

Strategic STEPS

ANNUAL REPORT 2018



CENTRAL INDUSTRIAL CORPORATION BERHAD (CICB)

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

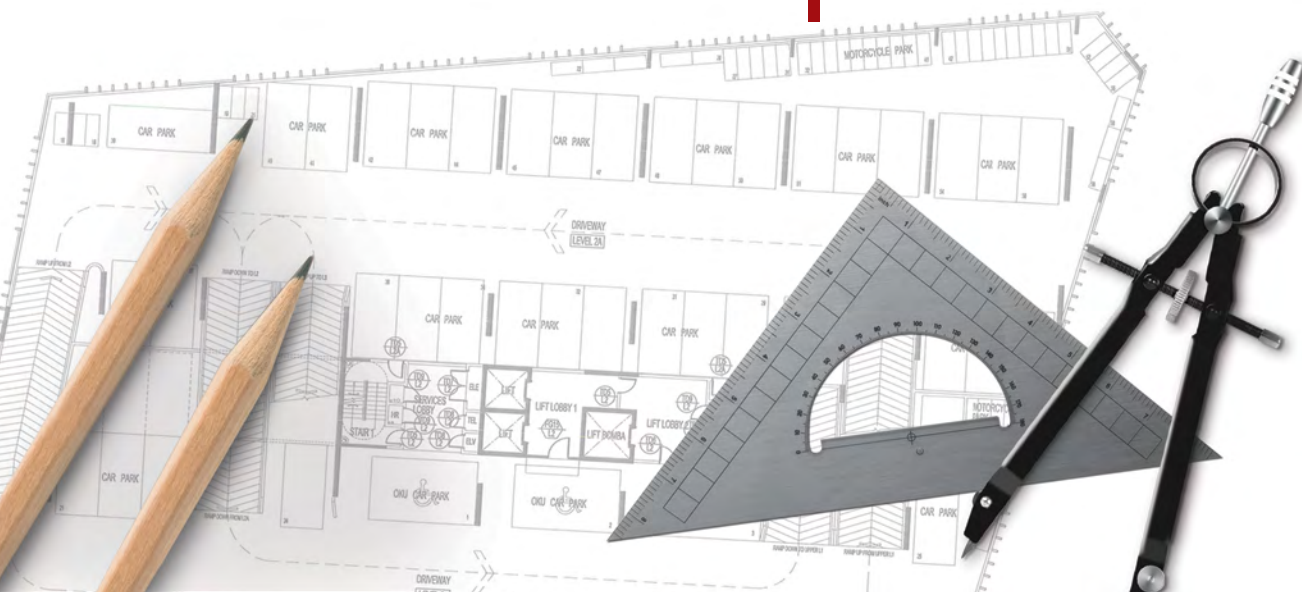
The Company's principal activities comprise the manufacture of specialised industrial tapes and label stock catering mainly for professional auto spray painting, packing, advertising applicationans, general labelling and identification.

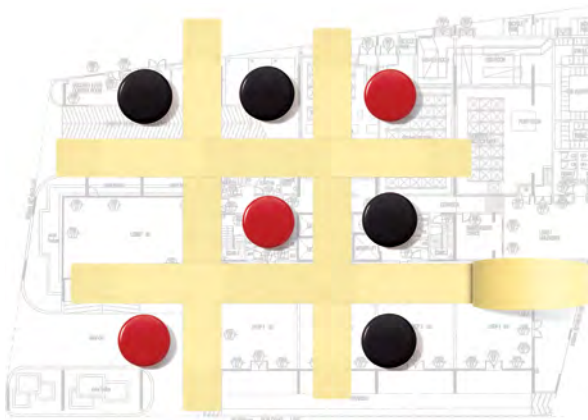
OUR MISSION

Delivering sustainable growth and profit to our Stockholders. Committed to Quality, Innovation and Value Creation for our Customer.

OUR VISION

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





Strategic STEPS

Central Industrial Corporation Berhad plans its strategic growth with a systematic process and creates a strategy to determine our progress from the current circumstances to the desired future situation. Our strategic plan identifies growth priorities specific to our organization and the settings in which we operate in.

CONTENTS

02 NOTICE OF ANNUAL
GENERAL MEETING

04 CORPORATE
INFORMATION

05 PROFILE OF DIRECTORS

10 PROFILE OF KEY SENIOR
MANAGEMENT

13 5-YEAR KEY FINANCIAL
HIGHLIGHTS

15 MANAGEMENT DISCUSSION
AND ANALYSIS

23 SUSTAINABILITY
STATEMENT

28 AUDIT AND RISK MANAGEMENT
COMMITTEE REPORT

31 STATEMENT ON
CORPORATE GOVERNANCE

40 STATEMENT ON RISK MANAGEMENT
AND INTERNAL CONTROL

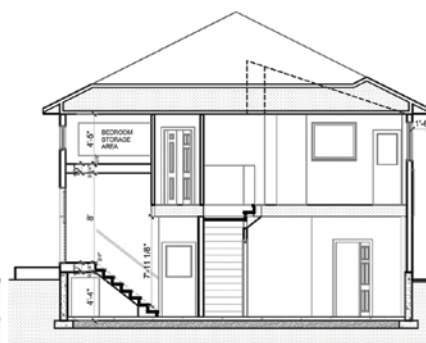
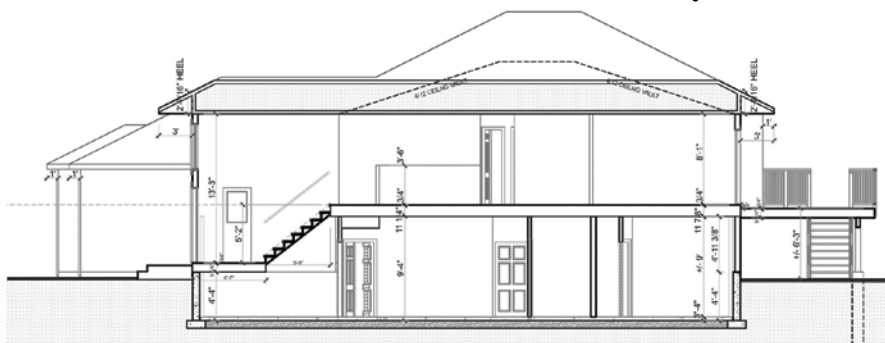
43 OTHER INFORMATION

44 FINANCIAL
STATEMENTS

134 LIST OF
PROPERTIES

135 ANALYSIS OF
SHAREHOLDING

Enclosed PROXY FORM



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-Sixth Annual General Meeting of the Company will be held at The Royale 2, Level 2, The Royale Chulan Damansara, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 29 May 2019 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 2018 together with the Reports of the Directors and Auditors thereon. **(Please refer to Note 1 of the Explanatory Notes)**
2. To re-elect the following Directors retiring in accordance with the Company's Articles of Association:-
 - i) Dr. Uzir Bin Abdul Malik (Article 90) **Ordinary Resolution 1**
 - ii) Mr. Phang Kwai Sang (Article 90) **Ordinary Resolution 2**
 - iii) Mr. Ng Seng Bee (Article 90) **Ordinary Resolution 3**
3. To re-appoint Messrs. KPMG PLT as Auditors of the Company and authorize the Directors to fix their remuneration. **Ordinary Resolution 4**

SPECIAL BUSINESS

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

4. **RETENTION OF INDEPENDENT DIRECTORS**
 - i) "THAT Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud be and is hereby retained as Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance." **Ordinary Resolution 5**
 - ii) "THAT Mr. Koay Then Hin be and is hereby retained as Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance." **Ordinary Resolution 6**
5. To transact any other business which may properly be transacted at an Annual General Meeting for which due notice shall have been given.

By order of the Board

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

Kuala Lumpur
Dated this 30th day of April 2019

Notice of Annual General Meeting (Cont'd)



Notes:

- i) Only depositors whose names appear in the Record of Depositors as at 23 May 2019 shall be entitled to attend the Forty-Sixth Annual General Meeting or appoint a proxy to attend, speak and vote on his behalf.
- ii) A member of the Company entitled to attend, speak and vote at this meeting is entitled to appoint a proxy to attend, speak and vote in his stead. A member may appoint more than two (2) proxies to attend at the same meeting. All voting will be conducted by way of poll. Where a member appoints two or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
- iii) Where a member of the Company is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- iv) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation under its Common Seal or the hand of its attorney.
- v) All forms of proxy must be deposited at the Company's Registered Office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

Explanatory Notes to Special Business

1. The Audited Financial Statements is meant for discussion only as the provision in the Company's Articles of Association does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.
2. Ordinary Resolutions No. 5 and 6

Proposed Continuation in Office as Independent Non-Executive Directors

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

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



CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. Uzir Bin Abdul Malik
Non-Independent Non-Executive Chairman

Mr. Wong Yuk Thin
Managing Director

Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud
Independent Non-Executive Director

Dato' Tan Yee Boon
Independent Non-Executive Director

Mr. Phang Kwai Sang
Non-Independent Non-Executive Director

Mr. Koay Then Hin
Independent Non-Executive Director

Mr. Ng Seng Bee
Independent Non-Executive Director

Mr. Chuah Guan Leong
Independent Non-Executive Director
(Appointed on 13 April 2018)

AUDIT AND RISK MANAGEMENT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Phang Kwai Sang (Chairman)
Dato' Tan Yee Boon
Mr. Koay Then Hin

NOMINATION COMMITTEE

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

SECRETARIES

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

AUDITORS

KPMG PLT
(LLP0010081-LCA & AF 0758)
Level 18, Hunza Tower,
163E, Jalan Kelawei,
10250 Penang.
Tel: 04-2382288
Fax: 04-2382222

BANKERS

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

HEAD OFFICE

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

SHARE REGISTRAR

Mega Corporate Services Sdn. Bhd.
(187984-H)
Level 15-2, Bangunan Faber
Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-26924271
Fax: 03-27325388

REGISTERED OFFICE

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

STOCK EXCHANGE LISTING

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

PROFILE OF DIRECTORS



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

DR. UZIR BIN ABDUL MALIK

- Non-Independent Non-Executive Chairman
- Malaysian
- 74
- Male

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

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

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

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

PROFILE OF DIRECTORS (Cont'd)

WONG YUK THIN

- Managing Director
- Malaysian
- 58
- Male

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

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

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

Mr. Wong is also a Director of the Company's subsidiaries, CIC Marketing Sdn. Bhd., CICS Distributors Pte. Ltd, CIC Construction Sdn. Bhd. and Proventus Bina Sdn. Bhd.

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

DATO' SERAJA MAHKOTA DATO' WIRA ZAINUDDIN BIN MAHMUD

- Independent Non-Executive Director
- Malaysian
- 73
- Male

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

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

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

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

Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences. He attended five (5) out of six (6) Board Meetings held during the financial year.

PROFILE OF DIRECTORS (Cont'd)



DATO' TAN YEE BOON

- Independent Non-Executive Director
- Malaysian
- 44
- Male

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

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

Currently, Dato' Tan is an Independent Non-Executive Director of China Dynamic (Holdings) Limited and Protasco Berhad, TIL Enviro Limited and Binasat Communication Berhad.

Dato' Tan has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences. He attended four (4) out of six (6) Board Meetings held during the financial year.

PHANG KWAI SANG

- Non-Independent Non-Executive Director
- Malaysian
- 66
- Male

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

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

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

PROFILE OF DIRECTORS (Cont'd)

KOAY THEN HIN

- Independent Non-Executive Director
- Malaysian
- 73
- Male

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

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

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

NG SENG BEE

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

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

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

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

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

PROFILE OF DIRECTORS (Cont'd)

CHUAH GUAN LEONG

- Independent Non-Executive Director
- Malaysian
- 50
- Male

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

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

In 2005, Mr. Chuah joined Hangzhou Pacific Cement as Director of Operations/Chief Financial Officer. He started with the operations of the company and saw its annual revenues increase to RMB500 Million. In 2015, Mr. Chuah was involved in the negotiation of the mandatory shut down of Hangzhou Pacific Cement by the state government and obtained a substantial compensation and benefits for its stakeholders. Mr. Chuah moved back to Malaysia with his family in 2017.

Mr. Chuah has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences. He attended three (3) out of four (4) Board Meetings held during the financial year.



PROFILE OF KEY SENIOR MANAGEMENT

DINESH RAJIVNATHAN

- Assistant General Manager, Central Industrial Corporation Berhad
- Malaysian
- 42
- Male

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

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

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

KEW SY LENG

- Group Financial Controller, Central Industrial Corporation Berhad
- Malaysian
- 51
- Male

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

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

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

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

PROFILE OF KEY SENIOR MANAGEMENT (Cont'd)



YAP BEE LING

- Purchasing Manager, Central Industrial Corporation Berhad
- Malaysian
- 49
- Female

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

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

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

CHEW EH PENG

- Domestic Manager, CIC Marketing Sdn. Bhd., Wholly-owned subsidiary of "CICB"
- 55
- Malaysian
- Male

Mr. Chew joined CIC Marketing Sdn. Bhd. ("CICM") in 1998 and graduated from University of Sains Malaysia with a Bachelor Degree in Management (Marketing). He has extensive commercial experience in the domestic market for pressure sensitive adhesive tapes and labels stocks.

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

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

YAO KEE KONG

- Business Manager, CIC Marketing Sdn. Bhd., Wholly-owned subsidiary of "CICB"
- Malaysian
- 38
- Male

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

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

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

PROFILE OF KEY SENIOR MANAGEMENT (Cont'd)

TERENCE YEE WAI LEONG

- Manager, CICS Distributors Pte. Ltd., Wholly-owned subsidiary of "CICB"
- 39
- Singaporean
- Male

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

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

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

KONG TECK FONG

- Executive Director, Proventus Bina Sdn. Bhd.
- 48
- Malaysian
- Male

Mr. Kong was appointed as Executive Director of Proventus Bina Sdn. Bhd. on 10 February 2017. Mr. Kong graduated with a Bachelor in Finance and Marketing from Oregon State University, United States in 1994.

Mr. Kong started his career in Compaq Singapore Pte. Ltd. as a Financial Analyst in 1994 and subsequently joined Hewlett Packard Singapore Pte. Ltd. as a Marketing Manager. He was the Chief Sales and Marketing Officer of MicroGreen Bio-Industrial Berhad from 2001 to 2008. Mr. Kong was subsequently appointed as Executive Director in a property development company where he was involved in the planning, project management and marketing of a mixed township development.

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

5-YEAR KEY FINANCIAL HIGHLIGHTS

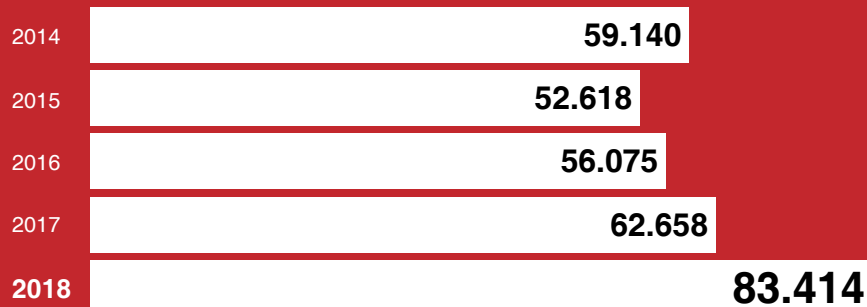


Description	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
Revenue	83,414	62,658	56,075	52,618	59,140
(Loss)/Profit before tax	(968)	1,263	1,286	(11,980)	(1,028)
(Loss)/Profit for the year	(3,806)	3,498	1,190	(11,979)	(1,046)
(Loss)/Profit attributable to shareholders	(3,606)	3,498	1,190	(11,979)	(1,046)
Share capital	51,407	51,407	45,780	45,780	45,780
Reserves	(2,831)	1,652	(415)	(1,627)	11,008
Non-controlling interest	3,545	-	-	-	-
TOTAL EQUITY	52,121	53,059	45,365	44,153	56,788
Long term liabilities	2,627	1,715	1,659	1,817	1,252
Current liabilities	27,622	3,733	5,622	4,445	3,298
TOTAL EQUITY AND LIABILITIES	82,370	58,507	52,646	50,415	61,338
Property, plant and equipment	15,023	13,011	13,663	14,853	16,367
Investment properties	1,017	1,044	1,071	1,098	1,274
Prepaid lease payments	1,429	1,475	1,521	1,567	1,614
Investment in associate	-	1,398	-	-	-
Deferred tax assets	64	2,275	-	-	-
Goodwill	22	-	-	-	-
Current assets	64,815	39,304	36,391	32,897	42,083
TOTAL ASSETS	82,370	58,507	52,646	50,415	61,338
Net assets per share (RM)	0.54	1.06	0.99	0.96	1.24
Basic (loss)/earnings per ordinary share (sen)	(4.01)	*3.98	*1.44	*(14.54)	*(1.27)

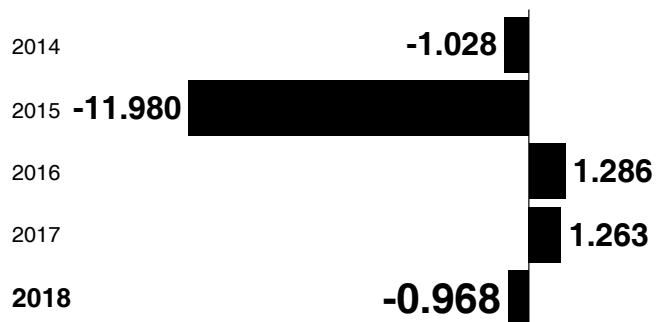
* Restated due to bonus issues in 2018 based on ratio of 4 shares for every 5 shares held.

5-YEAR KEY FINANCIAL HIGHLIGHTS (Cont'd)

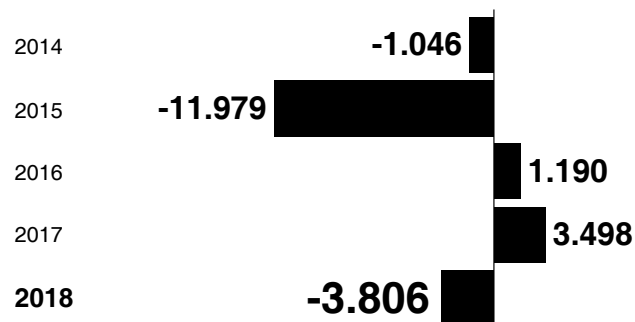
REVENUE (RM Million)



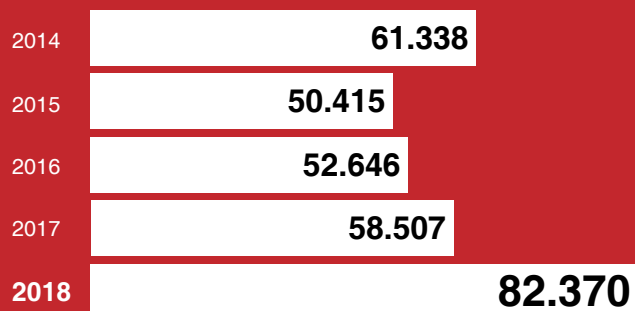
(LOSS)/PROFIT BEFORE TAX (RM Million)



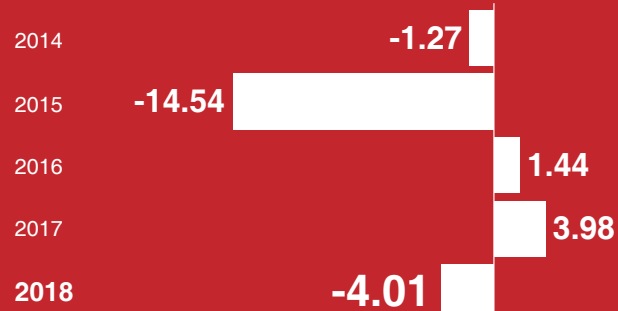
(LOSS)/PROFIT AFTER TAX (RM Million)



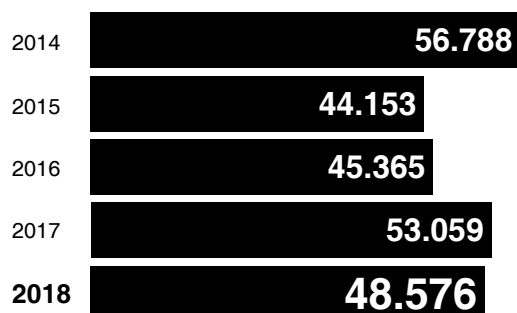
TOTAL ASSETS (RM Million)



(LOSS)/EARNING PER SHARE (Sen)



SHAREHOLDERS' FUND (RM Million)



NET ASSETS PER SHARE (RM)



MANAGEMENT DISCUSSION AND ANALYSIS



Dear Stakeholders,

The financial year ended 31 December 2018 (“FY2018”), was another challenging year for Central Industrial Corporation Berhad (“CICB” or the “Company”). Although the Company remained steadfast in executing and reviewing our commercial and operational strategies, we could not completely mitigate the impact of a slowing domestic economy and a volatile regional export market exacerbated by trade tensions.

We registered an overall poorer performance for the financial year 2018 as the manufacturing operations posted lower revenue and profits although Group revenue increased with the consolidation of revenue from our subsidiary in construction industry. Despite the higher consolidated revenue, the Group incurred loss for the financial year.

During the financial year, the Group had embarked on corporate exercises to strengthen the Group’s businesses and had rewarded its shareholders via a bonus issue of 4 shares for every 5 shares held by shareholders.

The Group had proposed to internally reorganize its business activities, incorporated a new investment holding company, Central Global Berhad (“CGB”) and secured approvals from BURSA Malaysia and the High Court of Malaya as well as shareholders’ approval via an EGM held on the 26 February 2019 where shareholders voted in favor of the resolution to the internal reorganization of the Group.

Shareholders of CICB will cease to be shareholders of CICB and instead hold CGB shares in proportion to their respective shareholdings in CICB on the entitlement date which expected by the mid of 2019 and CICB will transfer its listing status to CGB.

The internal reorganization will enable the management to further streamline the group, whereby the establishment of a leaner corporate structure will allow the CGB Group to have separate identifiable business streams which better reflects the current diverse operations of the CICB Group, comprising specialty tapes and labels stocks business and construction.

Financial Performance

For the financial year under review, the Group registered a consolidated Loss Before Tax of RM0.968 Million, against a Profit Before Tax of RM1.263 Million registered in the previous year.

The Group’s consolidated Loss After Tax were RM3.806 Million, a significant decrease from Profit After Tax of RM3.498 Million registered in the previous year mainly attributed to the reversal of Deferred Tax Asset amounting to RM2.457 Million.

The consolidated overall Group revenue, however increased by 33.13% to RM83.414 Million from RM62.658 Million recorded in previous year.

At the Company level, the manufacturing revenue decreased although domestic sales recorded RM35.718 Million from RM35.604 Million in the previous year as export sales recorded revenue of RM18.730 Million compared to RM23.938 Million in the previous year.

The Company’s wholly owned subsidiary in Singapore, CICS Distributors Pte. Ltd., recorded an increase of 6.52% in revenue at RM4.641 Million compared to the previous year’s RM4.357 Million.

The Company’s subsidiary, Proventus Bina Sdn. Bhd. (“PBSB”) recorded a full year revenue of RM64.696 Million, Profit Before Tax of RM0.521 Million and Profit After Tax of RM0.421 Million.

Diversification

During the financial year, the Company’s subsidiary, CIC Construction Sdn. Bhd. (“CICC”), completed the subscription agreement on 19 June 2018 with PBSB and its shareholders to further subscribe an additional 1,035,969 new ordinary shares in PBSB, representing 38.75% of the enlarged number of issued shares of PBSB for a cash consideration of RM2,983,749. Upon the completion of the subscription of new shares, CICC holds 51% of the enlarged share capital of PBSB, resulting in PBSB became a subsidiary of the Group.

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

For the financial year, our investment in PBSB contributed a consolidated Loss Before Tax of RM1.007 Million to the Group’s Profit Before Tax although PBSB posted Profit Before Tax of RM0.521 Million and Profit After Tax of RM0.421 Million for the financial year of 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Diversification (Cont'd)

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

OPERATIONAL REVIEW

Manufacturing Operations

For the year under review, the Company's manufacturing operations continued to face headwinds with the unstable domestic market due to the effects of Goods and Services Tax ("GST") cessation and reintroduction of the Sales and Services Tax ("SST") and an overall slowing Malaysian economy. The policies reversals resulted in erratic domestic demand and consumption, normalizing in the final quarter of the financial year.

For the export segment, ongoing USA & China trade tensions resulted in increased regional competition as China manufacturers for masking tapes and labels stocks lowered prices significantly to shore up manufacturing output. This impacted some of the Company's key export markets, in particular India.

Domestic sales revenue increased by 0.32% while export sales declined by 26.38% respectively year on year.

Although revenue declined, the Company's operational efficiencies and quality continued to improve and supported the growth of masking tapes sales in the domestic segment. In the year under review, supply chain strategies succeeded in reducing the costs of raw materials and the Company was successful in partially substituting its crepe paper with an alternative source which resulted in further cost savings and improved lead time and working capital.

With the upgrade of its ERP system completed in 2017, internal controls were strengthened and real time reports on its operations assisted management decisions making and sped up response time. During the financial year, the management also made some customization improvements to the standard Microsoft ERP system.

In addition, the manufacturing operations internal controls and risk management continued via an effective risk management framework with two scheduled meetings to review and mitigate business and operational risks.

For the year under review, the Group's manufacturing revenue were RM57.068 Million, a 8.92% decline Year On Year compared to the previous year revenue of RM62.658 Million. Profit Before Tax for the financial year was RM0.039 Million.

Masking tapes continue to be the core of the Company's domestic segment's revenue and gross profit expansion, leveraging our experience in producing tapes of high levels of quality consistency which resulted in another year of double digit growth for masking tapes sales in the domestic market.

However, with regional competitors having excess capacities for masking tapes, resulting from the slower economies in China and Asia, the Company's masking tapes export sales were impacted by the pressure on softer selling prices resulting in lower export revenues and reduced gross profit margins.

'Traded Items' recording a decline of 6.90% in revenue compared to the previous year, generally continue to underperformed as new product launches in the domestic market did not achieve targeted revenues. However, the Company has since secured new agencies/products which will be launched in 2019 to boost sales of traded items.

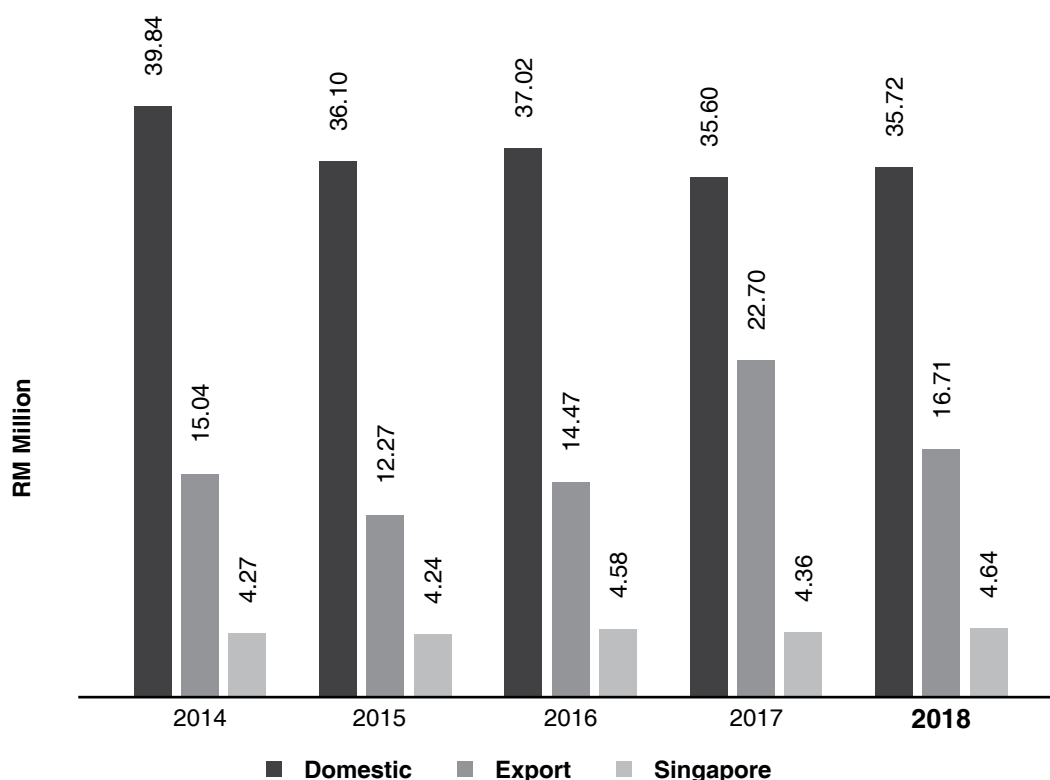
Labels stocks consistent revenue declines from the past years remain a challenge in the year under review from increased credit risks in a highly competitive end user environment with high frequencies of customers incurring operational losses and exiting the industry. Though the Company's network of end user customers continues to be supportive, their reduced business activities attributed to the soft domestic economy limited opportunities to increase revenue for this product segment. However, gross profit margins for labels stocks sales improved with the Company's outsourced efforts successful in reducing costs for labels stocks intermediary raw materials.



OPERATIONAL REVIEW (Cont'd)

Manufacturing Operations (Cont'd)

Revenue by Segment from 2014 to 2018 - Manufacturing



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

- Domestic sales revenue increased 0.32% in 2018 to RM35.718 Million compared to RM35.604 Million in 2017. The domestic sales performance was commendable although continued to be weighed down by lower labels stocks sales which again declined 17.44% from the previous year as credit risk in this business segment increased on the back of lower consumer spending which impacted retail sales for consumer products.

Masking tapes sales continue to grow 16.70% Year on Year as the Company continue its focus on this key product group to increase sales to offset the decline in labels stocks revenue. However, traded items revenue registered a marginal decline of 2.89% against prior year due to a lack of new product offerings. The Company's sourcing team underperformed in sourcing for new agencies for traded items for its current sales channel in hardware and stationery.

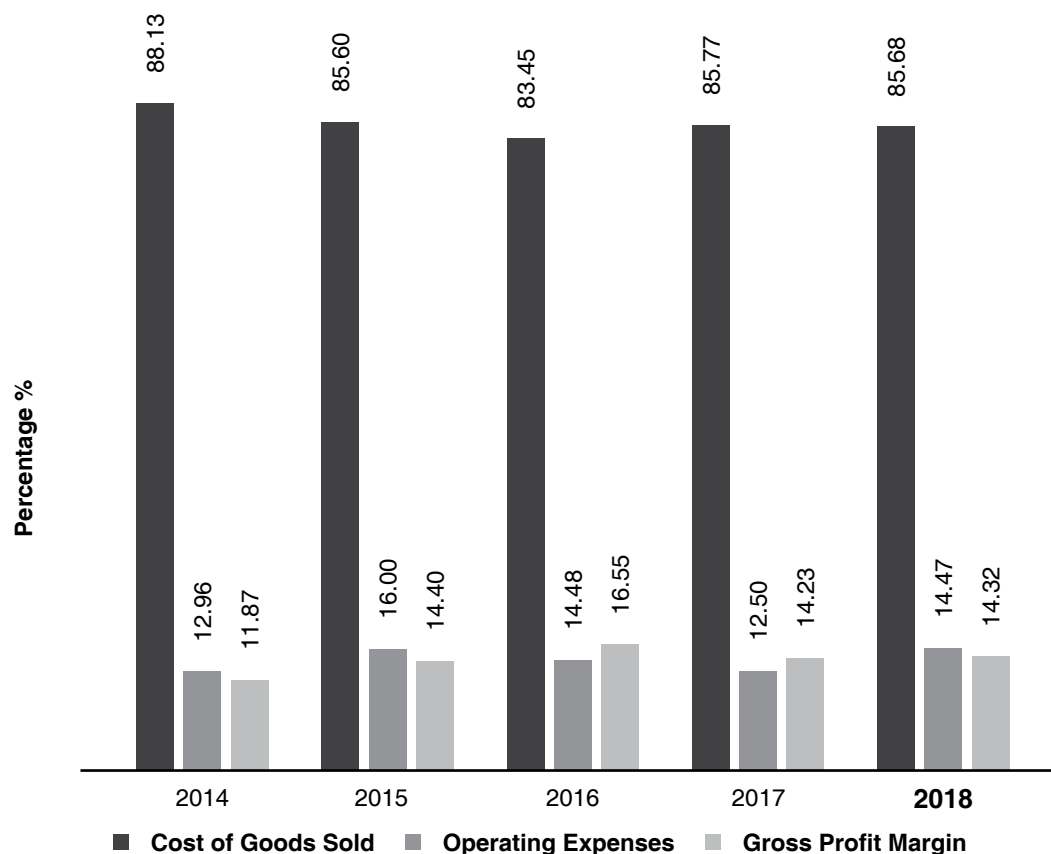
- Export sales revenue declined 26.38% in 2018 to RM16.709 Million compared to RM22.697 Million in 2017. Export sales decline for masking tapes is attributed to the Indian sub-continent due to the intense competition from China and Taiwan made masking tapes and the newly set up operations in India by a European manufacturer of masking tapes.
- Singapore operations revenue increased by 6.52% in 2018 to RM4.641 Million compared to RM4.357 Million in 2017. The marginal increase is attributed to the higher sales of its "Traded Items" which increased 6.74%.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

OPERATIONAL REVIEW (Cont'd)

Manufacturing Operations (Cont'd)

Cost of Goods, Operating Expenses and Gross Profit Margin – Manufacturing



Despite the decline in revenue, continuous improvements to supply chain efficiencies, better product sales mix and improvement activities which contributed to lower production unit costs, the Company was able to contain the Costs of Goods at 85.68% as compared to previous year of 85.77%.

Operating Expenses increased by 1.97% from 12.50% in 2017 to 14.47% in 2018 arising mainly due to additional expenses incurred on corporate exercises.

Gross profit margin has increased 0.09% to 14.32% in 2018 compared to the previous year's 14.23% attributed to lower Costs of Goods.

Plant Operations

- The implementation of the Microsoft Dynamics NAV enterprise resource planning system (ERP) had further enabled the plant to continuously improve productivity in terms of refined wastage minimization, material consumption management as well as creating additional venues towards process and machine optimization;
- The plant practice of KAIZEN (continuous improvements) and LEAN manufacturing techniques continued to produce positive results thus further sustaining quality and optimizing resources;
- The introduction of the Internal Process Quality Check (IPQC) system enabling the detailed involvement of the work floor personnel had also proven to be a significant tool in further improving product quality and ultimately escalating the plant towards the concepts of Zero Tolerance with regards to quality issues and RFT (Right First Time);
- This high level of commitment towards Quality had also been demonstrated via the commendable achievement of the plant in transitioning to the new ISO 9001:2015 standard with zero NCR (Non Conformance) audited by SIRIM Malaysia;



OPERATIONAL REVIEW (Cont'd)

Manufacturing Operations (Cont'd)

- e) Elevated commitments towards HSE had also resulted in initiatives being recognized by DOSH Malaysia during safety audits as being exemplary in terms of Occupational Health and Safety standard compliance as well as being effective mechanisms in achieving enhanced employee engagement;
- f) Various cost reduction initiatives have also been continuously carried out to sustain operational costs at targeted levels via improvements encompassing man, machine, method and material resulting in ideal unit costs;
- g) Innovation had also continued to be a major focus in the efforts of attaining cost competitiveness for the Masking Tape ranges of products. These efforts had further displayed the plant's and the overall team's continuous improvement mind set and dedication towards sustaining high levels of product quality;
- h) Risk Management had also been continuously reinforced with the plants effective and efficient participation as part of the RMWG (Risk Management Working Group) in ensuring business continuity.

Net Profit

Manufacturing operations reported a Profit Before Tax of RM0.039 Million compared to the previous year's RM1.165 Million. The Profit Before Tax include unbudgeted expenses for the various corporate exercises for diversification, bonus issue and reorganization of the Group.

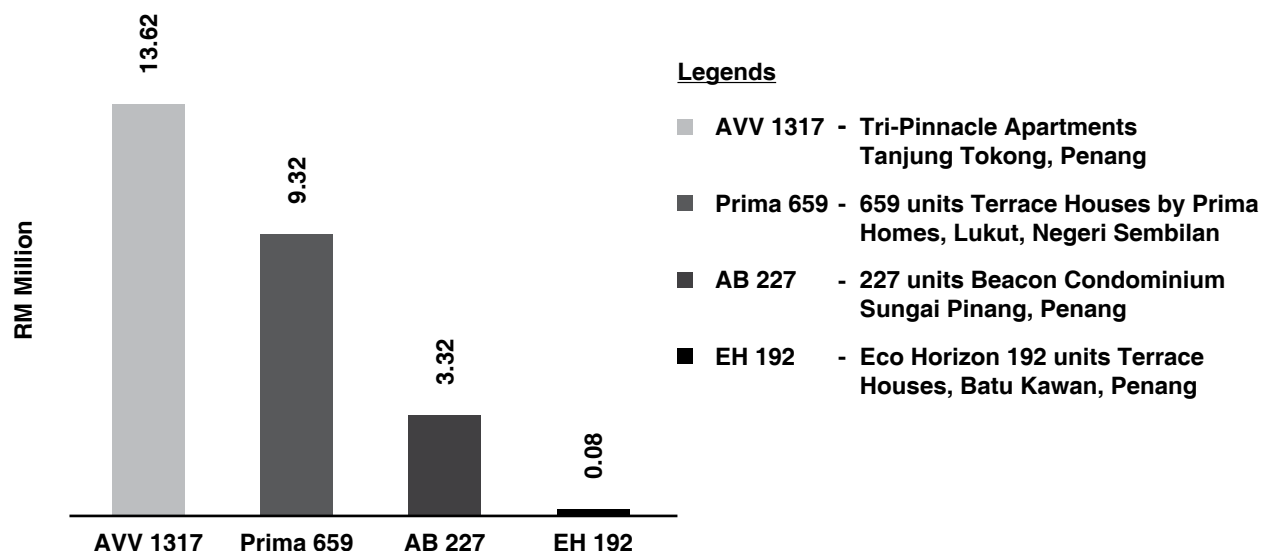
Compared to the previous year, the unfavorable lower Profit Before Tax is attributed to higher Operating Expenses amounting to RM8.257 Million compared to RM7.831 Million in the previous year, attributed to the above mentioned expenses for corporate exercises.

However, the manufacturing operations Loss After Tax was exacerbated by the reversal of Deferred Tax Asset (ie unutilized reinvestment allowances) amounting to RM2.457 Million. The Deferred Tax Asset reversal was a result of the availability of future taxable profits to utilise the said benefits following the amendments to the Finance Bill approved by the Malaysian Parliament in December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Construction

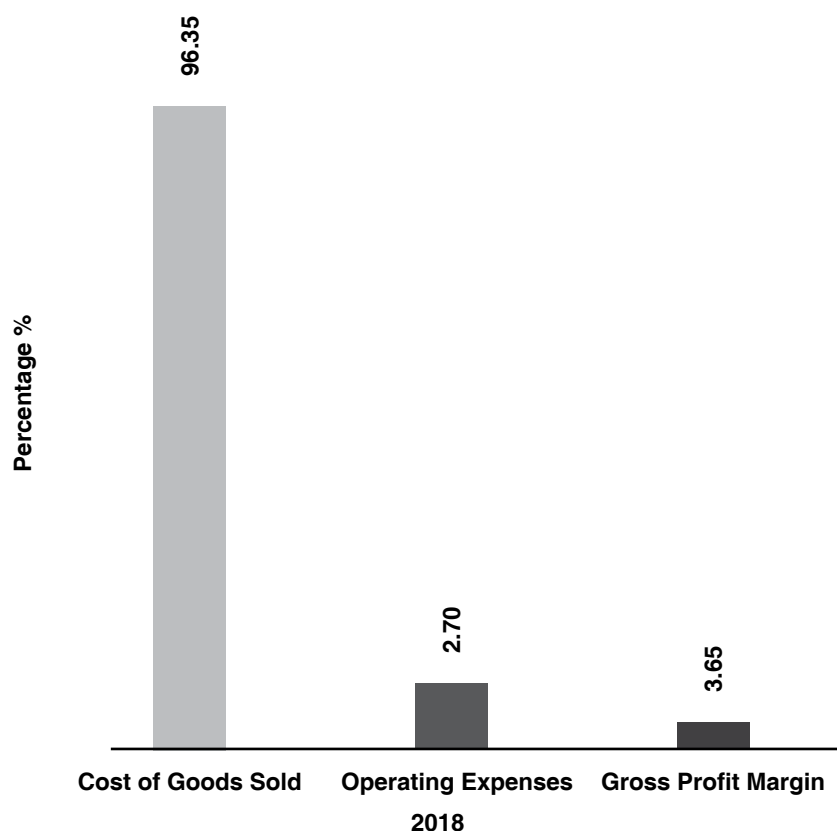
Revenue for 2018 - Construction



PBSB recorded full year revenue of RM64.696 Million in 2018 as compared to RM65.323 Million in 2017. The decline in revenue was due the completion of the Tri-Pinnacle project which had recognized 75% of its contract revenue in 2017.

PBSB became a subsidiary of the Group during the second half of 2018 and contributed RM26.346 Million to the Group revenue during the year.

Cost of Goods, Operating Expenses and Gross Profit Margin – Construction



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)



Construction (Cont'd)

PBSB recorded a full year Profit After Tax RM0.421 Million in 2018 as compared to RM1.221 Million in 2017. The reduction in Profit After Tax was due to the additional costs incurred for the rectification work resulting from the fire incident in Tri-Pinnacle and the increase of depreciation of the aluminium system formwork. However, PBSB has filed an insurance claim for compensation pertaining to the fire incident and expect to receive compensation in the next financial year.

Construction activities contributed gross profit of RM0.962 Million for the period of July to December 2018 and Loss After Tax of RM0.880 Million for the same period.

In 2018, PBSB was focused on delivering the following projects:

- a) Tri-Pinnacle high rise apartments at Tanjung Tokong, Penang which PBSB completed and handed over to the developer on 15 November 2018;
- b) Prima Homes at Lukut, Negeri Sembilan which has reached 79% of completion as at December 2018;
- c) Beacon Condominium at Sungai Pinang, Penang which started construction works end at the end of the 3rd quarter 2018.

During the 4th quarter 2018, PBSB secured a new project with a contract value of RM52.78 Million from Eco World for the construction of 192 units' double stories terrace house at Eco Horizon, Batu Kawan, Penang with a construction period of 18 months. The site possession took place in December 2018 and the first progress billing begin in the 1st quarter of 2019.

Dividend

The Group is not declaring a dividend to shareholders for FY2018 due to the unfavorable group performance.

Outlook and Prospects For 2019

With the completion of the subscription of additional shares in PBSB, our Group has two business segments, namely industrial tapes manufacturing and construction. Moving forward, these two core business are expected to enhance the financial performance and prospects of our Group in 2019.

Manufacturing

The outlook for 2019, remain uncertain with a soft domestic market, weighed down by post-election issues and exposure to global uncertainties on the external front including rising trade tensions between China and the USA. Overall, the manufacturing index for Malaysia has contracted consecutively for past 4 months since September 2018 with no visible signs of thawing out.

While the domestic segment, being more resilient and forecast to at least maintain its sales performance, the challenge is to seek out new opportunities for its portfolio of products to raise the performance bar given the domestic market sluggish outlook. The Company's efforts will intensify efforts to seek out immediate sales opportunities for labels stocks and tapes to drive revenue and volume improvements in the new financial year.

Tapes sales will continue to intensify towards increasing automotive grade masking tapes to converters as well as General Purpose Jumbo Rolls to converters and competitively price against China imports (which are being dumped in the local market due to excess capacities in China manufacturers affected by the USA China trade issues).

Domestic labels stocks sales which hit new lows in 2018, saw an increase of 11.35% in the 4th quarter and the Company will build on this momentum to continue with the growth trajectory in the next quarter, albeit increasing credit exposure to this business segment.

'Traded Items' sales are poised to increase from the second half of 2019 as the collaboration with 3M (E&E Business Unit) for the exclusive distribution of lubricants and related products for the domestic market take off. This collaboration is expected to extend to new products from other business units of 3M and will boost the mid to longer term traded items sales growth. For the new financial year, the Company has a pipeline of complimentary new products and are in discussion with other multinational companies for distribution collaboration.

The export segment continues to present a cautious outlook for 2019 amidst USA/China trade tensions and Chinese manufacturers continue to price dump in Asian markets. This is prevalent in price sensitive Asian markets with lower quality demands which has seen the resurgence of China products after a lull of two years when China products had significant quality issues. But with new lows on pricing, the Asian markets are again receptive to try China products. The weakened Renminbi against the USD (RMB 7 = USD1) has also allowed China manufacturers to price lower in USD terms.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Manufacturing (Cont'd)

The Company has stabilized quality issues encountered in 2018 and resumed supplies to key export multinational company customers in the last quarter of 2108 and export sales in the new financial year is expected to benefit from the resumption of supplies to these customers. However, the Company's production processes and quality control will remain critical components to ensure quality issues do not recur.

Notwithstanding, the technical department's efforts to fast track and qualify alternative and lower cost raw materials in particular crepe paper are beginning to bear new results and has been promising. This augurs well as the Company faces new challenges in 2019 where major customers expect cost down on their purchases from the Company.

The plant's output for the 4th quarter declined significantly by 22% reflecting the soft domestic market and export market's competitive landscape.

Moving forward into the new financial year, the plant's output is forecasted to increase with export sales growth and the initiatives for masking tapes and labels stocks in the domestic market.

The plant's discipline in monitoring and controlling over consumption of raw materials and excess wastages, in particular the coating process are key issues in the cost control of product costs to drive Cost of Goods Sold improvements and gross profit margin expansion in the new financial year.

Plant management capabilities and alignment of necessary resources will be reviewed to ensure achievement of set goals.

Against the above sentiments, 2019, will no doubt continue to be challenging and an uncompromised focus on markets and operations is needed to improve the manufacturing performance.

Construction

The construction sector remains challenging in 2019. Civil engineering is expected to remain as the driver of the construction sector in 2019 supported by infrastructure projects including Pan Borneo Highway, Mass Rapid Transit (MRT) and Light Rail Transit Line 3. The sector is expected to record slower growth amid the revision of mega projects in the country. This is in line with the slowdown in the global construction sector.

The residential subsector is expected to grow at a marginal pace exacerbated by the oversupply of residential and commercial development. The property and construction sectors remained under pressure in the second half of 2018, with transactions slowing further and unsold completed properties at a record high. Affordable housing projects is expected to lead the residential subsector. The commercial subsector is expected to decline due to the oversupply of office lots and neighbourhood shopping malls. However, we do expect the factory shop lots and warehouses to have moderate growth with the transformation of Malaysia as an e-commerce hub for the region.

PBSB will focus on the execution of the three construction projects, (a) Prima Homes at Lukut, Negeri Sembilan; (b) Beacon Condominium at Sungai Pinang, Penang and (c) Terrace Houses at Eco Horizon, Batu Kawan, Penang.

PBSB is also actively participating in the tenders for new projects with total tender sums of RM535 Million to enhance its order books going forward.

With the above developments, the Company is confident of sustaining and growing into the longer term future. In the short term, the Management will need to execute the strategies for its respective businesses to ensure a firm foundation for the future of the Company.

On behalf of the Management, I would like to thank all our customers, shareholders, suppliers and staff for their continual support to the CICB Group of Companies. In addition, I wish to convey my personal gratitude to my Board of Directors and our staff for their support in the year and moving forward into 2019.

Wong Yuk Thin
Managing Director

SUSTAINABILITY STATEMENT



Sustainability is central to our group as we strive to achieve our goals and meet the expectations of our stakeholders. For years, we have undertaken every initiative to integrate sustainability into our business operations and practices.

Our Sustainability Statement is prepared in accordance to the guideline of Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Sustainability Statement in Annual Report.

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

ECONOMIC

i) Business Growth

The existing plant at Sungai Petani was the brainchild of our Company's expansion project when we relocated from Perai, for increased production capacities.

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

Besides our core business of manufacturing self-adhesive tapes and label stocks, we consistently extend our product portfolio for tape related trading items to cater to a wider spectrum of customers and end-users requirements, a series of new trading items will be introduced in 2019 to reflect our commitment. Our ultimate objective is to become a preferred solution provider to the regional self-adhesive tapes and label stocks industries.

ii) Diversification

In 2018, we additionally acquired 38.75% of enlarged stake of Proventus Bina Sdn. Bhd. (PBSB), a company mainly involved in the construction of residential and commercial buildings in Malaysia. Consequently, PBSB became a 51% owned subsidiary of the Company.

PBSB has been participating in many tenders for various projects that will expand its repertoire and track record in the industry. International schools and sports complex are some of the projects that we will be actively tendering in 2019.

In addition, PBSB will also be assessing projects in other states besides Penang and Selangor, focusing on affordable housing projects in Malaysia.

iii) New Product Development

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

Our products are developed to enhance user experience. Samples and test outcomes are shared with customers for their review and acceptance prior to commercialized. In 2018, our New Product Development pipeline has resulted in a total of 2 new tape products commercialised in additional to the enhancement of another 3 existing tape products. This had allowed our Company to sustain our business growth trajectory.

iv) Quality Assurance

We are committed to deliver high quality products to our customers and have been accredited ISO9001 from SIRIM Malaysia since 1994. In 2018, we successfully upgraded our quality system to ISO9001:2015. The new quality standard marked a significant enhancement in quality management and our adoption of such standard will further improve the consistency of our products' quality and performance.

Similar to the tapes and label stocks operation, PBSB values customer satisfaction as one of our top priorities and we are committed to deliver quality to our customers. We use internationally accepted assessment standards such as the Construction Quality Assessment System (CONQUAS) and QLASSIC (Quality Assessment System in Construction) based on Construction Industry Standard (CIS 7:2014). These systems were designed to standardize quality assessment of workmanship in structural works, architectural works and mechanical and electrical works.

Both CICB and PBSB will continue to use these standards to benchmark our products to ensure continued quality delivery to our customers.

SUSTAINABILITY STATEMENT (Cont'd)

ECONOMIC (Cont'd)

v) Code of Business Conduct and Whistleblower Policy

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

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

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

ENVIRONMENT STEWARDSHIP

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

Our Company has its environment team to promote environmental awareness and in the conservation of the environment. The environment team plays an active part in providing awareness and education in environment Corporate Social Responsibility ("CSR") to our employees. In addition, we also communicate to our customers, suppliers, contractors, shareholders and the public on our commitment to environmental protection and conservation.

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

i) Solvent Recovery

Our Company has invested approximately RM2.0 Million on a solvent recovery plant to recover solvent from the tape coating process. It is a cost-effective method as it reduces the actual consumption of solvent significantly.

ii) Scheduled Waste Management

All our scheduled waste are packed according to the requirements of Department of Environment and disposed at licensed scheduled waste treatment facility.

iii) Non-Scheduled Waste Management

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

iv) Wood Fuel for Boiler

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

v) Chemical Health Risk Assessment

As various chemicals are used in our production process, we engage a registered Chemical Health Risk Assessor to carry out the assessment. Our effort in undertaking the protection of our environment is part of our commitment to maintain our standard towards environmental control.



ENVIRONMENT STEWARDSHIP (Cont'd)

vi) Construction Waste Management

On the construction segment, PBSB undertakes various environmental management to minimize the pollution at the construction site including:

- Provide sheet pile to prevent soil collapse during excavation
- Provide washing bay for vehicle leaving the site
- Recycling of all construction materials. Recyclable wastes will be sold to salvage buyers to reduce consumption of resources.

SOCIAL RESPONSIBILITY

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

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

i) Industrial Training

Our Company has provided industrial training (for a period of 3 to 6 months, with allowance provided) to undergraduates studying at local higher education institutions as opportunities for these undergraduates to experience the operations and production of the Company. For suitable and qualified trainees, the Company may offer permanent employment to them after they graduated.

ii) Charitable Contributions

Our Company co-sponsored the SP Half Marathon together with other corporations in 2018, consecutively for 2 years. This event promoted a) a healthy lifestyle, b) encourage new runners especially the young generation and c) donation to needful.

A total of 93 of our employees turned up on 15 September 2018 at Dataran Sungai Petani with 4 of our employees accomplishing the 21KM, 5 finished 12KM run while the rest completed the 5KM run. The good turn-up and team spirit earned us the Highest Participants Turn-Up Award in the Corporate category.



SUSTAINABILITY STATEMENT (Cont'd)

SOCIAL RESPONSIBILITY (Cont'd)

iii) Employees' Welfare

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

- **Safety & Health Team**

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

For PBSB, as the main contractor for our projects, we emphasize on stringent measures in all safety aspects at our work sites. PBSB continues to uphold the high standards set and regulated by Department of Safety and Health (DOSH) Malaysia.

PBSB engages qualified safety personnel on each project site. Our staff attend various training organized by Construction Industry Development Board (CIDB) so that they can equip themselves with updated knowledge and policies.

- **Emergency Response Team**

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

- **Personal Protective Equipment**

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

- **Human Capital Development**

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

In 2018, a total of 10 training programs and seminars were attended by our employees with total training costs amounting to RM11,000, in addition to the in-house trainings and continuous on-the-job trainings conducted by our Managers, Executives and Supervisors.

- **Appreciation for Suggestions**

Suggestions from employees are encouraged and recognized. The group rewards employees in kind or cash for suggestions that help to increase productivity, reduce costs and minimize wastages.

- **Employee Engagement**

In today's HR, employee engagement is critical. We recognise the importance and benefits of an engaged and satisfied workforce in sustaining high levels of productivity, improve employee retention, promote customer loyalty and group profitability.

Both CICB and PBSB strive to provide a good and conductive workplace, practicing a system without discriminations against ethnicity, gender, age or status. All staffs share equal opportunities on appointment, promotion, development and reward on a fair basis for a harmonious, well balanced and healthy working environment in our Group.

SUSTAINABILITY STATEMENT (Cont'd)



SOCIAL RESPONSIBILITY (Cont'd)

- Employee Engagement (Cont'd)



AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Audit and Risk Management Committee of Central Industrial Corporation Berhad is pleased to present the Audit and Risk Management Committee Report for the financial year ended 31 December 2018.

The primary objective of the Audit and Risk Management Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to the corporate accounting and practices for the Company and all its subsidiaries ("Group") and to ensure the adequacy and effectiveness of the Group's internal control measures.

MEMBERS

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

Mr. Koay Then Hin (*Independent Non-Executive Director*)

Mr. Ng Seng Bee (*Independent Non-Executive Director*)

TERMS OF REFERENCE

Membership

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

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

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

Notice of Meeting and Attendance

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

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

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

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

Frequency of Meetings

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (Cont'd)



TERMS OF REFERENCE (Cont'd)

Authority

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

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

Duties

The duties of the Committee shall be:-

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

The Terms of Reference of the Committee is published on the Company's website at www.cicb.com.my in line with Paragraph 15.11 of MMLR.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (Cont'd)

TERMS OF REFERENCE (Cont'd)

Reporting Procedures

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

Details of attendance at Audit and Risk Management Committee Meetings

There were five (5) Audit and Risk Management Committee meetings held during the financial year ended 31 December 2018. Details of the attendance of Audit and Risk Management Committee members at the meetings are as follows:-

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

SUMMARY OF ACTIVITIES OF THE COMMITTEE DURING THE YEAR

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

- a) Reviewed with the external auditors on the audit plan and the audit report on the financial statements;
- b) Reviewed the quarterly financial results for each quarter of the Company and the Group prior to the Board of Directors' approval and announcement to Bursa Malaysia Securities Berhad, focusing particularly on:-
 - the overall performance of the Company;
 - the prospects for the Group;
 - compliance with accounting standards and other legal requirements;
 - changes in or implementation of major accounting policy changes;
 - significant and unusual events;
 - significant adjustments arising from audit;
 - inventory valuations.
- c) Reviewed the annual budget and year-end financial statements prior to submission to the Board of Directors for consideration and approval;
- d) Reviewed the proposed audit plan to be undertaken by Internal Auditors;
- e) Reviewed the internal audit reports, audit recommendations and Management's responses to these recommendations as well as the timely actions taken to improve the system of internal controls and procedures, and completion of the internal audit plan;
- f) Evaluated the performance of the external and internal auditors and made recommendations in relation to their re-appointment and audit fees to the Board for consideration;
- g) Reviewed the Audit and Risk Management Committee Report and the Statement of Risk Management and Internal Control prior to submission of the same to the Board for consideration and inclusion in the Annual Report.

INTERNAL AUDIT FUNCTION

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

The company has outsourced the Internal Audit functions to Messrs RSM Corporate Consulting Sdn. Bhd. ("RSM"), an independent professional firm as the Internal Auditors for the financial year ending 31 December 2018.

During the financial year, RSM carried out a total of two (2) audits and two (2) follow-up reviews on the Company and its subsidiaries in accordance with the audit plan. The Internal Auditors had updated the principal risk faced, or potentially exposed by the Company and its subsidiaries in their internal audit reports.

For the financial year 2018, the total cost incurred for the internal audit function was RM29,316.

STATEMENT ON CORPORATE GOVERNANCE



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

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

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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

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

Clear Functions Reserved for the Board and Those Delegated to Management

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

Clear Roles and Responsibilities

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

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

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

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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

I. BOARD RESPONSIBILITIES (Cont'd)

Clear Roles and Responsibilities (Cont'd)

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

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

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

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

Code of Conduct and Compliance

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

The Company has also established the Whistleblower Policy ("the Policy") so that any employee of the Group can seek guidance and report suspected and/or known misconduct, wrongdoings, corruption and other malpractices involving the resources of the group 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.

Business Sustainability and Environmental, Social and Governance

The Group is committed to operate its business in accordance with environmental, social and economic responsibilities in compliance with all relevant laws in order to meet the requirements and aspirations of various stakeholders. The group strives to achieve a long term sustainable balance between meeting its business goals and preserving the environment as it recognises that the sustainability of ecosystems is an integral part of sustaining its long term business plans. A Sustainability Statement is set out in pages 23 and 27 of this Annual Report.

Access to Information and Advice

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

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

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

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

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)



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

I. BOARD RESPONSIBILITIES (Cont'd)

Qualified and Competent Company Secretary

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

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

Board Charter

The Board delegates the day-to-day operations of the Group to the Managing Director, who has vast experience in the business of the Group. The Board has established clear functions reserved for the Board and those delegated to the Management in the Board Charter ("the Charter"). The Charter provides guidance for the Directors and the Management on the responsibilities of the Board, its Committees and requirements of Directors which are subject to periodical review to ensure consistency with the Board's strategic intent as well as relevant standards of corporate governance. The Board Charter was last reviewed by the Board on 3 April 2019 and is published on the Company's website at www.cicb.com.my.

REINFORCE INDEPENDENCE

Assessment of Independence

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

Tenure of Independent Director

One of the recommendations of MCCG states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. However, the Board has not adopted a nine-year policy for Independent Directors. The Board has conducted an annual assessment on the Board's Independent Directors, Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud and Mr. Koay Then Hin who have served on the Board for more than twelve (12) years and is of the opinion that they remain objective and independent in expressing their views and participating in the deliberations and decision making of the Board and Board Committees. The length of their service on the Board does not interfere with their exercise of independent judgment and act in the best interest of the Group notably in discharging their role. The Board will seek shareholders' approval to allow the affected Directors to continue in office as Independent Directors of the Company.

Shareholders' approval for retention of as Independent Non-Executive Director after a Tenure of Nine (9) Years

The shareholders' approval was obtained at the 45th AGM for Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud and Mr. Koay Then Hin to continue to serve the Board. The Board will seek shareholders' approval again at the upcoming 46th AGM to retain Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud and Mr. Koay Then Hin as Independent Non-Executive Directors.

Chairman and Managing Director

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

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

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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

I. BOARD RESPONSIBILITIES (Cont'd)

REINFORCE INDEPENDENCE (Cont'd)

Chairman and Managing Director (Cont'd)

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

Composition of the Board

At the date of this statement, the Board consists of eight (8) members comprising one (1) Managing Director, two (2) Non-Independent Non-Executive Directors and five (5) Independent Non-Executive Directors. All the Independent Non-Executive Directors fulfill the criteria of independence as defined in the MMLR of Bursa Securities. The proportion of more than one-third of the Independent Non-Executive Directors provides effective check and balance in the functioning of the Board.

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

FOSTER COMMITMENT

Time Commitment and Expectations

The Board is scheduled to meet at least six (6) times a year, with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the financial year ended 31 December 2018, the Board met on six (6) occasions, where it deliberated upon and considered a variety of matters including the Group's financial results, strategic decisions and the direction of the Group.

	Meetings Attended
Dr. Uzir Bin Abdul Malik	6/6
Mr. Wong Yuk Thin	6/6
Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud	5/6
Dato' Tan Yee Boon	4/6
Mr. Phang Kwai Sang	6/6
Mr. Koay Then Hin	6/6
Mr. Ng Seng Bee	6/6
Mr. Chuah Guan Leong (Appointed on 13 April 2018)	3/4

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

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)



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

I. BOARD RESPONSIBILITIES (Cont'd)

FOSTER COMMITMENT (Cont'd)

Training

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

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

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

No	Name	Programme
1	Dr. Uzir Bin Abdul Malik	• Corporate Governance Briefing Session: MSSG reporting/ CG Guide
2	Mr. Wong Yuk Thin	• The Annual Report of Tomorrow - Guide To Forward-Looking Information
3	Dato' Tan Yee Boon	• Detecting Financial Frauds by Tricor
4	Mr. Phang Kwai Sang	• Remuneration Committee: Attracting And Retaining The Best Talents
5	Mr. Koay Then Hin	• Remuneration Committee: Attracting And Retaining The Best Talents
6	Mr. Chuah Guan Leong	• Mandatory Accreditation Programme ("MAP")

Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud and Mr. Ng Seng Bee were unable to attend training during the financial year due to their other commitments which clashed with available training dates.

UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with Applicable Financial Reporting Standards

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

Financial reporting

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

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

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and the results of their operations and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act 2016 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates. The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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

I. BOARD RESPONSIBILITIES (Cont'd)

UPHOLD INTEGRITY IN FINANCIAL REPORTING (Cont'd)

Statement of Risk Management and Internal Control

The Statement on Risk Management and Internal Control furnished on pages 40 to 42 of this Annual Report, provides an overview on the state of internal controls within the Group.

Relationship with the Auditors

Key features underlying the relationship of the Audit and Risk Management Committee with the internal and external auditors are included in the Audit and Risk Management Committee's terms of reference as detailed on pages 28 to 30 of this Annual Report.

A summary of the work of the Audit and Risk Management Committee during the financial year is set out in the Audit and Risk Management Committee Report on page 30 of this Annual Report.

Assessment of External Auditors

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

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

II. BOARD COMPOSITION

Nomination

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

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

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

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

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

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

The Committee met two (2) times during the financial year and all Committee members attended the meeting. During the year, the Committee conducted assessment on the effectiveness of the Board, its Committees and the contribution of each Director. Various factors were considered including its composition and size, mix of skills and experience, conduct of meetings, roles and responsibilities, contribution and performance, communications and supply of timely information. All assessments and evaluations carried out by the Nomination Committee are documented. The Committee has also identified programmes, with the assistance of the Company Secretary, for the continuous training of the Board members to ensure that they are conversant with industry trends and developments. The Board has taken steps to ensure that its members continuously have access to appropriate continuing education programmes.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)



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

II. BOARD COMPOSITION

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

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

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

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

Re-election

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

III. DIRECTORS' REMUNERATION

Remuneration Committee

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

Mr. Phang Kwai Sang	: Chairman, Non-Independent Non-Executive Director
Dato' Tan Yee Boon	: Member, Independent Non-Executive Director
Mr. Koay Then Hin	: Member, Independent Non-Executive Director

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

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

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

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

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

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

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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

III. DIRECTORS' REMUNERATION (Cont'd)

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 2018, are as follows:-

	Fees RM	Salaries RM	Bonuses RM	Statutory contributions RM	Benefits RM	Total RM
Wong Yuk Thin	10,000	444,000	36,414	72,120	17,400	579,934
Dr Uzir Bin Abdul Malik	50,000	-	-	-	12,000	62,000
Ng Seng Bee	36,000	-	-	-	11,000	47,000
Koay Then Hin	36,000	-	-	-	12,500	48,500
Dato'Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud	36,000	-	-	-	12,250	48,250
Phang Kwai Sang	36,000	-	-	-	10,000	46,000
Dato' Tan Yee Boon	36,000	-	-	-	7,500	43,500
Chuah Guan Leong	27,000	-	-	-	3,000	30,000
Total	267,000	444,000	36,414	72,120	85,650	905,184

The number of top seven (7) senior management staff whose total remuneration falls within the following bands are:

Range of remuneration	Number of Senior Management staff
RM100,001 – RM150,000	2
RM150,001 – RM200,000	2
RM200,001 – RM250,000	3

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

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Risk Management Framework

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

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

Internal Audit Function

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

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)



PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP

Corporate Disclosure

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

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

Using Information Technology for Effective Dissemination

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

Encourage Shareholder Participation at General Meetings

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

The Directors readily avail themselves to answer any such questions that may arise as shareholders may seek more information than what is available in this Annual Report. The Company's practice is to send out the notice of AGM and related papers to shareholders at least twenty-eight (28) days before the meeting.

Poll Voting

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

Communication and Engagement with Shareholders

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

The ways of communication to shareholders are as follows:-

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

COMPLIANCE STATEMENT

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

RESPONSIBILITY FOR RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

The "RMWG" held two (2) meetings during the year and all Department Heads are responsible to carry out action plans at their respective areas of responsibilities. Progress is monitored by the Management through meetings scheduled quarterly or as and when deemed necessary.

The following processes are carried out continuously:

- a) The Group actively engages in the development of new products through new formulations and substitute materials via a New Product Development program (NPD) with meetings every fortnight. The NPD meeting is chaired by the Managing Director to spearhead the development activities and to monitor overall progress;
- b) The Group implement strict credit evaluation on every new customer for credit worthiness before credit terms and credit limits are approved and annually assess existing customers credit worthiness to monitor overall credit risks;
- c) The Sales and Finance departments jointly conduct Account Receivable meetings every month analyzing ageing of every customers and decide on actions to be taken to recover overdue receiveables and doubtful debts.

RISK MANAGEMENT

Risk management is regarded by the Board as part of the business operation activities of the Group. It is the Board's priority to ensure that the uncertainties and investment risks in new business ventures are managed in order to safeguard the interest of the shareholders. Collectively, the Board oversees and reviews the conduct of the Group's business while the Management execute measures and controls to ensure that risks are effectively managed. As part of risk identification process, the Board receives updates of the Company's risk management by the Management during the Board meetings.

The Board, assisted by the Audit and Risk Management Committee deliberate the integrity of the financial results, Annual Report and audited financial statements before presenting these financial information to the shareholders and public investors.

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



INTERNAL AUDIT

During the financial year, the Company engaged RSM Corporate Consulting Sdn. Bhd. ("RSM") an independent professional firm as the Internal Auditors to provide independent internal audit services to the Group. RSM is responsible to develop the internal audit plan for year 2018.

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

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

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

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

- Two (2) audits on:
 - Inventory Management
 - Production
- Two (2) follow-up reviews on:
 - Product Costing
 - Cyber Risk Management
- Issued reports on the results of the internal audit reviews, identifying weaknesses with suggested recommendations for improvements to Management for further action to improve the system of internal control;
- Attended Audit and Risk Management Committee's meetings to table and discuss the audit reports; and
- Followed-up on the implementation of corrective action plans agreed by Management.

The Board and Audit and Risk Management Committee

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

Organisational Structure and Authorisation

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

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

The head office coordinates the process for the Group for the coming year wherein the Budgets are discussed and ultimately approved by the Board of Directors. Actual performances are monitored and measured monthly against Budget by the Management and corrective actions taken to address shortfall areas. Major decisions that require the approval of the Board are only made after detailed appraisal and review. Proposals for major capital expenditure and new investment by the Group are reviewed and approved by the Board of Directors.

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

Information and Communication

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

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

Monitoring and Review

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

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

Board Assurance and Limitation

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

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

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

This Statement on Risk Management and Internal Control covers Central Industrial Corporation Berhad and its subsidiaries but exclude Proventus Bina Sdn. Bhd., a subsidiary which was acquired through step-acquisition on 19 June 2018 with effective interest of 51%. However, this subsidiary will develop the Risk Management framework in the 2nd Quarter of 2019.

Review of Statements by the External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in the Audit and Assurance Practice Guide ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2018, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This Statement is made in accordance with the resolution of the Board of Directors dated 22 April 2019.

OTHER INFORMATION



- **Diversification**

The Group via its wholly-owned subsidiary CIC Construction Sdn. Bhd., has subscribed additional 1,035,969 new ordinary shares in Proventus Bina Sdn. Bhd. for a cash consideration of RM2,983,749 on 19 June 2018. With this, the Group has increased its shareholdings in Proventus Bina Sdn. Bhd. from 20% to 51%.

- **Bonus Issue**

On 19 September 2018, Central Industrial Corporation Berhad (CICB) issued bonus shares of 40 Million new ordinary shares on the basis of 4 bonus shares for every 5 existing shares held thereby enlarging its ordinary shares capital to 90 Million shares.

- **Audit Fees**

Audit Fees paid to external auditors amounted to RM129,465, which were paid to its statutory auditors.

- **Non-Audit Fees**

The total non-audit fees paid to external auditors and its affiliates during the financial year ended 31 December 2018 amounted to RM13,000.

- **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 2018 or since the end of the previous financial year.

- **Utilisation of Proceeds**

No proceeds were raised from any corporate proposal during the financial year.

- **Recurrent Related Party Transactions of A Revenue Nature**

There were no recurrent related party transactions of a revenue nature during the financial year.

FINANCIAL STATEMENTS

DIRECTORS' REPORT	45
.....	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	49
.....	
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	51
.....	
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	53
.....	
CONSOLIDATED STATEMENT OF CASH FLOWS	55
.....	
STATEMENT OF FINANCIAL POSITION	57
.....	
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	58
.....	
STATEMENT OF CHANGES OF EQUITY	59
.....	
STATEMENT OF CASH FLOWS	60
.....	
NOTES TO THE FINANCIAL STATEMENTS	62
.....	
STATEMENT BY DIRECTORS	127
.....	
STATUTORY DECLARATION	128
.....	
INDEPENDENT AUDITORS' REPORT	129

DIRECTORS' REPORT

for the year ended 31 December 2018



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 2018.

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 as 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 except as disclosed in Note 6 to the financial statements.

Subsidiaries

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

Results

	Group RM	Company RM
Loss for the year attributable to:		
- Owners of the Company	3,606,415	3,021,342
- Non-controlling interest	199,176	-
	<u>3,805,591</u>	<u>3,021,342</u>

Reserves and provisions

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

Dividend

Since the end of the previous financial year, the amount of dividend paid by the Company in respect of the financial year ended 31 December 2017 as reported in Directors' Report of that year was a first and final single tier dividend of 1.75 sen per ordinary share totalling RM875,000 declared on 28 May 2018 and paid on 27 August 2018.

The Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

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

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

DIRECTORS' REPORT

for the year ended 31 December 2018 (Cont'd)

Directors of subsidiaries

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

Wong Yuk Thin
Koay Then Hin
Phang Kwai Sang
Terence Yee Wai Leong
Kong Teck Fong
Phua Sien Jie

Directors' interests in shares

The interests and deemed interests in the ordinary 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		
	Balance at 1.1.2018/Date of appointment *	Bought/ (Sold)	Bonus issue
Chuah Guan Leong			
Direct interest - own	2,438,300*	1,600,050	3,230,680
			7,269,030

None of the other Directors holding office at 31 December 2018 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

Issue of shares and debentures

During the financial year, the Company issued 40,000,000 new ordinary shares on the basis of 4 bonus shares for every 5 existing ordinary shares held.

No debentures were issued by the Company during the financial year.

Options granted over unissued shares

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

Indemnity and insurance costs

During the financial year, the total amount of indemnity given to or insurance effected for Directors and officers of the Group and of the Company is RM9,000 for a total sum insured of RM5,000,000. There was no indemnity given to or insurance effected for the auditors of the Group and of the Company.

DIRECTORS' REPORT

for the year ended 31 December 2018 (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 except for those disclosed in Note 20 to the financial statements of the Group, the financial performance of the Group and of the Company for the financial year ended 31 December 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events during the year

The details of such events are disclosed in Note 33 to the financial statements.

Subsequent events

The details of such events are disclosed in Note 34 to the financial statements.

DIRECTORS' REPORT

for the year ended 31 December 2018 (Cont'd)

Auditors

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

The auditors' remuneration is disclosed in Note 20 to the financial statements.

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

.....
Wong Yuk Thin

Director

.....
Koay Then Hin

Director

Penang,

Date: 22 April 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018



	Note	2018 RM	2017 RM
Assets			
Property, plant and equipment	3	15,022,729	13,010,559
Investment properties	4	1,016,996	1,043,909
Prepaid lease payments	5	1,429,014	1,475,204
Goodwill	7	22,285	-
Investment in associate	8	-	1,398,531
Deferred tax assets	9	64,000	2,275,000
Total non-current assets		17,555,024	19,203,203
Inventories	10	19,585,323	15,498,484
Contract assets	11	2,780,014	-
Trade and other receivables	12	34,083,089	11,312,651
Current tax assets		167,731	-
Fixed deposits with a licensed bank	13	2,078,875	-
Cash and cash equivalents	14	6,119,885	12,492,976
Total current assets		64,814,917	39,304,111
Total assets		82,369,941	58,507,314
Equity			
Share capital	15	51,406,679	51,406,679
Reserves	16	(2,831,253)	1,652,120
Total equity attributable to owners of the Company		48,575,426	53,058,799
Non-controlling interest		3,545,644	-
Total equity		52,121,070	53,058,799

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018 (Cont'd)

	Note	2018 RM	2017 RM
Liabilities			
Employee benefits	17	1,716,590	1,714,880
Deferred tax liabilities	9	910,000	-
Total non-current liabilities		<u>2,626,590</u>	<u>1,714,880</u>
Trade and other payables	18	27,622,281	3,713,134
Current tax liability		-	20,501
Total current liabilities		<u>27,622,281</u>	<u>3,733,635</u>
Total liabilities		<u>30,248,871</u>	<u>5,448,515</u>
Total equity and liabilities		<u>82,369,941</u>	<u>58,507,314</u>

The notes on pages 62 to 126 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018



	Note	2018 RM	2017 RM Restated
Continuing operations			
Revenue	19	83,413,962	62,657,848
Cost of sales		(74,280,331)	(53,742,136)
Gross profit		9,133,631	8,915,712
Other income		1,476,066	980,504
Distribution expenses		(3,139,984)	(3,127,808)
Administrative expenses		(5,828,291)	(4,709,276)
Other expenses		(2,775,014)	(894,463)
Results from operating activities		(1,133,592)	1,164,669
Share of profit of equity-accounted associate, net of tax		165,551	98,531
(Loss)/Profit before tax	20	(968,041)	1,263,200
Tax expense	22	(2,837,550)	2,234,321
(Loss)/Profit for the year		(3,805,591)	3,497,521

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018 (Cont'd)

	Note	2018 RM	2017 RM
Other comprehensive expense, net of tax			
Item that is or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operation		(1,958)	(23,279)
Total other comprehensive expense for the year, net of tax	31	<u>(1,958)</u>	<u>(23,279)</u>
Total comprehensive (expenses)/income for the year		<u>(3,807,549)</u>	<u>3,474,242</u>
(Loss)/Profit attributable to:			
Owners of the Company		(3,606,415)	3,497,521
Non-controlling interest		(199,176)	-
(Loss)/Profit for the year		<u>(3,805,591)</u>	<u>3,497,521</u>
Total comprehensive (expenses)/income attributable to:			
Owners of the Company		(3,608,373)	3,474,242
Non-controlling interest		(199,176)	-
Total comprehensive (expense)/income for the year		<u>(3,807,549)</u>	<u>3,474,242</u>
Basic (loss)/earnings per ordinary share (sen)	23	<u>(4.01)</u>	<u>3.98</u>

The notes on pages 62 to 126 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018



	Attributable to owners of the Company						
	Non-distributable		Distributable				
	Share capital	Share premium	Translation reserve	Retained earnings/ (Accumulated losses)	Total	Non-controlling interest	Total equity
	RM	RM	RM	RM	RM	RM	RM
1 January 2017	45,780,000	1,406,679	300,384	(2,122,506)	45,364,557	-	45,364,557
Foreign currency translation differences for foreign operation (Note 31)	-	-	(23,279)	-	(23,279)	-	(23,279)
Total other comprehensive expense for the year	-	-	(23,279)	-	(23,279)	-	(23,279)
Profit for the year	-	-	-	3,497,521	3,497,521	-	3,497,521
Total comprehensive (expense)/income for the year	-	-	(23,279)	3,497,521	3,474,242	-	3,474,242
<i>Contribution by owners of the Company</i>							
- Issuance of shares	4,220,000	-	-	-	4,220,000	-	4,220,000
Total transaction with owners of the Company	4,220,000	-	-	-	4,220,000	-	4,220,000
Transfer in accordance with Section 618(2) of the Companies Act 2016	1,406,679	(1,406,679)	-	-	-	-	-
At 31 December 2017	51,406,679	-	277,105	1,375,015	53,058,799	-	53,058,799
	Note 15		Note 16				

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018 (Cont'd)

	Attributable to owners of the Company					Non-controlling interest		Total equity
	Share capital		Share premium		Translation reserve	Distributable (Accumulated losses)/ Retained earnings		Total
	RM		RM		RM	RM	RM	RM
1 January 2018	51,406,679	-	-	277,105	1,375,015	53,058,799	-	53,058,799
Foreign currency translation differences for foreign operation (Note 31)	-	-	(1,958)	-	-	(1,958)	-	(1,958)
Total other comprehensive expense for the year	-	-	(1,958)	-	-	(1,958)	-	(1,958)
Loss for the year	-	-	-	-	(3,606,415)	(3,606,415)	(199,176)	(3,805,591)
Total comprehensive expense for the year	-	-	(1,958)	(3,606,415)	(3,606,415)	(3,608,373)	(199,176)	(3,807,549)
<i>Distribution to and contribution by owners of the Company</i>								
- Dividend to owners of the Company (Note 30)	-	-	-	-	(875,000)	(875,000)	-	(875,000)
- Acquisition of a new subsidiary	-	-	-	-	-	-	3,744,820	3,744,820
Total transactions with owners of the Company	-	-	-	(875,000)	(875,000)	(875,000)	3,744,820	2,869,820
At 31 December 2018	51,406,679	-	275,147	(3,106,400)	48,575,426	52,121,070	3,545,644	52,121,070
	Note 15			Note 16				

The notes on pages 62 to 126 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018



	Note	2018 RM	2017 RM
Cash flows from operating activities			
(Loss)/Profit before tax		(968,041)	1,263,200
Adjustments for:			
Amortisation of prepaid lease payments	5	46,190	46,137
Depreciation			
- Property, plant and equipment	3	2,532,633	1,767,512
- Investment properties	4	26,913	26,913
Gain on disposal of plant and equipment	20	(6,548)	(102,000)
Interest income	20	(296,222)	(149,885)
Plant and equipment written off	20	926	7,214
Employee benefits	17	35,863	174,002
Share of profit of equity-accounted associate		(165,551)	(98,531)
Loss on interest previously held in associate	20	627,877	-
Operating profit before changes in working capital		1,834,040	2,934,562
Change in inventories		(4,087,091)	(1,080,028)
Change in contract assets		1,228,023	-
Change in trade and other receivables		(11,353,920)	156,311
Change in trade and other payables		5,582,636	(1,859,260)
Cash (used in)/generated from operations		(6,796,312)	151,585
Tax paid		(429,889)	(40,498)
Employee benefits paid	17	(34,153)	(118,145)
Net cash used in operating activities		(7,260,354)	(7,058)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018 (Cont'd)

	Note	2018 RM	2017 RM
Cash flows from investing activities			
Purchase of plant and equipment	3	(202,111)	(1,122,213)
Proceeds from disposal of plant and equipment		6,548	102,000
Acquisition of a subsidiary, net of cash and cash equivalents acquired	32	3,741,303	-
Acquisition of an associate		-	(1,300,000)
Placement of fixed deposits		(2,078,875)	-
Interest received		296,222	149,885
Net cash from/(used in) investing activities		1,763,087	(2,170,328)
Cash flows from financing activities			
Dividend paid to owners of the Company	30	(875,000)	-
Proceeds from issuance of shares	15	-	4,220,000
Net cash (used in)/from financing activities		(875,000)	4,220,000
Net (decrease)/increase in cash and cash equivalents		(6,372,267)	2,042,614
Effect of exchange rate fluctuations on cash and cash equivalents		(824)	(15,795)
Cash and cash equivalents at 1 January		12,492,976	10,466,157
Cash and cash equivalents at 31 December	14	6,119,885	12,492,976

The notes on pages 62 to 126 are an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

as at 31 December 2018



	Note	2018 RM	2017 RM
Assets			
Property, plant and equipment	3	10,510,879	12,122,210
Investment properties	4	1,743,530	1,789,670
Prepaid lease payments	5	1,429,014	1,475,204
Interests in subsidiaries	6	5,496,849	1,213,100
Deferred tax assets	9	-	2,275,000
Total non-current assets		19,180,272	18,875,184
Inventories	10	19,225,598	15,285,345
Trade and other receivables	12	9,057,319	11,495,225
Current tax assets		6,000	-
Fixed deposits with a licensed bank	13	2,078,875	-
Cash and cash equivalents	14	5,039,760	12,296,246
Total current assets		35,407,552	39,076,816
Total assets		54,587,824	57,952,000
Equity			
Share capital	15	51,406,679	51,406,679
Reserves	16	(4,267,114)	(370,772)
Total equity		47,139,565	51,035,907
Liabilities			
Employee benefits	17	1,716,590	1,714,880
Deferred tax liabilities	9	631,000	-
Total non-current liabilities		2,347,590	1,714,880
Trade and other payables	18	5,100,669	5,180,712
Current tax liability		-	20,501
Total current liabilities		5,100,669	5,201,213
Total liabilities		7,448,259	6,916,093
Total equity and liabilities		54,587,824	57,952,000

The notes on pages 62 to 126 are an integral part of these financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Note	2018 RM	2017 RM Restated
Revenue	19	54,448,740	59,542,510
Cost of sales		(49,231,181)	(53,580,454)
Gross profit		5,217,559	5,962,056
Other income		671,647	934,586
Distribution expenses		(1,354,685)	(1,306,597)
Administrative expenses		(3,996,175)	(3,581,245)
Other expenses		(530,774)	(893,213)
Profit before tax	20	7,572	1,115,587
Tax expense	22	(3,028,914)	2,234,321
(Loss)/Profit for the year representing total comprehensive (expense)/ income for the year attributable to owners of the Company		(3,021,342)	3,349,908

The notes on pages 62 to 126 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018



	Note	Attributable to owners of the Company			Total equity RM
		Share capital RM	Share premium RM	Accumulated losses RM	
At 1 January 2017		45,780,000	1,406,679	(3,720,680)	43,465,999
Profit for the year representing total comprehensive income for the year		-	-	3,349,908	3,349,908
<i>Contribution by owners of the Company</i>					
- Issuance of shares		4,220,000	-	-	4,220,000
Total transactions with owners of the Company		4,220,000	-	-	4,220,000
Transfer in accordance with Section 618(2) of the Companies Act 2016		1,406,679	(1,406,679)	-	-
At 31 December 2017/1 January 2018		51,406,679	-	(370,772)	51,035,907
Loss for the year representing total comprehensive expense for the year		-	-	(3,021,342)	(3,021,342)
<i>Distribution to owners of the Company</i>					
- Dividend to owners of the Company	30	-	-	(875,000)	(875,000)
Total transaction with owners of the Company		-	-	(875,000)	(875,000)
At 31 December 2018		51,406,679	-	(4,267,114)	47,139,565
		Note 15		Note 16	

The notes on pages 62 to 126 are an integral part of these financial statements

STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	Note	2018 RM	2017 RM
Cash flows from operating activities			
Profit before tax		7,572	1,115,587
Adjustments for:			
Amortisation of prepaid lease payments	5	46,190	46,137
Depreciation			
- Property, plant and equipment	3	1,734,714	1,716,405
- Investment properties	4	46,140	46,140
Gain on disposal of plant and equipment	20	(477)	(102,000)
Interest income	20	(263,356)	(149,882)
Plant and equipment written off	20	926	5,964
Employee benefits	17	35,863	174,002
Operating profit before changes in working capital		1,607,572	2,852,353
Change in inventories		(3,940,253)	(1,264,386)
Change in trade and other receivables		1,137,906	899,181
Change in trade and other payables		(80,043)	(1,777,725)
Cash (used in)/generated from operations		(1,274,818)	709,423
Tax paid		(149,415)	(40,498)
Employee benefits paid	17	(34,153)	(118,145)
Net cash (used in)/from operating activities		(1,458,386)	550,780

STATEMENT OF CASH FLOWS

for the year ended 31 December 2018 (Cont'd)



	Note	2018 RM	2017 RM
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(124,309)	(1,092,546)
Proceeds from disposal of plant and equipment		477	102,000
Addition of investment in a subsidiary		-	(100)
Loans to a subsidiary		(2,983,749)	(1,300,000)
Placement of fixed deposit		(2,078,875)	-
Interest received		263,356	149,882
Net cash used in investing activities		(4,923,100)	(2,140,764)
Cash flows from financing activities			
Dividend paid to owners of the Company	30	(875,000)	-
Proceeds from issuance of shares		-	4,220,000
Net cash (used in)/from financing activities		(875,000)	4,220,000
Net (decrease)/increase in cash and cash equivalents		(7,256,486)	2,630,016
Cash and cash equivalents at 1 January		12,296,246	9,666,230
Cash and cash equivalents at 31 December	14	5,039,760	12,296,246

The notes on pages 62 to 126 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

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

Principal place of business

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

Registered office

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 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 2018 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 as stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 22 April 2019.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*



1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

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

- MFRS 17, *Insurance Contracts*

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

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

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

The initial application of the above mentioned accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

(i) MFRS 16, *Leases*

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

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

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

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

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM, unless otherwise stated.

(d) Use of estimates and judgements

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

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

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

- Note 4 - valuation of investment properties
- Note 9 - Deferred tax assets
- Note 19 - Revenue on construction contracts
- Note 26 - measurement of expected credit loss ("ECL")

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Significant accounting policies

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

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

- i) financial instruments;
- ii) revenue recognition; and
- iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 35.

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

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

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

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

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

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

(iii) Loss of control

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



2. Significant accounting policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(iv) Associates

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

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

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

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

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

Investments in associates 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.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Significant accounting policies (Cont'd)

(b) Foreign currency

(i) *Foreign currency transactions*

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

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

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value which 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 goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (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 translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to gain 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

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) *Recognition and initial measurement*

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

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

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



2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

(i) Recognition and initial measurement (Cont'd)

Previous financial year

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

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(l)(i) where the effective interest rate is applied to the amortised cost.

All financial assets are subject to impairment assessment (see Note 2(l)(i)).

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

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

All financial assets were subject to impairment assessment (see Note 2(l)(i)).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

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

Financial liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follows:

Amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost.

(iii) *Regular way purchase or sale of financial assets*

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

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

Settlement date accounting refers to:

- (a) the recognition of an asset on the day it is received by the Group or the Company, and
- (b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.



2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

(iv) Financial guarantee contracts

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

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

Previous financial year

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

(v) Derecognition

A financial asset or part of it is derecognised when, and only, when the contractual rights to the cash flows from the financial asset expire or transferred, 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 of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) 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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

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.

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

The principal 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.



2. Significant accounting policies (Cont'd)

(e) Leased assets

Operating leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements 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.

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

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

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

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associate.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortisation

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

(g) 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 purposes. These include freehold and leasehold land which in substance is a finance lease held for a currently undetermined future use. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

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

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Transfers between investment properties and property, plant and equipment do not change the carrying amount of the property transferred.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Significant accounting policies (Cont'd)

(g) Investment properties (Cont'd)

Investment properties carried at cost (Cont'd)

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

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.

(h) 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.

(i) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see note 2(l)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(j) Contract costs

(i) Incremental cost of obtaining a contract

The Group or the Company recognises incremental costs of obtaining contracts when the Group or the Company expects to recover these costs.

(ii) Cost to fulfil a contract

The Group or the Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group or the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit and loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

(k) 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.



2. Significant accounting policies (Cont'd)

(I) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Significant accounting policies (Cont'd)

(I) Impairment (Cont'd)

(i) Financial assets (Cont'd)

Previous financial year

All financial assets (except for investments in subsidiaries and associate) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

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

(ii) Other assets

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

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. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs 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 first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has 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.



2. Significant accounting policies (Cont'd)

(m) 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.

(n) Employee benefits

(i) *Short-term employee benefits*

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

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

(ii) *State plans*

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

(iii) *Defined benefit plans*

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Significant accounting policies (Cont'd)

(o) 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.

(p) Contingencies

(i) *Contingent liabilities*

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

(ii) *Contingent assets*

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

(q) Revenue and other income

(i) *Revenue*

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(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. Rental income from sub-leased property is recognised as other income.

(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.

(iv) *Dividend income*

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.



2. Significant accounting policies (Cont'd)

(r) Borrowing costs

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

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

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

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

(s) 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 statements of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, 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.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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 incentive 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.

(t) Earnings per ordinary share

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

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

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 convertible notes and share options granted to employees.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Significant accounting policies (Cont'd)

(u) 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. Operating segment 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.

(v) Fair value measurements

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

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is 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

Group	Note	Buildings RM	Plant, machinery and loose tools RM	Furniture, fittings, equipment and installations RM	Motor vehicles RM	Total RM
Cost						
At 1 January 2017		10,571,214	27,021,268	2,914,372	1,408,286	41,915,140
Additions		33,100	56,647	692,466	340,000	1,122,213
Disposals		-	-	-	(295,500)	(295,500)
Write off		-	(19,419)	(55,310)	-	(74,729)
Effect of movements in exchange rates		-	-	(2,501)	(739)	(3,240)
At 31 December 2017/1 January 2018		10,604,314	27,058,496	3,549,027	1,452,047	42,663,884
Acquisition through business combinations	32	-	4,203,831	127,467	12,322	4,343,620
Additions		-	67,531	134,580	-	202,111
Disposals		-	-	(1,343)	-	(1,343)
Write off		-	-	(6,069)	(36,427)	(42,496)
Effect of movements in exchange rates		-	-	(130)	(89)	(219)
At 31 December 2018		10,604,314	31,329,858	3,803,532	1,427,853	47,165,557

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

Group	Buildings RM	Plant, machinery and loose tools RM	Furniture, fittings, equipment and installations RM	Motor vehicles RM	Total RM
Depreciation					
At 1 January 2017	2,384,471	22,254,734	2,471,773	1,141,021	28,251,999
Depreciation for the year	213,031	1,301,988	127,921	124,572	1,767,512
Disposals	-	-	-	(295,500)	(295,500)
Write off	-	(13,455)	(54,060)	-	(67,515)
Effect of movements in exchange rates	-	-	(2,432)	(739)	(3,171)
At 31 December 2017/1 January 2018	2,597,502	23,543,267	2,543,202	969,354	29,653,325
Depreciation for the year	212,045	1,812,621	388,022	119,945	2,532,633
Disposals	-	-	(1,343)	-	(1,343)
Write off	-	-	(5,143)	(36,427)	(41,570)
Effect of movements in exchange rates	-	-	(128)	(89)	(217)
At 31 December 2018	2,809,547	25,355,888	2,924,610	1,052,783	32,142,828
Carrying amounts					
At 1 January 2017	8,186,743	4,766,534	442,599	267,265	13,663,141
At 31 December 2017/1 January 2018	8,006,812	3,515,229	1,005,825	482,693	13,010,559
At 31 December 2018	7,794,767	5,973,970	878,922	375,070	15,022,729

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



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

Company	Buildings RM	Plant, machinery and loose tools RM	Furniture, fittings, equipment and installations RM	Motor vehicles RM	Total RM
Cost					
At 1 January 2017	9,609,884	27,021,268	2,302,946	1,371,031	40,305,129
Additions	33,100	56,647	662,799	340,000	1,092,546
Disposals	-	-	-	(295,500)	(295,500)
Write off	-	(19,419)	(7,015)	-	(26,434)
At 31 December 2017/1 January 2018	9,642,984	27,058,496	2,958,730	1,415,531	41,075,741
Additions	-	10,130	114,179	-	124,309
Disposals	-	-	(1,343)	-	(1,343)
Write off	-	-	(6,069)	-	(6,069)
At 31 December 2018	9,642,984	27,068,626	3,065,497	1,415,531	41,192,638

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

Company	Buildings RM	Plant, machinery and loose tools RM	Furniture, fittings, equipment and installations RM	Motor vehicles RM	Total RM
Depreciation					
At 1 January 2017	2,188,128	22,254,734	2,006,468	1,103,766	27,553,096
Depreciation for the year	193,804	1,301,988	96,041	124,572	1,716,405
Disposals	-	-	-	(295,500)	(295,500)
Write off	-	(13,455)	(7,015)	-	(20,470)
At 31 December 2017/1 January 2018	2,381,932	23,543,267	2,095,494	932,838	28,953,531
Depreciation for the year	192,819	1,084,403	338,908	118,584	1,734,714
Disposals	-	-	(1,343)	-	(1,343)
Write off	-	-	(5,143)	-	(5,143)
At 31 December 2018	2,574,751	24,627,670	2,427,916	1,051,422	30,681,759
Carrying amounts					
At 1 January 2017	7,421,756	4,766,534	296,478	267,265	12,752,033
At 31 December 2017/1 January 2018	7,261,052	3,515,229	863,236	482,693	12,122,210
At 31 December 2018	7,068,233	2,440,956	637,581	364,109	10,510,879

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



4. Investment properties

	Shoplots	
	Group RM	Company RM
Cost		
At 1 January 2017/31 December 2017/1 January 2018/31 December 2018	1,345,658	2,306,988
Depreciation		
1 January 2017	274,836	471,178
Depreciation for the year	26,913	46,140
At 31 December 2017/1 January 2018	301,749	517,318
Depreciation for the year	26,913	46,140
At 31 December 2018	328,662	563,458
Carrying amounts		
At 1 January 2017	1,070,822	1,835,810
At 31 December 2017/1 January 2018	1,043,909	1,789,670
At 31 December 2018	1,016,996	1,743,530

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Rental income	96,000	91,000	168,000	163,000
Direct operating expenses				
- Income generating investment properties	42,012	42,541	71,686	72,932

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 2018 are classified as level 3 of the fair value hierarchy and determined to be approximately RM2,153,000 (2017 : RM2,153,000) and RM3,693,000 (2017 : RM3,693,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4. Investment properties (Cont'd)

Fair value information (Cont'd)

Estimation uncertainty, key assumptions and significant unobservable inputs

The Directors estimate the fair values of the Group's and the Company's investment properties by comparing the Group's and the Company's investment properties with similar properties that were listed for sale within the same locality or other comparable localities.

The significant unobservable input is price per square foot which is estimated at RM327 (2017 : RM327). The estimated fair value would increase (decrease) if the price per square foot is higher (lower).

5. Prepaid lease payments - Group/Company

	Unexpired period less than 50 years RM
Cost	
At 1 January 2017/31 December 2017/1 January 2018/31 December 2018	<u>2,017,009</u>
Amortisation	
At 1 January 2017	495,668
Amortisation for the year	46,137
At 31 December 2017/1 January 2018	<u>541,805</u>
Amortisation for the year	46,190
At 31 December 2018	<u>587,995</u>
Carrying amounts	
At 1 January 2017	<u>1,521,341</u>
At 31 December 2017/1 January 2018	<u>1,475,204</u>
At 31 December 2018	<u>1,429,014</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



6. Interests in subsidiaries - Company

	2018 RM	2017 RM
Unquoted shares, at cost	1,213,100	1,213,100
Loans to a subsidiary	* 4,283,749	-
	5,496,849	1,213,100

* The loans to a subsidiary reclassified from receivables are regarded as net interest in a subsidiary as the Company recognised these amounts as a long term source of capital to the subsidiary.

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2018 %	2017 %
CIC Marketing Sdn. Bhd.	Malaysia	Marketing of self-adhesive label stocks and tapes	100	100
CICS Distributors Pte. Ltd. #	Singapore	Trading of adhesive tapes	100	100
CIC Construction Sdn. Bhd. ("CICC")	Malaysia	Investment holding, contractor of building and infrastructure and trading of building materials	100	100
<i>Subsidiary of CICC</i>				
Proventus Bina Sdn. Bhd. ("PBSB")	Malaysia	Contractor of building and general contract works and trading of building materials	51	20

Not audited by other member firms of KPMG PLT.

6.1 Changes in composition of the Group

On 19 June 2018, the Company's wholly-owned subsidiary, CICC completed the acquisition of 1,035,969 new ordinary shares of PBSB, for a total cash consideration of RM2,983,749. Following the acquisition, PBSB has become a subsidiary and ceased to be an associate of the Group.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

6. Interests in subsidiaries - Company (Cont'd)

6.2 Non-controlling interest in a subsidiary

The Group's subsidiary that has material non-controlling interest ("NCI") is as follows:

	PBSB RM		
2018			
NCI percentage of ownership interest and voting interest			49%
Carrying amount of NCI			<u>3,545,644</u>
Loss allocated to NCI			<u>199,176</u>
Summarised financial information before intra-group elimination			
As at 31 December			
Non-current assets			3,663,788
Current assets			28,022,842
Non-current liabilities			(279,000)
Current liabilities			(24,171,622)
Net assets			<u>7,236,008</u>
Year ended 31 December	Preacquisition RM	Postacquisition RM	Total RM
Revenue	38,350,730	26,345,753	64,696,483
Profit/(Loss) for the year and total comprehensive income/ (expense)	<u>827,757</u>	<u>(406,481)</u>	<u>421,276</u>
Cash flows used in operating activities			(4,411,219)
Cash flows used in investing activities			(257,370)
Cash flows from financing activities			2,983,749
Net decrease in cash and cash equivalents			<u>(1,684,840)</u>
Dividend paid to NCI			<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



7. Goodwill - Group

	2018 RM	2017 RM
Cost	22,285	-

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating unit ("CGU") that is expected to benefit from the business combination. The carrying amount of goodwill has been allocated to PBSB acquired during the financial year ended 31 December 2018.

Impairment testing for cash generating unit ("CGU") containing goodwill

The recoverable amount of goodwill is based on value-in-use calculations using cash flows projections and financial budgets approved by the Directors. The estimated recoverable amount for the CGU exceeded its carrying amount and the Directors consider that it is not reasonably possible for the key assumptions to change so significantly as to eliminate the excess.

8. Investment in an associate - Group

	2018 RM	2017 RM
Unquoted shares, at cost	-	1,300,000
Share of post-acquisition reserves	-	98,531
	-	1,398,531

Details of the associate are as follows:

Name of entity	Country of incorporation	Effective ownership interest and voting interest	
		2018	2017
Proventus Bina Sdn. Bhd. ("PBSB")	Malaysia	*	20%

* On 19 June 2018, the Company's wholly-owned subsidiary, CICC completed the acquisition of 1,035,969 new ordinary shares of PBSB, for a total cash consideration of RM2,983,749. Following the acquisition, PBSB has become a subsidiary and ceased to be an associate of the Group (see Note 6.1).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

8. Investment in an associate - Group (Cont'd)

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

2017	RM
Summarised financial information	
As at 31 December	
Non-current assets	4,850,310
Current assets	14,946,481
Non-current liabilities	(333,000)
Current liabilities	(15,632,807)
Net assets	<u>3,830,984</u>
Period from 1.6.2017 to 31.12.2017 (post-acquisition)	
Profit for the period representing total comprehensive income for the period	<u>492,656</u>
Included in the total comprehensive income is:	
Revenue	43,936,175
Reconciliation of net assets to carrying amount as at 31 December	
Group's share of net assets	766,197
Goodwill	632,334
Carrying amount in the consolidated statement of financial position	<u>1,398,531</u>
Group's share of results for the year ended 31 December	
Group's share of profit and total comprehensive income	<u>98,531</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



9. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

The recognised deferred tax asset and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM
Unutilised reinvestment allowances	-	2,457,000	-	-	-	2,457,000
Unabsorbed capital allowances	183,000	331,000	-	-	183,000	331,000
Unutilised tax losses	81,000	-	-	-	81,000	-
Provisions	584,000	640,000	-	-	584,000	640,000
Property, plant and equipment	-	-	(1,694,000)	(1,153,000)	(1,694,000)	(1,153,000)
Deferred tax assets/(liabilities)	848,000	3,428,000	(1,694,000)	(1,153,000)	(846,000)	2,275,000
Set-off of tax	(784,000)	(1,153,000)	784,000	1,153,000	-	-
Net deferred tax assets/(liabilities)	64,000	2,275,000	(910,000)	-	(846,000)	2,275,000
Company						
Unutilised reinvestment allowances	-	2,457,000	-	-	-	2,457,000
Unabsorbed capital allowances	183,000	331,000	-	-	183,000	331,000
Provisions	584,000	640,000	-	-	584,000	640,000
Property, plant and equipment	-	-	(1,398,000)	(1,153,000)	(1,398,000)	(1,153,000)
Deferred tax assets/(liabilities)	767,000	3,428,000	(1,398,000)	(1,153,000)	(631,000)	2,275,000
Set-off of tax	(767,000)	(1,153,000)	767,000	1,153,000	-	-
Net deferred tax assets/(liabilities)	-	2,275,000	(631,000)	-	(631,000)	2,275,000

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

9. Deferred tax assets/(liabilities) (Cont'd)

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

	At 1.1.2017	Recognised in profit or loss (Note 22)	At 31.12.2017/ 1.1.2018	Recognised in profit or loss (Note 22)	Acquisition through business combination (Note 32)	At 31.12.2018
	RM	RM	RM	RM		RM
Group						
Unutilised reinvestment allowances	-	2,457,000	2,457,000	(2,457,000)	-	-
Unabsorbed capital allowances	-	331,000	331,000	(148,000)	-	183,000
Unutilised tax losses	-	-	-	81,000	-	81,000
Provisions	-	640,000	640,000	(56,000)	-	584,000
Property, plant and equipment	-	(1,153,000)	(1,153,000)	(208,000)	(333,000)	(1,694,000)
	-	2,275,000	2,275,000	(2,788,000)	(333,000)	(846,000)
Company						
Unutilised reinvestment allowances	-	2,457,000	2,457,000	(2,457,000)	-	-
Unabsorbed capital allowances	-	331,000	331,000	(148,000)	-	183,000
Provisions	-	640,000	640,000	(56,000)	-	584,000
Property, plant and equipment	-	(1,153,000)	(1,153,000)	(245,000)	-	(1,398,000)
	-	2,275,000	2,275,000	(2,906,000)	-	(631,000)

Unrecognised deferred tax assets

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unutilised reinvestment allowances	10,238,000	-	10,238,000	-
Unabsorbed capital allowances	38,000	36,000	-	-
Unutilised tax losses	553,000	871,000	-	-
	10,829,000	907,000	10,238,000	-

The unabsorbed capital allowances do not expire under current tax legislation. The unutilised reinvestment allowances and unutilised tax losses of the Group and of the Company that expire in 2026 under the current tax legislation amounting to RM10,791,000 (2017 : RM Nil) and RM10,238,000 (2017 : RM Nil) respectively. The comparative figures have been restated to reflect the revised temporary differences available to the Group.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



10. Inventories

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Raw materials	8,274,199	6,623,787	8,274,199	6,623,787
Work-in-progress	3,939,742	3,487,124	3,939,742	3,487,124
Manufactured inventories	5,392,932	3,884,209	5,128,413	3,884,209
Trading inventories	1,665,769	1,206,986	1,570,563	993,847
Consumables	312,681	296,378	312,681	296,378
	19,585,323	15,498,484	19,225,598	15,285,345

Recognised in profit or loss:

Inventories recognised as cost of sales	49,300,802	53,255,976	45,488,781	49,799,733
Writedown to net realisable value	236,319	194,197	236,319	194,197

The write-down is included in other expenses.

11. Contract assets - Group

	Note	2018	2017
		RM	RM
Contract assets	11.1	2,780,014	-

The contract assets primarily relate to the Group's rights to consideration for work completed on construction contracts but not yet billed at the reporting date. Typically, the amount will be billed within 60 days and payment is expected within 60 days.

11.1 Significant changes to contract assets balance during the period are as follows:

	Note	2018	2017
		RM	RM
Opening balance		-	-
Acquisition through business combination	32	4,008,037	-
Revenue recognised as a result of changes in measure of progress	6.2	26,345,753	-
Decrease due to progress billings raised during the period		(27,573,776)	-
Closing balance		2,780,014	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

12. Trade and other receivables

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Trade					
Third parties		28,723,705	10,833,427	7,270,988	9,388,488
Amount due from a subsidiary	12.1	-	-	557,521	397,197
Retention sum	12.2	2,624,588	-	-	-
Trade receivables from contracts with customers		31,348,293	10,833,427	7,828,509	9,785,685
Non-trade					
Amount due from a subsidiary	12.1	-	-	11,739	1,300,915
Other receivables	12.3	2,146,402	317,187	1,125,327	311,199
Deposits		471,346	79,593	49,132	34,557
Prepayments		117,048	82,444	42,612	62,869
		2,734,796	479,224	1,228,810	1,709,540
		34,083,089	11,312,651	9,057,319	11,495,225

12.1 Amount due from a subsidiary - Company

The trade amount due from a subsidiary is unsecured, interest-free and with credit term of 90 days.

The non-trade amount due from a subsidiary is unsecured, interest-free and payable on demand except for an amount of RM Nil (2017 : RM1,300,000) advanced to a subsidiary which bears interest at the rate of Nil (2017 : 4%) per annum.

12.2 Retention sum relates to construction work-in-progress. Retention sum is unsecured, interest-free and is expected to be collected as follows:

	2018 RM	2017 RM
Within 1 year	660,810	-
More than 1 year	1,963,778	-
	2,624,588	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



12. Trade and other receivables (Cont'd)

12.3 Included in other receivables of the Group is an amount of RM726,377 (2017 : RM Nil), RM480,000 (2017 : RM Nil) and RM514,648 (2017 : RM Nil) representing advance payments to suppliers for the purchase of inventories, amount receivable from an insurer for a fire incident and amount receivable from sub-contractors in relation to the construction work performed on their behalf respectively. Included in other receivables of the Company is an amount of RM726,377 (2017 : RM Nil) representing advance payments to suppliers for the purchase of inventories.

13. Fixed deposits with a licensed bank - Group/Company

	2018 RM	2017 RM
Fixed deposits placed with a licensed bank	<u>2,078,875</u>	<u>-</u>

14. Cash and cash equivalents

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fixed deposits placed with licensed banks	2,553,033	9,099,162	2,553,033	9,099,162
Short term deposits placed with a licensed bank	-	471,701	-	471,701
Cash and bank balances	3,566,852	2,922,113	2,486,727	2,725,383
	<u>6,119,885</u>	<u>12,492,976</u>	<u>5,039,760</u>	<u>12,296,246</u>

15. Share capital - Group/Company

	2018		2017	
	Amount RM	Number of shares	Amount RM	Number of shares
Issued and fully paid ordinary shares classified as equity instrument				
At 1 January	51,406,679	50,000,000	45,780,000	45,780,000
Bonus issue (Note 15.1)	-	40,000,000	-	-
Issued for cash under private placements	-	-	4,220,000	4,220,000
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	-	-	1,406,679	-
At 31 December	<u>51,406,679</u>	<u>90,000,000</u>	<u>51,406,679</u>	<u>50,000,000</u>

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

In accordance with Section 618(2) of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has 24 months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74). of Companies Act 2016). As at the date of issuance of the financial statements, the Company did not utilise the share premium amounting to RM1,406,679.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15. Share capital - Group/Company (Cont'd)

15.1 During the financial year 2018, the Company issued 40,000,000 new ordinary shares on the basis of 4 bonus shares for every 5 existing shares held.

16. Reserves

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Non-distributable					
(Accumulated losses)/Retained earnings		(3,106,400)	1,375,015	(4,267,114)	(370,772)
Translation reserve	16.1	275,147	277,105	-	-
		(2,831,253)	1,652,120	(4,267,114)	(370,772)

The movements of reserves are shown in the statements of changes in equity.

16.1 Translation reserve

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

17. Employee benefits - Group/Company

17.1 Retirement benefits

	2018 RM	2017 RM
Net defined benefit liability	<u>1,716,590</u>	<u>1,714,880</u>

The Group provides retirement benefits for all permanent Union employees who have joined the Company prior to 1 January 2008. Under the Scheme, a retired/resigned employee is entitled to receive an annual payment equal to 0.75 month of the last drawn salary for each year of service the employee provided.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



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

17.1 Retirement benefits (Cont'd)

Movements in the defined benefit liability

The following table shows a reconciliation from the opening balance to the closing balance for net defined benefit liability and its components:

	Defined benefit obligation/ Net defined benefit liability	
	2018 RM	2017 RM
Balance at 1 January	1,714,880	1,659,023
Included in profit or loss		
Current service cost	63,995	107,962
Past service cost	(110,674)	29,275
Interest cost	82,542	36,765
	35,863	174,002
Other		
Benefits paid	(34,153)	(118,145)
Balance at 31 December	<u>1,716,590</u>	<u>1,714,880</u>

Defined benefit obligation

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

	2018	2017
Discount rate	5.2%	8.8%
Future salary growth	<u>5.0%</u>	<u>5.0%</u>

At 31 December 2018, the weighted-average duration of the defined benefit obligation was 7 years (2017 : 11.8 years).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

17.1 Retirement benefits (Cont'd)

Sensitivity analysis

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

	Defined benefit obligation	
	Increase RM	Decrease RM
2018		
Discount rate (1% movement)	(115,221)	129,499
Future salary growth (1% movement)	<u>117,502</u>	<u>(106,835)</u>
2017		
Discount rate (1% movement)	(212,374)	250,257
Future salary growth (1% movement)	<u>249,685</u>	<u>(215,276)</u>

Although the analysis does not account 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 2018 was assessed by a qualified actuary based on the valuation carried out for the financial year ended 31 December 2018. Whilst, sensitivity analysis as at 31 December 2017 was assessed by the management, assuming the impact to defined benefit obligation was the same as 2015 which was assessed by a qualified actuary based on the valuation carried out for the financial year ended 31 December 2015.

18. Trade and other payables

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Trade					
Trade payables		25,152,549	2,382,523	1,883,390	2,063,574
Retention sum	18.1	961,898	-	-	-
		<u>26,114,447</u>	<u>2,382,523</u>	<u>1,883,390</u>	<u>2,063,574</u>
Non-trade					
Amount due to a subsidiary	18.2	-	-	2,000,902	1,962,079
Other payables		713,673	282,179	646,067	277,334
Accrued expense		794,161	1,048,432	570,310	877,725
		<u>1,507,834</u>	<u>1,330,611</u>	<u>3,217,279</u>	<u>3,117,138</u>
		<u>27,622,281</u>	<u>3,713,134</u>	<u>5,100,669</u>	<u>5,180,712</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



18. Trade and other payables (Cont'd)

18.1 Retention sum relates to construction work-in-progress. Retention sum is unsecured, interest-free and is expected to be paid after 1 year.

18.2 Amount due to a subsidiary

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

19. Revenue

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Revenue from contracts with customers	83,413,962	62,657,848	54,448,740	59,542,510

19.1 Disaggregation of revenue

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Primary geographical markets				
- Malaysia	62,064,127	35,604,182	35,718,375	35,604,247
- Asia (excluding Malaysia)	12,422,209	18,241,296	9,802,739	15,125,958
- Australia	5,879,733	4,037,781	5,879,733	4,037,781
- United States of America	873,157	3,131,506	873,157	3,131,506
- Europe	211,620	917,929	211,620	917,929
- Other countries	1,963,116	725,154	1,963,116	725,089
	83,413,962	62,657,848	54,448,740	59,542,510
Major products and service lines				
- Self adhesive label stocks	9,716,529	11,582,720	8,230,831	10,146,155
- Self adhesive tapes	29,735,958	32,444,741	31,554,224	33,646,247
- Trading goods	17,615,722	18,630,387	14,663,685	15,750,108
- Construction contracts	26,345,753	-	-	-
	83,413,962	62,657,848	54,448,740	59,542,510
Timing and recognition				
- At a point in time	57,068,209	62,657,848	54,448,740	59,542,510
- Over time	26,345,753	-	-	-
	83,413,962	62,657,848	54,448,740	59,542,510

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19. Revenue (Cont'd)

19.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Label stocks and tapes.	Revenue is recognised when the control of the goods are transferred and accepted by the customers.	Credit period of 60 days from invoice date.	Discounts are given to customers where the customers pay within 30 days from invoice date.	The Group allows returns only for exchange with new goods (i.e. no cash refunds are offered).	Not applicable.
Construction contracts	Revenue is recognised over time using the cost incurred method. The construction is on land owned by the customer.	Based on agreed milestones, certified by architects.	Certain projects are embedded with sharing of base cost saving.	Not applicable.	Defect liability period of 2 years is given to the customer.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



19. Revenue (Cont'd)

19.3 Transaction price allocated to the remaining performance obligations

The revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date, amounted to RM128,616,062. The Group expects to recognise the revenue progressively over 1 to 2 years based on the progress of satisfaction of the performance obligation. The disclosure is only providing information for contracts that have a duration of more than one year.

The Group applies the following practical expedients:

- exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.
- exemption not to adjust the promised amount of consideration for the effects of a significant financing component when the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service is one year or less.

19.4 Significant judgements and assumptions arising from revenue recognition

The Group applied judgements and assumptions that significantly affect the determination of the amount and timing of revenue recognised from contracts with customers on construction contracts.

For construction contracts, The Group measured the performance of construction work done by comparing the actual costs incurred with the estimated total costs required to complete the construction. Significant judgements are required to estimate the total contract costs to complete and variable transaction price arising from the sharing of base cost saving, where relevant. In making these estimates, management relied on professionals' estimates and also on past experience of completed projects. A change in the estimates will directly affect the revenue to be recognised.

20. (Loss)/Profit before tax

(Loss)/Profit before tax is arrived at:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
After charging:				
Auditors' remuneration				
Audit fees				
- KPMG PLT				
- current year	117,500	76,000	77,500	65,000
- prior year	-	9,000	-	9,000
- Other auditor	11,965	12,461	-	-
Non-audit fees				
- KPMG PLT	3,000	3,000	3,000	3,000
- Local affiliate of KPMG PLT	10,000	9,100	10,000	9,100
Amortisation of prepaid lease payments (Note 5)	46,190	46,137	46,190	46,137
Depreciation				
- Property, plant and equipment (Note 3)	2,532,633	1,767,512	1,734,714	1,716,405
- Investment properties (Note 4)	26,913	26,913	46,140	46,140
Inventories written off	236,319	194,197	236,319	194,147
Plant and equipment written off	926	7,214	926	5,964
Employee benefits (Note 17)	35,863	174,002	35,863	174,002

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

20. (Loss)/Profit before tax (Cont'd)

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

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Rental expense	279,507	237,272	13,851	11,635
Bad debt written off	20,697	64,549	12,938	29,297
Personnel expenses (excluding Directors' emoluments)				
- Wages, salaries and others	7,809,136	6,939,990	5,423,892	5,391,054
- Employees' Provident Fund contributions	881,900	754,945	573,887	555,023
Foreign exchange loss				
- realised	139,560	8,435	150,322	90,007
- unrealised	-	128,388	-	128,388
Loss on interest previously held in an associate	627,877	-	-	-
and after crediting:				
Bad debts recovered	37,383	29,131	37,383	29,131
Unrealised gain on foreign exchange	61,383	-	61,383	-
Gain on disposal of plant and equipment	6,548	102,000	477	102,000
Insurance claim (gross)	684,521	-	-	-
Net gain/(loss) on impairment of financial instruments and contract assets				
Rental income from investment properties (Note 4)	96,000	91,000	168,000	163,000
Reversal of impairment loss on trade receivables	1,965	5,916	1,965	5,916
Interest income of financial assets calculated using the effective interest method that are at amortised cost	296,222	149,885	263,356	149,882

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



21. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of the Company				
- Fees	267,000	240,000	267,000	240,000
- Remuneration	620,784	607,668	620,784	607,668
	887,784	847,668	887,784	847,668
Other Directors				
- Fees	6,000	-	-	-
- Remuneration	361,920	261,863	-	-
	367,920	261,863	-	-
	<u>1,255,704</u>	<u>1,109,531</u>	<u>887,784</u>	<u>847,668</u>

The Group's and the Company's estimated monetary value of Directors' benefit-in-kind are RM17,400 (2017 : RM17,400).

22. Tax expense

Recognised in profit or loss

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current tax expense				
- Current year	40,636	57,588	114,000	57,588
- Prior year	8,914	(16,909)	8,914	(16,909)
	49,550	40,679	122,914	40,679
Deferred tax expense				
Origination and reversal of temporary differences	2,410,000	(2,275,000)	2,528,000	(2,275,000)
Under provision in prior year	378,000	-	378,000	-
	2,788,000	(2,275,000)	2,906,000	(2,275,000)
Total tax expense	<u>2,837,550</u>	<u>(2,234,321)</u>	<u>3,028,914</u>	<u>(2,234,321)</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22. Tax expense (Cont'd)

Reconciliation of tax expense

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
(Loss)/Profit for the year	(3,805,591)	3,497,521	(3,021,342)	3,349,908
Total tax expense	2,837,550	(2,234,321)	3,028,914	(2,234,321)
(Loss)/Profit excluding tax	<u>(968,041)</u>	<u>1,263,200</u>	<u>7,572</u>	<u>1,115,587</u>
Income tax calculated using Malaysian tax rate of 24%	(232,330)	303,168	1,817	267,741
Effect of lower tax rate in foreign jurisdiction*	2,895	(2,299)	-	-
Non-deductible expenses	345,470	211,243	145,193	203,818
Income not subject to tax	(41,635)	(23,647)	-	-
Utilisation of previously unrecognised deferred tax assets	-	(416,000)	-	(399,000)
Recognition of deferred tax assets	(89,000)	(2,275,000)	-	(2,275,000)
Write down of deferred tax asset	2,457,000	-	2,457,000	-
Other items	8,236	(14,877)	37,990	(14,971)
	<u>2,450,636</u>	<u>(2,217,412)</u>	<u>2,642,000</u>	<u>(2,217,412)</u>
Under/(Over) provided in prior year	386,914	(16,909)	386,914	(16,909)
	<u>2,837,550</u>	<u>(2,234,321)</u>	<u>3,028,914</u>	<u>(2,234,321)</u>

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

23. Earnings per ordinary share - Group

Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/earnings per ordinary share at 31 December 2018 was based on the (loss)/profit attributable to ordinary shareholders of (RM3,606,415) (2017 : RM3,497,521) and a weighted average number of ordinary shares outstanding during the year of 90,000,000 (2017 : 87,872,000).

Diluted (loss)/earnings per ordinary share

Diluted (loss)/earnings per ordinary share was not presented as there is no dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



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.

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

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

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 12 and 18.

	2018 RM	2017 RM
Company		
Subsidiaries		
Sales	2,021,187	1,241,048
Commission paid and payable	2,074,166	2,150,796
Rental income received and receivable	72,000	72,000
Loans to a subsidiary	2,983,749	1,300,000

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 21 to the financial statements.

25. Operating segments - Group

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units the Chief Operating Decision Maker ("CODM") (i.e. Group's Managing Director) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments :

- Manufacturing and sale of self-adhesive label stocks and tapes
- Construction contracts

Performance is measured based on segment profit/(loss) before tax, as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total assets are used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the CODM. Hence, no disclosure is made on segment liability.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, prepaid lease payments, investment properties and intangible assets other than goodwill.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

25. Operating segments - Group (Cont'd)

	Self-adhesive label stocks and tapes		Construction contracts		Consolidated	
	2018	2017	2018	2017	2018	2017
	RM	RM	RM	RM	RM	RM
Segment profit/(loss)	38,954	1,164,669	(1,006,995)	98,531	(968,041)	1,263,200
Included in the measure of segment profit/(loss) are:						
- Revenue from external customer	57,068,209	62,657,848	26,345,753	-	83,413,962	62,657,848
- Depreciation and amortisation	1,859,364	1,840,562	746,372	-	2,605,736	1,840,562
- Write down of inventories	236,319	194,147	-	-	236,319	194,147
- Interest income	263,359	149,885	32,863	-	296,222	149,885
- Share of profit of associate	-	-	165,551	98,531	165,551	98,531
Segment assets	50,661,026	58,507,314	31,686,630	-	82,347,656	58,507,314
Included in the measure of segment assets are:						
- Additions to non-current assets other than financial instruments and deferred tax assets	135,573	1,122,213	66,538	-	202,111	1,122,213
- Investment in an associate	-	-	-	1,398,531	-	1,398,531

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



25. Operating segments - Group (Cont'd)

Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investment in an associate), deferred tax assets and goodwill.

	Revenue RM	Non-current assets RM
2018		
Malaysia	62,064,127	17,468,739
Asia (excluding Malaysia)	12,422,209	-
Australia	5,879,733	-
United States of America	873,157	-
Europe	211,620	-
Others	1,963,116	-
	<u>83,413,962</u>	<u>17,468,739</u>
2017		
Malaysia	35,604,182	15,527,900
Asia (excluding Malaysia)	18,241,296	1,772
Australia	4,037,781	-
United States of America	3,131,506	-
Europe	917,929	-
Others	725,154	-
	<u>62,657,848</u>	<u>15,529,672</u>

Major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

	Revenue		Segment
	2018 RM	2017 RM	
All common control companies of:			
Customer A	16,944,789	-	Construction contracts
Customer B	9,320,661	-	Construction contracts

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26. Financial instruments

26.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as amortised cost ("AC").

	Carrying amount RM	AC RM
2018		
Financial assets		
Group		
Trade and other receivables (excluding prepayments) and contract assets	36,746,055	36,746,055
Fixed deposits with a licensed bank	2,078,875	2,078,875
Cash and cash equivalents	6,119,885	6,119,885
	<u>44,944,815</u>	<u>44,944,815</u>
Company		
Trade and other receivables (excluding prepayments)	9,014,707	9,014,707
Fixed deposits with a licensed bank	2,078,875	2,078,875
Cash and cash equivalents	5,039,760	5,039,760
	<u>16,133,342</u>	<u>16,133,342</u>
	Carrying amount RM	AC RM
2018		
Financial liabilities		
Group		
Trade and other payables	<u>27,622,281</u>	<u>27,622,281</u>
Company		
Trade and other payables	<u>5,100,669</u>	<u>5,100,669</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



26 . Financial instruments (Cont'd)

26.1 Categories of financial instruments (Cont'd)

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

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

	Carrying amount RM	L&R RM
2017		
Financial assets		
Group		
Trade and other receivables (excluding prepayments)	11,230,207	11,230,207
Cash and cash equivalents	12,492,976	12,492,976
	<u>23,723,183</u>	<u>23,723,183</u>
Company		
Trade and other receivables (excluding prepayments)	11,432,356	11,432,356
Cash and cash equivalents	12,296,246	12,296,246
	<u>23,728,602</u>	<u>23,728,602</u>
	Carrying amount RM	FL RM
2017		
Financial liabilities		
Group		
Trade and other payables	<u>3,713,134</u>	<u>3,713,134</u>
Company		
Trade and other payables	<u>5,180,712</u>	<u>5,180,712</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26 . Financial instruments (Cont'd)

26.2 Net (loss)/gain arising from financial instruments

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Net gains/(losses) arising on:				
Financial assets at amortised cost	236,696	-	200,827	-
Loans and receivables	-	(16,440)	-	(62,763)
	<u>236,696</u>	<u>(16,440)</u>	<u>200,827</u>	<u>(62,763)</u>
Net gains/(losses) on impairment of financial instruments and contract assets:				
- financial assets at amortised cost	1,965	5,916	1,965	5,916

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

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 arise principally from the individual characteristics of each customer, amount due from a subsidiary and financial guarantees given to contract customers in lieu of bank guarantee or performance bond issued by financial institutions. There are no significant changes as compared to prior periods.

Trade receivables and contract assets

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.

At each reporting date, the Group or the Company assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



26 . Financial instruments (Cont'd)

26.4 Credit risk (Cont'd)

Trade receivables and contract assets (Cont'd)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by the carrying amounts in the statements 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 and the Company use ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Concentration at credit risk

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

	2018 RM	2017 RM
Group		
Malaysia	31,723,519	7,022,254
Asia (excluding Malaysia)	1,898,080	2,162,934
United States of America	394,404	904,240
Others	112,304	743,999
	34,128,307	10,833,427
Company		
Malaysia	6,118,816	7,022,424
Asia (excluding Malaysia)	1,202,985	1,115,022
United States of America	394,404	904,240
Others	112,304	743,999
	7,828,509	9,785,685

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26 . Financial instruments (Cont'd)

26.4 Credit risk (Cont'd)

Trade receivables and contract assets (Cont'd)

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group and the Company manage its debtors and take appropriate actions (including but not limited to legal actions) to recover long overdue balances. The Group's and the Company's debt recovery process includes the issuance of formal reminder letter before the issuance of letter of demand and consequently legal actions. For any amounts past due more than 90 days, they are monitored individually by sales management team.

The Group uses an allowance matrix to measure ECLs of trade receivables for all segments except for construction segment. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

For construction contracts, as there are only a few customers, the Group assessed the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. All of these customers have low risk of default.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

Group	Gross carrying amount RM	Loss allowances RM	Net balance RM
2018			
Current (not past due)	12,559,179	-	12,559,179
Past due 1 - 30 days	6,250,532	-	6,250,532
Past due 31 - 60 days	3,091,803	-	3,091,803
Past due 61 - 90 days	2,517,628	-	2,517,628
	24,419,142	-	24,419,142
Credit impaired			
More than 90 days past due	9,709,165	-	9,709,165
Individually impaired	20,495	(20,495)	-
	34,148,802	(20,495)	34,128,307
Trade receivables	31,368,788	(20,495)	31,348,293
Contract assets	2,780,014	-	2,780,014
	34,148,802	(20,495)	34,128,307

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



26. Financial instruments (Cont'd)

26.4 Credit risk (Cont'd)

Trade receivables and contract assets (Cont'd)

Recognition and measurement of impairment losses

Trade receivables which are credit impaired amounting to RM13,482,072 is covered by the tripartite novation (refer Note 34), as such no loss allowance is provided.

	Gross carrying amount RM	Loss allowances RM	Net balance RM
Company			
2018			
Current (not past due)	5,196,930	-	5,196,930
Past due 1 - 30 days	1,676,944	-	1,676,944
Past due 31 - 60 days	702,899	-	702,899
Past due 61 - 90 days	54,999	-	54,999
	7,631,772	-	7,631,772
Credit impaired			
More than 90 days past due	196,737	-	196,737
Individually impaired	20,495	(20,495)	-
	7,849,004	(20,495)	7,828,509
Trade receivables	7,849,004	(20,495)	7,828,509

The movements in the allowance for impairment in respect of trade receivables and contract assets during the year are shown below.

	2018 RM
--	--------------------

Group/Company

Trade receivables credit impaired

Balance at 1 January as per MFRS 9 and MFRS 139	53,195
Net remeasurement of loss allowance	(1,965)
Amounts written off	(30,735)
Balance as at 31 December	20,495

As at 31 December 2018, RM30,735 of trade receivables were written off but they are still subject to enforcement activity.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26. Financial instruments (Cont'd)

26.4 Credit risk (Cont'd)

Trade receivables and contract assets (Cont'd)

Comparative information under MFRS 139, Financial Instruments: Recognition and measurement

The aging of trade receivables as at 31 December 2017 was as follows:

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

Company

2017

Current (not past due)	6,613,103	-	6,613,103
Past due 1 - 30 days	1,809,902	-	1,809,902
Past due 31 - 60 days	956,744	-	956,744
Past due 61 - 90 days	219,745	-	219,745
Past due 91 - 120 days	39,481	-	39,481
Past due more than 120 days	199,905	(53,195)	146,710
	<u>9,838,880</u>	<u>(53,195)</u>	<u>9,785,685</u>

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

	2017 RM
Group/Company	
Balance as at 1 January	203,386
Impairment loss reversed	(5,916)
Impairment loss written off	(144,275)
Balance as at 31 December	<u>53,195</u>



26. Financial instruments (Cont'd)

26.4 Credit risk (Cont'd)

Cash and cash equivalents

Trade receivables and contract assets (Cont'd)

The cash and cash equivalents are held with banks and financial institutions.

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

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Credit risks on other receivables are mainly arising from deposits paid for office buildings and utilities, and accrued receivable from an insurer who has relatively low credit risk. These deposits will be received at the end of each lease terms. The Group and the Company manage the credit risk together with the leasing arrangement.

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

As at the end of the reporting period, the Group and the Company did not recognise any allowance for impairment losses.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Group provides unsecured financial guarantees to an external contract customer in lieu of bank guarantees or performance bond issued by financial institutions. The Group monitors the ability of the subsidiary to fulfil a particular construction contract on an individual basis.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM Nil (2017: RM Nil). The financial guarantees are provided as credit enhancements to the subsidiary's secured contracts.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to complete the contract secured according to terms entered into;
- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the performance bond individually using internal information available.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26. Financial instruments (Cont'd)

26.4 Credit risk (Cont'd)

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provided unsecured loan to a subsidiary. The Company monitored the ability of the subsidiary to repay the loan on an individual basis.

Exposure to credit risk, credit quality and collateral

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

Loan provided was not secured by any collateral or supported by any other credit enhancements and was solely provided to wholly-owned subsidiary of the Company.

Comparative information under MFRS 139, Financial Instruments : Recognition and measurement

There was no allowance for impairment loss of intercompany loan in the previous financial year.

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.

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
2018							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	27,622,281	-	27,622,281	27,622,281	-	-	-
2017							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	3,713,134	-	3,713,134	3,713,134	-	-	-

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
2018							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	5,100,669	-	5,100,669	5,100,669	-	-	-
2017							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	5,180,712	-	5,180,712	5,180,712	-	-	-

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 and the Company's financial position or cash flows.

26.6.1 Currency risk

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

Risk management objectives, policies and processes for managing the risk

The Group ensures and the Company ensure 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 and the Company'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 are as follows:

	Denominate in USD RM
Group	
2018	
Trade and other receivables	1,152,171
Cash and cash equivalents	211,015
Trade and other payables	(1,303,274)
Net exposure	59,912
2017	
Trade and other receivables	2,366,064
Cash and cash equivalents	744,093
Trade and other payables	(827,060)
Net exposure	2,283,097

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)

	Denominate in USD RM
Company	
2018	
Trade and other receivables	1,152,171
Intra-group balances	557,521
Cash and cash equivalents	207,383
Trade and other payables	(1,303,274)
Net exposure	613,801
2017	
Trade and other receivables	2,366,064
Intra-group balances	397,197
Cash and cash equivalents	738,808
Trade and other payables	(827,060)
Net exposure	2,675,009

Currency risk sensitivity analysis

A 10% (2017 : 10%) strengthening of RM against the following currency at the end of the reporting period would have decreased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2018 RM	2017 RM
Group		
USD	4,553	173,515
Company		
USD	46,649	203,301

A 10% (2017 : 10%) weakening of RM against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



26. Financial instruments (Cont'd)

26.6 Market risk (Cont'd)

26.6.2 Interest rate risk

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

Exposure to interest rate risk

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

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Fixed rate instruments				
Loan to a subsidiary	-	-	-	1,300,000
Fixed deposits with a licensed bank	2,078,875	-	2,078,875	-
Cash and cash equivalents	2,553,033	9,570,863	2,553,033	9,570,863
	4,631,908	9,570,863	4,631,908	10,870,863

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 reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

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 investors, creditors and market confidence and to sustain future development of the business.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28. Operating leases - Group

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2018 RM	2017 RM
Less than one year	-	86,617
Between one and five years	-	-
	<u>-</u>	<u>86,617</u>

29. Capital commitments - Group/Company

	2018 RM	2017 RM
Plant and equipment		
Contracted but not provided for	<u>99,000</u>	<u>30,000</u>

30. Dividend

Dividend recognised by the of the Company:

	Sen per share	Total amount RM	Date of payment
2018			
First and final 2017 ordinary	1.75	<u>875,000</u>	27 August 2018

31. Total other comprehensive expense - Group

	2018			2017		
	Before tax RM	Tax expense RM	Net of tax RM	Before tax RM	Tax expense RM	Net of tax RM
Item that is or may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operation	<u>(1,958)</u>	-	<u>(1,958)</u>	<u>(23,279)</u>	-	<u>(23,279)</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



32. Acquisition of subsidiary

32.1 Acquisition of a subsidiary-Proventus Bina Sdn. Bhd.

On 19 June 2018, the Company's wholly-owned subsidiary, CICC completed the acquisition of 1,035,969 new ordinary shares in Proventus Bina Sdn. Bhd. ("PBSB") for a total cash consideration of RM2,983,749. Following the acquisition, PBSB became a subsidiary of the Group and ceased to be an associate of the Group. PBSB is involved in construction. The acquisition of PBSB has diversified the Group's operation to construction business.

In the six months to 31 December 2018, PBSB contributed revenue of RM26,345,753 and loss of RM207,305. If the acquisition had occurred on 1 January 2018, management estimates that consolidated revenue would have been RM121,764,692 and consolidated loss for the financial year would have been RM3,349,810. In determining these amounts, management assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2018.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Fair value of consideration transferred

	Group 2018 RM
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Cash and cash equivalents	2,983,749
---------------------------	-----------

Identifiable assets acquired and liabilities assumed

	Note	Group 2018 RM
Plant and equipment	3	4,343,620
Contract assets	11	4,008,037
Trade and other receivables		11,418,295
Cash and cash equivalents		6,725,052
Deferred tax liabilities	9	(333,000)
Trade and other payables		(18,327,408)
Current tax liability		(192,107)
Total identifiable net assets		7,642,489

Net cash inflow/(outflow) arising from acquisition of a subsidiary

	Group 2018 RM
Purchase consideration settled in cash and cash equivalents	(2,983,749)
Cash and cash equivalents acquired	6,725,052
	3,741,303

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32. Acquisition of subsidiary (Cont'd)

32.1 Acquisition of a subsidiary-Proventus Bina Sdn. Bhd. (Cont'd)

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

	Group 2018 RM
Total consideration transferred	2,983,749
Fair value of identifiable net assets	(7,642,489)
<i>Non-controlling interest, based on its proportionate interest in the recognised amounts of the assets and liabilities of the acquiree</i>	3,744,820
<i>Fair value of existing interest in the acquiree</i>	936,205
Goodwill	<u>22,285</u>

The goodwill is attributable mainly to the skills and technical talent of Proventus Bina Sdn. Bhd's work force, and the diversification expected to be achieved from integrating PBSB into the Group's business. None of the goodwill recognised is expected to be deductible for income tax purposes.

The remeasurement of fair value of the Group's existing 20% interest in the acquiree resulted in a loss of RM627,877 (RM936,205 less RM1,564,082 carrying value of equity-accounted investee at acquisition date), which has been recognised in other expenses in the statement of profit or loss.

33. Significant events during the year

33.1 The Company's wholly-owned subsidiary, CIC Construction Sdn. Bhd. ("CICC") had on 22 December 2017, entered into a conditional share subscription agreement with its associate, Proventus Bina Sdn. Bhd. ("PBSB") and the existing shareholders of PBSB to further subscribe for an additional 1,035,969 new PBSB's shares, representing 38.75% of the enlarged number of issued shares of PBSB after the proposed subscription for a cash consideration of RM2,983,749. The proposed subscription will result in CICC increasing its equity stake in PBSB from existing 20% to 51%.

The transaction was completed on 19 June 2018.

33.2 The bonus issue of 40,000,000 new ordinary shares ("bonus shares") on the basis of four (4) bonus shares for every five (5) existing ordinary shares was completed on 20 September 2018.

33.3 On 30 October 2018, the Company announced that it intends to undertake the following corporate exercises ("Proposed Internal Reorganisation"):

- shares exchange of all the shares of the Company ("CICB Shares") with the shares of Central Global Berhad ("CGB") on the basis of one new CGB Share for every one CICB Share held on the entitlement date; and
- assumption of the listing status of the Company by CGB and the admission of CGB to and withdrawal of the Company from the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") with the listing of and quotation for CGB Shares on the Main Market of Bursa Securities.

In conjunction with the Proposed Internal Reorganisation, the Company had on 30 October 2018, entered into a scheme agreement with CGB for the purpose of the implementation of the Proposed Internal Reorganisation.

The above corporate proposals were approved by Bursa Securities on 2 January 2019 as well as the shareholders of the Company on 26 February 2019.

The Proposed Internal Reorganisation is yet to be completed.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



34. Subsequent events

On 27 February 2019, PBSB entered into a tripartite novation agreement with one of its contract customers and a sub-contractor to novate a debt of RM13,482,072.

35. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

35.1 Impacts on financial statements

There are no significant impacts arising from the adoption of MFRS 15 and MFRS 9 on the Group's and Company's financial statements except for the following reclassification in the statements of profit or loss and other comprehensive income:

	As previously reported RM	MFRS 15 adjustments RM	As restated RM
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For the year ended 31 December 2017

Group

Cost of sales	53,380,782	361,354	53,742,136
Distribution expenses	3,489,162	(361,354)	3,127,808

	As previously reported RM	MFRS 15 adjustments RM	As restated RM
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For the year ended 31 December 2017

Company

Cost of sales	51,074,093	2,506,361	53,580,454
Distribution expenses	3,812,958	(2,506,361)	1,306,597

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35. Significant changes in accounting policies (Cont'd)

35.2 Accounting for financial instruments

a. Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

- i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.
- ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:
 - the determination of the business model within which a financial asset is held;
- iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 January 2018:

	Category under MFRS 139	New category under MFRS 9	Carrying amount under MFRS 139 RM	Carrying amount under MFRS 9 RM
Group				
Financial assets				
Trade and other receivables, (excluding prepayments)	Loans and receivables	Amortised cost	11,230,207	11,230,207
Cash and cash equivalents	Loans and receivables	Amortised cost	12,492,976	12,492,976
Total financial assets			23,723,183	23,723,183
Financial liabilities				
Trade and other payables	Amortised cost	Amortised cost	3,713,134	3,713,134
Total financial liabilities			3,713,134	3,713,134

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)



35. Significant changes in accounting policies (Cont'd)

35.2 Accounting for revenue (Cont'd)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (Cont'd)

	Category under MFRS 139	New category under MFRS 9	Carrying amount under MFRS 139 RM	Carrying amount under MFRS 9 RM
Company				
Financial assets				
Trade and other receivables, (excluding prepayments)	Loans and receivables	Amortised cost	11,432,356	11,432,356
Cash and cash equivalents	Loans and receivables	Amortised cost	12,296,246	12,296,246
Total financial assets			23,728,602	23,728,602
Financial liabilities				
Trade and other payables	Amortised cost	Amortised cost	5,180,712	5,180,712
Total financial liabilities			5,180,712	5,180,712

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost. There is no significant change in the allowance for impairment that was recognised in opening retained earnings of the Group and of the Company at 1 January 2018 respectively on transition to MFRS 9.

Upon adoption of MFRS 15, sales commission which are incremental costs to secure contracts are reclassified from distribution expenses to costs of sales.

In the adoption of MFRS 15, the following practical expedients as permitted by the standard have been adopted:

(a) for completed contracts, the Group does not restate contracts that:

- (i) begin and end within the same annual reporting period; or
- (ii) are completed contracts at the beginning of the earliest period presented.

If this practical expedient is not applied, revenue for the current year is expected to be higher because performance obligations where revenue was recognised previously could have been recognised in the current year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35. Significant changes in accounting policies (Cont'd)

35.2 Accounting for revenue (Cont'd)

- (b) for completed contracts that have variable consideration, the Group uses the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.

The Group is unable to estimate the effects arising from the application of this practical expedient.

- (c) for contracts that were modified before the beginning of the earliest period presented, the Group does not retrospectively restate the contract for those contract modifications. Instead, the Group the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:

- (i) identifying the satisfied and unsatisfied performance obligations;
- (ii) determining the transaction price; and
- (iii) allocating the transaction price to the satisfied and unsatisfied performance obligations.

The application of this practical expedient is not expected to have material impact to the Group.

- (d) for comparatives, the Group does not disclose the amount of consideration allocated to the remaining performance obligations and an explanation of when the Group expects to recognise revenue.

STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016



In the opinion of the Directors, the financial statements set out on pages 49 to 126 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

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

.....

Wong Yuk Thin

Director

.....

Koay Then Hin

Director

Penang,

Date: 22 April 2019

STATUTORY DECLARATION

Pursuant to section 251(1)(b) of the Companies Act 2016

I, **Wong Yuk Thin**, the Director primarily responsible for the financial management of Central Industrial Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 49 to 126 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed **Wong Yuk Thin**, NRIC: 601207-10-5795, at George Town in the State of Penang on 22 April 2019.

.....
Wong Yuk Thin

Before me:

INDEPENDENT AUDITORS' REPORT

to the members of Central Industrial Corporation Berhad
(Company No. 12186 - K)(Incorporated in Malaysia)



Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Central Industrial Corporation Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 126.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

(a) Existence and accuracy of inventories

Refer to Note 10 to the financial statements.

Key audit matter

As at 31 December 2018, the Group's and the Company's inventories were RM19,585,323 and RM19,225,598 respectively. We have identified the existence and accuracy of inventories as a key audit matter due to the voluminous nature of the inventories and the amount was significant to the statements of financial position of the Group and the Company.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

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

(b) Valuation of inventories

Refer to Note 10 to the financial statements.

Key audit matter

As at 31 December 2018, the Group's and the Company's inventories were RM19,585,323 and RM19,225,598 respectively. We have identified the valuation of inventories as a key audit matter because the amount was significant to the statements of financial position of the Group and the Company and judgement was applied by the Group and the Company in determining the allowances for slow moving and obsolete inventories.

INDEPENDENT AUDITORS' REPORT

to the members of Central Industrial Corporation Berhad
(Company No. 12186 - K)(Incorporated in Malaysia)

Key Audit Matters (Cont'd)

(b) Valuation of inventories (Cont'd)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

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

(c) Recoverability of trade receivables

Refer to Note 12 to the financial statements.

Key audit matter

As at 31 December 2018, the Group's and the Company's gross trade receivables were RM31,368,788 and RM7,849,004 respectively, against which impairment allowances of RM20,495 and RM20,495 were made.

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

How the matter was addressed in our audit

We performed the following audit procedures, among others:

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

(d) Adopting MFRS 15 Revenue from Contracts with Customers

Refer to Note 2(q) - Significant accounting policy: Revenue and other income and Note 19 - Revenue.

Key audit matter

MFRS 15 Revenue from Contracts with Customers became effective on 1 January 2018. Arising from the adoption of MFRS 15, the Group and the Company were required to change accounting policy on revenue recognition. Consequently, judgements were required to evaluate contracts with customers, in particular on the number of performance obligations, allocation of transaction price to each performance obligation, the determination of whether revenue for each contract is to be recognised over time or at a point in time and new disclosures were made in the financial statements.

The accounting policy changes arising from the adoption of MFRS 15 is a key audit matter because it:

- requires us to design new audit procedures to test new processes and controls implemented by the Group and the Company;
- requires us to assess the contracts with customers of the Group and the Company; and
- requires us to exercise significant judgement to assess the allocation of transaction price to each performance obligation and the timing of revenue recognition.

INDEPENDENT AUDITORS' REPORT

to the members of Central Industrial Corporation Berhad
(Company No. 12186 - K)(Incorporated in Malaysia)



Key Audit Matters (Cont'd)

(d) Adopting MFRS 15 Revenue from Contracts with Customers (Cont'd)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- Compared the accounting policy adopted against the requirements of MFRS 15.
- Obtained an understanding of the basis of key judgements made for the revenue recognition and compared them with the requirements of the accounting standard.
- Evaluated the estimates made for the revenue recognition by determining that inputs applied were not biased and these were reasonable and supportable.
- Evaluated the appropriateness of disclosures as required by MFRS 15.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

INDEPENDENT AUDITORS' REPORT

to the members of Central Industrial Corporation Berhad
(Company No. 12186 - K)(Incorporated in Malaysia)

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

to the members of Central Industrial Corporation Berhad
(Company No. 12186 - K)(Incorporated in Malaysia)



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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Date: 22 April 2019

Penang

Lim Su Ling
Approval Number: 03098/12/2019 J
Chartered Accountant

LIST OF PROPERTIES

held as at 31 December 2018

Address/Location	Tenure	Year of Revaluation/ Acquisition	Area	Age of Building (Years)	Description/ Existing Use	Net Book Value(RM)
P.T. 8558/8559, Mukim Sungai Pasir Kuala Muda Kedah	Leasehold (Expire:2050)	2001	347,836 sq.ft.	28	Land with Factory	8,497,247
No. 5-13.1, 5-13.2, 5-14.1, 5-14.2, 5-15.1,5-15.2, 5-16.1, 5-16.2, 5-17.1, 5-17.2 and 5-18 Block A, Plaza Dwitasik, Phase 1, Bandar Sri Permaisuri, Off Jalan Permaisuri, Cheras, 56000, Kuala Lumpur.	Leasehold (Expire:2095)	2006	11,368 sq.ft.	20	Office Building	1,743,530

ANALYSIS OF SHAREHOLDING

As at 29 March 2019



Total Number of Issued Shares : 90,000,000 ordinary shares
 Class of Shares : Ordinary Shares
 Voting Rights : One vote per share

DISTRIBUTION OF SHAREHOLDINGS

As at 29 March 2019

ANALYSIS OF LISTED SECURITIES BY SIZE OF HOLDINGS AS AT 29 MARCH 2019 (WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNT BELONGING TO THE SAME PERSON)

Size of Holdings	No. of Holders	Total Holdings	%
Less than 100 shares	207	3,857	0.01
100 - 1,000 shares	150	62,625	0.07
1,001 - 10,000 shares	376	1,682,839	1.87
10,001 - 100,000 shares	130	3,478,011	3.86
100,001 - below 5% of issued shares	22	29,185,620	32.43
5% and above of issued shares	5	55,587,048	61.76
Total	890	90,000,000	100.00

DIRECTORS' SHAREHOLDINGS IN THE COMPANY

(AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 29 MARCH 2019)

No.	Name	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
1.	DR. UZIR BIN ABDUL MALIK	-	-	-	-
2.	WONG YUK THIN	-	-	-	-
3.	DATO' SERAJA MAHKOTA DATO' WIRA ZAINUDDIN	-	-	-	-
4.	DATO' TAN YEE BOON	-	-	-	-
5.	KOAY THEN HIN	-	-	-	-
6.	PHANG KWAI SANG	-	-	-	-
7.	NG SENG BEE	-	-	-	-
8.	CHUAH GUAN LEONG	7,269,030	8.08	-	-

ANALYSIS OF SHAREHOLDING

As at 29 March 2019 (Cont'd)

SUBSTANTIAL SHAREHOLDERS

As at 29 March 2019

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 29 MARCH 2019)

No.	Name	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
1.	CHUAH GUAN LEONG	7,269,030	8.08	-	-
2.	GAN LOCK YONG @ GAN CHOON HUR	8,240,400	9.16		
3.	MALAR SEGAR SDN. BHD.	22,017,678	24.46		
4.	MOHTAR BIN ABDULLAH	11,538,000	12.82		
5.	TAN BAN AIK	6,590,880	7.32		
6.	LGB HOLDINGS SDN. BHD. ^(a)	-	-	22,017,678	24.46
7.	DATO' LIM CHEE MENG ^(b)	-	-	22,017,678	24.46
8.	LIM CHIN SEAN ^(b)	-	-	22,017,678	24.46

Notes:

(a) Deemed interested by virtue of its interest in Malar Segar Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016

(b) Deemed interested by virtue of his interest in LGB Holdings Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016

THIRTY (30) LARGEST SHAREHOLDERS

As at 29 March 2019

THE 30 LARGEST SECURITIES ACCOUNT HOLDERS AS PER THE RECORD OF DEPOSITORS AS AT 29 MARCH 2019 (WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNT BELONGING TO THE SAME PERSON)

No.	Names	No. of Shares held	%
1	MALAR SEGAR SDN BHD	22,017,678	24.46
2	MOHTAR BIN ABDULLAH	11,538,000	12.82
3	GAN LOCK YONG @ GAN CHOON HUR	8,240,400	9.16
4	CHUAN GUAN LEONG	7,200,090	8.00
5	TAN BAN AIK	6,590,880	7.32
6	NG OI HAN	3,960,000	4.40
7	LAMBANG PROGRESIF SDN BHD	3,600,000	4.00
8	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR KONG TECK FONG	3,267,000	3.63
9	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LIM ENG HUAT	2,849,400	3.17
10	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LOW KENG SIONG	2,646,000	2.94
11	PHANG WAI HOONG	2,160,000	2.40
12	NEOH POH LAN	1,998,000	2.22
13	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LOW KENG SIONG (8125104)	1,764,000	1.96
14	KENANGA NOMINEES (ASING) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR RA WHA HYUN (009)	1,621,980	1.80
15	PHANG WAI HOONG	1,620,000	1.80
16	JULIET YAP SWEE HWANG	1,116,360	1.24
17	YANG LAI SEE	631,800	0.70

ANALYSIS OF SHAREHOLDING

As at 29 March 2019 (Cont'd)



No.	Names	No. of Shares held	%
18	HLB NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR KONG TECK FONG	378,000	0.42
19	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR KONG TECK FONG (7004758)	270,000	0.30
20	YONG WO MOI	258,660	0.29
21	CHEN CHOONG FATT	210,300	0.23
22	YONG WO MOI	187,560	0.21
23	BALAKRISNEN A/L SUBBAN	180,000	0.20
24	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LAI OIE KUN (M)	151,200	0.17
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR KUAN SHIN NYIAP	110,160	0.12
26	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR KAM WEI LIN (8028270)	104,400	0.12
27	LIM PENG HONG	100,800	0.11
28	ONG WEE LIEH	99,000	0.11
29	TEOH CHENG HOE	93,420	0.10
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CHUNG CHIT MIN	83,700	0.09

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CENTRAL INDUSTRIAL CORPORATION BERHAD
(Company No. 12186-K)

PROXY FORM

No. of Shares Held:	
CDS Account No.	

I/We.....
(Full name in block letters)

of.....
(Full address)

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

Name of proxy, NRIC No. & Address	No. of shares to be represented by proxy
1.
2.

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend and vote for *me/us and on my/our behalf at the Forty-Sixth Annual General Meeting of the Company to be held at The Royale 2, Level 2, The Royale Chulan Damansara, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 29 May 2019 at 10:00 a.m. and at every adjournment thereof.

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

Ordinary Resolutions		For	Against
1	To re-elect the director, Dr. Uzir Bin Abdul Malik		
2	To re-elect the director, Mr. Phang Kwai Sang		
3	To re-elect the director, Mr. Ng Seng Bee		
4	To re-appoint Messrs. KPMG PLT as Auditors of the Company		
5	To retain Dato' Seraja Mahkota Dato' Wira Zainuddin Bin Mahmud as Independent Non-Executive Director		
6	To retain Mr. Koay Then Hin as Independent Non-Executive Director		

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

As witness my hand this.....day of.....2019.

.....
Signature/Common Seal

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

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 23 May 2019 shall be entitled to attend the Forty-Sixth Annual General Meeting or appoint a proxy to attend, speak and vote on his behalf.
2. A member of the Company entitled to attend, speak and vote at this meeting is entitled to appoint a proxy to attend, speak and vote in his stead. A member may appoint more than two (2) proxies to attend at the same meeting. All voting will be conducted by way of poll. Where a member appoints two or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
3. Where a member of the Company is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation under its Common Seal or the hand of its attorney.
5. All forms of proxy must be deposited at the Company's Registered Office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

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Affix
Stamp Here

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

Fold here



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

Tel : 604-4227 888
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