENEFITS - GROUP/COMPANY (CONT'D)

12.1 RETIREMENT BENEFITS (CONT'D)

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

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

MOVEMENTS IN THE NET DEFINED BENEFIT OBLIGATION

	2014 RM	2013 RM
Balance at 1 January	1,169,987	1,623,090
INCLUDED IN PROFIT OR LOSS		
Current service cost	159,562	150,183
Past service cost	-	(327,920)
Interest cost	13,875	13,059
	173,437	(164,678)
INCLUDED IN OTHER COMPREHENSIVE INCOME		
Remeasurement gain	-	(120,421)
OTHER		
Benefits paid	(91,244)	(168,004)
Balance at 31 December	1,252,180	1,169,987

In 2013, the retirement benefits plans have been amended to reflect the new legal requirements pertaining to the minimum retirement age of 60 years. As a consequence of the change in the retirement age, a past service cost was recognised immediately in the profit or loss.

ACTUARIAL ASSUMPTIONS

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

	2014	2013
Discount rate	10.0%	10.0%
Future salary growth	5.0%	5.0%

At 31 December 2014, the weighted-average duration of the defined benefit obligation of the Group and the Company was 13.8 years (2013 : 14.8 years).

Notes to the Financial Statements (cont'd)

12. EMPLOYEE BENEFITS - GROUP/COMPANY (CONT'D)

12.1 RETIREMENT BENEFITS (CONT'D)

SENSITIVITY ANALYSIS

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

	DEFINED BENEFIT OBLIGATION	
	INCREASE	DECREASE
	RM	RM
2014		
Discount rate (1% movement)	(145,494)	171,571
Future salary growth (1% movement)	165,903	(143,414)
2013		
Discount rate (1% movement)	(145,494)	171,571
Future salary growth (1% movement)	165,903	(143,414)

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

The sensitivity analysis as at 31 December 2014 is assessed by the management, assuming the impact to defined benefit obligation is same as previous year. The sensitivity analysis in 2013 was assessed by a qualified actuary based on the valuation carried out for the financial year ended 31 December 2013.

12.2 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 were exercisable at the market price of the shares at the date of grant.

The terms and conditions of the grants were as follows :

	VESTING CONDITION				
	1ST PERIOD	2ND PERIOD	3RD PERIOD	4TH PERIOD	5TH PERIOD
	UNTIL	TO	TO	TO	TO
	22.03.2010	22.03.2011	22.03.2012	22.03.2013	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)

12. EMPLOYEE BENEFITS - GROUP/COMPANY (CONT'D)

12.2 SHARE-BASED PAYMENT TRANSACTIONS (CONT'D)

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

	WEIGHTED AVERAGE EXERCISE PRICE RM	2014 NUMBER OF OPTIONS (‘000)	2013 NUMBER OF OPTIONS (‘000)
Outstanding at 1 January	1.00	1,006	1,054
Lapsed during the year	1.00	(1,006)	(48)
Outstanding at 31 December	1.00	-	1,006
Exercisable at 31 December	1.00	-	1,006

The options outstanding at 31 December 2013 had 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 2009 based on terms and conditions as set out in the ESOS bye-laws upon the recommendation from the ESOS Committee.

The ESOS expired on 22 March 2014 and was not further extended.

In 2013, the fair value of services received in return for share options granted was 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)

13. DEFERRED TAX

UNRECOGNISED DEFERRED TAX ASSETS

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

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Provision	1,729,000	2,542,000	1,729,000	2,542,000
Property, plant and equipment	(7,444,000)	(8,274,000)	(7,396,000)	(8,238,000)
Unabsorbed capital allowances	8,012,000	7,873,000	8,012,000	7,829,000
Unutilised reinvestment allowances	10,238,000	10,238,000	10,238,000	10,238,000
Unutilised tax losses	723,000	535,000	-	-
	13,258,000	12,914,000	12,583,000	12,371,000

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

14. TRADE AND OTHER PAYABLES

	NOTE	GROUP		COMPANY	
		2014 RM	2013 RM	2014 RM	2013 RM
TRADE					
Trade payables	14.1	2,079,203	3,259,474	1,513,868	2,599,478
NON-TRADE					
Amount due to a subsidiary	14.2	-	-	2,004,217	2,139,212
Other payables		472,149	111,687	445,207	86,334
Accrued expense		714,775	1,679,857	637,911	1,552,567
		1,186,924	1,791,544	3,087,335	3,778,113
		3,266,127	5,051,018	4,601,203	6,377,591

14.1 TRADE PAYABLES

All trade payables are subject to normal trade terms.

14.2 AMOUNT DUE TO A SUBSIDIARY

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

Notes to the Financial Statements (cont'd)

15. BORROWING, UNSECURED - GROUP/COMPANY

	2014 RM	2013 RM
CURRENT		
Bankers' acceptances	-	1,113,806

The bankers' acceptances are subject to interest rates at Nil (2013 : 2.45%) per annum.

16. DERIVATIVE FINANCIAL LIABILITIES - GROUP/COMPANY

	NOMINAL VALUE RM	2014 LIABILITIES RM	NOMINAL VALUE RM	2013 LIABILITIES RM
Derivatives held for trading at fair value through profit or loss				
- Forward foreign exchange contracts	668,000	31,300	2,279,477	30,828

Forward foreign exchange contracts are used to manage the foreign currency exposures arising from the Company's receivables and payables denominated in currencies other than the functional currency of the Company. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity.

17. REVENUE - GROUP/COMPANY

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

18. FINANCE COSTS - GROUP/COMPANY

	2014 RM	2013 RM
Interest expense of financial liabilities that are not at fair value through profit or loss :		
- Bank overdrafts	1,561	836
- Other borrowings	34,541	12,278
	36,102	13,114

Notes to the Financial Statements (cont'd)

19. (LOSS)/PROFIT BEFORE TAX

(Loss)/Profit before tax is arrived at :

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
After charging :				
Auditors' remuneration				
Audit fees				
- KPMG Malaysia	45,000	45,000	39,000	39,000
- Other auditor	11,912	7,769	-	-
Non-audit fees				
- KPMG Malaysia				
- current year	6,000	6,000	6,000	6,000
- Local affiliate of KPMG Malaysia				
- current year	7,200	7,200	7,200	7,200
Impairment loss on trade receivables	182,300	59,812	182,300	51,657
Amortisation of prepaid lease payments (Note 5)	46,108	46,109	46,108	46,109
Depreciation				
- Property, plant and equipment (Note 3)	1,850,920	1,846,883	1,784,475	1,789,483
- Investment properties (Note 4)	30,476	30,477	46,140	46,140
Inventories written off*	-	1,532,997	-	1,532,997
Inventories written down	-	175,798	-	175,798
Loss on foreign exchange				
- unrealised	-	4,411	-	4,411
Unrealised loss on forward foreign exchange contracts	472	45,878	472	45,878
Plant and equipment written off	24,585	1,796	-	1,684
Provision for retirement benefits (Note 12)	173,437	-	173,437	-
Rental expense				
- Land and building	194,159	206,244	11,650	12,000
- Equipment	15,809	17,852	12,378	14,496
Bad debt written off	6,148	38,991	6,148	33,405
Personnel expenses (excluding Directors' emoluments)				
- Wages, salaries and others	5,329,492	5,775,108	4,053,612	4,499,871
- Employees' Provident Fund contributions	726,923	697,317	527,671	506,335

Notes to the Financial Statements (cont'd)

19. (LOSS)/PROFIT BEFORE TAX (CONT'D)

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

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
and after crediting :				
Gain on foreign exchange				
- realised	66,117	32,914	49,319	4,968
- unrealised	3,463	-	3,380	-
Gain on disposal of plant and equipment	75	50	75	50
Rental income from investment properties (Note 4)	98,300	98,000	155,900	155,600
Reversal of impairment loss on trade receivables	54,862	58,917	54,862	58,917
Reversal of provision for retirement benefits (Note 12)	-	164,678	-	164,678
Reversal of inventories written down	70,000	-	70,000	-
Reversal of inventories written off	221,237	114,130	221,237	114,130
Bad debts recovered	28	6,012	28	186
Interest income	8,819	7,724	8,819	7,721
Insurance claims#	-	5,570,318	-	5,570,318

* Included herein was inventories written off amounting to RM Nil (2013: RM1,329,000) as a result of the fire incident which had occurred in 2013.

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

20. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows :

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Directors of the Company				
- Fees	146,000	146,000	146,000	146,000
- Remuneration	647,338	571,188	647,338	571,188
	793,338	717,188	793,338	717,188
Other Directors				
- Remuneration	169,478	161,813	-	-
	962,816	879,001	793,338	717,188

The Group's and the Company's estimated monetary value of Directors' benefit-in-kind are RM17,400 (2013: RM17,400).

Notes to the Financial Statements (cont'd)

21. TAX EXPENSE

RECOGNISED IN PROFIT OR LOSS

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
CURRENT TAX EXPENSE				
Current year				
- Malaysian	17,000	22,609	17,000	22,609
Prior year				
- Malaysian	1,210	30,384	1,930	30,384
- Overseas	-	(17,275)	-	-
	1,210	13,109	1,930	30,384
TOTAL INCOME TAX EXPENSE	18,210	35,718	18,930	52,993

RECONCILIATION OF TAX EXPENSE

(Loss)/Profit for the year	(1,046,496)	366,665	(905,910)	796,324
Total income tax expense	18,210	35,718	18,930	52,993
(Loss)/Profit excluding tax	(1,028,286)	402,383	(886,980)	849,317
Income tax calculated using Malaysian tax rate of 25% (2013 : 25%)	(257,072)	100,596	(221,745)	212,329
Effect of lower tax rate in foreign jurisdiction*	11,120	23,655	-	-
Non-deductible expenses	179,757	187,253	155,615	164,973
Income not subject to tax	(12,600)	(2,201)	-	-
Tax incentives	(1,955)	(1,955)	(1,955)	(1,955)
Changes in unrecognised deferred tax assets	76,880	(284,501)	53,000	(352,500)
Other items	20,870	(238)	32,085	(238)
	17,000	22,609	17,000	22,609
Under provided in prior year	1,210	13,109	1,930	30,384
	18,210	35,718	18,930	52,993

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

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

Notes to the Financial Statements (cont'd)

22. (LOSS)/EARNINGS PER ORDINARY SHARE - GROUP

BASIC (LOSS)/EARNINGS PER ORDINARY SHARE

The calculation of basic (loss)/earnings per ordinary share at 31 December 2014 was based on the loss attributable to ordinary shareholders of RM1,046,496 (2013 : profit attributable to ordinary shareholders of RM366,665) and a weighted average number of ordinary shares outstanding during the year of 45,780,000 (2013 : 45,780,000).

DILUTED (LOSS)/EARNINGS PER ORDINARY SHARE

As at 31 December 2013, the Company had outstanding options to subscribe for new ordinary shares which were not converted at year end. As the exercise price exceeded the market value of the ordinary shares, the effect of the assumed conversion of the options to ordinary shares on the earnings per share was anti-dilutive for year 2013.

The options expired on 22 March 2014 and there was no dilutive potential ordinary shares outstanding as at 31 December 2014. As such, the diluted loss per ordinary share as at 31 December 2014 is calculated same as basic loss per ordinary share.

23. DIVIDEND

Dividend recognised by the Company :

	SEN PER SHARE	TOTAL AMOUNT RM	DATE OF PAYMENT
2014			
Final single tier dividend 2013	1.750	<u>801,151</u>	9 July 2014
2013			
Final 2012 ordinary (net of tax)	1.125	<u>515,025</u>	9 July 2013

The Directors recommend a final single tier dividend of 1.75% per ordinary share totalling RM801,151 in respect of the financial year ended 31 December 2014 subject to shareholders' approval at the forthcoming Annual General Meeting.

24. RELATED PARTIES

IDENTITY OF RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Notes to the Financial Statements (cont'd)

24. RELATED PARTIES (CONT'D)

IDENTITY OF RELATED PARTIES (CONT'D)

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

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

SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	2014 RM	2013 RM
COMPANY		
SUBSIDIARIES		
Sales	774,234	1,007,888
Commission paid/payable	1,827,646	1,910,291
Rental income received/receivable	57,600	57,600

There were no transactions with the key management personnel other than the remuneration package paid to them in accordance with the terms and conditions of their appointment as disclosed in Note 20 to the financial statements.

25. OPERATING SEGMENTS - GROUP

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

GEOGRAPHICAL INFORMATION

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

Notes to the Financial Statements (cont'd)

25. OPERATING SEGMENTS - GROUP (CONT'D)

GEOGRAPHICAL INFORMATION (CONT'D)

	REVENUE RM	NON- CURRENT ASSETS RM
2014		
Malaysia	39,836,964	19,206,432
Asia (excluding Malaysia)	9,420,098	48,114
Australia	6,656,242	-
United States of America	2,598,733	-
Europe	11,160	-
Others	617,216	-
	59,140,413	19,254,546
2013		
Malaysia	37,227,817	20,615,487
Asia (excluding Malaysia)	8,423,368	22,114
Australia	7,809,725	-
United States of America	4,068,568	-
Europe	9,385	-
Others	691,891	-
	58,230,754	20,637,601

26. FINANCIAL INSTRUMENTS

26.1 CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

Notes to the Financial Statements (cont'd)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

	CARRYING AMOUNT RM	L&R RM	HFT RM
2014			
FINANCIAL ASSETS			
GROUP			
Trade and other receivables	11,509,275	11,509,275	-
Cash and cash equivalents	4,284,870	4,284,870	-
	<u>15,794,145</u>	<u>15,794,145</u>	<u>-</u>
COMPANY			
Trade and other receivables	10,550,031	10,550,031	-
Cash and cash equivalents	3,894,052	3,894,052	-
	<u>14,444,083</u>	<u>14,444,083</u>	<u>-</u>
2013			
FINANCIAL ASSETS			
GROUP			
Trade and other receivables	13,982,220	13,982,220	-
Cash and cash equivalents	1,965,753	1,965,753	-
	<u>15,947,973</u>	<u>15,947,973</u>	<u>-</u>
COMPANY			
Trade and other receivables	12,987,922	12,987,922	-
Cash and cash equivalents	1,560,260	1,560,260	-
	<u>14,548,182</u>	<u>14,548,182</u>	<u>-</u>
	CARRYING AMOUNT RM	FL RM	HFT RM
2014			
FINANCIAL LIABILITIES			
GROUP			
Trade and other payables	3,266,127	3,266,127	-
Derivative financial liabilities	31,300	-	31,300
	<u>3,297,427</u>	<u>3,266,127</u>	<u>31,300</u>

Notes to the Financial Statements (cont'd)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

	CARRYING AMOUNT RM	FL RM	HFT RM
COMPANY			
Trade and other payables	4,601,203	4,601,203	-
Derivative financial liabilities	31,300	-	31,300
	4,632,503	4,601,203	31,300
2013			
FINANCIAL LIABILITIES			
GROUP			
Trade and other payables	5,051,018	5,051,018	-
Borrowing	1,113,806	1,113,806	-
Derivative financial liabilities	30,828	-	30,828
	6,195,652	6,164,824	30,828
COMPANY			
Trade and other payables	6,377,591	6,377,591	-
Borrowing	1,113,806	1,113,806	-
Derivative financial liabilities	30,828	-	30,828
	7,522,225	7,491,397	30,828

26.2 NET (LOSS)/GAIN ARISING FROM FINANCIAL INSTRUMENTS

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Net (loss)/gain arising on :				
Loans and receivables	(55,159)	1,663	(72,040)	(18,371)
Financial liabilities measured at amortised cost	(36,102)	(13,804)	(36,102)	(13,804)
Fair value through profit or loss :				
- Held for trading	(472)	(45,878)	(472)	(45,878)

26.3 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)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 CREDIT RISK

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

RECEIVABLES (INCLUDING SUBSIDIARY)

RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES FOR MANAGING THE RISK

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

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

EXPOSURE TO CREDIT RISK, CREDIT QUALITY AND COLLATERAL

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

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

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

	2014 RM	2013 RM
GROUP		
Malaysia	9,265,088	9,606,346
Asia (excluding Malaysia)	1,525,474	1,677,148
United States of America	-	574,088
Others	539,544	404,671
	<hr/> 11,330,106	<hr/> 12,262,253

Notes to the Financial Statements (cont'd)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 CREDIT RISK (CONT'D)

RECEIVABLES (INCLUDING SUBSIDIARY) (CONT'D)

RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES FOR MANAGING THE RISK (CONT'D)

	2014 RM	2013 RM
COMPANY		
Malaysia	9,265,088	9,606,346
Asia (excluding Malaysia)	612,614	713,571
United States of America	-	574,088
Others	539,544	404,672
	<u>10,417,246</u>	<u>11,298,677</u>

IMPAIRMENT LOSSES

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

	GROSS RM	INDIVIDUAL IMPAIRMENT RM	NET RM
GROUP			
2014			
Not past due	7,003,629	-	7,003,629
Past due 1 - 30 days	2,521,279	-	2,521,279
Past due 31 - 60 days	1,179,012	-	1,179,012
Past due 61 - 90 days	479,575	-	479,575
Past due 91- 120 days	189,278	(57,334)	131,944
Past due more than 120 days	322,820	(308,153)	14,667
	<u>11,695,593</u>	<u>(365,487)</u>	<u>11,330,106</u>
2013			
Not past due	8,824,907	-	8,824,907
Past due 1 - 30 days	2,440,051	-	2,440,051
Past due 31 - 60 days	597,088	-	597,088
Past due 61 - 90 days	145,536	-	145,536
Past due 91-120 days	93,269	-	93,269
Past due more than 120 days	421,176	(259,774)	161,402
	<u>12,522,027</u>	<u>(259,774)</u>	<u>12,262,253</u>

Notes to the Financial Statements (cont'd)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 CREDIT RISK (CONT'D)

RECEIVABLES (INCLUDING SUBSIDIARY) (CONT'D)

IMPAIRMENT LOSSES (CONT'D)

	GROSS RM	INDIVIDUAL IMPAIRMENT RM	NET RM
COMPANY			
2014			
Not past due	6,904,424	-	6,904,424
Past due 1 - 30 days	2,178,988	-	2,178,988
Past due 31 - 60 days	911,419	-	911,419
Past due 61 - 90 days	289,762	-	289,762
Past due 91-120 days	117,986	-	117,986
Past due more than 120 days	322,820	(308,153)	14,667
	10,725,399	(308,153)	10,417,246

COMPANY

2013			
Not past due	8,419,722	-	8,419,722
Past due 1 - 30 days	2,158,678	-	2,158,678
Past due 31 - 60 days	451,772	-	451,772
Past due 61 - 90 days	115,081	-	115,081
Past due 91-120 days	77,708	-	77,708
Past due more than 120 days	279,405	(203,689)	75,716
	11,502,366	(203,689)	11,298,677

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

	2014 RM	2013 RM
GROUP		
At 1 January	259,774	267,239
Impairment loss recognised	182,300	59,812
Impairment loss reversed	(54,862)	(58,917)
Impairment loss written off	(22,974)	(8,360)
Effect of movements in exchange rates	1,249	-
At 31 December	365,487	259,774

Notes to the Financial Statements (cont'd)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 CREDIT RISK (CONT'D)

RECEIVABLES (INCLUDING SUBSIDIARY) (CONT'D)

IMPAIRMENT LOSSES (CONT'D)

	2014 RM	2013 RM
COMPANY		
At 1 January	203,689	219,309
Impairment loss recognised	182,300	51,657
Impairment loss reversed	(54,862)	(58,917)
Impairment loss written off	(22,974)	(8,360)
At 31 December	308,153	203,689

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

26.5 LIQUIDITY RISK

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

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

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

Notes to the Financial Statements (cont'd)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.5 LIQUIDITY RISK (CONT'D)

MATURITY ANALYSIS

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

GROUP	CARRYING AMOUNT RM	CONTRACTUAL INTEREST RATE %	CONTRACTUAL CASH FLOWS RM	UNDER 1 YEAR RM	1 - 2 YEARS RM	2 - 5 YEARS RM	MORE THAN 5 YEARS RM
2014							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	3,266,127	-	3,266,127	3,266,127	-	-	-
<i>Derivative financial liabilities</i>							
Forward foreign exchange contracts (gross settled) :							
- outflow	31,300	-	699,300	699,300	-	-	-
- inflow	-	-	(668,000)	(668,000)	-	-	-
	<u>3,297,427</u>		<u>3,297,427</u>	<u>3,297,427</u>	<u>-</u>	<u>-</u>	<u>-</u>
2013							
<i>Non-derivative financial liabilities</i>							
Bankers' acceptances - unsecured	1,113,806	2.45	1,113,806	1,113,806	-	-	-
Trade and other payables	5,051,018	-	5,051,018	5,051,018	-	-	-
<i>Derivative financial liabilities</i>							
Forward foreign exchange contracts (gross settled) :							
- outflow	30,828	-	2,310,305	2,310,305	-	-	-
- inflow	-	-	(2,279,477)	(2,279,477)	-	-	-
	<u>6,195,652</u>		<u>6,195,652</u>	<u>6,195,652</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements (cont'd)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.5 LIQUIDITY RISK (CONT'D)

MATURITY ANALYSIS (CONT'D)

COMPANY	CARRYING AMOUNT RM	CONTRACTUAL INTEREST RATE %	CONTRACTUAL CASH FLOWS RM	UNDER 1 YEAR RM	1 - 2 YEARS RM	2 - 5 YEARS RM	MORE THAN 5 YEARS RM
2014							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	4,601,203	-	4,601,203	4,601,203	-	-	-
<i>Derivative financial liabilities</i>							
Forward foreign exchange contracts (gross settled) :							
- outflow	31,300	-	699,300	699,300	-	-	-
- inflow	-	-	(668,000)	(668,000)	-	-	-
	<u>4,632,503</u>		<u>4,632,503</u>	<u>4,632,503</u>	<u>-</u>	<u>-</u>	<u>-</u>
2013							
<i>Non-derivative financial liabilities</i>							
Bankers' acceptances							
- unsecured	1,113,806	2.45	1,113,806	1,113,806	-	-	-
Trade and other payables	6,377,591	-	6,377,591	6,377,591	-	-	-
<i>Derivative financial liabilities</i>							
Forward foreign exchange contracts (gross settled) :							
- outflow	30,828	-	2,310,305	2,310,305	-	-	-
- inflow	-	-	(2,279,477)	(2,279,477)	-	-	-
	<u>7,522,225</u>		<u>7,522,225</u>	<u>7,522,225</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements (cont'd)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.6 MARKET RISK

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

26.6.1 CURRENCY RISK

The Group is exposed to foreign currency risk on sales and purchases and borrowings 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 functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was :

GROUP	DENOMINATED IN	
	USD RM	SGD RM
2014		
Trade receivables	775,168	1,289,606
Trade payables	(1,110,008)	(631,783)
Cash and cash equivalents	201,118	257,250
Forward foreign exchange contracts	(31,300)	-
NET EXPOSURE	(165,022)	915,073
2013		
Trade receivables	1,285,967	1,369,941
Trade payables	(1,995,220)	(659,996)
Cash and cash equivalents	80,394	374,144
Forward foreign exchange contracts	(30,828)	-
NET EXPOSURE	(659,687)	1,084,089

Notes to the Financial Statements (cont'd)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.6 MARKET RISK (CONT'D)

26.6.1 CURRENCY RISK (CONT'D)

EXPOSURE TO FOREIGN CURRENCY RISK (CONT'D)

COMPANY	DENOMINATED IN USD RM
2014	
Trade receivables	775,168
Trade payables	(1,110,008)
Intra-group balances	376,745
Cash and cash equivalents	195,321
Forward exchange contracts	(31,300)
NET EXPOSURE	205,926
2013	
Trade receivables	1,285,967
Trade payables	(1,995,220)
Intra-group balances	406,365
Cash and cash equivalents	74,966
Forward exchange contracts	(30,828)
NET EXPOSURE	(258,750)

CURRENCY RISK SENSITIVITY ANALYSIS

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

GROUP	PROFIT OR LOSS	
	2014 RM	2013 RM
USD	12,377	49,477
SGD	(68,630)	(81,307)
COMPANY		
USD	(15,444)	19,406

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.

Notes to the Financial Statements (cont'd)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.6 MARKET RISK (CONT'D)

26.6.2 INTEREST RATE RISK

The Group's variable rate borrowing is exposed to a risk of change in cash flows due to changes in interest rates. The Group's fixed rate borrowing, 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	
	2014 RM	2013 RM	2014 RM	2013 RM
FIXED RATE INSTRUMENTS				
Cash and cash equivalents	1,900,000	500,000	1,900,000	500,000
Borrowing	-	1,113,806	-	1,113,806

INTEREST RATE RISK SENSITIVITY ANALYSIS FOR FIXED RATE INSTRUMENTS

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

26.7 FAIR VALUE INFORMATION

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

The table below analyses financial instruments carried at fair value.

	FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE				TOTAL FAIR VALUE RM	CARRYING AMOUNT RM
	LEVEL 1 RM	LEVEL 2 RM	LEVEL 3 RM	TOTAL RM		
GROUP/COMPANY						
2014						
FINANCIAL LIABILITY						
Forward foreign exchange contracts	-	31,300	-	31,300	31,300	31,300
2013						
FINANCIAL LIABILITY						
Forward foreign exchange contracts	-	30,828	-	30,828	30,828	30,828

Notes to the Financial Statements (cont'd)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.7 FAIR VALUE INFORMATION (CONT'D)

POLICY ON TRANSFER BETWEEN LEVELS

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2 FAIR VALUES

There has been no transfer between Level 1 and 2 fair values during the financial year (2013: no transfer in either directions).

LEVEL 2 FAIR VALUE

DERIVATIVES

The fair value of forward exchange contracts 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).

27. CAPITAL MANAGEMENT

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

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

28. OPERATING LEASES

LEASES AS LESSEE

Non-cancellable operating lease rentals are payable as follows :

	GROUP	
	2014 RM	2013 RM
Less than one year	158,826	-
Between one and five years	79,413	-
	<u>238,239</u>	<u>-</u>

29. CAPITAL COMMITMENTS - GROUP/COMPANY

	2014 RM	2013 RM
PLANT AND EQUIPMENT		
Authorised but not contracted for	471,350	602,960

Notes to the Financial Statements (cont'd)

30. 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 2014, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Main Market Listing Requirements, are as follows :

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Total retained earnings of the Company and its subsidiaries :				
- Realised gain	9,465,194	11,077,989	7,582,385	9,054,511
- Unrealised gain/(loss)	2,991	(50,289)	2,908	(50,289)
Total retained earnings at 31 December	9,468,185	11,027,700	7,585,293	9,004,222

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

Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 37 to 95 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 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 30 on page 96 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

WONG YUK THIN

KOAY THEN HIN

Penang,

Date : 29 April 2015

Statutory Declaration

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

I, **WONG YUK THIN**, the Director primarily responsible for the financial management of Central Industrial Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 37 to 96 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 29 April 2015.

WONG YUK THIN

Before me :

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

Independent Auditors' Report

to the Members of Central Industrial Corporation Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Central Industrial Corporation Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of profit or loss and other 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 37 to 95.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Independent Auditors' Report

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the 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.

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 30 on page 96 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

MUHAMMAD AZMAN CHE ANI
2922/04/16(J)
Chartered Accountant

Date : 29 April 2015

Petaling Jaya

Analysis of Shareholdings

as at 13 May 2015

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 13 MAY 2015

Range of Shareholdings	No. of Holders	Percentage of Holders	No. of Shares	Percentage of Issued Capital
1 - 99	206	20.72	2,535	0.01
100 - 1,000	289	29.07	172,714	0.38
1,001 - 10,000	397	39.94	1,650,350	3.60
10,001 - 100,000	85	8.55	2,412,251	5.27
100,001 - 2,288,999(*)	12	1.21	8,720,550	19.05
2,289,000 And Above (**)	5	0.50	32,821,600	71.69
TOTAL	994	100.00	45,780,000	100.00

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

DIRECTORS' SHAREHOLDINGS as at 13 MAY 2015

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

SUBSTANTIAL SHAREHOLDERS as at 13 MAY 2015

Names of Shareholders	Direct Interest	No. of shares held		
		%	Indirect Interest	%
1. Malar Segar Sdn. Bhd.	12,232,000	26.72	-	-
2. Mohtar Bin Abdullah	6,410,000	14.00	-	-
3. Grand Column Investments Limited (a)	5,940,000	12.98	-	-
4. Gan Lock Yong @ Gan Choon Hur	4,578,000	10.00	-	-
5. Tan Ban Aik	3,661,600	8.00	-	-
6. L.G.B. Holdings Sdn. Bhd. (b)	-	-	12,232,000	26.72
7. Dato' Lim Chee Meng (c)	-	-	12,232,000	26.72
8. 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 13 May 2015 (cont'd)

THIRTY (30) LARGEST SHAREHOLDERS as at 13 MAY 2015

Names of Shareholders		No. of Shares	Percentage (%)
(1)	MALAR SEGAR SDN BHD	12,232,000	26.72
(2)	MOHTAR BIN ABDULLAH	6,410,000	14.00
(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)	GAN LOCK YONG @ GAN CHOON HUR	4,578,000	10.00
(5)	TAN BAN AIK	3,661,600	8.00
(6)	LAMBANG PROGRESIF SDN BHD	2,000,000	4.37
(7)	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LIM ENG HUAT	1,584,300	3.46
(8)	NG OI HAN	1,300,000	2.84
(9)	PHANG WAI HOONG	1,200,000	2.62
(10)	JULIET YAP SWEE HWANG	620,200	1.35
(11)	AMANAHRAYA TRUSTEES BERHAD - SKIM AMANAH SAHAM BUMIPUTERA	606,500	1.32
(12)	KEMBANGAN SEPADU SDN BHD	511,150	1.12
(13)	YANG LAI SEE	366,000	0.80
(14)	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LIM KONG HWEE (E-SLY/SGK)	164,500	0.36
(15)	YONG WO MOI	143,700	0.31
(16)	NGAN CHU CHU	120,000	0.26
(17)	YONG WO MOI	104,200	0.23
(18)	BALAKRISNEN A/L SUBBAN	100,000	0.22
(19)	CHEN CHOONG FATT	100,000	0.22
(20)	MAYBANK INVESTMENT BANK BERHAD - EXEMPT AN CLR (A) FOR AMANAHRAYA TRUSTEES BERHAD	100,000	0.22
(21)	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD - MAYBANK KIM ENG SECURITIES PTE LTD FOR TAN HOW NGUANG	100,000	0.22
(22)	LIM CHING WAH	91,000	0.20
(23)	LAI MIAU FONG	84,000	0.18
(24)	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR KUAN SHIN NYIAP	61,200	0.13
(25)	LIM PENG HONG	56,000	0.12
(26)	TEOH CHENG HOE	51,900	0.11
(27)	HACONG (HARDWARE & ELECTRICAL) SENDIRIAN BERHAD	48,400	0.11
(28)	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CHUNG CHIT MIN	46,500	0.10
(29)	TEOH YEW BENG	45,500	0.10
(30)	LIM WEE CHIN	45,000	0.10

List of Major Properties Held

as at 31 December 2014

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.	24	Land with factory	9,369,660
No. 5-13.1, 5-13.2, 5-14.1, 5-14.2, 5-15.1, 5-15.2, 5-16.1, 5-16.2, 5-17.1, 5-17.2 and 5-18 Block A, Plaza Dwitasik, Phase 1, Bandar Sri Permaisuri, Off Jalan Permaisuri 1, Cheras, 56000 Kuala Lumpur.	Leasehold (Expiry : 2095)	2006	11,368 sq. ft.	16	Office Building	1,928,090

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PROXY FORM

Central Industrial Corporation Berhad
12186-K

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

I/We _____

of _____

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

of _____

or failing him/her _____

of _____

as my/our proxy, to vote for me/us and on my/our behalf at the Forty-Second Annual General Meeting of the Company to be held at Room Mutiara 5, The Royale Chulan Damansara, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 16 June 2015 at 10.00 a.m. and at any adjournment thereof.

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

Agenda 1	To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Directors' and Auditors' Reports thereon		
Ordinary Resolution	Resolutions	For	Against
1.	To approve the payment of a Final Single-tier dividend of 1.75%		
2.	To approve the payment of the Directors' fees		
3.	To re-elect Dato' Dr. Zabir Bin Bajuri as Director		
4.	To re-elect Ms. Lim Shiak Ling as Director		
5.	To re-appoint Datuk Abdul Jamil Bin Mohd Ali as Director		
6.	To re-appoint Messrs. KPMG as Auditors of the Company		
7.	To approve the continuation in office of Dato' Dr. Zabir Bin Bajuri as Independent Non-Executive Director		
8.	To approve the continuation in office of Dato' Wira Zainuddin Bin Mahmud as Independent Non-Executive Director		

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

Signed this _____ day of _____ 2015

Signature/Seal of Shareholder

Notes

1. Only depositors whose names appear in the Record of Depositors as at 10 June 2015 shall be regarded as members of the Company and entitled to attend the Forty-Second Annual General Meeting or appoint a proxy to attend and vote on his behalf.
2. 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. 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. Where a member of the Company is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation under its common seal or the hand of its attorney.
5. All forms of proxy must be deposited at the Office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Fold here

Affix
Stamp
Here

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

Fold here

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

Tel: 604 422 7888 | **Fax:** 604 421 7888

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