



**CLASSIC SCENIC BERHAD**  
(633887-M)



annual  
report **2004**

## Corporate Profile

### The Path To Success

Classic Scenic Berhad ("CSCENIC") was incorporated on 10 November 2003 and listed on the Second Board of the Bursa Malaysia Securities Berhad on 4 November 2004. CSCENIC is an investment holding company, with its subsidiaries principally engaged in the manufacturing of wooden picture frame moulding.

The phenomenal growth of the Group as a wooden picture frame moulding manufacturer can be traced back to its humble inception in 1994. We attribute the spectacular growth chiefly to the patronage extended to us throughout the years, by our valued customers. In addition, our suppliers, bankers, and loyal staff, have also played a pivotal role in transforming and propelling the Group to where we are today, i.e. the largest picture frame moulding manufacturer in Malaysia and among the top ranks of global leaders in this industry. Today, the Group's manufacturing facility covers a land area of 420,000 sq feet with 5 plants and employs 360 people.

The manufacturing of wooden picture frame moulding is undertaken by wholly-owned subsidiary, Scenic Moulding (M) Sdn. Bhd. ("SM"). In December 2001, SM has been certified for ISO 9001:2000 by Lloyd's Register Quality Assurance; an internationally recognized quality standard. This endorsement signifies the commitment of the Group towards quality and reflects the Group's efforts to deliver high quality and competitive products to customers. Survey results and feedback from satisfied customers reinforce our perception of our competitive position vis-à-vis others, and convince us that we are on the right track.

To enhance growth and profitability, the Group will manage its resources effectively, improve efficiency and production capacity and continue to invest in research and development to develop unique and captivating new products, designs and finishes.



## Cover Rationale



Perceptions of class and beauty are fickle, and much dynamism is needed to meet this challenging business scenario. Classic Scenic's forte in innovation, total quality management and uncompromising customer satisfaction will be its main drivers to ensure its continued premier position in the picture frame moulding industry.

## Contents

02 Financial Highlights • 03 Chairman's Statement • 07 Corporate Information • 08 Corporate Structure •  
 09 Board of Directors' Profile • 10 Statement on Corporate Governance • 13 Statement on Internal Control •  
 14 Audit Committee Report • 17 Additional Compliance Information • 19 Financial Statements • 54 List of  
 Properties • 56 Analysis of Shareholdings • 59 Notice of AGM • 61 Statement Accompanying Notice of AGM  
 • Proxy Form

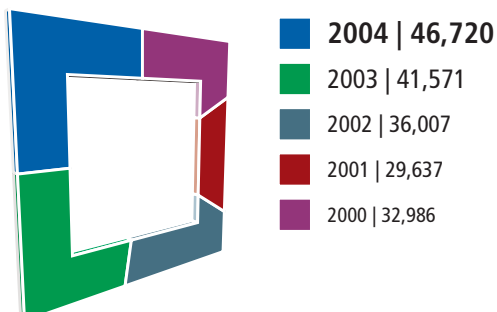
## Financial Highlights (Proforma Group)

The table below sets out a summary of the proforma consolidated results of the CSCENIC Group for the past five (5) years, based on the audited financial statements of CSCENIC and its subsidiaries prepared on the assumptions that the current structure of the Group has been in existence throughout the five (5) financial years ended 31 December 2000 to 31 December 2004, with adjustments made where necessary.

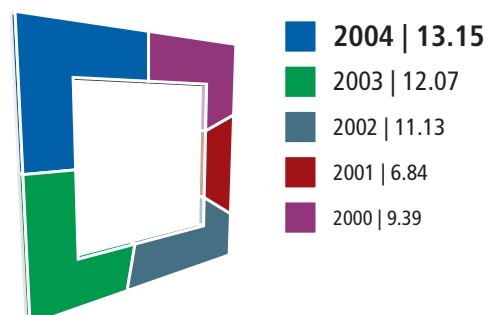
	2004	2003	2002	2001	2000
Revenue (RM'000)	46,720	41,571	36,007	29,637	32,986
Profit Before Tax (RM'000)	15,099	13,431	12,239	8,552	11,893
Profit After Tax (RM'000)	13,146	12,066	11,129	6,842	9,385
Gross Earnings Per Share (sen)*	15.10	13.43	12.24	8.55	11.89
Net Earnings Per Share (sen)*	13.15	12.07	11.13	6.84	9.39

\*EPS is computed based on the enlarged share capital of 100,000,000 shares

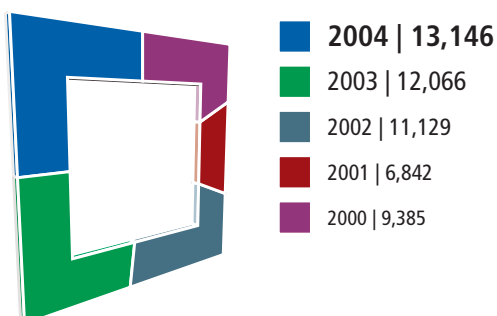
### Revenue (RM'000)



### Net Earnings Per Share (Sen)



### Profit After Tax (RM'000)





## Chairman's Statement

As at 31 December 2004, the Group's products were exported to 57 customers in 15 countries, including United States, Canada, Australia, Norway...

... the unfavourable business climate caused by the strong Euro and high crude oil prices currently affecting our competitors, will present opportunities for the Group.

Lim Chee Keong  
Executive Chairman

## Chairman's

### Statement (cont'd)



*Listing of CSCENIC on Bursa Securities*

#### BEGINNING OF A NEW ERA

A new era began for us at CLASSIC SCENIC BERHAD ("CSCENIC"), with our listing on the Bursa Malaysia Securities Berhad ("Bursa Securities"), on 4 November 2004. Since then, we are most heartened by the progress and results achieved, and as such, on behalf of the Board of Directors of CSCENIC, and consolidated subsidiaries, it gives me great pleasure to present the Group's Annual Report and Audited Financial Statements, for the financial year ended 31 December 2004.

#### OVERVIEW

Two major factors in 2004 were in favour of CSCENIC, although it caused difficult business environments for our European competitors, as well as plastic picture frame manufacturers.

Firstly, a strong Euro has led to a marked increase in orders for CSCENIC from North America and Europe as competing European picture frame products have become significantly more expensive.



*Italian - made sanding belt and wheel machines*

However, on the other hand, the strong Euro did not affect CSCENIC much, as we had earlier on upgraded many of our imported European equipment and machinery when the Euro was just in its strengthening phase.

Secondly, high crude oil price resulted in escalating plastic resins prices, the main raw material for plastic picture frame manufacturing industry, making them lose their price competitiveness versus the natural wooden equivalent. Even under "normal" crude oil prices when synthetics frames could go for lower prices, wooden picture frame mouldings has always held its own due to the inherently unique wood grain appearance and a superior finishing; qualities which account for the perception of elegance and higher value among many in the picture framing world. CSCENIC will capitalise on the opportunities in light of the above mentioned advantages to forge ahead and grow market share.

#### REVIEW OF FINANCIAL PERFORMANCE

CSCENIC completed the acquisition of all subsidiaries on 31 July 2004 and hence, the Company and its subsidiaries recorded a post-acquisition revenue and profit after tax of RM18.88 million and RM5.37 million respectively. On a full year proforma basis, the Group achieved a revenue and profit after tax of RM46.72 million and RM13.15 million respectively for the financial year ended 31 December 2004. These figures represent an increase of 12.3% for revenue, and 8.9% for profit after tax, compared to corresponding proforma figures of RM41.57 million and RM12.07 million respectively. This growth was mainly attributed to sustained increase in demand from old and new export markets.

Overall, the gross profit margin for the year remained at a healthy 46.8%. The weighted average earnings per ordinary share on the enlarged share capital of the Company resulting from the restructuring exercises of the Company for the financial year ended 31 December 2004 was 13.5 sen.

#### CORPORATE HIGHLIGHTS

The listing of CSCENIC on Bursa Securities on 4 November 2004 was a great milestone in our journey towards excellence, and we are proud to be given due recognition for our efforts, and more so as CSCENIC is the only wooden picture frame moulding entity on Bursa Securities. Now, with the listing, the Company is better positioned to penetrate new export markets with enhanced reputation, a stronger financial position and better able to recruit and retain staff.

## Chairman's

### Statement (cont'd)

In conjunction with the listing scheme, the Company has completed the restructuring exercises which involve the acquisition of Scenic Moulding (M) Sdn. Bhd. ("SM"), Classic Frame Moulding (M) Sdn. Bhd. ("CFM"), Lim Ket Leng Realty Sdn. Bhd. ("LKLR"), Lim Ket Leng Marketing Sdn. Bhd. ("LKLM") and Lim Ket Leng Timber Sdn. Bhd. ("LKLT"), rights issue and public issue.

#### BUSINESS AND OPERATIONS OVERVIEW

##### World class wooden picture frame moulding manufacturer

CSCENIC is the largest manufacturer of wooden picture frame moulding in Malaysia as well as one of the largest in the Asia region with capacity anticipated to reach 33 million linear feet (based on an average one-11-hour shift per day) in 2005. As at 31 December 2004, the Group's products were exported to 57 customers in 15 countries, including United States, Canada, Australia, Norway, Sweden, Germany, Japan and China. Exports revenue accounted for 93.6% of the Group's revenue for the financial year ended 31 December 2004.

##### New markets

Marketing efforts in reducing the Group's dependency on certain existing major customers and geographical locations is top on the agenda of management. The European and Middle-East are the two (2) emerging markets that we have not fully tapped. In 2004, CSCENIC participated in the Quadrum Saca Trade Show in Bologna, Italy, the world's most renowned and largest trade exhibition for the picture framing industry, held from 19 to 22 February 2004. The Company maintained a large booth space to display its



German - made moulder machines

diverse range of products, as well as to touch base with buyers, evaluate competitors, and keep abreast of technological advancements in methods, materials and machineries.



Exhibition booth at Quadrum Saca Trade Show in Bologna, Italy





## Chairman's

### Statement (cont'd)

#### Focus on Research and Development

Innovation remains key pillar in CSCENIC's philosophy, and we expect to come up with 150 new products in 2005, to influence trends, and to cater to changes in customers' needs. In addition, the Group also continues to explore the use of alternative wood-based materials to reduce reliance on certain timber species and to counter excessive price increases for those species.

#### Award and certification

Internationally, CSCENIC's SM ISO 9001:2000 certification has also been renewed by Lloyd's Register Quality Assurance in December 2004, prominently signifying the Group's continued commitment to the production of a high and consistent quality product to meet discerning customers.

On the domestic front, CSCENIC's SM was selected to be one of the recipients of the Malaysian Enterprise 50 Award for the year 2004. This award recognises the achievements of Malaysia's homegrown enterprises which are well positioned to take on future global challenges, and we are justifiably honoured to receive this accolade.

#### DIVIDENDS

The Board of Directors is pleased to recommend a first and final tax-exempt dividend of 2.5 sen per ordinary share of RM0.50 each, exceeding the dividend forecast stated in the Prospectus issued on 30 September 2004 of 2.0 sen, in respect of the financial year ended 31 December 2004 for approval at the forthcoming Annual General Meeting.

#### OUTLOOK AND PROSPECTS

As mentioned earlier, the unfavourable business climate caused by the strong Euro and high crude oil prices currently affecting our competitors, will present opportunities for the Group. Rest assured, CSCENIC will not rest on its laurels, and will strive to further increase output and production efficiency with the expansion of our factory premises and facilities, which commenced production in

March 2005. This will ensure the Company is well positioned to meet increased orders not only from existing markets, but also from important emerging ones such as Middle-East and Europe.

Barring any unforeseen circumstances, the Board expects the performance of the Company to be favourable in the current financial year ending 31 December 2005.

#### ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board of Directors, I would like to unreservedly express our acknowledgement, and appreciation to CSCENIC's dedicated and able staff, all of whom have been instrumental in the smooth operations in CSCENIC's journey to excellence. We also gratefully acknowledge the unwavering support, useful feedback, and continued confidence of our valued customers, dependable suppliers, business associates, the media, our bankers, fund managers, and last but not least, government regulatory bodies.

I conclude with a sincere thank you to my fellow board members for their support and contribution to the Group's advancement in 2004, and look forward to their unabated enthusiasm to make CSCENIC in 2005 more cemerlang, gemilang and terbilang!

#### Lim Chee Keong

Executive Chairman

Kuala Lumpur,  
28 May 2005





## BOARD OF DIRECTORS

Lim Chee Keong  
Executive Chairman

Lim Chee Beng  
Managing Director

Lim Chee Khoon  
Executive Director

Lim Chee Hwa  
Executive Director

Tang Kam Chee  
Independent  
Non-Executive Director

Tee Sze Ping  
Independent  
Non-Executive Director

## BOARD COMMITTEES

### Audit Committee

#### Chairman

Tee Sze Ping  
Independent Non-Executive Director

#### Member

Tang Kam Chee  
Independent Non-Executive Director  
Lim Chee Keong  
Executive Chairman

### Nomination Committee

#### Chairman

Tang Kam Chee  
Independent Non-Executive Director

#### Member

Tee Sze Ping  
Independent Non-Executive Director

### Remuneration Committee

#### Chairman

Tang Kam Chee  
Independent Non-Executive Director

#### Member

Tee Sze Ping  
Independent Non-Executive Director  
Lim Chee Keong  
Executive Chairman

### Company Secretary

Sha Thiam Fook (MIA 1832)  
Chow Chooi Yoong (MAICSA 0772574)

### Head Office

Lot 12, Jalan RP3  
Taman Rawang Perdana  
48000 Rawang  
Selangor Darul Ehsan  
Telephone No : 03 – 6091 7477  
Facsimile No : 03 – 6091 6766  
Email : classic@fmm.jaring.my  
Website : www.classicscenic.com

### Registered Office

Lot 4.100, Tingkat 4, Wisma Central  
Jalan Ampang, 50450 Kuala Lumpur  
Telephone No : 03 – 2161 9733  
Facsimile No : 03 – 2162 8157

### Auditors

KPMG (Firm No : AF 0758)  
Chartered Accountants  
Wisma KPMG  
Jalan Dungun  
Damansara Heights  
50490 Kuala Lumpur

### Principal Bankers

Hong Leong Bank Berhad  
Bangkok Bank Berhad

### Share Registrar

Symphony Share Registrars Sdn. Bhd.  
(formerly known as Malaysian Share Registration Services Sdn. Bhd.)  
Level 26, Menara Multi-Purpose  
Capital Square  
No 8 Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Telephone No : 03 – 2721 2222  
Facsimile No : 03 – 2721 2530

### Stock Exchange Listing

Bursa Malaysia Securities Berhad, Second Board  
(Listed since 4 November 2004)  
Stock Code : 7202  
Stock Name : CSCENIC

## Corporate Structure



**Classic Scenic Berhad**  
(633887-M)  
*(Incorporated in Malaysia under the Companies Act, 1965)*



Abbreviation	Full Name	Principal Activities
<b>Holding Company :</b>		
CSCENIC	Classic Scenic Berhad	Investment holding
<b>Subsidiaries :</b>		
SM	Scenic Moulding (M) Sdn. Bhd.	Manufacture of wooden picture frame moulding
CFM	Classic Frame Moulding (M) Sdn. Bhd.	Property holding and rental of properties
LKLR	Lim Ket Leng Realty Sdn. Bhd.	Property holding and rental of properties
LKLT	Lim Ket Leng Timber Sdn. Bhd.	Manufacture of timber products
LKLM	Lim Ket Leng Marketing Sdn. Bhd.	Marketing of timber-related products

## Board of Directors' Profile

### LIM CHEE KEONG

Malaysian, aged 50 (Executive Chairman)

**Lim Chee Keong** was appointed as the Chairman of CSCENIC on 3 August 2004. He is also the chairman of the Employees' Share Option Scheme ("ESOS") Committee and a member of the Audit and Remuneration Committee. He is the Honorary Assistant Treasurer for Selangor and Federal Territory Timber Traders' Association. He is the main founder of the Group and has accumulated 30 years of experience in the wood-based industry. His career started in 1974, when he took over the family business, which was in the manufacturing of wooden crates and was responsible for the overall operations. The business expanded into manufacturing of wooden pallets in 1988 and in 1994, he was instrumental in diversifying the Group's business operation into manufacturing of wooden picture frame moulding.

### LIM CHEE BENG

Malaysian, aged 42 (Managing Director)

**Lim Chee Beng** was appointed to the Board on 3 August 2004. He is also a member of the ESOS Committee. He graduated with a Bachelor of Science Degree, majoring in Mathematics (Upper Second Class Honours) from the University of Malaya in 1989. His career started when he joined the Group in 1989 as Planning and Operations Director providing research and technical support to production and marketing departments.

He also sits on the Board of STEMI Bhd, a non-profit organisation limited by liability.

### LIM CHEE KHOON

Malaysian, aged 48 (Executive Director)

**Lim Chee Khoon** was appointed to the Board on 3 August 2004. He is a member of the ESOS Committee. He was the co-founder of the Group and has accumulated more than 30 years of experience in the wood-based industry. He has contributed significantly in providing the technical expertise in the Group's manufacturing operations including developing the processes of manufacturing the entire range of wooden picture frame moulding, from moulding and profiling, formulation of coatings to finishing.

### LIM CHEE HWA

Malaysian, aged 47 (Executive Director)

**Lim Chee Hwa** was appointed to the Board on 3 August 2004. He is also a member of the ESOS Committee. He graduated with a Bachelor of Arts Degree (Honours), majoring in Economics and Geography from Middlesex Polytechnic in 1982. He started his career as a valuation assistant in a property valuation firm during 1982 before leaving in 1984 to take up the position as an Administrative Officer with Bangkok Bank Berhad in Malaysia. Subsequently in 1997 he joined the Group as the Finance and Marketing Director primarily responsible for developing the Group's marketing plan focusing on new business development and managing the financial performance of the Group.

### TANG KAM CHEE

Malaysian, aged 50 (Independent Non-Executive Director)

**Tang Kam Chee** was appointed to the Board on 3 August 2004. He is the Chairman of the Remuneration and Nomination Committee. He is also a member of the Audit Committee and ESOS Committee. He graduated with a Diploma in Business Studies from Kolej Tunku Abdul Rahman in 1977. He is also a member of both the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators, United Kingdom. He started his audit career with Hanafiah Raslan Mohamad (merged and now known as Ernst & Young) a public accounting firm in 1977. He has various experiences from working in industries such as in the beverage business with Fraser & Neave Berhad, the motor assembly operations with Cycle & Carriage Bintang Berhad, financial services with MBF Capital Berhad and in property development with Metroplex Berhad.

He is currently a Director of Ken Holdings Bhd ("KHB") and also a Director of a number of subsidiaries under the KHB Group.

### TEE SZE PING

Malaysian, aged 37 (Independent Non-Executive Director)

**Tee Sze Ping** was appointed to the Board on 3 August 2004. He is the Chairman of the Audit Committee. He is also a member of the Remuneration and Nomination Committee. He graduated with a LLB (Honours) Degree, from the University College of Wales, Aberystwyth, United Kingdom in 1990. Subsequently, he obtained a certificate in Legal Practice from University of Malaya in 1991. He was admitted to the Malaysian Bar at the High Court of Malaya in Kuala Lumpur in 1992. He started his own legal practice, Messrs Richard Tee & Co, Advocates & Solicitors in 1996.

### OTHER INFORMATION ON DIRECTORS

Save for Lim Chee Keong, Lim Chee Beng, Lim Chee Khoon and Lim Chee Hwa who are brothers, none of the Directors are related to each other and/or any other substantial shareholders of CSCENIC. In addition, all the above Directors have no conflict of interest with the Group and have no conviction for any offences other than traffic offences, if any, in the past ten (10) years. One (1) Board Meeting was held in the financial year ended 31 December 2004 and was attended by all the Directors.



## Statement on Corporate Governance

The Board of Classic Scenic Berhad ("CSCENIC") acknowledges the importance of maintaining good corporate governance in the Group. To achieve this objective, the Board is committed to ensure that the principles of corporate governance and best practices as set out in the Malaysian Code on Corporate Governance ("the Code") are being observed.

In this Corporate Governance Statement, the Board is pleased to report the state of corporate governance in CSCENIC for the current financial year.

### THE BOARD OF DIRECTORS

The Company is led and managed by an effective Board comprising of directors with professional and business experiences. The current board members consist of six (6) members and all were appointed on 3 August 2004 with one third (1/3) or two (2) of them being Independent Non-Executive Directors. The roles and responsibilities of the Executive Chairman and Managing Director are assumed by different directors. In addition, the Board had identified Mr Tee Sze Ping as the Senior Independent Non-Executive Director to whom concerns may be conveyed.

A description of the background of each director is presented on page 9.

The Board is provided with appropriate and timely information to enable it to discharge its duties effectively. The management and auditors are also invited to be present at the Board and Audit Committee meetings to provide further explanations and reports to the Board as and when necessary. The Board has also established specific Board Committees, namely the Audit Committee, ESOS Committee, Nomination Committee and Remuneration Committee to allow greater attention, expertise, experience and objectivity to be provided by the relevant board members to the specific board agenda. However, in order to ensure that the strategic direction and control of the Group is firmly within the Board, the Board has defined the terms of reference for each committee. The recommended decisions on all matters deliberated at these Committees are required to be approved by the Board.

Upon listing on 4 November 2004, a Board meeting was held on 16 November 2004. This meeting was attended by all Directors.

### APPOINTMENT TO THE BOARD

The Nomination Committee was established on 19 October 2004. The objective of this Committee is to ensure that there is a formal and transparent procedure for the appointment of new Directors to the Board. The members of the Committee comprise of:

Chairman: Tang Kam Chee (Independent Non-Executive Director)  
Member : Tee Sze Ping (Independent Non-Executive Director)

The duties and responsibilities of the Nomination Committee are:-

- i) To determine the core competencies and skills required of the Board members to best serve the business and operations of the Group as a whole and the optimum size of the Board to reflect the desired skills and competencies required for the Group;
- ii) To recommend to the Board on the appropriate balance and size of executive and non-executive participation and whether the current Board representation satisfies this requirement;
- iii) To recommend to the Board, candidates for appointment as director to be filled by the shareholders or the Board;
- iv) To consider, in making its recommendations, for candidates proposed for directorships by the Managing Director/Chief Executive Officer and, within the bounds of practicability, by any other Director or Shareholder;
- v) To recommend to the Board, Directors to fill the seats on Board Committees;
- vi) To undertake an annual review of the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board; and
- vii) To assist the Board in implementing procedures that would enable the Nomination Committee to conduct an annual assessment on the effectiveness of the Board as a whole, on the Committees of the Board and on the contribution and performance of Directors and Board Committee members.

As recommended by the best practice, the Nomination Committee has scheduled an annual Directors' appraisal which would be conducted on the anniversary date of the Company's listing on Bursa Malaysia Securities Berhad ("Bursa Securities") in November 2005.

### DIRECTORS' TRAINING

The Board views continuous learning and training as an integral part of the Directors' development. The Board would identify suitable training programme for Directors' training in furtherance their responsibilities.

## Statement on Corporate Governance (cont'd)

Subsequent to the financial year, all board members have completed the Mandatory Accreditation Programme in accordance with the Listing Requirements.

### RE-ELECTION OF DIRECTORS

Director's re-election provides an opportunity for shareholders to renew their mandate conferred to the Directors. In this respect, the Articles of Association of the Company provides that:

- i. All directors appointed to the Board during the year shall retire at the Annual General Meeting ("AGM") and be eligible for re-election; and
- ii. An election of Directors shall take place each year and all Directors shall retire from office once in every three (3) years or at least one-third (1/3) of Board shall retire but shall be eligible to offer themselves for re-election.

In addition, Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Information of each Director standing for election covering their personal profile, meeting attendance, directorships in other public companies and shareholdings in the Group is furnished in the Statement Accompanying the Notice of AGM.

### DIRECTORS' REMUNERATION

The Remuneration Committee was established on 19 October 2004. The objective of this Committee is to recommend to the Board the remuneration of Executive Directors in all its forms. To this end, the Committee adopts the principles recommended by the Code in determining the Directors' remuneration, whereby, the Executive Directors' remuneration is designed to link rewards to the Group's performance whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience and the level of responsibilities assumed.

The members of the Remuneration Committee are as follows:

Chairman : Tang Kam Chee (Independent Non-Executive Director)  
Member : Tee Sze Ping (Independent Non-Executive Director)  
Member : Lim Chee Keong (Executive Chairman)

Following are the duties and responsibilities of the Remuneration Committee:

- i) To recommend to the Board the remuneration of all Executive Directors;
- ii) To ensure a fair remuneration of the Board members and other level of management;
- iii) To conduct continued assessment of individual Executive Directors to ensure that their remuneration is directly related to corporate and individual performance;
- iv) To obtain the advice and information from external source, if necessary, to compare the remuneration currently earned by the Executive Directors and those paid to Executive Directors of other companies of similar size in a comparable industry sector; and
- v) To ensure that the base salary element is competitive but fair and to provide objective and independent assessment of the benefits granted to Executive Directors.

The number of Directors whose income falls within the following bands is set out as follows:

Remuneration Bands	Executive Directors	Non-Executive Directors
RM50,000 and below	-	2
RM350,001-RM400,000	4	-

The aggregate remuneration paid or payable to all Directors by the Group are further categorised into the following components:

	Fees* (RM)	Salaries# (including bonuses & EPF) (RM)	Benefit in kind# (RM)	Allowance (RM)	Total (RM)
Executive Directors:	-	1,411,200	102,250	-	1,513,450
Non-Executive Directors:	10,000	-	-	1,000	11,000

\* Subject to the approval by shareholders.

# Including pre and post acquisition emoluments and benefits-in-kind paid or payable to these Directors during the financial year.

## Statement on Corporate Governance (cont'd)

### SHAREHOLDERS

The Board endeavours to provide timely and accurate disclosure of all material information of the Group to the shareholders and investors. However, in doing so, the Board and the management are mindful of the share price sensitive information and the fair opportunity of information to shareholders and investors.

Information is disseminated through various disclosures and announcements made to Bursa Securities which includes the quarterly financial results, audited financial statements and Annual Reports. This information is also electronically published at the Bursa Securities website at <http://www.bursamalaysia.com> and it is accessible by public.

The AGM is recognized as a principal forum for dialogue with all shareholders. Shareholders are encouraged to participate in discussion and to give their views to the Board. Extraordinary General Meetings are held as and when required. At the General Meetings, the Directors are available to respond to the shareholders' queries.

### ACCOUNTABILITY AND AUDIT

In presenting the quarterly financial results, audited financial statements and Annual Reports, the Board aims to present a balanced and understandable assessment of the Group's financial position and prospects.

The Board also affirms its responsibility for maintaining a sound system of internal control for the Group. The Board has implemented the ISO 9001:2000 Quality Management System, standard operating procedures and defined the management authority limits as part of the system of internal control. Subsequent to the financial year, the Board has engaged a consultant to assist the company in introducing a structured and documented risk management framework to evaluate and improve the adequacy and effectiveness of the Group's risk management process. The internal audit function is expected to be established by the second quarter of 2005 which shall assist the Audit Committee to examine the effectiveness of the internal control system based on the risk profile of the Group.

To maintain a transparent and formal relationship with the Company's Auditors, the Audit Committee reviews the appointment, performance, independence and remuneration of the

Auditors. If deemed necessary, the Audit Committee will convene meetings with Auditors without the presence of the Executive Directors. The Audit Committee has reviewed and verified the allocation of options granted to employees during the financial year ended 31 December 2004 in a meeting held in April 2005. The Audit Committee Report covering its terms of reference, composition, activities and attendance of the members are reported separately on pages 14 to 16.

### COMPLIANCE WITH THE BEST PRACTICES

Other than the areas explained in the above paragraphs, the Board of Directors has, upon their appointment on 3 August 2004, complied with the Best Practices of the Malaysian Code of Corporate Governance and will endeavour to ensure continual compliance.

### DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the annual audited financial statements of the Group and of the Company are drawn up in accordance with the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the Listing Requirements of Bursa Securities so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2004 and of the results of their operations and cash flows for the year ended on that date.

In preparing the annual audited financial statements, the Directors have:

- applied appropriate and relevant accounting policies consistently;
- made judgments and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

The Directors are also responsible for ensuring that proper accounting and other records are kept which enable the preparation of the financial statements with reasonable accuracy and taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.



## Statement on Internal Control

The Board of Directors of Classic Scenic Berhad acknowledges the importance of the system of internal control and affirms that it is their responsibility to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. In this respect the Board assumes its responsibility for identifying principal risks, ensuring the implementation of appropriate systems to manage these risks and reviewing the adequacy and integrity of the Group's systems of internal control. However, it should be noted that risk management system and system of internal control are only designed to manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems can only provide reasonable but not absolute assurance against material misstatements or losses.

The Board has considered the system of internal control in operation during the financial period and the key elements of the system are as follows:

- Annual budget is prepared for each subsidiary and approved by the Managing Director. Management accounts/reports are prepared on a monthly basis and the actual performance is compared against the budget on a quarterly basis;
- Operational review meetings are held and attended by the Executive Directors and the department heads to assess the performance of the Group's operations. During the meeting, key operational issues are also identified, discussed and resolved;
- Appointment of staff is based on the required level of qualification, experience and competency to fulfil their responsibilities. Training and development is provided for selected staff to further enhance their skill and capability;

- Standard Operating Procedures which include the ISO 9001:2000 Quality Management System for a major subsidiary of the Group, namely Scenic Moulding (M) Sdn Bhd ("SM") are documented with management organisation structure, line of accountability and authority;
- Quarterly financial reports including the quarterly announced results are reviewed by the Audit Committee; and
- ISO 9001:2000 Quality Management System has been implemented for SM. Internal quality audits are carried out by the management and semi-annual surveillance audits are conducted by a certification body to provide assurance of compliance with the ISO 9001:2000 Quality Management System.

To further strengthen the current control framework, the board has adopted the broad principles of the guidelines issued for directors on internal control i.e ***The Statement on Internal Control: Guidance for Director of Public Listed Companies***. In this respect, an independent consultant was appointed on 19 January 2005 to assist the Company in establishing a structured and documented risk management framework to monitor and improve the adequacy and effectiveness of the Group's risk management process. Upon establishing the risk management framework, the Board will outsource the Group's internal audit function to an external consultant to assist the Audit Committee in reviewing the systems of internal control of the Group by the second quarter of 2005.

The Board recognises that the system of internal control must continuously improve in line with the growth of the Group and evolving business environment. The Board is committed to put in place appropriate action plans, where necessary, to continuously improve the Group's system of internal control.

## COMPOSITION

The Audit Committee of Classic Scenic Berhad ("CSCENIC") was established on 4 August 2004. For the financial year ended 31 December 2004, the Audit Committee comprises the following directors:-

### Chairman

Tee Sze Ping Independent Non-Executive Director

### Members

Tang Kam Chee Independent Non-Executive Director

Lim Chee Keong Executive Chairman

## TERMS OF REFERENCE

### 1) POLICY

The policy of the Audit Committee is to ensure that internal and external audit functions are properly conducted and that audit recommendations are being carried out effectively by the CSCENIC group of companies.

### 2) OBJECTIVES

The objectives of this policy are:-

- (a) to assure the shareholders of the Company that the Directors of the Company have complied with the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and required disclosure policies developed and administered by Bursa Malaysia Securities Berhad ("Bursa Securities");
- (b) to ensure consistency with Bursa Securities' commitment to encourage high standards of corporate disclosure and to adopt best practices aimed at maintaining appropriate standards of corporate responsibility, integrity and accountability to all the Company's shareholders; and
- (c) to relieve the full Board of Directors from detailed involvement in the review of the results of internal and external audit activities and yet ensure that audit findings are brought to the highest level for consideration.

### 3) MEMBERSHIP

- 3.1) The Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than three (3) members, of whom the majority shall be independent.

- 3.2) The Committee shall include at least one (1) person who is a member of the Malaysian Institute of Accountants or alternatively a person who must have at least 3 years' working experience and have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967 or is a member of one of the associations of accountants specified in Part II of the said Schedule or alternatively a person who has fulfilled such other requirements as prescribed by Bursa Securities.

- 3.3) No alternate Director shall be appointed as a member of the Committee.

- 3.4) The members of the Committee shall elect from among their number a chairman who is non-executive and independent, as defined above.

- 3.5) If one or more members of the Committee resign, die or for any other reason cease to be a member with the result that the Listing Requirements of Bursa Securities are breached, the Board shall, within three (3) months of the event, appoint such number of new members as may be required to correct the breach.

- 3.6) The Board shall review the term of office of Committee members no less than once every three (3) years.

### 4) AUTHORITY

The Committee is authorised by the Board, in accordance with the procedures to be determined by the Board (if any) and at the cost of the Company, to:

- (a) investigate any activity within the Committee's terms of reference;
- (b) have resources which are reasonably required to enable it to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company or the Group;
- (d) have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any);
- (e) obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and

## Audit Committee Report (cont'd)

- (f) convene meetings with the External Auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

### 5) DUTIES

The duties of the Committee shall be to review the following and report the same to the Board:-

- (a) Any matters concerning the appointment and dismissal of the External Auditors and to recommend the audit fee;
- (b) The nature and scope of the audit by the External Auditors before commencement;
- (c) The External Auditors' audit report, areas of concern arising from the audit and any other matters the External Auditors may wish to discuss (in the absence of management if necessary);
- (d) Any financial information for publication, including quarterly and annual financial statements, before submission to the Board, focusing particularly on:-
- (i) any changes in accounting policies and practices;
  - (ii) significant adjustments arising from the audit;
  - (iii) the going concern assumption;
  - (iv) compliance with accounting standards and other legal requirements;
- (e) The External Auditors' management letter and management's response;
- (f) To do the following where an internal audit function exists:-
- (i) review the adequacy of the scope, functions and resources of internal audit function, and that it has the necessary authority to carry out its work;
  - (ii) review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
  - (iii) review any appraisal or assessment of the performance of members of the internal audit function;
  - (iv) approve any appointment or termination of senior staff members of the internal audit function;

- (v) inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;

- (vi) to consider the major findings of internal audit work and management's response;

- (g) Extent of cooperation and assistance given by employees;
- (h) The propriety of any related party transactions and conflict of interest situations that may arise within the Company or the Group;
- (i) Review and verify the allocation of options granted to employees pursuant to the Company's Employees' Share Option Scheme; and
- (j) Any other matters as directed by the Board.

### 6) OVERSEEING THE INTERNAL AUDIT FUNCTION

- 6.1) The Committee shall oversee all internal audit functions and is authorized to commission investigations to be conducted by Internal Auditor as it deems fit.
- 6.2) The Internal Auditor shall report directly to the Committee and shall have direct access to the Chairman of the Committee.
- 6.3) All proposals by management regarding the appointment, transfer or dismissal of the Internal Auditor shall require the prior approval of the Committee.

### 7) QUORUM FOR MEETINGS

The quorum shall be formed only if there is a majority of members present at the meeting who are independent directors.

### 8) ATTENDANCE AT MEETINGS

The Head of Finance, the Head of Internal Audit, and a representative of the External Auditors shall normally attend meetings. Other Board members and employees may attend any particular meeting only at the Audit Committee's invitation, specific to the relevant meeting. However, at least once a year the Committee shall meet with the External Auditors without executive Board members present.

### 9) FREQUENCY OF MEETINGS

The Chairman shall call for meetings, to be held not less than four (4) times a year. The External Auditors may request a meeting if they consider one necessary.



### 10) PROCEEDINGS OF MEETINGS

- 10.1) A member may at any time and the Secretary shall on the requisition of a member summon a meeting of the Audit Committee by giving the members not less than seven (7) days notice thereof unless such requirement is waived.
- 10.2) In the absence of the Chairman, the Committee shall appoint one of its members present to chair that meeting.
- 10.3) A resolution put to vote shall be decided by a majority of votes of the members present, each member having one vote.

### 11) REPORTING PROCEDURES

- 11.1) The Company Secretary shall be the Secretary of the Committee. He shall record attendance of all members and invitees and take minutes to record the proceedings of every meeting of the Committee. All minutes of meetings shall be circulated to every member of the Board.
- 11.2) The Committee shall prepare an annual report to the Board that provides a summary of the activities of the Committee for inclusion in the Company's annual report.
- 11.3) The Committee shall assist the Board in preparing the following for publication in the Company's annual report:
- Statement on the Company's application of the principles set out in Part 1 of the Malaysian Code on Corporate Governance;
  - Statement on the extent of compliance with the Best Practices in Corporate Governance set out in Part 2 of the Malaysian Code on Corporate Governance, specifying reasons for any areas of non-compliance (if any) and the alternatives adopted in such areas;
  - Statement on the Board's responsibility for preparing the annual audited financial statements; and
  - Statement about the state of internal control of the Group.
- 11.4) The Committee may report any breaches of the Listing Requirements, which have not been satisfactorily resolved, to Bursa Securities.

### AUDIT COMMITTEE MEETINGS

The Audit Committee met once during the financial year ended 31 December 2004 given the fact that the Company was listed on 4 November 2004. The details of Audit Committee's meetings held and attended by the Committee during the financial year are as follows:-

Audit Committee Member	No. of Audit Committee Meetings Held	Audit Committee Meetings Attended
<b>Chairman</b>		
Tee Sze Ping (Independent Non-Executive Director)	1	1
<b>Members</b>		
Tang Kam Chee (Independent Non-Executive Director)	1	1
Lim Chee Keong (Managing Director)	1	1

### SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

During the financial year ended 31 December 2004, the activities of the Audit Committee included the following:-

- adoption of the Terms of Reference of the Audit Committee;
- review of the quarterly financial results and announcements for the financial quarter ended 30 September 2004 prior to submission to the Board of Directors for consideration and approval; and
- considered the engagement of an External Consultant to provide corporate governance review and risk compliance services to the Group.

### INTERNAL AUDIT FUNCTION

The Group is considering to outsource its internal audit function to an External Consultant upon the establishment of the Risk Management Framework for the Group by the second quarter of 2005. The internal audit function is to ensure a regular review of the adequacy and integrity of the Group's internal control systems. The Internal Auditor conducts review on the state of internal control of the significant entities of the Group. Internal audit reports prepared by the Internal Auditor would be presented to the Audit Committee and forwarded to the management concerned for attention and necessary action.

## Additional Compliance Information

### UTILISATION OF PROCEEDS

A Rights Issue of 14,000,000 new ordinary shares of RM0.50 each in the Company on the basis of 175 Rights Shares for every 1,000 existing ordinary shares of RM0.50 each in the Company at an issue price of RM0.50 per ordinary share was allotted on 19 August 2004.

A Public Issue of 6,000,000 new ordinary shares of RM0.50 each in the Company at an issue price of RM1.25 per ordinary share payable in full upon application was allotted on 27 October 2004.

The Rights Issue and Public Issue have raised a total gross proceeds of RM14,500,000 for the Group pursuant to the listing of the Company on the Second Board of the Bursa Securities. As at the date of this report, the proceeds have been fully utilised as follows:

Purposes	Approved Utilisation RM'000	Amount Utilised RM'000
Repayment of borrowings	11,000	11,000
Acquisition of machineries	1,000	1,000
Construction of additional factory	500	500
Working capital	600	600
Share issue expenses	1,400	1,400
	14,500	14,500

### SHARE BUY-BACKS

During the financial year, the Company did not have a share buy-back programme in place.

### OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

Save as disclosed below, there were no options and warrants issued during the financial year:-

On 28 October 2004, the Company granted options for 11,940,000 shares pursuant to its Employees' Share Option Scheme at an exercise price of RM1.25 per share to the eligible employees. None of the options were exercised during the financial year ended 31 December 2004.

No options were granted to Non-Executive Directors.

### AMERICAN DEPOSITORY RECEIPT (ADR)/GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

During the financial year, the Company did not sponsor any ADR or GDR programme.

### IMPOSITION OF SANCTIONS/PENALTIES

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

### NON-AUDIT FEES

The amount of non-audit fees paid and payable to the External Auditors of the Group for the financial year ended 31 December 2004 was RM203,000.

### VARIATIONS IN RESULTS

There were no material deviations between the Group's audited profit after tax for the financial year ended 31 December 2004 and the forecasted profit after tax as set out in the Prospectus dated 30 September 2004 as well as the unaudited results for the financial year ended 31 December 2004.

The audited financial statements for the financial year ended 31 December 2004 has been prepared based on post acquisition results in compliance with the accounting standards. The announced unaudited results for the financial year ended 31 December 2004 was based on the full year proforma results as presented in the 4th Quarter Financial Report. The full year proforma results of the Group for the financial year ended 31 December 2004 can be found on page 53 of this Annual Report.

### PROFIT GUARANTEE

During the financial year, there were no profit guarantees given by the Company or its subsidiaries.

## Additional Compliance Information (cont'd)

### MATERIAL CONTRACTS INVOLVING DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, there were no material contracts entered into by the Company and its subsidiaries which involve Directors' and Substantial Shareholders' interests either still subsisting at the end of the financial year ended 31 December 2004 or entered into since the end of previous financial year:-

- (a) Conditional sale and purchase agreement dated 25 March 2004 between Classic Scenic Berhad ("CSCENIC") and the shareholders of Scenic Moulding (M) Sdn. Bhd. ("SM") for the acquisition of the entire issued and paid-up share capital of SM for the purchase consideration of RM21,471,151 to be satisfied by the issuance of 42,942,302 Shares in CSCENIC on terms and condition therein contained;
- (b) Conditional sale and purchase agreement dated 25 March 2004 between CSCENIC and the shareholders of Classic Frame Moulding (M) Sdn. Bhd. ("CFM") for the acquisition of the entire issued and paid-up share capital of CFM for the purchase consideration of RM4,622,762 to be satisfied by the issuance of 9,245,524 Shares in CSCENIC on terms and condition therein contained;
- (c) Conditional sale and purchase agreement dated 25 March 2004 between CSCENIC and the shareholders of Lim Ket

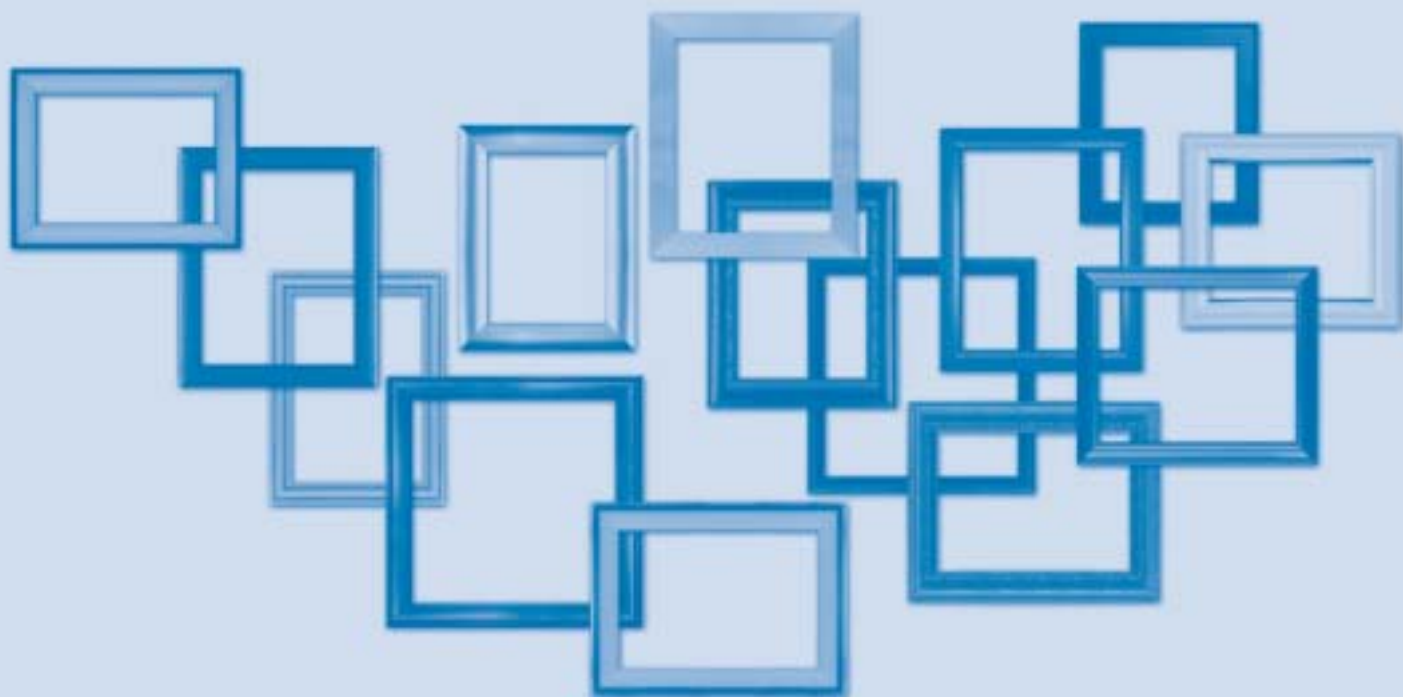
Leng Realty Sdn. Bhd. ("LKLR") for the acquisition of the entire issued and paid-up share capital of LKLR for the purchase consideration of RM12,371,906 to be satisfied by the issuance of 24,743,812 Shares in CSCENIC on terms and condition therein contained;

- (d) Conditional sale and purchase agreement dated 25 March 2004 between CSCENIC and the shareholders of Lim Ket Leng Timber Sdn. Bhd. ("LKLT") for the acquisition of the entire issued and paid-up share capital of LKLT for the purchase consideration of RM1,443,354 to be satisfied by the issuance of 2,886,708 Shares in CSCENIC on terms and condition therein contained; and
- (e) Conditional sale and purchase agreement dated 25 March 2004 between CSCENIC and the shareholders of Lim Ket Leng Marketing Sdn. Bhd. ("LKLM") for the acquisition of the entire issued and paid-up share capital of LKLM for the purchase consideration of RM90,825 to be satisfied by the issuance of 181,650 Shares in CSCENIC on terms and condition therein contained.

### REVALUATION POLICY

The Group has no revaluation policy on landed properties.

## Financial Statements



20 Report of Directors • 26 Statement by Directors • 26 Statutory Declaration • 27 Report of the Auditors •  
28 Balance Sheets • 29 Income Statements • 30 Statements of Changes in Equity • 31 Cash Flow Statements •  
33 Notes to the Financial Statements



# Report of Directors for the year ended 31 December 2004

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2004.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities of its subsidiaries, which were acquired during the financial year, are stated in Note 3 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

	Group RM	Company RM
Net profit for the year	5,371,199	2,997,830

The Group's net profit for the year represents the results of the Group following the completion of the acquisition of the subsidiaries on 31 July 2004.

## DIVIDEND

No dividend was paid during the year.

The first and final dividend recommended by the Directors in respect of the financial year ended 31 December 2004 is 5% tax exempt totaling RM2,500,000 and will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

## RESERVES AND PROVISIONS

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

## DIRECTORS OF THE COMPANY

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

Lim Chee Keong	(appointed on 3.8.2004)
Lim Chee Khoon	(appointed on 3.8.2004)
Lim Chee Beng	(appointed on 3.8.2004)
Lim Chee Hwa	(appointed on 3.8.2004)
Tang Kam Chee	(appointed on 3.8.2004)
Tee Sze Ping	(appointed on 3.8.2004)
Siti Rohani Binti Sheikh Hassan	(first Director) (resigned on 3.8.2004)
Hashimah Binti Hashim	(first Director) (resigned on 3.8.2004)

## Report of

### Directors for the year ended 31 December 2004 (cont'd)

#### DIRECTORS OF THE COMPANY (cont'd)

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	Date of appointment	Allotted/ Bought	Sold	Balance at 31.12.2004
<b>Direct interest in the Company</b>				
Tang Kam Chee	-	50,000	(20,000)	30,000
Tee Sze Ping	-	50,000	-	50,000
<b>Indirect interest in the Company</b>				
Lim Chee Keong	67,298,752	11,777,289	(24,076,100)	54,999,941
Lim Chee Khoon	67,298,752	11,777,289	(24,076,100)	54,999,941

By virtue of their interests in the Company, the above Directors are also deemed to have interests in the subsidiaries during the financial year to the extent that the Company has an interest.

The other Directors are not deemed to have substantial financial interests 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 period, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by certain Directors as shown in the financial statements or the fixed salaries of full time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a corporation in which the Director has a substantial financial interest.

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

#### ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its authorised share capital from RM100,000 to RM100,000,000 by way of:

- (i) share split of its existing 100,000 ordinary shares of RM1.00 each into 200,000 ordinary shares of RM0.50 each;
- (ii) creation of an additional 199,800,000 ordinary shares of RM0.50 each.

## Report of

## Directors for the year ended 31 December 2004 (cont'd)

### ISSUE OF SHARES AND DEBENTURES (cont'd)

The Company then increased its issued and fully paid-up share capital from RM2 to RM50,000,000 by way of:

- (i) issue of 42,942,302 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share for the acquisition of the entire issued and paid-up share capital of Scenic Moulding (M) Sdn. Bhd., comprising 710,000 ordinary shares of RM1.00 each for a purchase consideration of RM21,471,151;
- (ii) issue of 9,245,524 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share for the acquisition of the entire issued and paid-up share capital of Classic Frame Moulding (M) Sdn. Bhd., comprising 100,000 ordinary shares of RM1.00 each for a purchase consideration of RM4,622,762;
- (iii) issue of 24,743,812 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share for the acquisition of the entire issued and paid-up share capital of Lim Ket Leng Realty Sdn. Bhd., comprising 750,000 ordinary shares of RM1.00 each for a purchase consideration of RM12,371,906;
- (iv) issue of 2,886,708 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share for the acquisition of the entire issued and paid-up share capital of Lim Ket Leng Timber Sdn. Bhd., comprising 100,004 ordinary shares of RM1.00 each for a purchase consideration of RM1,443,354;
- (v) issue of 181,650 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share for the acquisition of the entire issued and paid-up share capital of Lim Ket Leng Marketing Sdn. Bhd., comprising 10,000 ordinary shares of RM1.00 each for a purchase consideration of RM90,825;
- (vi) issue of 14,000,000 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share for cash pursuant to the rights issue to shareholders who were registered with the Company on 19 August 2004, in the proportion of approximately 175 new ordinary shares for every 1,000 ordinary shares then held;
- (vii) issue of 6,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.25 per ordinary share for cash pursuant to a public issue.

The shares were issued in conjunction with the restructuring and listing scheme of Classic Scenic Berhad on the Second Board of the Bursa Malaysia Securities Berhad.

There were no other changes in the issued and paid-up share capital of the Company during the financial year.

There were no debentures issued 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 year apart from the options granted pursuant to the Employees' Share Option Scheme ("ESOS").

#### Employees' Share Option Scheme

At an extraordinary general meeting held on 30 September 2004, the Company's shareholders approved the establishment of an ESOS for the eligible employees and Executive Directors of the Group to subscribe for new ordinary shares up to a maximum of 15% of the issued and paid-up share capital of the Company at any point in time during the tenure of the ESOS.

## Report of Directors for the year ended 31 December 2004 (cont'd)

### OPTIONS GRANTED OVER UNISSUED SHARES (cont'd)

#### Employees' Share Option Scheme (cont'd)

The options offered to take up unissued ordinary shares of RM0.50 each and the exercise price are as follows:

Date of offer	Option price RM	Number of options over ordinary shares of RM0.50 each			Balance at 31.12.2004
		Balance at 1.1.2004	Granted	Lapsed due to resignation	
28.10.2004	1.25	-	11,940,000	(79,000)	11,861,000

The salient features of the scheme are as follows:

- i) Eligible employees are those who must be at least eighteen (18) years of age and must be in the employment of the Group, work full time and must have been confirmed in service for at least one (1) year prior to the Date of Offer.
- ii) The option is personal to the grantee and is non-assignable and non-transferable.
- iii) The option price shall be determined based on the weighted average market price of the ordinary shares for the five (5) Market Days immediately preceding the Date of Offer subject to a discount of not more than ten per cent (10%), or at par value of the ordinary shares, whichever is higher.
- iv) The ESOS Scheme shall be in force for a period of five (5) years from the Date of Commencement on 28 October 2004. However, an extension to the scheme may be affected by the Company upon recommendation of the Option Committee, subject to an aggregate duration of ten (10) years from the Date of Commencement.
- v) No option shall be granted for less than one hundred (100) ordinary shares nor more than the maximum allowable allotment and shall be in multiples of one hundred (100) ordinary shares.

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

In respect of the offer of ESOS on 28 October 2004, the Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the name of option holder who have been granted options less than 240,000 shares. The name of option holders and the number of options granted which are 240,000 shares and above are set out below:

Name of employee	Option price RM	Date of expiry	Number of options over ordinary shares of RM0.50 each			Balance at 31.12.2004
			Balance at 1.1.2004	Granted	Exercised	
Lim Chee Keong	1.25	27.10.2009	-	1,500,000	-	1,500,000
Lim Chee Beng	1.25	27.10.2009	-	1,500,000	-	1,500,000
Lim Chee Khoon	1.25	27.10.2009	-	1,500,000	-	1,500,000
Lim Chee Hwa	1.25	27.10.2009	-	1,500,000	-	1,500,000
Lim Kwee Huay	1.25	27.10.2009	-	300,000	-	300,000
Lee Kong Weng	1.25	27.10.2009	-	240,000	-	240,000

The external auditors have verified the allocation of options granted during the financial year.



# Report of

**Directors** for the year ended 31 December 2004 (cont'd)

## SIGNIFICANT EVENTS DURING THE YEAR

### (i) *Restructuring exercise of the Company*

The Company underwent a restructuring exercise which was implemented during the year.

Details of the restructuring exercise are set in Note 24 to the financial statements.

### (ii) *Floatation of the issued and paid-up share capital of the Company*

On 27 October 2004, the entire enlarged issued and paid-up share capital of Classic Scenic Berhad comprising 100,000,000 ordinary shares of RM0.50 each was admitted to the Official List of the Exchange and the listing of and quotation for these shares on the Second Board of Bursa Malaysia Securities Berhad was thereon completed.

## EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

### (i) *Corporate guarantee (unsecured)*

Subsequent to year end, the Company issued the following corporate guarantee:

	RM
Corporate guarantee granted to a licensed bank in respect of credit facility granted to a subsidiary: Scenic Moulding (M) Sdn Bhd	2,700,000

## 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) all current assets have been stated at the lower of cost and net realisable value.

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 value attributed to the current assets in the Group and in the Company financial statements 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.

## Report of Directors for the year ended 31 December 2004 (cont'd)

### OTHER STATUTORY INFORMATION (cont'd)

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, other than the acquisition of subsidiaries, the results of the operations of the Group and of the Company for the financial year ended 31 December 2004 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

### AUDITORS

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

Signed in accordance with a resolution of the Directors:

**Lim Chee Keong**

**Lim Chee Hwa**

Kuala Lumpur,  
Date: 22 April 2005

## Statement

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

In the opinion of the Directors, the financial statements set out on pages 28 to 53 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2004 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

**Lim Chee Keong**

**Lim Chee Hwa**

Kuala Lumpur,  
Date: 22 April 2005

## Statutory

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

I, **Lim Chee Hwa**, the Director primarily responsible for the financial management of Classic Scenic Berhad, do solemnly and sincerely declare that the financial statements set out on pages 28 to 53 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 22 April 2005.

Before me:

Barathan a/l Sinniah @ Chinniah, AMN, PJK  
(No. W202)  
**Commissioner for Oaths**  
Kuala Lumpur

**Lim Chee Hwa**

## Report of the Auditors to the Members of Classic Scenic Berhad

We have audited the financial statements set out on pages 28 to 53. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - i) the state of affairs of the Group and of the Company at 31 December 2004 and of the results of their operations and cash flows for the year ended on that date; and
  - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

**Lim Hun Soon @ David Lim**  
Partner  
Approval Number: 1514/05/06(J)

Kuala Lumpur,  
Date: 22 April 2005



## Balance Sheets

### at 31 December 2004

	Note	Group 2004 RM	Company 2004 RM	2003 RM
<b>Property, plant and equipment</b>	2	48,475,050	-	-
<b>Investment in subsidiaries</b>	3	-	40,249,568	-
		48,475,050	40,249,568	-
<b>Current assets</b>				
Inventories	4	13,610,947	-	-
Trade and other receivables	5	6,780,905	14,940,905	-
Tax recoverable		1,119,797	-	-
Cash and cash equivalents	6	4,512,515	917,723	2
		26,024,164	15,858,628	2
<b>Current liabilities</b>				
Trade and other payables	7	3,291,003	13,800	8,750
Borrowings (secured)	8	2,000,000	-	-
Taxation		116,623	4,334	-
		5,407,626	18,134	8,750
<b>Net current assets / (liabilities)</b>		20,616,538	15,840,494	(8,748)
		69,091,588	56,090,062	(8,748)
<b>Financed / (Represented) by:</b>				
<b>Capital and reserves</b>				
Share capital	9	50,000,000	50,000,000	2
Reserves / (Accumulated loss)		8,463,431	6,090,062	(8,750)
<b>Surplus / (Deficit) in shareholders' funds</b>		58,463,431	56,090,062	(8,748)
<b>Negative goodwill</b>	10	7,133,195	-	-
<b>Long term and deferred liabilities</b>				
Deferred tax liabilities	11	3,494,962	-	-
		69,091,588	56,090,062	(8,748)

The financial statements were approved and authorised for issue by the Board of Directors on 22 April 2005.

The notes set out on pages 33 to 53 form an integral part of, and should be read in conjunction with, these financial statements.

## Income Statements

### for the year ended 31 December 2004

	Note	Group Year ended 31.12.2004 RM	Company Year ended 31.12.2004 RM	10.11.2003 to 31.12.2003 RM
<b>Revenue</b>	13	18,881,828	3,000,000	-
Cost of sales		(10,047,847)	-	-
<b>Gross profit</b>		8,833,981	3,000,000	-
Other operating income		103,534	47,170	-
Distribution costs		(618,989)	-	-
Administrative expenses		(1,177,118)	(31,584)	(8,750)
Other operating expenses		(898,793)	(4,691)	-
<b>Operating profit/(loss)</b>	13	6,242,615	3,010,895	(8,750)
Finance costs	15	(171,680)	(65)	-
Amortisation of negative goodwill		391,934	-	-
<b>Profit/(Loss) before taxation</b>		6,462,869	3,010,830	(8,750)
Tax expense	16	(1,091,670)	(13,000)	-
<b>Net profit/(loss) for the year</b>		5,371,199	2,997,830	(8,750)
Basic earnings per ordinary share (sen)	17	13.55	-	-
Diluted earnings per ordinary share (sen)	17	13.49	-	-

The full-year Proforma results of the Group for the year ended 31 December 2004 is presented in Note 25.

The notes set out on pages 33 to 53 form an integral part of, and should be read in conjunction with, these financial statements.

## Statement of Changes in Equity for the year ended 31 December 2004

	Share capital RM	Distributable Share premium RM	Distributable (Accumulated loss) / Retained profits RM	Total RM
<b>Group</b>				
At 1 January 2004	2	-	(8,750)	(8,748)
Issue of shares:				
- Acquisition of subsidiaries	39,999,998	-	-	39,999,998
- Rights issue	7,000,000	-	-	7,000,000
- Public issue	3,000,000	4,500,000	-	7,500,000
Expenses not recognised in income statement				
- Share issue expenses	-	(1,399,018)	-	(1,399,018)
Net profit for the year	-	-	5,371,199	5,371,199
<b>At 31 December 2004</b>	<b>50,000,000</b>	<b>3,100,982</b>	<b>5,362,449</b>	<b>58,463,431</b>
	Note 9			
<b>Company</b>				
At 10 November 2003 (date of incorporation)	2	-	-	2
Net loss for the year	-	-	(8,750)	(8,750)
<b>At 31 December 2003 / 1 January 2004</b>	<b>2</b>	<b>-</b>	<b>(8,750)</b>	<b>(8,748)</b>
Issue of shares:				
- Acquisition of subsidiaries	39,999,998	-	-	39,999,998
- Rights issue	7,000,000	-	-	7,000,000
- Public issue	3,000,000	4,500,000	-	7,500,000
Expenses not recognised in income statement				
- Share issue expenses	-	(1,399,018)	-	(1,399,018)
Net profit for the year	-	-	2,997,830	2,997,830
<b>At 31 December 2004</b>	<b>50,000,000</b>	<b>3,100,982</b>	<b>2,989,080</b>	<b>56,090,062</b>
	Note 9		Note 12	

The notes set out on pages 33 to 53 form an integral part of, and should be read in conjunction with, these financial statements.

## Cash Flow Statements

### for the year ended 31 December 2004

	Group Year ended 31.12.2004 RM	Company Year ended 31.12.2004 RM	10.11.2003 to 31.12.2003 RM
<b>Cash flows from operating activities</b>			
Profit/(Loss) before taxation	6,462,869	3,010,830	(8,750)
Adjustments for:			
Gain on disposal of plant and equipment	(11,973)	-	-
Amortisation of negative goodwill	(391,934)	-	-
Depreciation	873,049	-	-
Loss on disposal of quoted investment	2,900	-	-
Interest expense	153,548	-	-
Interest income	(61,916)	(46,990)	-
Unrealised foreign exchange gain	(20,078)	-	-
Unrealised foreign exchange loss	17,273	-	-
Operating profit/(loss) before working capital changes	7,023,738	2,963,840	(8,750)
Changes in working capital:			
Inventories	(86,711)	-	-
Trade and other receivables	356,797	(3,002,000)	-
Trade and other payables	741,271	5,050	8,750
Cash generated from/(used in) operations	8,035,095	(33,110)	-
Income taxes paid	(647,823)	(8,666)	-
Income taxes refund	20,840	-	-
Interest received	61,916	46,990	-
<b>Net cash generated from operating activities</b>	<b>7,470,028</b>	<b>5,214</b>	<b>-</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	25 3,222,015	-	-
Increase in pledged deposits placed with a licensed bank	(506,527)	-	-
Advances to subsidiaries	-	(11,938,905)	-
Purchase of property, plant and equipment	(2,291,747)	-	-
Proceeds from disposal of plant and equipment	17,200	-	-
Proceeds from disposal of quoted investment	7,900	-	-
<b>Net cash generated from/(used in) investing activities</b>	<b>448,841</b>	<b>(11,938,905)</b>	<b>-</b>



## Cash Flow Statements

for the year ended 31 December 2004 (cont'd)

	Group Year ended 31.12.2004 RM	Company Year ended 31.12.2004 RM	10.11.2003 to 31.12.2003 RM
<b>Cash flows from financing activities</b>			
Repayment to shareholders	(18,860,317)	-	-
Proceeds from bankers' acceptances	4,000,000	-	-
Repayment of bankers' acceptances	(2,000,000)	-	-
Share issue expenses	(1,399,018)	(1,399,018)	-
Proceeds from term loan	15,000,000	-	-
Repayment of term loan	(15,000,000)	-	-
Related acquisition expenses	-	(249,570)	-
Interest expenses	(153,548)	-	-
Proceeds from issuance of shares	14,500,000	14,500,000	-
<b>Net cash (used in)/generated from financing activities</b>	<b>(3,912,883)</b>	<b>12,851,412</b>	<b>-</b>
Net increase in cash and cash equivalents	4,005,986	917,721	-
Cash and cash equivalents at beginning of year/date of incorporation	2	2	2
<b>Cash and cash equivalents at end of year</b>	<b>(i) 4,005,988</b>	<b>917,723</b>	<b>2</b>

### i) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group 2004 RM	Company 2004 RM	2003 RM
Short term funds	2,131,911	-	-
Deposits with licensed banks (excluding deposits pledged)	900,000	900,000	-
Cash and bank balances	974,077	17,723	2
	<b>4,005,988</b>	<b>917,723</b>	<b>2</b>

The notes set out on pages 33 to 53 form an integral part of, and should be read in conjunction with, these financial statements.

## Notes to the Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and by the Company.

#### (a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

#### (b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group's financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

#### (c) Subsidiaries

Investment in subsidiaries are stated at cost in the Company, less impairment loss where applicable.

#### (d) Intangible asset

##### *Negative goodwill*

Negative goodwill represents the excess of the fair values of the net identifiable assets acquired over the cost of acquisition.

Negative goodwill is stated at cost less accumulated amortisation.

Negative goodwill is amortised through the Group's income statement on a straight-line basis over a maximum of 8 years from the date of acquisition.

#### (e) Property, plant and equipment

Freehold land and construction in-progress are stated at cost less impairment loss where applicable. All other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses where applicable.

# Notes to the Financial Statements (cont'd)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

#### **Depreciation**

Freehold land and construction in-progress are not amortised. The straight-line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:

Factory buildings	2%
Machineries, forklift and plant and equipment	10% to 20%
Office equipment, furniture and fittings and renovation	8% to 20%
Motor vehicles	16% to 20%
Computer equipment	33 1/3%

### (f) Inventories

Inventories are stated at the lower of cost and net realisable value and are determined on a first-in-first-out basis. In arriving at the net realisable value, provision is made, where necessary, for obsolete and slow moving items.

The cost of finished goods and work-in-progress includes cost of raw materials, indirect materials, direct labour and an appropriate allocation of manufacturing overheads. The cost of raw materials and indirect materials comprises the original purchase price plus incidentals in bringing these inventories to their present location and condition.

### (g) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

### (h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statements, cash and cash equivalents are presented net of pledged deposits.

### (i) Impairment

The carrying amount of the Group's assets, other than inventories, deferred tax assets and financial assets (other than investments in subsidiaries), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## Notes to the Financial Statements (cont'd)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (i) Impairment (cont'd)

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and it 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. The reversal is recognised in the income statement.

#### (j) Liabilities

Borrowings and trade and other payables are stated at cost.

#### (k) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

#### (l) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates approximating those ruling at transaction dates. Monetary assets and liabilities in foreign currencies are translated into Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising from translation are recognised in the income statement.

The closing rates used in the translation of foreign currency monetary assets and liabilities are as follows:

	2004	2003
1 USD	RM3.80	RM3.80
1 SGD	RM2.33	RM2.23
1 EUR	RM5.17	RM4.78
1 YEN	RM0.04	RM0.04

# Notes to the Financial Statements (cont'd)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (m) Revenue

#### *i) Sale of goods*

Revenue from the sales of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards ownership have been transferred to the buyer.

#### *ii) Dividend income*

Dividend income is recognised when the right to receive payment is established.

### (n) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

### (o) Finance costs

All interest and costs incurred in connection with borrowings are expensed as incurred.

### (p) Employee benefits

#### *i) Short term benefits*

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### *ii) Defined contribution plans*

Obligations for contributions to the state pension scheme, the Employee Provident Fund ("EPF") are recognised as an expense in the Income Statement as incurred.

#### *iii) Equity and equity-related compensation benefits*

The share option programme allows Group employees to acquire shares of the Company. When the options are exercised, equity is increased by the amount of the proceeds received.

## Notes to the Financial Statements (cont'd)

### 2. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Factory buildings RM	Machineries, forklift, plant and equipment RM	Office equipment, furniture and fittings and renovation RM	Motor vehicles RM	Computer equipment RM	Construction in-progress RM	Total RM
<b>Cost</b>								
Acquisition of subsidiaries	18,802,999	17,218,471	9,689,564	906,062	3,172,552	209,404	1,938,219	51,937,271
Additions	-	-	317,714	43,810	189,500	39,386	1,701,337	2,291,747
Disposals	-	-	(43,100)	-	-	-	-	(43,100)
At 31 December 2004	18,802,999	17,218,471	9,964,178	949,872	3,362,052	248,790	3,639,556	54,185,918
<b>Accumulated depreciation and impairment</b>								
Acquisition of subsidiaries	290,000	1,074,597	2,356,013	349,590	683,347	122,145	-	4,875,692
Charge for the year	-	151,221	388,444	31,321	275,530	26,533	-	873,049
Disposals	-	-	(37,873)	-	-	-	-	(37,873)
Accumulated depreciation	-	1,225,818	2,706,584	380,911	958,877	148,678	-	5,420,868
Accumulated impairment	290,000	-	-	-	-	-	-	290,000
At 31 December 2004	290,000	1,225,818	2,706,584	380,911	958,877	148,678	-	5,710,868
<b>Net book value</b>								
At 31 December 2004	18,512,999	15,992,653	7,257,594	568,961	2,403,175	100,112	3,639,556	48,475,050

#### 2.1 Security

Certain freehold land and factory buildings costing RM21,989,774 are charged to a licensed bank for credit facilities granted to the subsidiaries (Note 8).

#### 2.2 Construction in-progress

Included in construction in-progress is a factory building. It is constructed on a piece of freehold land owned by a company in which the Directors have interest which subsequently became a subsidiary pursuant to the restructuring exercise stated in Note 24.



## Notes to the Financial Statements (cont'd)

### 3. INVESTMENT IN SUBSIDIARIES

	Company	
	2004 RM	2003 RM
Unquoted shares, at cost	40,249,568	-

The principal activities of the subsidiaries, their places of incorporation and the interests of Classic Scenic Berhad are as follows:

Name of Company	Principal Activities	Country of Incorporation	Effective Ownership 2004	Interest 2003
Scenic Moulding (M) Sdn. Bhd.	Manufacture of wooden picture frame moulding	Malaysia	100%	-
Classic Frame Moulding (M) Sdn. Bhd.	Property holding and rental of properties	Malaysia	100%	-
Lim Ket Leng Realty Sdn. Bhd.	Property holding and rental of properties	Malaysia	100%	-
Lim Ket Leng Timber Sdn. Bhd.	Manufacture of timber products	Malaysia	100%	-
Lim Ket Leng Marketing Sdn. Bhd.	Marketing of timber-related products	Malaysia	100%	-

### 4. INVENTORIES

	Group 2004 RM
<b>At cost</b>	
Raw materials	7,971,776
Work-in-progress	3,872,577
Finished goods	1,766,594
	13,610,947

## Notes to the Financial Statements (cont'd)

### 5. TRADE AND OTHER RECEIVABLES

	Group 2004 RM	Company 2004 RM	2003 RM
Trade receivables	5,647,648	-	-
Amount due from subsidiaries	-	14,938,905	-
Other receivables, deposits and prepayments	1,133,257	2,000	-
	6,780,905	14,940,905	-

#### 5.1 Trade receivables

During the financial year, the Group's bad debts amounting to RM35,519 were written off against allowance for doubtful debts.

#### 5.2 Amount due from subsidiaries

The amount due from subsidiaries is non-trade in nature, unsecured, interest free and has no fixed term of repayment.

#### 5.3 Other receivables, deposits and prepayments

Included in other receivables of the Group is advance payment for invoices to suppliers amounting to RM506,030.

### 6. CASH AND CASH EQUIVALENTS

	Group 2004 RM	Company 2004 RM	2003 RM
Short term funds	2,131,911	-	-
Deposits with licensed banks	1,406,527	900,000	-
Cash and bank balances	974,077	17,723	2
	4,512,515	917,723	2

#### 6.1 Short term funds

Short term funds represent placements in fixed income trusts of which RM1,120,107 is redeemable at call and RM1,011,804 is redeemable upon 7 days notice.

#### 6.2 Deposits with licensed banks

Deposits of the Group amounting to RM506,527 are pledged to licensed banks for credit facilities granted to a subsidiary.

The maturity date of these deposits is one month, or at call.

## Notes to the Financial Statements (cont'd)

### 7. TRADE AND OTHER PAYABLES

	Group 2004 RM	Company 2004 RM	2003 RM
Trade payables	1,188,327	-	-
Other payables and accruals	2,102,676	13,800	8,750
	3,291,003	13,800	8,750

#### 7.1 Other payables and accruals

Included in other payables of the Group is advance for sales order received from customers of RM305,787.

### 8. BORROWINGS (SECURED)

	Group 2004 RM
Current:	
Bankers' acceptance	2,000,000

Bankers' acceptance is subject to interest at 4.2% per annum and secured by:

- i) first legal charge over a freehold land of a subsidiary (Note 2);
- ii) corporate guarantee by a subsidiary; and
- iii) joint and several guarantees by certain Directors of the Company.

## Notes to the Financial Statements (cont'd)

### 9. SHARE CAPITAL

	Number of shares	Group and 2004 RM	Company Number of shares	2003 RM
<b>Authorised</b>				
Ordinary shares of RM0.50/RM1.00 each:				
At 1 January 2004/10 November 2003	100,000	100,000	100,000	100,000
Arising from share split*	100,000	-	-	-
Created during the year	199,800,000	99,900,000	-	-
At 31 December	200,000,000	100,000,000	100,000	100,000
<b>Issued and fully paid</b>				
Ordinary shares of RM0.50/RM1.00 each:				
At 1 January 2004/10 November 2003	2	2	2	2
Arising from share split*	2	-	-	-
Issued during the year via:				
- Acquisition of subsidiaries	79,999,996	39,999,998	-	-
- Rights issue	14,000,000	7,000,000	-	-
- Public issue	6,000,000	3,000,000	-	-
At 31 December	100,000,000	50,000,000	2	2

\* During the financial year, the Company had carried out a share split of its ordinary shares of RM1.00 each into 2 ordinary shares of RM0.50 each.

#### Employees' Share Option Scheme

At an extraordinary general meeting held on 30 September 2004, the Company's shareholders approved the establishment of an ESOS for the eligible employees and Executive Directors of the Group to subscribe for new ordinary shares up to a maximum of 15% of the issued and paid-up share capital of the Company at any point in time during the tenure of the ESOS.

#### Equity compensation benefit – share option plan

The Group offers vested share options over ordinary shares to Executive Directors and employees who must have been confirmed in service for at least one (1) year on the date of offer prior to 28 October 2004. Movement in the number of share options held are as follows:

	Group and Company 2004 RM	2003 RM
At 1 January/10 November 2003	-	-
Granted	11,940,000	-
Lapsed due to resignation	(79,000)	-
At 31 December	11,861,000	-

## Notes to the Financial Statements (cont'd)

### 9. SHARE CAPITAL (cont'd)

#### Equity compensation benefit – share option plan (cont'd)

Details of share options granted during the financial year:

Expiry date	27 October 2009
Exercise price per ordinary share	RM1.25
Aggregate proceeds if shares are issued	RM14,826,250

Terms of the options outstanding at 31 December:

Expiry date	Exercise Price	Number of options
27 October 2009	RM1.25	11,861,000

### 10. NEGATIVE GOODWILL

	Group 2004 RM
<b>Cost</b>	
At 1 January	-
Acquisition of subsidiaries	7,525,129
At 31 December	7,525,129
<b>Accumulated amortisation</b>	
At 1 January	-
Amortisation charge for the financial year	391,934
At 31 December	391,934
<b>Net book value</b>	
At 31 December	7,133,195

### 11. DEFERRED TAX LIABILITIES

The recognised deferred tax assets and liabilities are as follows:

	Group 2004 RM
Property, plant and equipment	
- capital allowances in excess of depreciation	1,480,856
- revaluation	2,037,106
Others	(23,000)
	3,494,962

## Notes to the Financial Statements (cont'd)

### 11. DEFERRED TAX LIABILITIES (cont'd)

Deferred tax assets and liabilities are offset above where there is a legally enforceable right to set off current tax assets against tax liabilities and where the deferred taxes relate to the same taxation authority.

### 12. RETAINED PROFITS (DISTRIBUTABLE)

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax exempt income and Section 108 tax credit to distribute all of its retained profits at 31 December 2004 if paid out as dividends.

### 13. OPERATING PROFIT/(LOSS)

	Group Year ended 31.12.2004 RM	Company Year ended 31.12.2004 RM	10.11.2003 to 31.12.2003 RM
Revenue			
- Sales of goods	18,881,828	-	-
- Dividend income	-	3,000,000	-
	18,881,828	3,000,000	-
<b>Operating profit/(loss) is arrived at after charging:</b>			
Auditors' remuneration	50,000	10,000	1,000
Depreciation	873,049	-	-
Company's Directors Remuneration	576,240	-	-
Fees	10,000	10,000	-
Emoluments	1,000	1,000	-
Loss on disposal of quoted investment	2,900	-	-
Loss on foreign exchange - realised	61,076	-	-
- unrealised	17,273	-	-
<b>and after crediting:</b>			
Gain on disposal of plant and equipment	11,973	-	-
Gain on foreign exchange - realised	40,737	-	-
- unrealised	20,078	-	-
Interest income	61,916	46,990	-

The estimated monetary value of Directors' benefits-in-kind of the Group is RM42,604.

### 14. EMPLOYEE INFORMATION

	Group Year ended 31.12.2004 RM
Staff costs	3,560,190



## Notes to the Financial Statements (cont'd)

### 14. EMPLOYEE INFORMATION (cont'd)

14.1 The number of employees of the Group (including Directors) at the end of the year was 330.

14.2 Staff costs include contributions to Employee Provident Fund of RM248,450.

### 15. FINANCE COSTS

	Group Year ended 31.12.2004 RM	Company Year ended 31.12.2004 RM	10.11.2003 to 31.12.2003 RM
Interest payable on: Bankers' acceptance	25,775	-	-
Term loan	127,773	-	-
	153,548	-	-
Other bank charges	18,132	65	-
	171,680	65	-

### 16. TAX EXPENSE

	Group Year ended 31.12.2004 RM	Company Year ended 31.12.2004 RM	10.11.2003 to 31.12.2003 RM
Income tax expense - current year	777,670	13,000	-
Deferred tax expense - origination and reversal of temporary differences	314,000	-	-
	1,091,670	13,000	-
<b>Reconciliation of effective tax expense</b>			
Profit/(Loss) before taxation	6,462,869	3,010,830	(8,750)
Income tax using Malaysian tax rate	1,809,603	843,032	(2,450)
Effect on changes in tax rate	(20,955)	-	-
Non-deductible expenses	59,457	9,968	2,450
Tax exempt income	(694,150)	(840,000)	-
Non-taxable income	(6,944)	-	-
Double deduction	(44,663)	-	-
Other items	(10,678)	-	-
Tax expense	1,091,670	13,000	-

## Notes to the Financial Statements (cont'd)

### 17. EARNINGS PER ORDINARY SHARE - GROUP

#### *Basic earnings per ordinary share*

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of RM5,371,199 and on the weighted average number of ordinary shares outstanding during the year of 39,633,336.

The net profit attributable to ordinary shareholders is calculated as follows:

	<b>Year ended 31.12.2004 RM</b>
Net profit attributable to ordinary shareholders	5,371,199

Weighted average number of ordinary shares is calculated as follows:

	<b>Year ended 31.12.2004</b>
Issued ordinary shares at beginning of the year	2
Effect of share split	2
Acquisition of subsidiaries	33,333,332
Rights issue	5,250,000
Public issue	1,050,000
	<b>39,633,336</b>

#### *Diluted earnings per ordinary share*

The diluted earnings per ordinary share is calculated by dividing the Group's net profit attributable to ordinary shareholders of RM5,371,199 and on the weighted average number of ordinary shares outstanding during the year of 39,809,240 calculated as follows:

	<b>Year ended 31.12.2004</b>
Weighted average number of ordinary shares as above	39,633,336
Effect of share options under ESOS	175,904
	<b>39,809,240</b>

## Notes to the Financial Statements (cont'd)

### 18. DIVIDEND

A first and final dividend in respect of the year ended 31 December 2004 of 5% tax exempt totaling RM2,500,000 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

The proposed first and final dividend for this financial year will be accounted for as appropriation of retained profits upon shareholders' approval at the forthcoming Annual General Meeting.

### 19. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

#### ***Business segments***

The Group's business segments mainly comprise the manufacture and sale of wooden picture frame moulding, wooden pallets and timber products.

Business segmental information has not been prepared as all the Group's revenue, operating profit, assets employed, liabilities, depreciation and amortisation, and non cash expenses are mainly confined to one business segment.

#### ***Geographical segments***

The manufacturing and investment holding segments are operated solely in Malaysia. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers while segment assets are based on the geographical location of assets.

## Notes to the Financial Statements (cont'd)

### 19. SEGMENT INFORMATION (cont'd)

#### Geographical segments

2004	North America RM	Australia RM	Asia (Ex- Malaysia) RM	Malaysia RM	Europe RM	Eliminations RM	Consolidated RM
Revenue from external customers by location of customers	12,890,632	2,141,781	1,730,537	1,987,262	720,085	(588,469)	18,881,828
Segment assets by location of assets	-	-	-	72,459,694	-	-	72,459,694
Capital expenditure by location of assets	-	-	-	2,291,747	-	-	2,291,747

### 20. COMMITMENTS

	Group 2004 RM
Capital commitment: Property, plant and equipment Contracted but not provided for in the financial statements	1,592,151

### 21. CONTINGENT LIABILITIES (UNSECURED)

	Company	
	2004 RM	2003 RM
Corporate guarantee granted to a licensed bank in respect of credit facility granted to a subsidiary: Lim Ket Leng Timber Sdn Bhd	200,000	-

## Notes to the Financial Statements (cont'd)

### 22. SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party relationships are as follows:

- i) Controlling related party relationships in its subsidiaries are disclosed in Note 3.
- ii) Directors of the Company are disclosed in Director's Report

Significant transaction undertaken with a related party is as follows:

	<b>Company 2004 RM</b>
Management fees paid to a subsidiary	9,000

The above transaction has been entered into in the normal course of business and has been established under negotiated terms.

### 23. FINANCIAL INSTRUMENTS

#### **Financial risk management objectives and policies**

The Group's activities are exposed to various types of financial risks, including credit risk, liquidity risk and foreign currency risk. The Group's overall financial risk management objective is to attain the optimum returns for its shareholders. The management monitors these risks by reviewing all significant transactions.

#### **Credit risk**

In mitigating this risk, the management carries a continuing review over the Group's exposure to credit risk, which is monitored on an ongoing basis via credit management procedures. In addition, advances from sales order are collected from customers in order to reduce the credit risk arising there from.

As at 31 December 2004, approximately 36% of the Group's trade receivables were from a major customer. Trade receivables balance from this major customer amounted to RM2,083,798 and the balance has been settled subsequent to the year end.

At balance sheet date, the maximum exposure to credit risk was represented by the carrying amount of each financial asset.

#### **Interest rate risk**

The Group's exposure to interest rate risk is mainly arises through its short term funds, fixed deposits and borrowings. The Group does not hedge its interest rate risk.

#### **Effective interest rates and repricing analysis**

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

## Notes to the Financial Statements (cont'd)

### 23. FINANCIAL INSTRUMENTS (cont'd)

#### *Effective interest rates and repricing analysis (cont'd)*

	Effective interest rates %	Total RM	Within 1 year RM
<b>Group 2004</b>			
<b><i>Financial assets</i></b>			
Short term funds	2.2	2,131,911	2,131,911
Deposits with licensed banks	2.6	1,406,527	1,406,527
<b><i>Financial liabilities</i></b>			
Secured bankers' acceptances	4.2	2,000,000	2,000,000
<b>Company 2004</b>			
<b><i>Financial assets</i></b>			
Deposits with a licensed bank	2.3	900,000	900,000

#### **Liquidity risk**

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in the cash flows.

#### **Foreign currency risk**

A significant portion of the Group's sales and purchases involved foreign currency which inevitably are exposed to some exchange risk. To minimise risk exposure, the Group endeavors to deal in either local currency or the US dollars which is pegged to the local currency.

#### **Fair values**

In the opinion of the Directors, there are no significant differences between the fair values of the financial assets and liabilities of the Group.



## Notes to the Financial Statements (cont'd)

### 24. RESTRUCTURING EXERCISE

Classic Scenic Berhad ("CSCENIC") underwent the following restructuring exercise in conjunction with the listing and quotation of the entire issued and paid-up share capital on the Second Board of the Bursa Malaysia Securities Berhad upon obtaining approval from the relevant authorities and shareholders.

#### 24.1 Acquisition of subsidiaries

- i) Acquisition of the entire issued and paid-up share capital of Scenic Moulding (M) Sdn. Bhd. comprising 710,000 ordinary shares of RM1.00 each for a total consideration of RM21,471,151 satisfied by the issue of 42,942,302 new ordinary shares of RM0.50 each by the Company at an issue price of RM0.50 per ordinary share;
- ii) Acquisition of the entire issued and paid-up share capital of Classic Frame Moulding (M) Sdn. Bhd. comprising 100,000 ordinary shares of RM1.00 each for a total consideration of RM4,622,762 satisfied by the issue of 9,245,524 new ordinary shares by the Company at an issue price of RM0.50 per ordinary share;
- iii) Acquisition of the entire issued and paid-up share capital of Lim Ket Leng Timber Sdn. Bhd. comprising 100,004 ordinary shares of RM1.00 each for a total consideration of RM1,443,354 satisfied by the issue of 2,886,708 new ordinary shares by the Company at an issue price of RM0.50 per ordinary share;
- iv) Acquisition of the entire issued and paid-up share capital of Lim Ket Leng Marketing Sdn. Bhd. comprising 10,000 ordinary shares of RM1.00 each for a total consideration of RM90,825 satisfied by the issue of 181,650 new ordinary shares by the Company at an issue price of RM0.50 per ordinary share;
- v) Acquisition of the entire issued and paid-up share capital of Lim Ket Leng Realty Sdn. Bhd. comprising 750,000 ordinary shares of RM1.00 each for a total consideration of RM12,371,906 satisfied by the issue of 24,743,812 new ordinary shares by the Company at an issue price of RM0.50 per ordinary share;

The acquisitions were completed on 31 July 2004.

#### 24.2 Rights issue

Rights issue of 14,000,000 new ordinary shares of RM0.50 each in CSCENIC at par on the basis of approximately one hundred and seventy five (175) new shares for every one thousand (1,000) existing shares.

The rights issue was completed on 19 August 2004.

#### 24.3 Public issue

Public issue of 6,000,000 new ordinary shares of RM0.50 each in CSCENIC at RM1.25 per ordinary share.

The public issue was completed on 27 October 2004.

## Notes to the Financial Statements (cont'd)

### 25. ACQUISITION OF SUBSIDIARIES - GROUP

On 31 July 2004, the Company completed the acquisition of the entire equity interest in its subsidiaries for a total purchase consideration of RM39,999,998, satisfied by the issuance of 79,999,996 new ordinary shares of RM0.50 each.

The fair values of assets and liabilities assumed in the acquisition of its subsidiaries and the cash flow effects are as follows:

	<b>2004 RM</b>
Property, plant and equipment	47,061,579
Other investment	10,800
Current assets	25,282,525
Current liabilities	(21,399,406)
Long term and deferred liabilities	(3,180,801)
Net assets of subsidiaries acquired	47,774,697
Negative goodwill on consolidation	(7,525,129)
	40,249,568
Purchase consideration settled via issuance of shares:	
- Ordinary shares	(39,999,998)
Related acquisition expenses settled by cash	249,570
Less: Cash and cash equivalents of subsidiaries acquired	(3,471,585)
Net cash inflow on acquisition, net of cash acquired	(3,222,015)

## Notes to the Financial Statements (cont'd)

### 25. ACQUISITION OF SUBSIDIARIES - GROUP (cont'd)

The acquisition of its subsidiaries, was accounted for using the acquisition method of accounting. For the five months ended 31 December 2004, the subsidiaries contributed a net profit of RM5,373,369 against its consolidated profit for the year.

The effect of acquisition on the Group's results and financial position as at 31 December 2004 are as follows:

	<b>From date of acquisition to 31.12.2004 RM</b>
<b>Income statement:</b>	
Revenue	18,881,828
Cost of sales	(10,047,847)
Gross profit	8,833,981
Other operating income	56,364
Distribution costs	(618,989)
Administrative expenses	(1,145,534)
Other operating expenses	(894,102)
Operating profit	6,231,720
Finance costs	(171,615)
Amortisation of negative goodwill	391,934
Profit before taxation	6,452,039
Tax expense	(1,078,670)
Increase in Group's net profit at the end of financial year	5,373,369
<b>Balance sheet:</b>	
Property, plant and equipment	48,475,050
Current assets	25,104,441
Current liabilities	(5,389,492)
Long term and deferred liabilities	(3,494,962)
Group's share of net assets	64,695,037
Negative goodwill on acquisition	(7,525,129)
Amortisation of negative goodwill	391,934
Increase in Group's net assets	57,561,842

## Notes to the Financial Statements (cont'd)

### 25. ACQUISITION OF SUBSIDIARIES - GROUP (cont'd)

The full year Proforma results of the Group for the year ended 31 December 2004 are as follows:

	<b>Year ended 31.12.2004 RM</b>
<b>Revenue</b>	46,719,983
Cost of sales	(25,325,829)
<b>Gross profit</b>	21,394,154
Other operating income	172,318
Distribution cost	(1,475,101)
Administrative expenses	(2,862,344)
Other operating expenses	(2,328,080)
<b>Operating profit</b>	14,900,947
Finance costs	(194,192)
Amortisation of negative goodwill	391,934
<b>Profit before taxation</b>	15,098,689
Tax expense	(1,952,678)
<b>Profit for the year</b>	13,146,011
Less: Pre-acquisition profit	(7,774,812)
<b>Post-acquisition profit for the year</b>	5,371,199

### 26. COMPARATIVE FIGURES

There are no comparative figures for the consolidated financial statements as this is the first set of consolidated financial statements prepared by the Group.

### 27. EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

#### **Corporate guarantee (unsecured)**

Subsequent to year end, the Company issued the following corporate guarantee:

	<b>RM</b>
Corporate guarantee granted to a licensed bank in respect of credit facility granted to a subsidiary: Scenic Moulding (M) Sdn Bhd	2,700,000

## List of Properties

No.	Title and Location	Description and Existing Use	Tenure / Approx. age of Buildings	Land Area / Built-up Area (Square feet)	Net Book Value as at 31 December 2004 (RM)	Date of Acquisition/ Approval
1.	Lot 9185, Persiaran Dagang, Bandar Sri Damansara, 53000 Petaling Jaya, Selangor Darul Ehsan held under title HSD 41588 PT 9185, Mukim of Sungai Buluh, District of Petaling, Selangor Darul Ehsan	Commercial land rented out	Freehold / N/A	21,008 / N/A	3,151,000.00	25.10.2001 (acquisition)
2.	No.13, Jalan Kemunting 2A, Section BB 6, Bandar Bukit Beruntung, 48300 Rawang, Selangor Darul Ehsan held under title HSD 9361 PT 8515, Mukim of Serendah, District of Ulu Selangor, Selangor Darul Ehsan	Vacant industrial land	Freehold / N/A	78,786 / N/A	788,000.00	23.08.1995 (acquisition)
3.	Lot 9, Jalan RP3, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan held under title HSD 28279 PT 10351, Mukim of Rawang, District of Gombak, Selangor Darul Ehsan	Factory complex and office premises for the manufacturing of wooden picture frame moulding	Freehold / 10 years	76,209 / 69,369	5,709,811.00	25.03.1991 (acquisition)
4.	Lot 10, Jalan RP3, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan held under title HSD 28280 PT 10352, Mukim of Rawang, District of Gombak, Selangor Darul Ehsan.	Factory complex and office premises for the manufacturing of wooden picture frame moulding	Freehold / 7 years	76,058 / 65,383	5,984,714.00	03.01.1992 24.08.1994 (acquisition)

## List of Properties (cont'd)

No.	Title and Location	Description and Existing Use	Tenure / Approx. age of Buildings	Land Area / Built-up Area (Square feet)	Net Book Value as at 31 December 2004 (RM)	Date of Acquisition / Approval
5.	Lot 11, Jalan RP3, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan held under title HSD 28281 PT 10353, Mukim of Rawang, District of Gombak, Selangor Darul Ehsan	Factory complex under construction	Freehold / N/A	94,422 / N/A	3,116,000.00	19.07.2002 (acquisition)
6.	Lot 12, Jalan RP3, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan held under title HSD 28282 PT 10354, Mukim of Rawang, District of Gombak, Selangor Darul Ehsan	Factory complex and office premises for the manufacturing of wooden picture frame moulding	Freehold / 3 years	98,631 / 106,692	9,507,249.00	21.04.1999 (acquisition)
7.	Lot 13, Jalan RP3, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan held under title HSD 28283 PT 10355, Mukim of Rawang, District of Gombak, Selangor Darul Ehsan	Factory complex and office premises for the manufacturing of wooden picture frame moulding, pallets and stillages.	Freehold / 4 years	76,478 / 57,783	5,733,464.00	08.01.1999 (acquisition)
8.	Lot 2357, Jalan RP3, Taman Rawang Perdana, 48000 Rawang, Mukim of Rawang, District of Gombak, Selangor Darul Ehsan	Warehouse for the storing of wooden picture frame moulding	Temporary Occupation License (yearly renewal) / 1 year	23,400 / 10,080	515,414.00	24.09.2002 (approval)



## Analysis of Shareholdings as at 6 May 2005

### SHARE CAPITAL

Authorised Share Capital	:	RM100,000,000
Issued and Fully Paid-up Share Capital	:	RM50,006,100
Class of Shares	:	Ordinary shares of RM0.50 each
No. of Shareholders	:	1,023
Voting Rights	:	1 vote per ordinary share

### ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
Less than 100 shares	1	0.10	50	0.00
100 - 1,000 shares	465	45.45	306,303	0.30
1,001 - 10,000	370	36.17	1,704,000	1.70
10,001 - 100,000	135	13.20	4,556,800	4.56
100,001 to less than 5% of issued shares	51	4.98	34,360,106	34.36
5% and above of issued shares	1	0.10	59,084,941	59.08
<b>Total</b>	<b>1,023</b>	<b>100.00</b>	<b>100,012,200</b>	<b>100.00</b>

### LIST OF THIRTY (30) LARGEST SHAREHOLDERS

Name	No. of Shares Held	%
1. Lim Ket Leng Holding Sdn. Bhd.	49,499,941	49.49
2. Lim Ket Leng Holding Sdn. Bhd.	9,585,000	9.58
3. Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad	3,405,000	3.40
4. HDM Nominees (Tempatan) Sdn. Bhd. HDM Capital Sdn. Bhd. for Uji Epilog Sdn. Bhd.	3,288,000	3.29
5. HDM Nominees (Tempatan) Sdn. Bhd. HDM Capital Sdn. Bhd. for Revolusi Tenggara Sdn. Bhd.	2,788,100	2.79
6. Amanah Raya Nominees (Tempatan) Sdn. Bhd. Public Smallcap Fund	2,498,000	2.50
7. AMMB Nominees (Tempatan) Sdn. Bhd. AmTrustee Berhad for Pacific Pearl Fund	2,000,000	2.00
8. HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for Prudential Equity Income Fund	1,710,000	1.71
9. Uji Epilog Sdn. Bhd.	1,305,653	1.31
10. Revolusi Tenggara Sdn. Bhd.	1,304,653	1.30

## Analysis of Shareholdings as at 6 May 2005 (cont'd)

### LIST OF THIRTY (30) LARGEST SHAREHOLDERS (cont'd)

Name	No. of Shares Held	%
11. Amanah Raya Nominees (Tempatan) Sdn. Bhd. PB Balanced Fund	1,300,000	1.30
12. BHLB Trustee Berhad Prusmall-Cap Fund	1,130,000	1.13
13. Malaysian Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad	830,000	0.83
14. Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad	750,000	0.75
15. Gan Seng Yew	717,500	0.72
16. Amanah Raya Nominees (Tempatan) Sdn. Bhd. PB Growth Fund	700,000	0.70
17. Am Nominees (Tempatan) Sdn. Bhd. Tabung Amanah Warisan Negeri Johor	652,300	0.65
18. Chin Swee Yoong	620,000	0.62
19. Chooi Sook Wai	508,300	0.51
20. Choong Yook Siong	501,900	0.50
21. Lim Kwee Huay	477,000	0.48
22. Lee Wan Ying	470,600	0.47
23. Lee Ket Yeong	441,000	0.44
24. Teo Seng Poh	425,500	0.43
25. Oye Chee Peng	418,800	0.42
26. Heng Gek Imm	416,400	0.42
27. HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for Prudential Dana Al-Ilham	385,000	0.38
28. Yeh Sau Tou	362,400	0.36
29. Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad	330,000	0.33
30. Chin Sim Yee	300,000	0.30
	89,121,047	89.11

## Analysis of Shareholdings as at 6 May 2005 (cont'd)

### SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders)

Name of Substantial Shareholders	No. of Ordinary Shares of RM0.50 Each			
	Direct	%	Indirect	%
Lim Ket Leng Holding Sdn. Bhd.	59,084,941	59.08	-	-
Lim Chee Keong	-	-	59,084,941	59.08
Lim Chee Khoon	-	-	59,084,941	59.08
Great Eastern Life Assurance (Malaysia) Berhad	5,520,000	5.52	-	-
GEL Capital (Malaysia) Berhad	-	-	5,520,000	5.52
Great Eastern Holdings Limited	-	-	5,520,000	5.52
Oversea-Chinese Banking Corporation Limited	-	-	5,520,000	5.52
The Great Eastern Life Assurance Co. Ltd.	-	-	5,520,000	5.52

\* Deemed interested by virtue of his shareholdings in Lim Ket Leng Holding Sdn. Bhd., pursuant to Section 6A of the Companies Act, 1965

# Deemed interested by virtue of its substantial interest in Great Eastern Life Assurance (Malaysia) Berhad

### DIRECTORS' SHAREHOLDINGS

Directors' Name	No. of Ordinary Shares of RM0.50 Each			
	Direct	%	Indirect	%
Lim Chee Keong	-	-	59,084,941	59.08
Lim Chee Khoon	-	-	59,084,941	59.08
Lim Chee Hwa	-	-	-	-
Lim Chee Beng	-	-	-	-
Tang Kam Chee	30,000	0.03	-	-
Tee Sze Ping	50,000	0.05	-	-

\* Deemed interested by virtue of his shareholdings in Lim Ket Leng Holding Sdn. Bhd., pursuant to Section 6A of the Companies Act, 1965

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Second Annual General Meeting of the Company will be held at the Tournament Room, Kuala Lumpur Golf & Country Club, 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Monday, 20 June 2005, at 10.00 a.m. for the transaction of the following business:-

- |   |   |
|---|---|
| <p>1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2004 together with the Reports of the Directors and the Auditors thereon.</p>  | <b>(Resolution 1)</b>   |
| <p>2. To declare a first and final tax-exempt dividend of 2.5 sen per ordinary share in respect of the year ended 31 December 2004.</p>   | <b>(Resolution 2)</b>   |
| <p>3. To approve the Directors' fees of RM10,000/- in respect of the year ended 31 December 2004.</p>   | <b>(Resolution 3)</b>   |
| <p>4. To re-elect the following Directors who retire pursuant to the Articles 92 of the Company's Articles of Association and, being eligible, offer themselves for re-election:-</p> <p>(a) Mr. Lim Chee Keong</p> <p>(b) Mr. Lim Chee Beng</p> <p>(c) Mr. Lim Chee Khoon</p> <p>(d) Mr. Lim Chee Hwa</p> <p>(e) Mr. Tang Kam Chee</p> <p>(f) Mr. Tee Sze Ping</p>   | <p><b>(Resolution 4)</b></p> <p><b>(Resolution 5)</b></p> <p><b>(Resolution 6)</b></p> <p><b>(Resolution 7)</b></p> <p><b>(Resolution 8)</b></p> <p><b>(Resolution 9)</b></p> |
| <p>5. To re-appoint Messrs. KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.</p>   | <b>(Resolution 10)</b>  |
| <p>6. As Special Business:-<br/>To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:-</p> <p><b>(a) Ordinary Resolution 1</b><br/>Authority to issue shares pursuant to Section 132D of the Companies Act, 1965</p> <p>"THAT subject always to the Companies Act, 1965, Articles of Association of the Company and approvals of the relevant governmental/regulatory bodies where such approvals shall be necessary, the Directors be and are hereby authorised and empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the Company at any time until the conclusion of the next annual general meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital for the time being of the Company and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad."</p> | <b>(Resolution 11)</b>  |

## Notice of Annual General Meeting (cont'd)

### (b) Ordinary Resolution 2

Authority to issue shares pursuant to the Employees' Share Option Scheme

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company from time to time under the Employees' Share Option Scheme as approved by an ordinary resolution passed by the shareholders on 30 September 2004 provided that the aggregate number of shares to be issued does not exceed fifteen percent (15%) of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

**(Resolution 12)**

7. To transact any other business for which due notice shall have been given.

### NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS HEREBY GIVEN** that, subject to the approval of the shareholders at the Second Annual General Meeting, the first and final tax-exempt dividend of 2.5 sen per ordinary share in respect of the year ended 31 December 2004 will be payable on 13 July 2005 to depositors registered in the Record of Depositors on 29 June 2005.

A depositor shall qualify for entitlement only in respect of:-

- (a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 29 June 2005 in respect of transfers; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

### BY ORDER OF THE BOARD,

**SHA THIAM FOOK**  
**CHOW CHOOI YOONG**

Company Secretaries

Kuala Lumpur,  
28 May 2005

### Notes:-

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and vote instead of him/her. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
3. In the case of a corporate body, the proxy appointed must be in accordance with the Memorandum and Articles of Association, and the instrument appointing a proxy shall be given under the Company's Common Seal or under the hand of an officer or attorney duly authorised.
4. The Form of Proxy must be deposited at the Company's Registered Office at Lot 4.100, Tingkat 4, Wisma Central, Jalan Ampang, 50450 Kuala Lumpur not less than 48 hours before the time set for the meeting or any adjournment thereof.

### 5. Explanatory Notes on Special Business Resolution pursuant to Section 132D of the Companies Act, 1965

Resolution No. 11 proposed under item 6(a), if passed, will give the Directors of the Company from the date of the above General Meeting, authority to allot and issue ordinary shares from the unissued capital of the Company being for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and costs in convening a general meeting to specifically approve such an issue of shares. This authority will, unless revoked or varied by the Company in General Meeting, expire at the next Annual General Meeting.

### Resolution pursuant to Employees' Share Option Scheme

Resolution No. 12 proposed under item 6(b), if passed, will empower the Directors of the Company to allot and issue shares to those employees who have exercised their options under the Employees' Share Option Scheme.

# Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

## 1. DIRECTORS WHO ARE STANDING FOR RE-ELECTION AT THE 2ND ANNUAL GENERAL MEETING OF THE COMPANY

Pursuant to Article 92 of the Company's Articles of Association

- (a) Mr. Lim Chee Keong
- (b) Mr. Lim Chee Beng
- (c) Mr. Lim Chee Khoon
- (d) Mr. Lim Chee Hwa
- (e) Mr. Tang Kam Chee
- (f) Mr. Tee Sze Ping

## 2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Details of attendance of Directors at Board Meetings held during the financial year ended 31 December 2004 are set out on page 9 of the Annual Report.

## 3. PLACE, DATE AND TIME OF THE SECOND ANNUAL GENERAL MEETING

The place, date and time of the Second Annual General Meeting is as follows:-

Date of Meeting	Place	Time
20 June 2005	Tournament Room, Kuala Lumpur Golf & Country Club, 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur	10.00 a.m.

## 4. FURTHER DETAILS OF DIRECTORS WHO ARE STANDING FOR RE-ELECTION

Further details of Directors who are standing for re-election are set out on page 9 of the Annual Report and their securities holdings in the Company and its subsidiaries are set out on page 58 of the Annual Report.

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## Proxy Form



**CLASSIC SCENIC BERHAD**

(633887-M)  
(Incorporated in Malaysia)

I/We \_\_\_\_\_ (FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_ (ADDRESS)

being a member(s) of CLASSIC SCENIC BERHAD hereby appoint \_\_\_\_\_

\_\_\_\_\_ (FULL NAME)

of \_\_\_\_\_ (ADDRESS)

or failing him / her \_\_\_\_\_ (FULL NAME)

of \_\_\_\_\_ (ADDRESS)

or failing him / her, the Chairman of the Meeting as \*my/our proxy to vote for \*me/us on \*my/our behalf at the SECOND ANNUAL GENERAL MEETING of the Company, to be held at the Tournament Room, Kuala Lumpur Golf & Country Club, 10, Jalan 1 / 70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Monday, 20 June 2005, at 10.00 a.m. and at any adjournment thereof.

(\*Strike out whichever is not desired)

My/Our proxy is to vote as indicated below:

NO.	RESOLUTIONS	FOR	AGAINST
1)	Adoption of Audited Financial Statements and Reports		
2)	Declaration of First and Final Tax Exempt Dividend		
3)	Approval of Directors' fee		
4)	Re-election of Mr. Lim Chee Keong as director		
5)	Re-election of Mr. Lim Chee Beng as director		
6)	Re-election of Mr. Lim Chee Khoon as director		
7)	Re-election of Mr. Lim Chee Hwa as director		
8)	Re-election of Mr. Tang Kam Chee as director		
9)	Re-election of Mr. Tee Sze Ping as director		
10)	Re-appointment of Messrs. KPMG as auditors		
11)	Ordinary Resolution 1 - Authority to issue shares pursuant to Section 132D of the Companies Act, 1965		
12)	Ordinary Resolution 2 - Authority to issue shares pursuant to the Employees' Share Option Scheme		

Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If no instruction as to voting is given, the Proxy will vote or abstain from voting at his discretion.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2005

No. of Shares Held:

\_\_\_\_\_  
Signature

### Notes:-

- A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote instead of him/her. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
- In the case of a corporate body, the proxy appointed must be in accordance with the Memorandum and Articles of Association, and the instrument appointing a proxy shall be given under the Company's Common Seal or under the hand of an officer or attorney duly authorised.
- The Form of Proxy must be deposited at the Company's Registered Office at Lot 4.100, Tingkat 4, Wisma Central, Jalan Ampang, 50450 Kuala Lumpur not less than 48 hours before the time set for the meeting or any adjournment thereof.



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The Company Secretary  
**CLASSIC SCENIC BERHAD**  
(633887-M)

Lot 4.100, Tingkat 4,  
Wisma Central, Jalan Ampang,  
50450 Kuala Lumpur

fold here