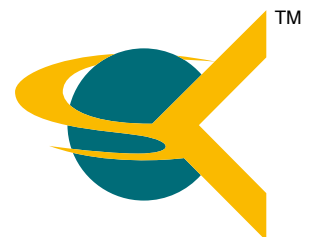




Scenic in name
Beauty in frame™



CLASSIC SCENIC BERHAD
(633887-M)



CORPORATE PROFILE

OUR VISION

We wish to see our wooden picture frame mouldings pleasingly adorn walls and shelves on all corners of the world, invoking smiles and nurturing pride on those who see.

OUR MISSION

To be a world-class manufacturer of wooden picture frame mouldings, encompassing the highest standards in areas of aesthetic and elegance, at competitive costs, and with full cognizance of long term environmental sustainability.

OUR PAST AND PRESENT

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 subsidiaries principally engaged in the manufacturing of wooden picture frame mouldings, and wooden pallets. For the former, it is primarily undertaken by wholly-owned subsidiary, Scenic Moulding (M) Sdn. Bhd., of which full certification for ISO 9001:2000 by Lloyd's Register Quality Assurance has been duly obtained.

The first mouldings were made in 1994, and today we are the largest wooden picture frame mouldings manufacturer and exporter in Malaysia, and one of the biggest operations in the region as well. Current manufacturing facility comprises of 5 factories spread over an area of 420,000sq ft., and a 390 strong workforce. There is still a long road ahead, and in order to achieve continued sustainability in both growth and profits, the Group will focus on strengthening its overall management vis-a-vis a continuous improvement and expansion strategy in all aspects of the business.





CONTENTS

- 2 Financial Highlights
- 3 Chairman's Statement
- 6 Corporate Information
- 7 Corporate Structure
- 8 Board of Directors' Profile
- 9 Statement on Corporate Governance
- 13 Audit Committee Report
- 17 Statement on Internal Control
- 18 Additional Compliance Information
- 19 Financial Statements
- 54 Analysis of Shareholdings
- 57 List of Properties
- 59 Notice of AGM
- 61 Statement Accompanying Notice of AGM
Proxy Form



COVER RATIONALE

The beauty of mother nature is often captured by wondrous images of flowers, falls and foliage. But all this beauty would be diminished if these images are framed inappropriately. At Classic Scenic, our passion for innovation, and perceptive vision, will lead the way as we strive to ensure the enhancement of these images, for the enjoyment of all who see. For Classic Scenic, the art of beauty in frames, is indeed a beautiful art, because it appeals to the heart. Quality, competitiveness and the rest, all comes naturally when we do this!

Scenic in name Beauty in frame™

FINANCIAL HIGHLIGHTS

The table below sets out a summary of the proforma consolidated results of Classic Scenic Berhad ("CSCENIC") Group for the past four (4) 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 four (4) financial years ended 31 December 2001 to 31 December 2004, with adjustments made where necessary. The financial results for the year 2005 are based on the audited financial statements of the Group for the financial year ended 31 December 2005.

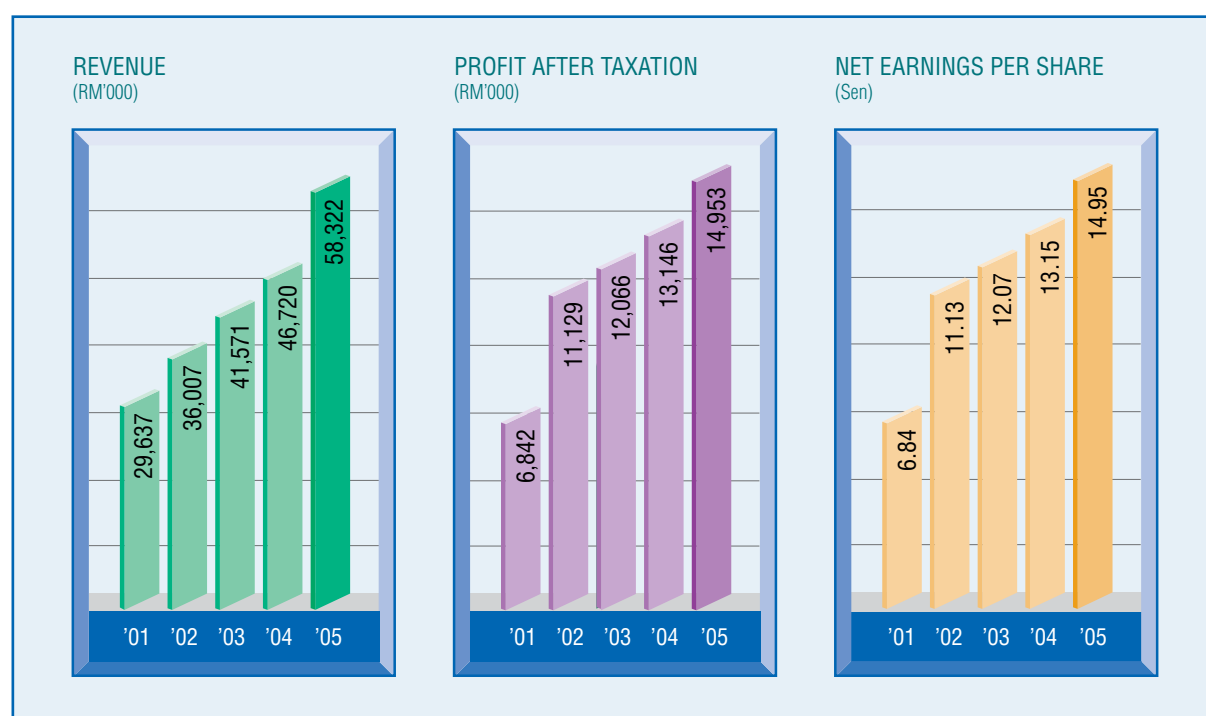
	2005	2004	2003	2002	2001
Revenue (RM'000)	58,322	46,720	41,571	36,007	29,637
Profit Before Tax (RM'000)	18,531	15,099	13,431	12,239	8,552
Profit After Tax (RM'000)	14,953	13,146	12,066	11,129	6,842
Gross Earnings Per Share (sen)	#18.53	*15.10	*13.43	*12.24	*8.55
Net Earnings Per Share (sen)	#14.95	*13.15	*12.07	*11.13	*6.84
Net Dividend Per Share (sen)	@7.50	2.50	-	-	-
Dividend Payout Ratio (%)	50.2	^46.5	-	-	-

* Based on 100,000,000 ordinary shares, assuming the acquisition of the subsidiaries had been implemented and the Group had been in existence throughout the past four (4) years from 2001 to 2004

Based on the number of ordinary share in issue of 100,012,200 as at the end of the financial year

@ Included the final tax-exempt dividend of 4.0 sen per ordinary share which is subject to the approval of the shareholders at the forthcoming Annual General Meeting

^ Based on 5-month post-acquisition profit after tax



CHAIRMAN'S STATEMENTS



More than a year has passed since the listing of Classic Scenic Berhad ("CSCENIC") on the Bursa Malaysia Securities Berhad, and I am glad to say that your company has delivered satisfactory financial results. Thus, on behalf of the Board of Directors of CSCENIC, I am pleased and proud to present to you the Annual Report and the Audited Financial Statements of CSCENIC for the financial year ended 31 December 2005.

BUSINESS AND OPERATIONS REVIEW

As earlier envisaged, the strong Euro with its consequent rise in prices has been beneficial to CSCENIC, as the year saw many migrations of order from European manufacturers to Malaysian and Indonesian manufacturers. The group's earlier strategy and farsightedness has put us in a strong position to take advantage and capitalise on this shift in global sourcing. More importantly, CSCENIC has been able to hold our own against global competition with our excellent reputation for consistently high quality, innovative and versatile product range, reliable service, large expanding capacity and competitive pricing.

On the home front, the major challenge was the marked increases in local sawn timber costs over the course of 2005. However, CSCENIC has managed this challenge well, by a combination of optimisation and rationalization of production costs, productivity improvements, and effective customer communication in cases of unavoidable price revisions. The result of all this has been actual increases in sales revenue by 24.8%, a high pre-tax margin of 31.8%, and henceforth, a continued healthy profit for CSCENIC.

CSCENIC continues its dominance in the Malaysian mid-to-high end wooden picture frame moulding industry with the largest local manufacturing facility, and quite certainly, one of the largest in Asia as well. Presently, our 5 plants (latest one commissioned in March 2005), has an annual production capacity of 37 million linear feet, based on an average one-11-hour shift per day and the occasional double shift to meet more pressing commitments. Operating these plants, are our 390 strong production workforce, complemented by a group of creative in-house design team, which has come up with no less than 150 new products in 2005. The result of all this capacity and capability was a steady export to a broad list of customers spread over 13 countries and 4 continents.

FINANCIAL PERFORMANCE REVIEW

We are happy to report that the financial year ended 31 December 2005 has proven to be another sterling year for profitability. Group revenue improved by a favourable 24.8% from RM46.72 million in 2004 to RM58.32 million in 2005. Profit before taxation grew commensuratively from 2004 to 2005 at 22.7%, from RM15.10 million to RM18.53 million. The resultant profit after tax, came to RM14.95 million, a 13.7% improvement from 2004 of RM13.15 million.

CHAIRMAN'S STATEMENTS

(cont'd)

The main contributors to the positive results have been an increased demand from North America and Europe, and expanded capacity due to the commissioning of a new production plant, which allowed us to meet all order obligations on time and in full. This good overall performance has resulted in net earnings per share of 14.95 sen as compared to 13.55 sen for financial year ended 31 December 2004. Net assets per share accordingly rose from 58.46 sen to 67.42 sen as at 31 December 2005.

GROUP FINANCIAL PERFORMANCE

	Audited Financial Year Ended 31 December 2005 RM'000	Proforma Financial Year Ended 31 December 2004* RM'000	Increase %
Revenue	58,322	46,720	24.8
Profit Before Tax	18,531	15,099	22.7
Profit After Tax	14,953	13,146	13.7

* The proforma consolidated results for the financial year ended 31 December 2004 have been prepared assuming that the acquisition of the subsidiaries had been implemented and the Group had been in existence throughout the financial year.

CORPORATE DEVELOPMENT

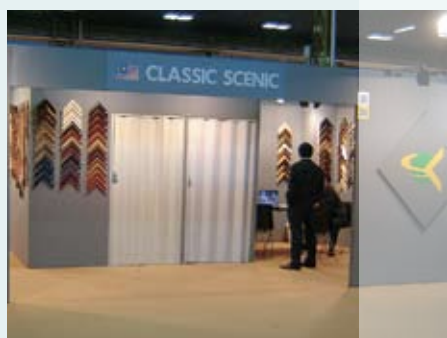
On 27 February 2006, the Company announced a proposed bonus issue of up to 23,002,806 new ordinary shares of RM0.50 each on the basis of one (1) new share for every five (5) existing shares and a proposed transfer of the listing of and quotation for the entire issued and paid-up share capital from the Second Board to the Main Board of Bursa Malaysia Securities Berhad. The proposals are subject to the approval of the relevant authorities and shareholders.

AWARDS AND RECOGNITIONS

The Malaysian Enterprise 50 Award is an annual award that recognises achievements of homegrown enterprises in competing in the global arena. We are happy and proud to give mention here, that CSCENIC's wholly-owned subsidiary, Scenic Moulding (M) Sdn. Bhd. ("SM") has been one of the recipients of this award, for the second straight year.

Additionally for 2005, SM was also awarded by the Ministry of Plantation Industries and Commodities of Malaysia, the "Anugerah Industri Komoditi KPPK 2005", which bestows upon the company as being the "Best In Class" in the Malaysian manufacturing of commodity-based products.

CORPORATE HIGHLIGHTS



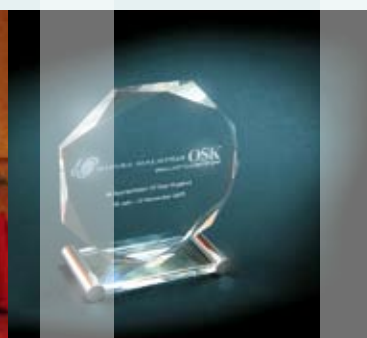
17 - 20 February 2005

Participated in the Quadrum Sacra Trade Show, an international exhibition, in Bologna, Italy



20 June 2005

The Board of Directors of CSCENIC communicated and established mutual understanding with shareholders during the 2nd AGM at KLGCC, Kuala Lumpur



16 July 2005

CSCENIC was invited to participate in the Bursa Malaysia-OSK Small Cap Roadshow 2005 to communicate its objectives, performance and strategies with shareholders and investors

CHAIRMAN'S STATEMENTS

(cont'd)

DIVIDENDS

Subject to approval of shareholders during the forthcoming Third Annual General Meeting, the Board of CSCENIC is pleased to recommend a final tax-exempt dividend of 8.0% in respect of the financial year ended 31 December 2005. In addition, on 29 September 2005, the Board had already declared an interim tax-exempt dividend of 7.0%, of which payment was made on 25 October 2005. This brings the full-year dividend to 15.0%, representing a distribution to shareholders of 50.2% of the Group's net profits for the financial year ended 31 December 2005.

On 13 July 2005, the first and final tax-exempt dividend of 5.0% in respect of the financial year ended 31 December 2004 was paid.

Backed by the group's ability to generate healthy cash flows, the Board feels the Group is able to reward shareholders with good dividends and at the same time ensure future expansion and investment plans are also provided for. This will maximize shareholders' value for the longer term.

OUTLOOK AND PROSPECTS

The markets for CSCENIC's products remained bullish throughout much of 2005. However, CSCENIC is not one to rest on its laurels, and will continue to pursue a path of active marketing, emphasising on quality, reliability, and creativity. To meet this welcomed pressure of increased demands, 2005 saw the installation of additional production

lines, and the implementation of occasional double shifts, all of which will see full year contribution in 2006.

Looking further, SM has entered into a conditional Sale and Purchase Agreement to acquire a parcel of land measuring 79,739 sq ft, for a cash consideration of RM1.59 million. This recent acquisition once in place, will further serve to enhance our competitive advantage with regards to raw materials consistency through larger warehousing space, and in tandem also provide additional space for increase capacity via new production lines.

In light of all the above, the Board is optimistic that the performance of the Group will continue to remain favourable for the current financial year ending 31 December 2006.

APPRECIATION

Many notes of thanks are due to our diligent and conscientious employees, valued customers, business associates, suppliers, regulatory bodies, and of course the Government of Malaysia for providing us the economic and social stability necessary to the running of a globally competitive business.

Lim Chee Keong
Executive Chairman

Kuala Lumpur
15 March 2006



10 August 2005

Mr. Lim Chee Keong, our Executive Chairman received the "Anugerah Industri Komoditi KPPK 2005" from the Prime Minister, YAB Dato' Seri Abdullah bin Haji Ahmad Badawi



2 September 2005

Scenic Moulding (M) Sdn. Bhd. was one of the recipient of Enterprise 50 Award for the 2nd consecutive year

CORPORATE INFORMATION

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*

AUDIT COMMITTEE

Tee Sze Ping
Chairman (Independent Non-Executive Director)

Tang Kam Chee
Member (Independent Non-Executive Director)

Lim Chee Keong
Member (Executive Chairman)

NOMINATION COMMITTEE

Tang Kam Chee
Chairman (Independent Non-Executive Director)

Tee Sze Ping
Member (Independent Non-Executive Director)

REMUNERATION COMMITTEE

Tang Kam Chee
Chairman (Independent Non-Executive Director)

Tee Sze Ping
Member (Independent Non-Executive Director)

Lim Chee Keong
Member (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, Malaysia
Telephone No : 603 – 6091 7477
Facsimile No : 603 – 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 : 603 – 2161 9733
Facsimile No : 603 – 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.
Level 26, Menara Multi-Purpose
Capital Square
No 8 Jalan Munshi Abdullah
50100 Kuala Lumpur
Telephone No : 603 – 2721 2222
Facsimile No : 603 – 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)
Investment Holding



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 ("Option") and Executive 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 more than 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 Option and Executive Committee. He graduated with a Bachelor of Science Degree, majoring in Mathematics (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 Option and Executive 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 Option and Executive 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 51

(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 and Option 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 38

(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 had no conviction for any offences other than traffic offences, if any, in the last ten (10) years.

STATEMENT ON CORPORATE GOVERNANCE

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

In this annual Corporate Governance Statement, the Board is pleased to report its 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 experience. There was no change in the composition of the Board members in the current financial year. The number of Board members remain at 6 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 separated to ensure balance of authority. The Chairman is responsible for the orderly conduct and working of the Board. The Managing Director is responsible for the running of the Group's operation and execution of the Board's overall direction and strategy. In addition, the Board has identified Mr. Tee Sze Ping to be the Senior Independent Non-Executive Director to whom shareholders can convey their concerns and seek clarifications from the Board.

A description of the background of each director is presented on page 8 of the Annual Report.

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.

During the financial year, 5 Board meetings were held. The number of board meetings held and attendance of the directors for the financial year ended 31 December 2005 are as follows:-

Directors	No. of Board Meetings Attended / Held
Lim Chee Keong	5 / 5
Lim Chee Beng	5 / 5
Lim Chee Khoon	5 / 5
Lim Chee Hwa	5 / 5
Tang Kam Chee	5 / 5
Tee Sze Ping	5 / 5

The Board also maintains specific Board Committees namely the Audit Committee, Option 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 the direction and control of the Group is firmly within the Board, the Board has defined the terms of reference for each committee. The ultimate decisions on all matters deliberated in these Committees are required to be reported to the Board.

During the financial year, the Board has formalized the Executive Committee ("EC") comprises of all Executive Directors and selected senior management staff. This Committee meets at least once a month, and additional meetings will be held as and when required by the Chairman of the EC.

The EC assists the Board in the following:-

- i) Manage overall operations of the Group;
- ii) Implement strategic business plan and policy approved by the Board;
- iii) Establish an adequately resourced risk management framework;
- iii) Review risks and opportunities associated with business strategies and operating processes; and
- iv) Formulate corporate policies.

On 24 November 2005, the EC promulgated the Group Code of Business Conducts and Ethics. This Code of Conducts outlines the minimum standard of ethic and integrity for the organisation. The EC believes this Code would promote further awareness of the importance of good corporate practices within the organisation and demonstrates the Board's commitment towards good corporate governance.

STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

APPOINTMENT TO THE BOARD

The Nomination Committee ("NC") was established on 19 October 2004. The objective of this NC is to ensure that there is a formal and transparent procedure for the appointment of new directors to the Board. The NC had one (1) meeting during the year ended 31 December 2005.

The members of the NC comprise of:-

Chairman Tang Kam Chee

Independent Non-Executive Director

Members Tee Sze Ping

Independent Non-Executive Director

The duties and responsibilities of the NC are as follows:-

- 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;
- 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 all directorships to be filled by the shareholders or the Board;
- iv) To consider, in making its recommendations, candidates for directorships proposed by the Managing Director/ Chief Executive Office and, within the bounds of practicability, by any other senior executive or any 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 NC 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.

The NC conducted an annual directors' appraisal on the first anniversary year 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 directors' development. All Board members have completed the Mandatory Accreditation Programme in accordance with the Listing Requirements. In addition, members of the Board are informed of various directors' development programmes and encouraged to attend these programmes to keep abreast with the development in the industry and relevant regulatory requirements in furtherance of their duties.

All the Directors have attended training during the financial year ended 31 December 2005. A brief description on the type of training the directors have attended is listed below:-

Title of seminar/forum	Mode of training	No. of days spent
LIM CHEE KEONG Risk Management and Internal Controls	Seminar	1 day
LIM CHEE BENG Implementing Business Plan Strategies for Company Directors and Senior Management	Seminar	1 day
LIM CHEE KHOON Risk Management and Internal Controls	Seminar	1 day
LIM CHEE HWA Winning Competitive Strategies	Seminar	1 day
Seminar on Government Incentives and Services for the Timber Industry	Seminar	1 day
Forum on Financial Reporting Standards 2005	Forum	½ day
TANG KAM CHEE Tax Audit and Investigation in Malaysia	Seminar	2 days
TEE SZE PING Modern Internal Auditing for Auditors, Audit Committees, Senior Management & Auditors	Seminar	1 day

STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

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 all directors shall retire by rotation once in every three (3) years or at least one-third (1/3) of the Board shall retire from office and be eligible to offer themselves for re-election at the Annual General Meeting ("AGM").

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 re-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 ("RC") was established on 19 October 2004. The objective of this RC is to recommend to the Board the remuneration of Executive Directors in all its forms. To this end, the RC 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 RC had 1 meeting during the year ended 31 December 2005.

The members of the RC are as follows:-

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

The duties and responsibilities of the RC are as follows:-

- To recommend to the Board the remuneration of the Executive Chairman, Managing Director and Executive Directors;
- To ensure a fair remuneration of the Board members and other level of management;

- To conduct continued assessment of individual Executive Directors to ensure that their remuneration is directly related to corporate and individual performance;
- 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
- 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)	Benefits- in- kind (RM)	Allow- ances (RM)	Total (RM)
Executive Directors	-	1,545,600	102,250	-	1,647,850
Non-Executive Directors	24,000	-	-	20,000	44,000

* Subject to approval by shareholders at the AGM.

SHAREHOLDERS

The Board endeavours to provide timely and accurate disclosure of all material information of the Group to the shareholders and investors. Information is disseminated through various disclosures and announcements made to the Bursa Securities which includes the quarterly financial results, audited financial statements and Annual Reports.

STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

This information is also electronically published at the Bursa Securities website at <http://www.bursamalaysia.com> and it is accessible by public. Where practicable, the Board is prepared to enter into a dialogue with shareholders and analysts. Nevertheless, in conducting this dialogue, the Board and the management are mindful of the share price sensitive information and the fair opportunity of information to shareholders and investors.

During the financial year, the Managing Director and/or key management personnel also held briefings with the press and analysts, when necessary, to provide information on the Group's strategy and performance.

The AGM remains the principal forum for dialogue with all shareholders while the Extraordinary General Meetings are held as and when required. At these General Meetings, the Directors undertake to provide answers to the shareholders' queries.

ACCOUNTABILITY AND AUDIT

The Board is committed to present a balanced and understandable assessment of the Group's financial position and prospects in the public release of financial results. These results are contained in the quarterly financial results, audited financial statements and Annual Reports.

The Board also affirms its responsibility for maintaining a sound system of internal control for the Group. The internal audit function was established in June 2005. Audit reviews were carried out on quarterly basis and audit findings were reported to the Audit Committee.

During the financial year, the Board engaged an external consultant to assist the Group in introducing a structured and documented risk management framework to the management. The project was completed and reported to the Board.

To maintain a transparent and formal relationship with the Company's external auditors, the Audit Committee reviews the appointment, performance, independence and remuneration of the external auditors. If deemed necessary, the Audit Committee will convene meetings with the external auditors without the present of executive members of the Committee. The Audit Committee Report covering its terms of reference, composition, activities and attendance of the members are reported separately on pages 13 to 16 of the Annual Report.

COMPLIANCE WITH BEST PRACTICES

Other than the disclosure of detailed remuneration of each director, the Board of Directors believes that CSCENIC has complied with the best practices of corporate governance as set out in Part 2 of the Code throughout the current financial year.

The Board views that the transparency in respect of the Directors' remuneration has been appropriately dealt with by the 'band disclosure' presented on the previous page.

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 the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the Listing Requirements of the 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 2005 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;
- complied with all applicable approved accounting standards;
- 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.

This statement was made in accordance with a resolution of the Board dated 22 February 2006.

AUDIT COMMITTEE REPORT



COMPOSITION

The Audit Committee of Classic Scenic Berhad ("CSCENIC") was established on 4 August 2004. For the financial year ended 31 December 2005, 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.

AUDIT COMMITTEE REPORT

(cont'd)

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
- (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; and
- (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; and
 - (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.

AUDIT COMMITTEE REPORT

(cont'd)

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:-
 - (a) Statement on the Company's application of the principles set out in Part 1 of the Malaysian Code on Corporate Governance;
 - (b) 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;
 - (c) Statement on the Board's responsibility for preparing the annual audited financial statements; and
 - (d) 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 REPORT

(cont'd)

AUDIT COMMITTEE MEETINGS

The Audit Committee met five (5) times during the financial year ended 31 December 2005. 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 Attended / Held
Chairman Tee Sze Ping (Independent Non-Executive Director)	5 / 5
Members Tang Kam Chee (Independent Non-Executive Director)	5 / 5
Lim Chee Keong (Executive Chairman)	5 / 5

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

During the financial year ended 31 December 2005, the activities of the Audit Committee included the following:-

- (a) reviewed the quarterly financial results and announcements for the financial quarters ended 31 December 2004, 31 March 2005, 30 June 2005 and 30 September 2005 prior to submission to the Board of Directors for consideration and approval;
- (b) reviewed the audited financial statements for the financial year ended 31 December 2004;
- (c) reviewed the external auditors' reports for the financial year ended 31 December 2004 in relation to audit and accounting issues arising from the audit;
- (d) considered the nomination of external auditors for recommendation to the Board for re-appointment;
- (e) considered the audit fees payable for recommendation to the Board;
- (f) reviewed the internal audit and risk management reports of the Group;

(g) reviewed the disclosure statements on compliance of the Malaysian Code on Corporate Governance, Audit Committee Report and the Statement of Internal Control and recommended their adoption to the Board; and

(h) reviewed and verified the allocation of options to employees pursuant to the Company's Employees' Share Option Scheme.

INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to an independent external consultant. The internal audit function is performed impartially, proficiently and with due professional care. The Internal Auditor reports to the Audit Committee, and performs review and appraisal on the Group's internal control systems on quarterly basis.

During the financial year ended 31 December 2005, the activities of the Internal Audit Function included the following:-

- (a) reviewed and appraised the internal control systems, policies, procedures and information technology functions of a significant entity of the Group and provided recommendations for improvement;
- (b) reviewed and reported on the extent of the Group's compliance with the provision set out under the Malaysian Code on Corporate Governance;
- (c) advised and assisted the management in the implementation of risk management framework and compilation of risk register for core business function and activities; and
- (d) briefed the Audit Committee and the management on risk changes in line with the changes in the business environment and the control procedures for continuous improvements.

STATEMENT BY AUDIT COMMITTEE ON THE GROUP'S EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

(Pursuant to Paragraph 8.21A of the Listing Requirements of Bursa Securities)

During the financial year, there was no option offered to non-executive directors pursuant to the Group's ESOS.

STATEMENT ON INTERNAL CONTROL

BOARD RESPONSIBILITIES

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 is responsible 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.

RISK MANAGEMENT

An independent consultant was appointed on 19 January 2005 to assist the Group in establishing a structured and documented risk management framework to monitor and improve the adequacy and effectiveness of the Group's risk management process. This exercise covered the operations of Scenic Moulding (M) Sdn Bhd ("SM"), the principal subsidiary involved in the core business of the Group. The exercise was completed during the year and the report on the risk management framework and the principal risks identified were presented to the Board and the Audit Committee. In addition, the identified operational risks were distributed to the respective departmental heads for maintenance of adequate internal controls for managing risks. The Group also has formalized a risk management framework together with risk management policy thereon to enable a systematic method of identifying, evaluating, managing and reviewing the Group's risks.

INTERNAL CONTROL SYSTEM

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

- Annual budget is prepared for the Group and approved by the Executive Committee. Management accounts/reports are prepared and the actual performance is compared against the budget on a monthly basis;
- The Executive Committee, comprising Executive Directors and senior management staff, meets monthly to review the financial performance of the Group to ensure that they are in line with the corporate objectives, strategies and annual budget. This Committee also formulates strategies, policies and code of practices to address changes in the business environment and risks;
- Board Committees, namely the Audit Committee, Executive Committee, Option Committee, Nomination Committee and Remuneration Committee have been established with defined terms of reference.
- Management organisation structure with reporting line of accountability and authority have been defined and documented;
- Monthly operational review meetings are held and attended by the Executive Directors and the departmental heads to identify, discuss and resolve key operational issues;
- Code of Conduct and Standard Operating Procedures which include the ISO 9001:2000 Quality Management System for the major subsidiary, SM are documented;
- Appointment of staff is based on the required level of qualification, experience and competency to fulfil their responsibilities. Training and development is provided to selected staff to enhance their skill sets and capability;
- 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.
- The Audit Committee reviews the quarterly financial results, annual report, audited financial statements, Group's risk profile and internal control issues identified by the External Auditors, Internal Auditors and the management; and
- The internal audit function reviews the adequacy and integrity of the system of internal control. This function was outsourced to an external consultant in June 2005. The internal audit function reports its findings to the Audit Committee on quarterly basis. During the financial year, some areas of improvement to internal control were identified and addressed. Nevertheless, the identified weaknesses in the internal control have not resulted in any losses and/or require further disclosure in this Statement.

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

This statement was made in accordance with a resolution of the Board dated 22 February 2006.

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS

The Company did not make any corporate proposal to raise proceeds during the financial year ended 31 December 2005.

SHARE BUY-BACKS

The Company did not make any share buy-back during the financial year ended 31 December 2005.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year ended 31 December 2005, 12,200 share options were exercised pursuant to the Employees' Share Option Scheme.

The Company has not issued any warrants or convertible securities.

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

During the financial year ended 31 December 2005, 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 relevant regulatory bodies during the financial year.

NON-AUDIT FEES

The amount of non-audit fees payable to external auditors for the financial year ended 31 December 2005 was RM7,000.

VARIATION IN RESULTS

There was no material variance between the audited results for the financial year ended 31 December 2005 and the unaudited results previously announced.

PROFIT GUARANTEE

The Company did not issue any profit guarantee during the financial year ended 31 December 2005.

MATERIAL CONTRACTS INVOLVING DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

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 2005 or entered into since the end of the previous financial year.

REVALUATION POLICY

The Group has no revaluation policy on land properties.



FINANCIAL STATEMENTS

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005

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 2005.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities of its subsidiaries are as 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	Company
	RM	RM
Net profit for the year	14,952,837	14,840,342

DIVIDENDS

Since the end of the previous financial year, the Company paid:-

- i) a first and final tax exempt dividend of 5% in respect of the financial year ended 31 December 2004 on 13 July 2005; and
- ii) an interim tax exempt dividend of 7% in respect of the financial year ended 31 December 2005 on 25 October 2005.

The final dividend recommended by the Directors in respect of the financial year ended 31 December 2005 is 8% tax exempt totaling RM4,000,488 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.

DIRECTORS OF THE COMPANY

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

Lim Chee Keong
 Lim Chee Khoon
 Lim Chee Beng
 Lim Chee Hwa
 Tang Kam Chee
 Tee Sze Ping

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005 (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			
	Balance at 1.1.2005	Bought	Sold	Balance at 31.12.2005
SHARES IN THE COMPANY				
Classic Scenic Berhad				
Tang Kam Chee	30,000	-	(20,000)	10,000
Tee Sze Ping	50,000	-	-	50,000
DEEMED INTEREST THROUGH				
Lim Ket Leng Holding Sdn Bhd				
Lim Chee Keong	54,999,941	12,500,000	(4,415,000)	63,084,941
Lim Chee Khoon	54,999,941	12,500,000	(4,415,000)	63,084,941

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.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by 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 the Employees' Share Option Scheme ("ESOS").

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 12,200 ordinary shares of RM0.50 each arising from the exercise of employees' share options at the option price of RM1.25 per ordinary share.

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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005 (cont'd)

OPTIONS GRANTED OVER UNISSUED SHARES

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

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.

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

Number of options over ordinary shares of RM0.50 each

Date of offer	Option price RM	Balance at 1.1.2005	Granted	Exercised	Lapsed	Balance at 31.12.2005
28.10.2004	1.25	11,861,000	-	(12,200)	(173,800)	11,675,000

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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005 (cont'd)

OPTIONS GRANTED OVER UNISSUED SHARES (cont'd)

Employees' Share Option Scheme (cont'd)

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 holders 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 31.12.2005
			Balance at 1.1.2005	Granted	Exercised	
Lim Chee Keong	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 Beng	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

EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 25 January 2006, Scenic Moulding (M) Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a conditional Sale and Purchase Agreement with Tan Poo Sieng, Saw Kooi Day, Soo Choy Kin, Tan Ah Kok, Tan Bee Lay and Tan Bee Cheok for the acquisition of a parcel of land for a total consideration of RM1,594,779.

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) there are no bad debts to be written off and no provision need to be 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 it necessary to write off any bad debts or provide for any doubtful debts, 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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005 (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, the results of the operations of the Group and of the Company for the financial year ended 31 December 2005 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 February 2006

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 27 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 2005 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 February 2006

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 27 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 February 2006.

Before me:

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

LIM CHEE HWA

Kuala Lumpur

REPORT OF THE AUDITORS TO THE MEMBERS OF CLASSIC SCENIC BERHAD

We have audited the financial statements set out on pages 27 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 2005 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 February 2006

BALANCE SHEETS

AT 31 DECEMBER 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
PROPERTY, PLANT AND EQUIPMENT	2	50,514,030	48,475,050	-	-
INVESTMENT IN SUBSIDIARIES	3	-	-	40,249,568	40,249,568
		50,514,030	48,475,050	40,249,568	40,249,568
CURRENT ASSETS					
Inventories	4	16,742,467	13,610,947	-	-
Trade and other receivables	5	8,462,592	6,780,905	24,743,356	14,940,905
Tax recoverable		13,965	1,119,797	7,306	-
Cash and cash equivalents	6	6,232,761	4,512,515	7,292	917,723
		31,451,785	26,024,164	24,757,954	15,858,628
CURRENT LIABILITIES					
Trade and other payables	7	3,802,005	3,291,003	62,600	13,800
Borrowings (secured)	8	-	2,000,000	-	-
Taxation		513,154	116,623	-	4,334
		4,315,159	5,407,626	62,600	18,134
NET CURRENT ASSETS		27,136,626	20,616,538	24,695,354	15,840,494
		77,650,656	69,091,588	64,944,922	56,090,062
FINANCED BY:-					
CAPITAL AND RESERVES					
Share capital	9	50,006,100	50,000,000	50,006,100	50,000,000
Reserves		17,424,686	8,463,431	14,938,822	6,090,062
SURPLUS IN SHAREHOLDERS' FUNDS		67,430,786	58,463,431	64,944,922	56,090,062
NEGATIVE GOODWILL	10	6,192,554	7,133,195	-	-
DEFERRED LIABILITIES					
Deferred tax liabilities	11	4,027,316	3,494,962	-	-
		77,650,656	69,091,588	64,944,922	56,090,062

The financial statements were approved and authorised for issue by the Board of Directors on 22 February 2006.

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 2005

	Note	Group		Company	
		2005 RM	2004* RM	2005 RM	2004 RM
REVENUE	13	58,321,690	18,881,828	15,000,000	3,000,000
Cost of sales		(33,742,571)	(10,047,847)	-	-
GROSS PROFIT		24,579,119	8,833,981	15,000,000	3,000,000
Other operating income		376,659	103,534	5,104	47,170
Distribution costs		(1,548,729)	(618,989)	-	-
Administrative expenses		(3,260,990)	(1,177,118)	(132,848)	(31,584)
Other operating expenses		(2,555,237)	(916,925)	(30,431)	(4,756)
OPERATING PROFIT	13	17,590,822	6,224,483	14,841,825	3,010,830
Finance costs	15	-	(153,548)	-	-
Amortisation of negative goodwill		940,641	391,934	-	-
PROFIT BEFORE TAXATION		18,531,463	6,462,869	14,841,825	3,010,830
Tax expense	16	(3,578,626)	(1,091,670)	(1,483)	(13,000)
NET PROFIT FOR THE YEAR		14,952,837	5,371,199	14,840,342	2,997,830
Basic earnings per ordinary share (sen)	17	14.95	13.55	-	-
Diluted earnings per ordinary share (sen)	17	14.86	13.49	-	-

* The results of the Group for 2004 is consolidated from the date of acquisition of subsidiaries. Accordingly, the Group income statement for the year ended 31 December 2004 only reflects 5 months results of the subsidiaries.

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

Group	Share capital RM	<i>Distributable</i> Share premium RM	<i>Distributable</i> (Accumulated loss)/ Retained profits RM	Total RM
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
AT 31 DECEMBER 2004/1 JANUARY 2005	50,000,000	3,100,982	5,362,449	58,463,431
Issue of shares:-				
- Exercise of share options	6,100	9,150	-	15,250
Dividends				
- First and final 2004	-	-	(2,500,305)	(2,500,305)
- Interim 2005	-	-	(3,500,427)	(3,500,427)
Net profit for the year	-	-	14,952,837	14,952,837
AT 31 DECEMBER 2005	50,006,100	3,110,132	14,314,554	67,430,786

Note 9

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005 (cont'd)

Company	Share capital RM	<i>Distributable</i> Share premium RM	<i>Distributable</i> (Accumulated loss)/ Retained profits RM	Total RM
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	-	-	2,997,830	2,997,830
AT 31 DECEMBER 2004/1 JANUARY 2005	50,000,000	3,100,982	2,989,080	56,090,062
Issue of shares:-				
- Exercise of share options	6,100	9,150	-	15,250
Dividends				
- First and final 2004	-	-	(2,500,305)	(2,500,305)
- Interim 2005	-	-	(3,500,427)	(3,500,427)
Net profit for the year	-	-	14,840,342	14,840,342
AT 31 DECEMBER 2005	50,006,100	3,110,132	11,828,690	64,944,922
	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 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	18,531,463	6,462,869	14,841,825	3,010,830
Adjustments for:-				
Gain on disposal of plant and equipment	(132,935)	(11,973)	-	-
Amortisation of negative goodwill	(940,641)	(391,934)	-	-
Depreciation	2,349,968	873,049	-	-
Loss on disposal of quoted investment	-	2,900	-	-
Interest expense	-	153,548	-	-
Interest income	(94,304)	(61,916)	(5,104)	(46,990)
Unrealised foreign exchange gain	(16,811)	(20,078)	-	-
Unrealised foreign exchange loss	2,630	17,273	-	-
Operating profit before working capital changes	19,699,370	7,023,738	14,836,721	2,963,840
Changes in working capital:-				
Inventories	(3,131,520)	(86,711)	-	-
Trade and other receivables	(1,664,876)	356,797	(8,000,000)	(3,002,000)
Trade and other payables	508,372	741,271	48,800	5,050
Cash generated from/(used in) operations	15,411,346	8,035,095	6,885,521	(33,110)
Income taxes paid	(2,678,328)	(647,823)	(13,123)	(8,666)
Income taxes refund	1,134,419	20,840	-	-
Interest received	94,304	61,916	5,104	46,990
NET CASH GENERATED FROM OPERATING ACTIVITIES	13,961,741	7,470,028	6,877,502	5,214
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries, net of cash acquired (Note 26)	-	3,222,015	-	-
Decrease/(Increase) in pledged deposits placed with a licensed bank	506,527	(506,527)	-	-
Advances to subsidiaries	-	-	(1,802,451)	(11,938,905)
Purchase of property, plant and equipment	(4,449,220)	(2,291,747)	-	-
Proceeds from disposal of plant and equipment	193,207	17,200	-	-
Proceeds from disposal of quoted investment	-	7,900	-	-
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(3,749,486)	448,841	(1,802,451)	(11,938,905)

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005 (cont'd)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment to shareholders	-	(18,860,317)	-	-
Proceeds from bankers acceptances	-	4,000,000	-	-
Repayment of bankers acceptances	(2,000,000)	(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)
Dividends paid	(6,000,732)	-	(6,000,732)	-
Interest paid	-	(153,548)	-	-
Proceeds from issuance of shares	15,250	14,500,000	15,250	14,500,000
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(7,985,482)	(3,912,883)	(5,985,482)	12,851,412
Net increase/(decrease) in cash and cash equivalents	2,226,773	4,005,986	(910,431)	917,721
Cash and cash equivalents at beginning of year	4,005,988	2	917,723	2
Cash and cash equivalents at end of year (i)	6,232,761	4,005,988	7,292	917,723

(i) Cash and cash equivalents

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

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Short term funds	5,216,441	2,131,911	-	-
Deposits with licensed banks (excluding deposits pledged)	-	900,000	-	900,000
Cash and bank balances	1,016,320	974,077	7,292	17,723
	6,232,761	4,005,988	7,292	917,723

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 and are consistent with those adopted in previous year.

(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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

(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 denominated in foreign currencies at the balance sheet date 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:-

	2005	2004
1 USD	RM3.78	RM3.80
1 SGD	RM2.27	RM2.33
1 EUR	RM4.48	RM5.17
1 YEN	RM0.03	RM0.04

(m) Revenue

i) Sale of goods

Revenue from 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 of ownership have been transferred to the buyer.

ii) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

(m) Revenue (cont'd)

iii) Rental income

Rental income is recognised in the income statement as it accrues.

(n) Interest income

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

(o) 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	Motor vehicles RM	Computer equipment RM	Construction in- progress RM	Total RM
				equipment, furniture and fittings and renovation RM				
COST								
At 1 January 2005	18,802,999	17,218,471	9,964,178	949,872	3,362,052	248,790	3,639,556	54,185,918
Additions	-	-	3,695,886	192,114	5,995	72,497	482,728	4,449,220
Transfer	-	3,521,449	-	-	-	-	(3,521,449)	-
Disposals	-	-	(171,745)	-	(61,700)	-	-	(233,445)
At 31 December 2005	18,802,999	20,739,920	13,488,319	1,141,986	3,306,347	321,287	600,835	58,401,693
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
Accumulated depreciation	-	1,225,818	2,706,584	380,911	958,877	148,678	-	5,420,868
Accumulated impairment	290,000	-	-	-	-	-	-	290,000
At 1 January 2005	290,000	1,225,818	2,706,584	380,911	958,877	148,678	-	5,710,868
Charge for the year	-	422,068	1,121,286	91,789	645,892	68,933	-	2,349,968
Disposals	-	-	(140,756)	-	(32,417)	-	-	(173,173)
Accumulated depreciation	-	1,647,886	3,687,114	472,700	1,572,352	217,611	-	7,597,663
Accumulated impairment	290,000	-	-	-	-	-	-	290,000
At 31 December 2005	290,000	1,647,886	3,687,114	472,700	1,572,352	217,611	-	7,887,663
NET BOOK VALUE								
At 31 December 2005	18,512,999	19,092,034	9,801,205	669,286	1,733,995	103,676	600,835	50,514,030
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
Depreciation charge for the year ended 31 December 2004	-	151,221	388,444	31,321	275,530	26,533	-	873,049

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. PROPERTY, PLANT AND EQUIPMENT (cont'd)

2.1 Security

Certain freehold land and factory buildings with a net book value of RM21,705,127 (2004 - RM21,989,774) are charged to a licensed bank for credit facilities granted to the subsidiaries (Note 8). The Group is in the process of discharging certain freehold land and factory buildings with a net book value of RM20,917,127.

2.2 Construction in-progress

Included in construction in-progress is an extension of a subsidiary's existing warehouse and the construction of a three storey shop office costing RM35,846 and RM564,989 respectively. The contracted sum of the extension of warehouse amount to RM370,000 and is constructed on a piece of Temporary Occupation Land in which the license of the land will be renewed yearly.

3. INVESTMENT IN SUBSIDIARIES

	Company	
	2005 RM	2004 RM
Unquoted shares, at cost	40,249,568	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 Interest	
			2005	2004
Scenic Moulding (M) Sdn. Bhd.	Manufacture of wooden picture frame moulding	Malaysia	100%	100%
Classic Frame Moulding (M) Sdn. Bhd.	Property holding and rental of properties	Malaysia	100%	100%
Lim Ket Leng Realty Sdn. Bhd.	Property holding and rental of properties	Malaysia	100%	100%
Lim Ket Leng Timber Sdn. Bhd.	Manufacture of timber products	Malaysia	100%	100%
Lim Ket Leng Marketing Sdn. Bhd.	Marketing of timber-related products	Malaysia	100%	100%

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. INVENTORIES

	Group	
	2005 RM	2004 RM
At cost		
Raw materials	10,084,142	7,971,776
Work-in-progress	4,048,475	3,872,577
Finished goods	2,609,850	1,766,594
	16,742,467	13,610,947

5. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade receivables	6,500,329	5,647,648	-	-
Amount due from subsidiaries	-	-	24,741,356	14,938,905
Other receivables, deposits and prepayments	1,962,263	1,133,257	2,000	2,000
	8,462,592	6,780,905	24,743,356	14,940,905

5.1 Amount due from subsidiaries

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

5.2 Other receivables, deposits and prepayments

Included in other receivables of the Group is advance payment for invoices to suppliers amounting to RM754,916 (2004 - RM506,030) and financial assistance in the form of an interest-free cash advance to a supplier amounting to RM726,844 (2004 - Nil).

6. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Short term funds	5,216,441	2,131,911	-	-
Deposits with licensed banks	-	1,406,527	-	900,000
Cash and bank balances	1,016,320	974,077	7,292	17,723
	6,232,761	4,512,515	7,292	917,723

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. CASH AND CASH EQUIVALENTS (cont'd)

6.1 Short term funds

Short term funds represent placements in fixed income trusts of which RM2,700,649 (2004 - RM1,120,107) is redeemable at call and RM2,515,792 (2004 - RM1,011,804) is redeemable upon 7 days notice.

6.2 Deposits with a licensed bank

Deposits of the Group amounting to Nil (2004 - RM506,527) is pledged to a licensed bank for credit facility granted to a subsidiary.

7. TRADE AND OTHER PAYABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade payables	1,430,121	1,188,327	-	-
Other payables and accruals	2,371,884	2,102,676	62,600	13,800
	3,802,005	3,291,003	62,600	13,800

7.1 Other payables and accruals

Included in other payables of the Group is advance for sales order received from customers of RM501,155 (2004 - RM305,787).

8. BORROWINGS (SECURED)

	Group	
	2005 RM	2004 RM
Current:		
Bankers' acceptance	-	2,000,000

Bankers' acceptance is subject to interest at Nil (2004 - 4.2%) per annum and secured by:-

- i) first legal charge over a freehold land of a subsidiary (Note 2); and
- ii) corporate guarantee by the Company to a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. SHARE CAPITAL

	Group and Company	
	2005 RM	2004 RM
Authorised		
Ordinary shares of RM0.50 each		
At 1 January	100,000,000	100,000
Created during the year	-	99,900,000
At 31 December	100,000,000	100,000,000
Issued and fully paid		
Ordinary shares of RM0.50 each		
At 1 January	50,000,000	2
Issued during the year via:		
- Acquisition of subsidiaries	-	39,999,998
- Rights issue	-	7,000,000
- Public issue	-	3,000,000
- Share option scheme	6,100	-
At 31 December	50,006,100	50,000,000

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.

During the financial year, 12,200 new ordinary shares of RM0.50 each were exercised and issued at the option price of RM1.25 per ordinary share pursuant to the Employees' Share Option Scheme ("ESOS").

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. SHARE CAPITAL (cont'd)

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. Movements in the number of share options held are as follows:-

	Group and Company	
	2005 RM	2004 RM
At 1 January	11,861,000	-
Granted	-	11,940,000
Exercised	(12,200)	-
Lapsed	(173,800)	(79,000)
At 31 December	11,675,000	11,861,000

Details of share options granted during the financial year:-

Expiry date	27 October 2009
Exercise price per ordinary shares	RM1.25
Aggregate proceeds if shares are issued	RM14,593,750

Terms of the options outstanding at 31 December:-

Expiry date	Exercise Price	Number of options
27 October 2009	RM1.25	11,675,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. NEGATIVE GOODWILL

	Group	
	2005 RM	2004 RM
Cost		
At 1 January	7,525,129	-
Acquisition of subsidiaries	-	7,525,129
At 31 December	7,525,129	7,525,129
Accumulated amortisation		
At 1 January	391,934	-
Amortisation charge for the financial year	940,641	391,934
At 31 December	1,332,575	391,934
Net book value		
At 31 December	6,192,554	7,133,195

11. DEFERRED TAX LIABILITIES

The recognised deferred tax assets and liabilities are as follows:-

	Group	
	2005 RM	2004 RM
Property, plant and equipment		
- capital allowances in excess of depreciation	2,085,760	1,480,856
- revaluation	1,982,375	2,037,106
Others	(40,819)	(23,000)
	4,027,316	3,494,962

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 frank all its retained profits at 31 December 2005 if paid out as dividends.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. OPERATING PROFIT

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Revenue				
- Sales of goods	58,225,690	18,785,828	-	-
- Dividend income	-	-	15,000,000	3,000,000
- Rental income	96,000	96,000	-	-
	58,321,690	18,881,828	15,000,000	3,000,000
Operating profit is arrived at after charging:-				
Auditors' remuneration	50,000	50,000	10,000	10,000
Depreciation	2,349,968	873,049	-	-
Company's Directors				
- remuneration	1,545,600	576,240	-	-
- fees	24,000	10,000	24,000	10,000
- emoluments	20,000	1,000	20,000	1,000
Loss on disposal of quoted investment	-	2,900	-	-
Loss on foreign exchange				
- realised	282,797	61,076	-	-
- unrealised	2,630	17,273	-	-
and after crediting:-				
Gain on disposal of plant and equipment	132,935	11,973	-	-
Gain on foreign exchange				
- realised	152,050	40,737	-	-
- unrealised	16,811	20,078	-	-
Interest income	94,304	61,916	5,104	46,990

The estimated monetary value of Directors' benefits-in-kind of the Group is RM102,250 (2004 - RM42,604).

14. EMPLOYEE INFORMATION

	Group	
	2005 RM	2004 RM
Staff costs	9,694,584	3,560,190

14.1 The number of employees of the Group (including Directors) at the end of the year was 367 (2004 - 330).

14.2 Staff costs include contributions to Employee Provident Fund of RM606,438 (2004 - RM248,450).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. FINANCE COSTS

	Group	
	2005 RM	2004 RM
Interest payable on:-		
Banker's acceptance	-	25,775
Term loan	-	127,773
	-	153,548

16. TAX EXPENSE

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Income tax expense				
- current year	3,105,336	777,670	1,358	13,000
- (over)/under provision in prior years	(59,064)	-	125	-
	3,046,272	777,670	1,483	13,000
Deferred tax expense				
- origination and reversal of temporary differences	532,354	314,000	-	-
	3,578,626	1,091,670	1,483	13,000
Reconciliation of effective tax expense				
Profit before taxation	18,531,463	6,462,869	14,841,825	3,010,830
Income tax using Malaysian tax rate	5,188,810	1,809,603	4,155,711	843,032
Effect of changes in tax rate	(88,209)	(20,955)	-	-
Non-deductible expenses	189,893	59,457	45,717	9,968
Tax exempt income	(1,301,585)	(694,150)	(4,200,000)	(840,000)
Non-taxable income	-	(6,944)	-	-
Double deduction	(296,981)	(44,663)	-	-
Other items	(54,238)	(10,678)	(70)	-
	3,637,690	1,091,670	1,358	13,000
(Over)/Under provision in prior years	(59,064)	-	125	-
Tax expense	3,578,626	1,091,670	1,483	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 RM14,952,837 and on the weighted average number of ordinary shares outstanding during the year of 100,009,658.

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

	Group	
	2005 RM	2004 RM
Net profit attributable to ordinary shareholders	14,952,837	5,371,199

Weighted average number of ordinary shares is calculated as follows:-

	Group	
	2005	2004
Issued ordinary shares at beginning of the year	100,000,000	2
Effect of share split	-	2
Acquisition of subsidiaries	-	33,333,332
Rights issue	-	5,250,000
Public issue	-	1,050,000
Share options issue	9,658	-
	100,009,658	39,633,336

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 RM14,952,837 (2004 - RM5,371,199) and on the weighted average number of ordinary shares outstanding during the year of 100,628,787 (2004 - 39,809,240) calculated as follows:-

	Group	
	2005	2004
Weighted average number of ordinary shares as above	100,009,658	39,633,336
Effect of share options under ESOS	619,129	175,904
	100,628,787	39,809,240

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. DIVIDENDS

	Company	
	2005 RM	2004 RM
Ordinary		
2005 - Interim tax exempt dividend of 7% (2004 - Nil) paid in October 2005	3,500,427	-
2004 - First and final tax exempt dividend of 5% (2003 - Nil) paid in July 2005	2,500,305	-
	6,000,732	-

The Directors have proposed a final tax exempt dividend of 8% totaling RM4,000,488 for the financial year ended 31 December 2005. The proposed final dividend has not been accounted for as it is pending shareholders' approval at the forthcoming Annual General Meeting. The final dividend if approved by the shareholders shall be accounted for as an appropriation of unappropriated profit in the financial year ending 31 December 2006.

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)

2005	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	45,658,506	4,272,101	2,694,891	4,735,982	2,291,722	(1,331,512)	58,321,690
Segment assets by location of assets	-	-	-	81,951,850	-	-	81,951,850
Capital expenditure by location of assets	-	-	-	4,449,220	-	-	4,449,220
2004							
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	
	2005 RM	2004 RM
Capital commitment:-		
Property, plant and equipment Contracted but not provided for in the financial statements	2,279,710	1,592,151

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

21. CONTINGENT LIABILITIES (UNSECURED)

	Company	
	2005 RM	2004 RM
Corporate guarantee granted to licensed banks in respect of credit facilities granted to its subsidiaries:-		
Scenic Moulding (M) Sdn. Bhd.	9,900,000	-
Lim Ket Leng Realty Sdn. Bhd.	600,000	-
Lim Ket Leng Timber Sdn. Bhd.	200,000	200,000
	10,700,000	200,000

22. SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party relationships are as follows:-

- i) The holding and ultimate holding company as disclosed in Note 25.
- ii) Controlling related party relationships with its subsidiaries are disclosed in Note 3.
- iii) Directors of the Company are disclosed in Director's Report.

Significant transaction undertaken with a related party is as follow:-

	Company	
	2005 RM	2004 RM
Management fees paid to a subsidiary	25,000	9,000

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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 2005, approximately 60% of the Group's trade receivables were due from five major customers. Trade receivables balance from these major customers amounted to RM3,892,220 (2004 - RM3,658,859).

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 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.

	Effective interest rates per annum %	Total RM	Within 1 year RM
Group			
2005			
<i>Financial assets</i>			
Short term funds	2.4	5,216,441	5,216,441
2004			
<i>Financial assets</i>			
Short term funds	2.2	2,131,911	2,131,911
Deposits with licensed banks	2.6	1,406,527	1,406,527
<i>Financial liabilities</i>			
Secured bankers' acceptances	4.2	2,000,000	2,000,000
Company			
2004			
<i>Financial assets</i>			
Deposits with a licensed bank	2.3	900,000	900,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23. FINANCIAL INSTRUMENTS (cont'd)

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. However, the Board has been closely monitoring the currency fluctuation.

Fair values

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

24. EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 25 January 2006, Scenic Moulding (M) Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a conditional Sale and Purchase Agreement with Tan Poo Sieng, Saw Kooi Day, Soo Choy Kin, Tan Ah Kok, Tan Bee Lay and Tan Bee Cheok for the acquisition of a parcel of land for a total consideration of RM1,594,779.

25. HOLDING COMPANY

The holding and ultimate holding company is Lim Ket Leng Holding Sdn. Bhd., a company incorporated in Malaysia.

26. 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:-

	2004 RM
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)

26. 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:-

	From date of acquisition to 31.12.2004 RM
Income statement:-	
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
Balance sheet:-	
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)

26. ACQUISITION OF SUBSIDIARIES - GROUP (cont'd)

The full year results in 2005 and the proforma income statement of the Group based on a full year's results of the Group in 2004 would be as follows:-

	2005 RM	2004 RM
Revenue	58,321,690	46,719,983
Cost of sales	(33,742,571)	(25,325,829)
Gross profit	24,579,119	21,394,154
Other operating income	376,659	172,318
Distribution cost	(1,548,729)	(1,475,101)
Administrative expenses	(3,260,990)	(2,862,344)
Other operating expenses	(2,555,237)	(2,368,724)
Operating profit	17,590,822	14,860,303
Finance costs	-	(153,548)
Amortisation of negative goodwill	940,641	391,934
Profit before taxation	18,531,463	15,098,689
Tax expense	(3,578,626)	(1,952,678)
Profit for the year	14,952,837	13,146,011

ANALYSIS OF SHAREHOLDINGS

AS AT 15 MARCH 2006

SHARE CAPITAL

Authorised Share Capital	:	RM100,000,000
Issued and fully paid-up capital	:	RM50,006,100
Class of Shares	:	Ordinary shares of RM0.50 each
No. of Shareholders	:	1,059
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	458	43.25	286,650	0.28
1,001 - 10,000	378	35.69	1,755,300	1.76
10,001 - 100,000	147	13.88	5,350,600	5.35
100,001 to less than 5% of issued shares	73	6.89	33,534,659	33.53
5% and above of issued shares	2	0.19	59,084,941	59.08
Total	1,059	100.00	100,012,200	100.00

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. Lim Ket Leng Holding Sdn. Bhd.	4,000,000	4.00
4. Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad	3,405,000	3.40
5. Amanah Raya Nominees (Tempatan) Sdn. Bhd. Public Smallcap Fund	2,498,000	2.50
6. AMMB Nominees (Tempatan) Sdn. Bhd. AmTrustee Berhad for Pacific Pearl Fund	2,000,000	2.00
7. HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for Prudential Equity Income Fund	1,800,000	1.80
8. Amanah Raya Nominees (Tempatan) Sdn. Bhd. PB Balanced Fund	1,300,000	1.30
9. BHLB Trustee Berhad Prusmall-Cap Fund	1,000,000	1.00

ANALYSIS OF SHAREHOLDINGS

AS AT 15 MARCH 2006 (cont'd)

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

Name	No. of Shares Held	%
10. Malaysian Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad	830,000	0.83
11. Amanah Raya Nominees (Tempatan) Sdn. Bhd. PB Growth Fund	762,000	0.76
12. Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad	750,000	0.75
13. Am Nominees (Tempatan) Sdn. Bhd. Tabung Amanah Warisan Negeri Johor	652,300	0.65
14. Chin Swee Yoong	520,000	0.52
15. Lim Kwee Huay	515,200	0.52
16. Heng Gek Imm	491,000	0.49
17. Ong Ken Sim	470,000	0.47
18. Teo Seng Poh	435,500	0.44
19. Lisa Ho Lee Ha	340,000	0.34
20. Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad	330,000	0.33
21. Ah Hong Wing	308,000	0.31
22. Lim Soong Hwatt	300,000	0.30
23. HLB Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Lim Chee Tak	300,000	0.30
24. Tan Chor Meng	294,000	0.29
25. Chin Sim Yee	288,000	0.29
26. Tan Kim Chuan	283,000	0.29
27. Lim Siong Wee	280,100	0.28
28. Gan Seng Yew	279,000	0.28
29. Chu Poh Yin	271,000	0.27
30. Ong Hab Tong @ Ong Hup Thong	260,000	0.26
	84,047,041	84.04

ANALYSIS OF SHAREHOLDINGS

AS AT 15 MARCH 2006 (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.	63,084,941	63.08	-	-
Lim Chee Keong	-	-	*63,084,941	63.08
Lim Chee Khoon	-	-	*63,084,941	63.08
Great Eastern Life Assurance (Malaysia) Berhad	5,596,400	5.60	-	-
Great Eastern Capital (Malaysia) Berhad (Formerly known as GEL Capital (Malaysia) Berhad)	-	-	#5,596,400	5.60
Great Eastern Holdings Limited	-	-	#5,596,400	5.60
Overseas-Chinese Banking Corporation Limited	-	-	#5,596,400	5.60
The Great Eastern Life Assurance Co. Ltd.	-	-	#5,596,400	5.60

* 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) Sdn. Bhd.

STATEMENT OF DIRECTORS' SHAREHOLDINGS

Directors' Name	No. of Ordinary Shares of RM0.50 Each			
	Direct	%	Indirect	%
Lim Chee Keong	-	-	*63,084,941	63.08
Lim Chee Khoon	-	-	*63,084,941	63.08
Lim Chee Hwa	-	-	-	-
Lim Chee Beng	-	-	-	-
Tang Kam Chee	10,000	0.01	-	-
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.

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 2005 (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	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	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 / 11 years	76,209 / 69,369	5,632,737	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 / 8 years	76,058 / 65,383	5,905,770	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 2005 (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 and office premises for the manufacturing of wooden picture frame moulding	Freehold / 1 year	94,422 / 70,347	6,578,312	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 / 4 years	98,631 / 106,692	9,378,620	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 / 5 years	76,478 / 57,783	5,665,862	08.01.1999 (acquisition)
8	Lot 2375, Jalan RP3 Taman Rawang Perdana 48000 Rawang Selangor Darul Ehsan	Warehouse for the storing of wooden picture frame moulding	Temporary Occupation License Yearly renewal / 2 years	23,400 / 10,080	504,732	24.9.2002 (approval)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of the Company will be held at the East VIP Lounge, Kuala Lumpur Golf & Country Club, 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Wednesday, 26 April 2006, at 10.00 a.m. for the transaction of the following business:-

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2005 together with the Reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To declare a final tax-exempt dividend of 4.0 sen per ordinary share in respect of the year ended 31 December 2005. **(Resolution 2)**

3. To approve the Directors' fees of RM24,000/- in respect of the year ended 31 December 2005. **(Resolution 3)**

4. To re-elect the following Directors who retire pursuant to the Article 92 of the Company's Articles of Association and, being eligible, offer themselves for re-election:-

(a) Mr. Lim Chee Khoon **(Resolution 4)**

(b) Mr. Lim Chee Hwa **(Resolution 5)**

5. To re-appoint Messrs. KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. As Special Business:-
To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:-

(a) Ordinary Resolution 1

Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

"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."
(Resolution 7)

(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 8)

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

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that, subject to the approval of the shareholders at the Third Annual General Meeting, the final tax-exempt dividend of 4.0 sen per ordinary share in respect of the year ended 31 December 2005 will be payable on 31 May 2006 to depositors registered in the Record of Depositors on 17 May 2006.

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 17 May 2006 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
4 April 2006

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 proportion 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. 7 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. 8 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 3rd Annual General Meeting of the Company

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

- (a) Mr. Lim Chee Khoon
- (b) Mr. Lim Chee Hwa

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 2005 are set out on page 9 of the Annual Report.

3. Place, Date and Time of the 3rd Annual General Meeting

The place, date and time of the 3rd Annual General Meeting is as follows:-

Date of Meeting	Place	Time
26 April 2006	East VIP Lounge, 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 8 of the Annual Report and their securities holdings in the Company and its subsidiaries are set out on page 56 of the Annual Report.

This page is intentionally left blank



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 THIRD ANNUAL GENERAL MEETING of the Company, to be held at the East VIP Lounge, Kuala Lumpur Golf & Country Club, 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Wednesday, 26 April 2006, 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 Final Tax Exempt Dividend		
3)	Approval of Directors' fee		
4)	Re-election of Mr. Lim Chee Khoo as director		
5)	Re-election of Mr. Lim Chee Hwa as director		
6)	Re-appointment of Messrs. KPMG as auditors		
7)	Ordinary Resolution 1 - Authority to issue shares pursuant to Section 132D of the Companies Act, 1965		
8)	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 _____ 2006

No. of Shares Held:-	
----------------------	--

Signature

NOTES:-

1. 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.
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.

fold this flap for sealing

fold here

STAMP

The Company Secretary

CLASSIC SCENIC BERHAD (633887-M)

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

fold here