annual report 2006

Scenic in name

Beauty in frame

TM

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 ("Bursa Securities") on 4 November 2004. Subsequently on 6 June 2006, it was transferred to the Main Board of the Bursa Securities. 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 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 420,000 sq ft., and a 400 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 strategy in all aspects of the business.

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Financial Highlights

The table below sets out a summary of the proforma consolidated results of the CSCENIC Group for the past three (3) 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 three (3) financial years ended 31 December 2002 to 31 December 2004, with adjustments made where necessary. The financial results for the year 2005 and 2006 are based on the audited financial statements of the Group for the financial year ended 31 December 2005 and 31 December 2006 respectively.

	2006	2005	2004	2003	2002
Revenue (RM'000)	**59,171**	58,322	46,720	41,571	36,007
Profit Before Tax (RM'000)	**14,525**	18,531	15,099	13,431	12,239
Profit After Tax (RM'000)	**11,180**	14,953	13,146	12,066	11,129
Gross Earnings Per Share (sen)	**#12.07**	#18.53	*15.10	*13.43	*12.24
Net Earnings Per Share (sen)	**#9.30**	#12.45	*13.15	*12.07	*11.13
Net Dividend Per Share (sen)	**@4.50**	7.50	2.50	-	-
Dividend payout ratio (%)	**48.4**	50.2	^46.5	-	-

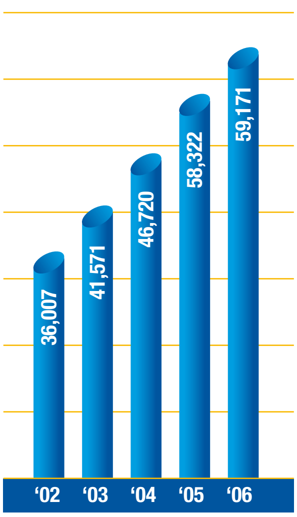
* *EPS is computed based on 100,000,000 ordinary shares, assuming the acquisition of the subsidiaries had been implemented and the Group had been in existence throughout the past three (3) years from 2002 to 2004*

\# *Based on the weighted average number of ordinary share in issue of 120,057,498 and 120,275,065 as at the end of the financial year 2005 and 2006 respectively*

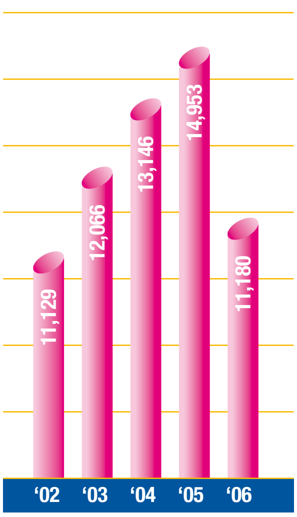
@ *the first and final tax-exempt dividend of 4.5 sen per ordinary share which is subject to the approval of the shareholders at the forthcoming Annual General Meeting*

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

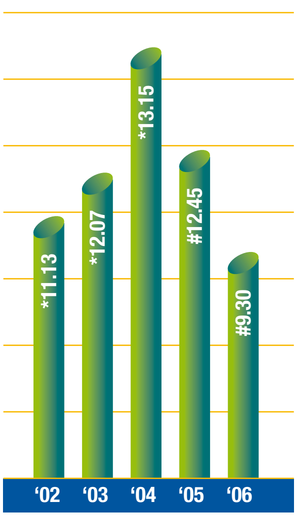
REVENUE (RM'000)



PROFIT AFTER TAXATION (RM'000)



NET EARNINGS PER SHARE (SEN)



Chairman's Statement

On behalf of the Board of Directors of Classic Scenic Berhad ("CSCENIC"), I am pleased to present to you our Annual Report and the Audited Financial Statements of CSCENIC for the financial year ended 31st December 2006

A CHALLENGING YEAR

Challenging! That's the best way of describing 2006! Two major occurrences tested our resolve. Firstly, there was an average increase of 15-20% in timber prices resulting in higher cost of production, and secondly, the de-pegging and subsequent appreciation of the Malaysian Ringgit (MYR) against the US Dollar of about 5% directly impacted on our revenue. On top of that, the high oil prices for most of 2006 also dampened buying sentiments by our customers, most of whom opted to carry lower stocks cover.

MEETING THE CHALLENGES AND WINNING

Rising to the occasion! That's the best phrase to describe our response! The escalating production costs were met with a focused drive to increase productivity, and rationalise costs. Continuous improvement programmes were implemented in not only product innovation, but also in routine standard operational procedures, and delivery systems.

Thanks to the excellent business partnership we enjoy with our customers, we managed to amicably pass on some of the increase in production costs, and this higher pricing led to our annual turnover increasing by 1.5%, to RM59.2million. Overall, the challenges we faced and met head-on, have made us stronger than ever! This is evident by the fact that despite the significant challenges, we still managed to achieve profit after tax of RM11.2 million for the financial year ended 31 December 2006.

Equally significant, the challenging year which we confronted, and with a positive outcome, was not similarly met by many others in the industry. There was a certain degree of consolidation whereby some of the marginal players left the industry, and this resulted in CSCENIC increasing its export market share from 43% in 2005, to 50% in 2006.

Chairman's Statement (cont'd)

FROM SECOND TO MAIN BOARD OF BURSA SECURITIES

On the 29th May 2006, CSCENIC's paid-up capital was increased from 100,239,200 Ordinary Shares of RM0.50 each to 120,287,040 Ordinary Shares pursuant to the proposed bonus issue of 20,047,840 Ordinary Shares on the basis of 1 New Share for every 5 existing shares held at entitlement date. Subsequent to the Bonus Issue, CSCENIC's entire enlarged issued and paid-up capital was transferred from the Second Board to the Main Board of Bursa Securities.

The transfer of issued and paid up capital of 120,287,040 Ordinary Shares of RM0.50 each to the Main Board of Bursa Securities was completed on 2 June 2006 and shares were listed on 6 June 2006.

ACQUISITION AND EXPANSION

Always on the lookout for opportunities amid challenges, on 30 August 2006 CSCENIC acquired Finesse Moulding (M) Sdn. Bhd. to streamline its business operations and to expand and strengthen its position in the industry.

On the home front, we acquired another piece of land located nearby our existing facility to cater to expanding our capacity and work has commenced in the fourth quarter of 2006 on construction of the new storage facility. Barring any unforeseen circumstances, this additional factory should be fully commissioned by the third quarter of 2007.

FINANCIAL PERFORMANCE REVIEW

Despite the challenges of 2006 in respect of higher timber prices, and an average 5% appreciation of the MYR against the US Dollar, we are indeed glad to have achieved profit after tax of RM11.2million based on the revenue of RM59.2million recorded for financial year ended 31 December 2006 with a still satisfactory 19% profit margin.

Our earnings per share(EPS) based on the enlarged capital base after bonus issue in 2006, has reduced from 12.5 sen to 9.3 sen.

DIVIDENDS

Subject to approval of shareholders at the forthcoming Fourth Annual General Meeting, the Board of CSCENIC is pleased to recommend a first and final tax-exempt dividend of 9% in respect of the financial year ended 31 December 2006.

OUTLOOK AND PROSPECTS

As the USA remains our main market, on a macro level, two recent developments there augur well for the Group. The easing world oil prices from a high of USD78 a barrel to a lower price is expected to translate into a renewed consumer spending scenario. Meanwhile, the US Federal Policy which left interest rate unchanged at 5.25%, is a strong indication that inflation is modestly slowing even as the US economy gained momentum. This positive momentum can be seen from the vigorous replenishment phase of many of our customers who practiced a low stock level policy in 2006, and consequently the start of 2007 saw a significant upswing in orders which we are happily working hard to fulfill!

The thrust for 2007 would surely remain on creativity and renovation, so as to not only keeps abreast of the latest picture frame moulding market developments, but more importantly, to keep us ahead of the competition with new designs to meet discerning customer needs. On the shop floor, we will review the production processes to iron out existing kinks, and also stress upon better use of timber to further rationalise production costs.

A BIG THANK YOU

For an eventful 2006, we wish to take this opportunity to wish all those who have traveled the challenging road with us, a very big thank you. As sure as a win-win situation is the crux of a sustainable business environment, we will certainly continue to strive to enhance CSCENIC's profile, net worth and value, for the benefit of all.

We look forward to the challenges of 2007, and your continued and valued support to come out from these challenges stronger than ever.

LIM CHEE KEONG
Executive Chairman

Kuala Lumpur
14 May 2007

Corporate Highlights

16 - 19 February 2006
Participated in the Quadrum Saca Trade Show, an international exhibition, in Bologna Italy

26 April 2006
The Board of Directors of CSCENIC communicated and established mutual understanding with shareholders during the 3rd AGM and EGM at KLGCC, Kuala Lumpur

26 April 2006
CSCENIC held briefing with press to provide information on the Group's strategy and performance after the 3rd AGM and EGM at KLGCC, Kuala Lumpur

7 July 2006
CSCENIC was shortlisted by Malaysian Timber Council to participate in its "Familiarization Programme in Malaysia" where European timber trade representatives were invited to visit the CSCENIC's manufacturing plant

14 July 2006
Scenic Moulding (M) Sdn. Bhd. won the MTC Best Performing Company Awards 2005 in the Moulding Category

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,
Main Board
Stock Code : 7202
Stock Name : CSCENIC

Corporate Structure

CLASSIC SCENIC BERHAD
(633887-M)
Investment Holding

- **100%** **Finesse Moulding (M) Sdn. Bhd.**
  Manufacture of wooden picture frame moulding
- **100%** **Scenic Moulding (M) Sdn. Bhd.**
  Manufacture of wooden picture frame moulding
- **100%** **Classic Frame Moulding (M) Sdn. Bhd.**
  Property holding and rental of properties
- **100%** **Lim Ket Leng Realty Sdn. Bhd.**
  Property holding and rental of properties
- **100%** **Lim Ket Leng Timber Sdn. Bhd.**
  Manufacture of timber products
- **100%** **Lim Ket Leng Marketing Sdn. Bhd.**
  Marketing of timber-related products

Board of Directors' Profile

LIM CHEE KEONG

Malaysian, aged 51 (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 43 (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 50 (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 48 (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 52
(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 39
(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. The Board has also 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.

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, 4 Board meetings were held. The number of board meetings held and attendance of the directors for the financial year ended 31 December 2006 are as follows:

Directors	Attendance at the Board Meetings Attended / Held
Lim Chee Keong	4/4
Lim Chee Beng	3/4
Lim Chee Khoon	4/4
Lim Chee Hwa	3/4
Tang Kam Chee	4/4
Tee Sze Ping	4/4

The Board also maintains specific Board Committees namely the Executive Committee, 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.

In the last financial year, the Board formalized the Executive Committee ("EC") comprising 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;

iv) Review risks and opportunities associated with business strategies and operating processes;

v) Formulate corporate policies; and

vi) Promote awareness of the importance of good corporate practices.

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 2006.

The members of the NC comprise of:

Chairman : Tang Kam Chee *Independent Non-Executive Director*

Member : Tee Sze Ping *Independent Non-Executive Director*

Statement on Corporate Governance (cont'd)

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 its annual directors' appraisal in November 2006.

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 2006. A brief description on the type of training the directors have attended is listed below:

Title of seminar/conference/courses	Mode of Training	No. of days spent
LIM CHEE KEONG Corporate Disclosure Rules and Regulations In Malaysia	Seminar	1 day
LIM CHEE BENG Key Performance Indicators as a Management Tool	Seminar	1 day
LIM CHEE KHOON Corporate Disclosure Rules and Regulations in Malaysia	Seminar	1 day
LIM CHEE HWA The Implementation of FTA with China, Pakistan, Japan and Korea	Seminar	½ day
Strategic Corporate Planning	Seminar	1 day
TANG KAM CHEE Highlights of the new Financial Reporting Standards in Malaysia	Seminar	2 days
TEE SZE PING The Malaysian Code On Take-Overs and Mergers	Seminar	1 day

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 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, directorships in other public companies and shareholdings in the Group is furnished in the Statement Accompanying the Notice of AGM.

Statement on Corporate Governance (cont'd)

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 2006.

The members of the RC are as follows:

Chairman : Tang Kam Chee *Independent Non-Executive Director*

Member : Tee Sze Ping *Independent Non-Executive Director*

Member : Lim Chee Keong *Executive Chairman*

The duties and responsibilities of the RC are as follows:

i) To recommend to the Board the remuneration of the Executive Chairman, Managing Director and Executive Directors;

ii) To ensure a fair remuneration of the Board members and other level of management;

iii) To conduct continued assessment of individual Executive Directors to ensure that their remuneration is directly related to corporate and individual performance;

iv) To obtain the advice and information from external source, if necessary, to compare the remuneration currently earned by the Executive Directors and those paid to Executive Directors of other companies of similar size in a comparable industry sector; and

v) To ensure that the base salary element is competitive but fair and to provide objective and independent assessment of the benefits granted to Executive Directors.

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

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

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

	Fees* (RM)	Salaries (including bonuses & EPF) (RM)	Benefits-in-kind (RM)	Allow-ances (RM)	Total (RM)
Executive Directors:	-	1,473,920	102,250	-	1,576,170
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. 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.

Statement on Corporate Governance (cont'd)

During the financial year, the Managing Director and/or key management personnel also hold 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 and is outsourced to an Independent Consultant. The Audit Committee reviews and approves the internal audit plan, which is developed based on the key risk areas and major operating units of the Group. Audit reviews were carried out on quarterly basis and audit findings were reported to the Audit Committee.

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.

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 2006 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 11 April 2007.

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 2006, the Audit Committee comprises the following directors:

Chairman : Tee Sze Ping *Independent Non-Executive Director*

Members : Tang Kam Chee *Independent Non-Executive Director*

Lim Chee Keong *Executive Chairman*

TERMS OF REFERENCE

1) Policy

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

2) Objectives

The objectives of this policy are:

(a) to assure the shareholders of the Company that the Directors of the Company have complied with the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and required disclosure policies developed and administered by Bursa Malaysia Securities Berhad ("Bursa Securities");

(b) to ensure consistency with Bursa Securities' commitment to encourage high standards of corporate disclosure and to adopt best practices aimed at maintaining appropriate standards of corporate responsibility, integrity and accountability to all the Company's shareholders; and

(c) to relieve the full Board of Directors from detailed involvement in the review of the results of internal and external audit activities and yet ensure that audit findings are brought to the highest level for consideration.

3) Membership

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

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

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

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

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

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

4) Authority

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

(a) investigate any activity within the Committee's terms of reference;

(b) have resources which are reasonably required to enable it to perform its duties;

(c) have full and unrestricted access to any information pertaining to the Company or the Group;

Audit Committee Report (cont'd)

(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;

(iv) compliance with accounting standards and other legal requirements;

(e) The External Auditors' management letter and management's response;

(f) To do the following where an internal audit function exists:

(i) review the adequacy of the scope, functions and resources of internal audit function, and that it has the necessary authority to carry out its work;

(ii) review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;

(iii) review any appraisal or assessment of the performance of members of the internal audit function;

(iv) approve any appointment or termination of senior staff members of the internal audit function;

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

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

(g) Extent of cooperation and assistance given by employees;

(h) The propriety of any related party transactions and conflict of interest situations that may arise within the Company or the Group;

(i) Review and verify the allocation of options granted to employees pursuant to the Company's Employees' Share Option Scheme; and

(j) Any other matters as directed by the Board.

6) OVERSEEING THE INTERNAL AUDIT FUNCTION

6.1) The Committee shall oversee all internal audit functions and is authorized to commission investigations to be conducted by Internal Auditor as it deems fit.

6.2) The Internal Auditor shall report directly to the Committee and shall have direct access to the Chairman of the Committee.

Audit Committee Report (cont'd)

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.

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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 MEETINGS

The Audit Committee met four (4) times during the financial year ended 31 December 2006. The details of Audit Committee's meetings held and attended by the Committee during the financial year are as follows:

Audit Committee Member	No. of Audit Committee Meetings Held	No. of Audit Committee Meetings Attended
Chairman		
Tee Sze Ping *Independent Non-Executive Director*	4	4
Members		
Tang Kam Chee *Independent Non-Executive Director*	4	4
Lim Chee Keong *Executive Chairman*	4	4

Audit Committee Report (cont'd)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

During the financial year ended 31 December 2006, the activities of the Audit Committee included the following:

(a) reviewed the quarterly financial results and announcements for the financial quarters ended 31 December 2005, 31 March 2006, 30 June 2006 and 30 September 2006 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 2005;

(c) reviewed the external auditors' reports for the financial year ended 31 December 2005 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) reviewed the internal audit and risk management reports of the Group;

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

(g) 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 external consultant and the selected team is independent of the activities audited by the External Auditors. The internal audit function is performed impartially, proficiently and with due professional care. The Internal Auditor reports to the Audit Committee, and regularly reviews and appraises the Group's internal control systems.

During the financial year ended 31 December 2006, the activities of the Internal Audit Function included the following:

(a) reviewed and appraised the adequacy, effectiveness and integrity of internal control systems, policies, procedures and information technology functions of the significant entities of the Group;

(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) reviewed the risk management report on the risk profile of the Group and the adequacy and integrity of internal control system to manage these risks; and

(d) ensured the risk profile are continually updated in line with the changes in the business environment and the controls are continuously monitored.

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

INTRODUCTION

The Malaysian Code of Corporate Governance requires that listed companies maintain a sound system of internal controls to safeguard the shareholders' investment and the Group's assets.

The Board is pleased to provide the following Statement on Internal Control which outlines the nature and scope of internal controls of the Group during the year pursuant to Section 15.27(b) of the Bursa Malaysia Listing Requirements.

RESPONSIBILITIES

The Board of Directors of Classic Scenic Berhad acknowledges its responsibility and reaffirms its commitment to recognize the importance of an effective system of internal control and risk management practices to enhance good corporate governance. 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 and control risk appropriately rather than eliminate the risks of failure to achieve business objectives. Therefore, these systems can only provide reasonable, but not absolute assurance against material misstatement, loss or fraud.

RISK MANAGEMENT

The Board fully support the contents of the Internal Control Guidance issued by The Institute of Auditor Malaysia and with the assistance of the outsourced independent consultant, reviewed the existing risk management of core processes that are in place within the various operating units, with the aim of strengthening the risk management functions across the Group.

The Board relies largely on the close involvement of the Executive Directors of the Group in the daily operations. There are periodic reviews of operational and financial performance at Management, Audit Committee and Board Meetings. The Board and Management ensure that appropriate measures are taken to address any significant risks.

The Risk Management Framework of the principal subsidiary involved in the core business of the Group, Scenic Moulding (M) Sdn. Bhd. ("SM") which was formally adopted by the Board on 26 May 2005, facilitates a structured approach in identifying, evaluating and managing significant risks, as well as establishing a risk reporting system for the Group. The operational risk register of the subsidiary was updated during the year. In addition, the identified operational risks were distributed to the respective departmental heads for maintenance of adequate internal controls for managing risks.

INTERNAL CONTROL

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, ESOS 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 subsidiaries, Scenic Moulding (M) Sdn. Bhd. and Finesse Moulding (M) Sdn. Bhd. ("FM") 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 and FM. 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 outsourced internal audit function reviews the adequacy and integrity of the system of internal control. The internal audit function reports its findings to the Audit Committee on a 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 11 April 2007.

Additional Compliance Information

UTILISATION OF PROCEEDS

The Company did not make any corporate proposal to raise proceed during the financial year ended 31 December 2006.

SHARE BUY-BACKS

The Company did not make any share buy-back during the financial year ended 31 December 2006.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year ended 31 December 2006, 308,900 share options were exercised pursuant to Employees' Share Option Scheme.

The Company did not issue any warrants or convertible securities.

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

During the financial year ended 31 December 2006, 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.

NON AUDIT FEE

The amount of non-audit fees payable to external auditors for the financial year ended 31 December 2006 was RM7,000/-.

VARIATION IN RESULTS

There was no material variance between the audited results for the financial year ended 31 December 2006 and the unaudited results previously announced.

PROFIT GUARANTEE

The Company did not issue any profit guarantee during the financial year ended 31 December 2006.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiary company which involve directors' and major shareholders' interests either still subsisting at the end of the financial year ended 31 December 2006 or entered into since the end of the previous financial year.

REVALUATION POLICY

The Group has no revaluation policy on land properties.

Financial Statements




Directors' Report
for the year ended 31 December 2006

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 2006.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities of its subsidiaries are as stated in Note 7 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
Profit for the year	**11,180,057**	6,057,375

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the Company paid a final tax exempt dividend of 8% (4.0 sen) per ordinary share totalling RM4,008,128 in respect of the financial year ended 31 December 2005 on 31 May 2006.

The first and final dividend recommended by the Directors in respect of the financial year ended 31 December 2006 is 9% (4.5 sen) per ordinary share tax exempt totalling RM5,416,602.

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 2006 (cont'd)

DIRECTORS' INTERESTS

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			
	At 1.1.2006	**Bonus issue**	**Sold**	**At 31.12.2006**
Direct interest in the Company				
Tang Kam Chee	**10,000**	2,000	-	**12,000**
Tee Sze Ping	**50,000**	10,000	(20,000)	**40,000**
Deemed interest through Lim Ket Leng Holding Sdn. Bhd.				
Lim Chee Keong	**63,084,941**	12,616,988	-	**75,701,929**
Lim Chee Khoon	**63,084,941**	12,616,988	-	**75,701,929**

By virtue of their interests in the shares of the Company, the above Directors are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Classic Scenic Berhad 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, other than as disclosed in the notes to the financial statements.

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued the following shares:

Class of shares	**Number of shares**	**Terms of issue**
Ordinary shares of RM0.50 each	227,000	Subscription of ESOS. The ESOS shares were exercised at an option price of RM1.25 per ordinary share for cash.
Ordinary shares of RM0.50 each	20,047,840	Bonus issue of 20,047,840 new ordinary shares on the basis of one (1) new ordinary share of RM0.50 for five (5) existing ordinary shares held. These new shares rank pari passu in all respect with the existing shares of the Company.
Ordinary shares of RM0.50 each	81,900	Subscription of ESOS. The ESOS shares were exercised at an option price of RM1.05 per ordinary share for cash after the bonus issue.

There were no other changes in the authorised, issued and paid-up 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 2006 (cont'd)

OPTIONS GRANTED OVER UNISSUED SHARES

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

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 option price is as follow:

		NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH				
Date of offer	**Option price RM**	**At 1.1.2006**	**Bonus issue**	**Exercised**	**Lapsed**	**At 31.12.2006**
28.10.2004	1.05	**11,675,000**	2,288,400	(308,900)	(482,400)	**13,172,100**

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 2006 (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:

			NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH			
Name of employee	**Option price RM**	**Date of expiry**	**At 1.1.2006**	**Bonus issue**	**Exercised/ Lapsed**	**At 31.12.2006**
Lim Chee Keong	1.05	27.10.2009	**1,500,000**	300,000	-	**1,800,000**
Lim Chee Khoon	1.05	27.10.2009	**1,500,000**	300,000	-	**1,800,000**
Lim Chee Beng	1.05	27.10.2009	**1,500,000**	300,000	-	**1,800,000**
Lim Chee Hwa	1.05	27.10.2009	**1,500,000**	300,000	-	**1,800,000**
Lim Kwee Huay	1.05	27.10.2009	**300,000**	60,000	-	**360,000**
Lee Kong Weng	1.05	27.10.2009	**240,000**	48,000	(288,000)	**-**

OTHER STATUTORY INFORMATION

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

i) 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.

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.

Directors' Report
for the year ended 31 December 2006 (cont'd)

OTHER STATUTORY INFORMATION (cont'd)

In the opinion of the Directors, except for the effects arising from the change in accounting policies as disclosed in the financial statements and the acquisition of a subsidiary, the results of the operations of the Group and of the Company for the financial year ended 31 December 2006 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENTS

i) On 29 May 2006, the issued and paid-up capital of the Company was increased from RM50,160,550 to RM60,184,470 by the issuance of 20,047,840 new ordinary shares of RM0.50 each on the basis of one (1) new ordinary share for every five (5) existing ordinary shares held.

ii) On 30 August 2006, the Company acquired 100,000 ordinary shares of RM1.00 each representing 100% equity interest in Finesse Moulding (M) Sdn. Bhd. for a cash consideration of RM1,008,330.

EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 1 February 2007, the wholly-owned subsidiaries of the Company, Scenic Moulding (M) Sdn. Bhd. ("SMSB") and Finesse Moulding (M) Sdn. Bhd. ("FMSB") underwent an internal restructuring exercise involving the transfer of manufacturing facilities, machineries and business assets, except for land and buildings, from SMSB to FMSB.

The internal restructuring exercise will enable the Group to consolidate its manufacturing operation under one company in order to achieve economies of scale and to improve business efficiency. The Group will be able to streamline its manufacturing operation processes in order to bring about more efficient and effective management and cost savings.

The internal restructuring does not have impact on the net assets, share capital and substantial shareholders of the Company.

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: 11 April 2007

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 62 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2006 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: 11 April 2007

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 62 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 in the Federal Territory on 11 April 2007.

....
Lim Chee Hwa

Before me:

Report of the Auditors
to the members of Classic Scenic Berhad

We have audited the financial statements set out on pages 27 to 62. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. 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 for entities other than private entities issued by the Malaysian Accounting Standards Board 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 2006 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 the subsidiaries which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiary in respect of which we have not acted as auditors is identified in Note 7 to the financial statements and we have considered its financial statements and the auditors' report thereon.

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

Chan Kam Chiew
Partner
Approval Number: 2055/06/08(J)

Kuala Lumpur,

Date: 11 April 2007

Balance Sheets
at 31 December 2006

	Note	GROUP 2006 RM	GROUP 2005 RM Restated	COMPANY 2006 RM	COMPANY 2005 RM
Assets					
Property, plant and equipment	3	**49,417,503**	46,224,230	**-**	-
Intangible asset	4	**878,181**	-	**-**	-
Prepaid lease payments	5	**343,536**	347,168	**-**	-
Investment properties	6	**4,195,533**	3,939,000	**-**	-
Investment in subsidiaries	7	**-**	-	**41,257,898**	40,249,568
Total non-current assets		**54,834,753**	50,510,398	**41,257,898**	40,249,568
Prepaid lease payments	5	**3,632**	3,632	**-**	-
Receivables, deposits and prepayments	8	**8,394,904**	8,462,592	**25,763,340**	24,743,356
Inventories	9	**22,037,657**	16,742,467	**-**	-
Current tax assets		**68,773**	13,965	**8,434**	7,306
Cash and cash equivalents	10	**3,025,314**	6,232,761	**233,700**	7,292
Total current assets		**33,530,280**	31,455,417	**26,005,474**	24,757,954
Total assets		**88,365,033**	81,965,815	**67,263,372**	65,007,522
Equity					
Share capital	11	**60,184,470**	50,006,100	**60,184,470**	50,006,100
Reserves		**230,654**	3,110,132	**230,654**	3,110,132
Retained earnings	11	**20,585,248**	14,314,554	**6,784,148**	11,828,690
Total equity attributable to shareholders		**81,000,372**	67,430,786	**67,199,272**	64,944,922
Negative goodwill	12	**-**	6,192,554	**-**	-
Liabilities					
Deferred tax liabilities	13	**4,351,906**	4,027,316	**-**	-
Total non-current liabilities		**4,351,906**	4,027,316	**-**	-
Payables and accruals	14	**2,806,691**	3,802,005	**64,100**	62,600
Current tax liabilities		**206,064**	513,154	**-**	-
Total current liabilities		**3,012,755**	4,315,159	**64,100**	62,600
Total liabilities		**7,364,661**	8,342,475	**64,100**	62,600
Total equity and liabilities		**88,365,033**	81,965,815	**67,263,372**	65,007,522

The notes on pages 33 to 62 are an integral part of these financial statements.

Income Statements
for the year ended 31 December 2006

	Note	GROUP 2006 RM	GROUP 2005 RM Restated	COMPANY 2006 RM	COMPANY 2005 RM
Revenue	15	**59,171,020**	58,321,690	**6,300,000**	15,000,000
Cost of sales		**(37,171,247)**	(33,742,571)	**-**	-
Gross profit		**21,999,773**	24,579,119	**6,300,000**	15,000,000
Other income		**115,376**	282,355	**-**	-
Distribution expenses		**(1,677,392)**	(1,548,729)	**-**	-
Administrative expenses		**(3,176,390)**	(3,260,990)	**(120,349)**	(132,848)
Other expenses		**(2,794,672)**	(2,555,237)	**(39,828)**	(30,431)
Operating profit	16	**14,466,695**	17,496,518	**6,139,823**	14,836,721
Interest income		**64,062**	94,304	**1,552**	5,104
Finance costs		**(5,804)**	-	**-**	-
Amortisation of negative goodwill		**-**	940,641	**-**	-
Profit before tax		**14,524,953**	18,531,463	**6,141,375**	14,841,825
Tax expense	18	**(3,344,896)**	(3,578,626)	**(84,000)**	(1,483)
Profit for the year attributable to shareholders		**11,180,057**	14,952,837	**6,057,375**	14,840,342
Basic earnings per ordinary share (sen)	19	**9.30**	12.45		
Diluted earnings per ordinary share (sen)	19	**N/A**	12.39		

The notes on pages 33 to 62 are an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2006

Group	Note	Share capital RM	Share premium RM	Retained earnings RM	Total RM
		NON-DISTRIBUTABLE		DISTRIBUTABLE	
At 1 January 2005		50,000,000	3,100,982	5,362,449	58,463,431
ESOS exercised		6,100	9,150	-	15,250
Dividends to shareholders	20	-	-	(6,000,732)	(6,000,732)
Profit for the year		-	-	14,952,837	14,952,837
At 31 December 2005,					
but before opening adjustment		50,006,100	3,110,132	14,314,554	67,430,786
- Effect of adopting FRS 3	29	-	-	6,192,554	6,192,554
At 1 January 2006, restated		**50,006,100**	**3,110,132**	**20,507,108**	**73,623,340**
Issue of shares:					
- Bonus issue		10,023,920	(2,930,131)	(7,093,789)	-
- ESOS exercised		154,450	215,295	-	369,745
Share issue expenses		-	(164,642)	-	(164,642)
Dividends to shareholders	20	-	-	(4,008,128)	(4,008,128)
Profit for the year		-	-	11,180,057	11,180,057
At 31 December 2006		**60,184,470**	**230,654**	**20,585,248**	**81,000,372**

The notes on pages 33 to 62 are an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2006 (cont'd)

		NON-DISTRIBUTABLE		DISTRIBUTABLE	
Company	**Note**	**Share capital RM**	**Share premium RM**	**Retained earnings RM**	**Total RM**
At 1 January 2005		50,000,000	3,100,982	2,989,080	56,090,062
ESOS exercised		6,100	9,150	-	15,250
Dividends to shareholders	20	-	-	(6,000,732)	(6,000,732)
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
Issue of shares:					
- Bonus issue		10,023,920	(2,930,131)	(7,093,789)	-
- ESOS exercised		154,450	215,295	-	369,745
Share issue expenses		-	(164,642)	-	(164,642)
Dividends to shareholders	20	-	-	(4,008,128)	(4,008,128)
Profit for the year		-	-	6,057,375	6,057,375
At 31 December 2006		**60,184,470**	**230,654**	**6,784,148**	**67,199,272**

The notes on pages 33 to 62 are an integral part of these financial statements.

Cash Flow Statements
for the year ended 31 December 2006

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash flows from operating activities				
Profit before tax	**14,524,953**	18,531,463	**6,141,375**	14,841,825
Adjustments for:				
Amortisation of negative goodwill	**-**	(940,641)	**-**	-
Amortisation of prepaid lease payments	**3,632**	-	**-**	-
Depreciation of property, plant and equipment	**2,264,593**	2,349,968	**-**	-
Depreciation of investment property	**3,467**	-	**-**	-
Interest expenses	**5,804**	-	**-**	-
Gain on disposal of plant and equipment	**(27,325)**	(132,935)	**-**	-
Interest income	**(64,062)**	(94,304)	**(1,552)**	(5,104)
Unrealised foreign exchange losses/(gain)	**138,428**	(14,181)	**-**	-
Operating profit before changes in working capital	**16,849,490**	19,699,370	**6,139,823**	14,836,721
Inventories	**(5,063,747)**	(3,131,520)	**-**	-
Payables and accruals	**(2,645,242)**	508,372	**1,500**	48,800
Receivables, deposits and prepayments	**132,051**	(1,664,876)	**(9,000)**	(8,000,000)
Cash generated from operations	**9,272,552**	15,411,346	**6,132,323**	6,885,521
Tax paid	**(3,386,990)**	(2,678,328)	**(85,128)**	(13,123)
Tax refund	**4,786**	1,134,419	**-**	-
Interest received	**64,062**	94,304	**1,552**	5,104
Net cash from operating activities	**5,954,410**	13,961,741	**6,048,747**	6,877,502

Cash Flow Statements

for the year ended 31 December 2006 (cont'd)

	Note	GROUP 2006 RM	GROUP 2005 RM	COMPANY 2006 RM	COMPANY 2005 RM
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(4,614,730)**	(4,449,220)	**-**	-
Proceeds from disposal of plant and equipment		**165,750**	193,207	**-**	-
Acquisition of subsidiary, net of cash acquired	26	**(904,048)**	-	**(1,008,330)**	-
Decrease in pledged deposits placed with a licensed bank		**-**	506,527	**-**	-
Advances to subsidiaries		**-**	-	**(1,010,984)**	(1,802,451)
Net cash used in investing activities		**(5,353,028)**	(3,749,486)	**(2,019,314)**	(1,802,451)
Cash flows from financing activities					
Proceeds from the issue of shares		**369,745**	15,250	**369,745**	15,250
Repayment of bankers' acceptances		**-**	(2,000,000)	**-**	-
Interest paid		**(5,804)**	-	**-**	-
Share issue expenses		**(164,642)**	-	**(164,642)**	-
Dividends paid to shareholders		**(4,008,128)**	(6,000,732)	**(4,008,128)**	(6,000,732)
Net cash used in financing activities		**(3,808,829)**	(7,985,482)	**(3,803,025)**	(5,985,482)
Net (decrease)/increase in cash and cash equivalents		**(3,207,447)**	2,226,773	**226,408**	(910,431)
Cash and cash equivalents at 1 January		**6,232,761**	4,005,988	**7,292**	917,723
Cash and cash equivalents at 31 December	(i)	**3,025,314**	6,232,761	**233,700**	7,292

(i) Cash and cash equivalents

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

	GROUP 2006 RM	GROUP 2005 RM	COMPANY 2006 RM	COMPANY 2005 RM
Cash and bank balances	**1,414,712**	1,016,320	**11,170**	7,292
Short term funds	**1,610,602**	5,216,441	**222,530**	-
	3,025,314	6,232,761	**233,700**	7,292

The notes on pages 33 to 62 are an integral part of these financial statements.

Notes to the Financial Statements

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

Registered office
Lot 4.100 4th Floor
Wisma Central
Jalan Ampang
50450 Kuala Lumpur

Principal place of business
Lot 9,10,11,12 & 13, Jalan RP3
Rawang Industrial Estate
Taman Rawang Perdana
48000 Rawang
Selangor Darul Ehsan

The consolidated financial statements as at and for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 December 2006 do not include other entities.

The Company is principally engaged in investment holding while the subsidiaries are primarily involved in the manufacture and sale of wooden picture frame moulding and timber-related products and property holding and rental of properties.

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

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The MASB has issued a number of new and revised Financial Reporting Standards (FRSs) that are effective for accounting periods beginning after 1 January 2006.

The effects of adopting the new/revised FRSs in 2006 are set out in Note 29.

Notes to the Financial Statements (cont'd)

1. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

The MASB has also issued the following Financial Reporting Standards (FRSs) and Interpretations that are effective for annual period beginning after 1 January 2006, and that have not been applied in preparing these financial statements:

Standard / Interpretation	Effective date
FRS 124, *Related Party Disclosures*	1 October 2006
FRS 139, *Financial Instruments: Recognition and Measurement*	To be announced
Amendment to FRS 119_{2004}, *Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures*	1 January 2007
FRS 6, *Exploration for and Evaluation of Mineral Resources*	1 January 2007
Amendment to FRS 121, *The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation*	1 July 2007
IC Interpretation 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*	1 July 2007
IC Interpretation 2, *Members' Shares in Co-operative Entities and Similar Instruments*	1 July 2007
IC Interpretation 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	1 July 2007
IC Interpretation 6, *Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*	1 July 2007
IC Interpretation 7, *Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies*	1 July 2007
IC Interpretation 8, *Scope of FRS 2*	1 July 2007

The Group has chosen to early adopt FRS 117, *Leases* which is effective for annual periods beginning on or after 1 October 2006. The Group plans to apply FRS 124 and the Amendment to FRS 119_{2004} initially for annual period beginning 1 January 2007 and to apply the rest of the above-mentioned FRSs (except for FRS 6 as explained below and FRS 139 which effective date has yet to be announced) and Interpretations for the annual period beginning 1 January 2008.

The impact of applying FRS 124 and FRS 139 on the financial statements upon first adoption of these standards as required by paragraph 30 (b) of FRS 108, *Accounting Policies*, *Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemptions given in the respective standards.

FRS 6 is not applicable to the Group and the Company. Hence, no further disclosure is warranted.

The initial application of the other standards and interpretations are not expected to have any material impact on the financial statements.

The financial statements were approved by the Board of Directors on 11 April 2007.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

(c) Functional and presentation currency

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

Notes to the Financial Statements (cont'd)

1. BASIS OF PREPARATION (cont'd)

(d) Use of estimates and judgements

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

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following note:

- *Note 4 - measurement of the recoverable amounts of cash-generating units*

2. SIGNIFICANT ACCOUNTING POLICIES

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

Certain comparative amounts have been reclassified to conform to the current year's presentation.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investment in subsidiaries are stated in the Company's balance sheet at cost less impairment losses.

(ii) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with subsidiaries are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate of that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

(ii) Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is measured at cost and reclassified as investment property.

When the use of a property changes from owner-occupied to investment property, the property is measured at cost and reclassified as investment property.

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iv) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• factory buildings	50 years
• machineries, forklifts, plant and equipment	5 - 10 years
• office equipment, furniture and fittings and renovation	5 - 12 years
• motor vehicles	10 years
• computer equipment	3 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Prepaid lease payments

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided except for leasehold land classified as investment property.

The Group had previously classified a lease of land as finance lease and had recognised the amount of prepaid lease payment as property within its property, plant and equipment. On early adoption of FRS 117, Leases, the Group treats such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payments in accordance with the transitional provisions in FRS 117.67A. Such prepaid lease payments is amortised over the lease term.

(e) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiary.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost and is no longer amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

(ii) Negative goodwill

Negative goodwill arises on the acquisition of subsidiaries.

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

In the previous years, negative goodwill was amortised on a straight line basis over a maximum of 8 years from the date of acquisition.

Following the adoption of FRS 3 on 1 January 2006, the excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquirer over the cost of the acquisition is recognised immediately in the income statement. The carrying amount of negative goodwill at 1 January 2006 is derecognised with a corresponding adjustment to the opening balance of retained earnings. The effects of adopting FRS 3 are set out in Note 29.

(iii) Amortisation

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired.

(f) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy note (c).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Investment properties (cont'd)

In the previous years, all investment properties were included in property, plant and equipment. Following the adoption of FRS 140, Investment Property, these investment properties are now classified separately.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

(h) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and highly liquid investments which have an insignificant risk of changes in value.

(j) Impairment of assets

The carrying amounts of assets except for inventories, deferred tax assets and financial assets (other than investment in subsidiaries), are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Impairment of assets (cont'd)

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

(k) Share capital

Shares issue expenses

Incremental costs directly attributable to the issue of shares and share options classified as equity are recognised as a deduction from equity.

(l) Employee benefits

(i) Short-term employee benefits

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

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

The Group's contribution to the Employee's Provident Fund is charged to income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Share-based payment transactions

The share option programme allows Group employees to acquire shares of the Company. In the previous year, share options granted to employees is not recognised as an employee cost. Following the adoption of FRS 2, Share-based Payment, the grant date fair value of share options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The change in accounting policy is applied retrospectively only for those share options granted after 31 December 2004 and have not vested as of 1 January 2006 as provided in the transitional provision of FRS 2. As there are no share options granted to employees after the transition period, there is no recognition of employee expense.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Provisions (cont'd)

Contingent liabilities

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

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(n) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(o) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Rental income

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

(iii) Dividend income

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

(p) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement, using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

(q) Tax expense

Tax expense comprises current and deferred tax. Tax expense 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Tax expense (cont'd)

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises share options granted to employees.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environmental (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Notes to the Financial Statements (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Factory buildings RM	Machineries, forklifts, plant and equipment RM	Office equipment, furniture and fittings and renovation RM	Motor vehicles RM	Computer equipment RM	Construction in-progress RM	Total 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
- Effect of adopting FRS 117 (Note 5)	-	-	-	-	-	-	(350,800)	(350,800)
- Effect of adopting FRS 140 (Note 6)	(4,229,000)	-	-	-	-	-	-	(4,229,000)
At 1 January 2005, restated	14,573,999	17,218,471	9,964,178	949,872	3,362,052	248,790	3,288,756	49,606,118
Additions	-	-	3,695,886	192,114	5,995	72,497	482,728	4,449,220
Disposals	-	-	(171,745)	-	(61,700)	-	-	(233,445)
Transfer	-	3,521,449	-	-	-	-	(3,521,449)	-
At 31 December 2005 / 1 January 2006	**14,573,999**	**20,739,920**	**13,488,319**	**1,141,986**	**3,306,347**	**321,287**	**250,035**	**53,821,893**
Acquisition through business combination (Note 26)	-	-	1,168,331	-	-	6,000	67,230	1,241,561
Other additions	1,636,623	578,262	1,678,179	133,911	119,104	32,280	436,371	4,614,730
Disposals	-	-	(146,939)	-	(174,653)	-	-	(321,592)
Transfer to investment properties (Note 6)	-	-	-	-	-	-	(260,000)	(260,000)
At 31 December 2006	**16,210,622**	**21,318,182**	**16,187,890**	**1,275,897**	**3,250,798**	**359,567**	**493,636**	**59,096,592**

Notes to the Financial Statements (cont'd)

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

Group	Freehold land RM	Factory buildings RM	Machineries, forklifts, plant and equipment RM	Office equipment, furniture and fittings and renovation RM	Motor vehicles RM	Computer equipment RM	Construction in-progress RM	Total RM
Depreciation and impairment losses								
Accumulated impairment losses	290,000	-	-	-	-	-	-	290,000
Accumulated depreciation	-	1,225,818	2,706,584	380,911	958,877	148,678	-	5,420,868
At 1 January 2005	290,000	1,225,818	2,706,584	380,911	958,877	148,678	-	5,710,868
- Transfer to investment properties (Note 6)	(290,000)	-	-	-	-	-	-	(290,000)
Accumulated impairment losses	-	-	-	-	-	-	-	-
Accumulated depreciation	-	1,225,818	2,706,584	380,911	958,877	148,678	-	5,420,868
At 1 January 2005, restated	-	1,225,818	2,706,584	380,911	958,877	148,678	-	5,420,868
Depreciation for the year	-	422,068	1,121,286	91,789	645,892	68,933	-	2,349,968
Disposals	-	-	(140,756)	-	(32,417)	-	-	(173,173)
At 31 December 2005 / 1 January 2006	**-**	**1,647,886**	**3,687,114**	**472,700**	**1,572,352**	**217,611**	**-**	**7,597,663**
Depreciation for the year	-	440,842	1,450,420	112,019	199,624	61,688	-	2,264,593
Disposals	-	-	(70,138)	-	(113,029)	-	-	(183,167)
At 31 December 2006	**-**	**2,088,728**	**5,067,396**	**584,719**	**1,658,947**	**279,299**	**-**	**9,679,089**
Carrying amounts								
At 1 January 2005	14,573,999	15,992,653	7,257,594	568,961	2,403,175	100,112	3,288,756	44,185,250
At 31 December 2005 / 1 January 2006	**14,573,999**	**19,092,034**	**9,801,205**	**669,286**	**1,733,995**	**103,676**	**250,035**	**46,224,230**
At 31 December 2006	**16,210,622**	**19,229,454**	**11,120,494**	**691,178**	**1,591,851**	**80,268**	**493,636**	**49,417,503**

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

3.1 Security

Certain freehold land and factory buildings with a carrying amount of Nil (2005 - RM20,917,127) are charged to a licensed bank for credit facilities granted to the subsidiaries.

3.2 Construction in-progress

	GROUP 2006 RM	2005 RM
Extension of a warehouse building*	**-**	35,846
Three storey shop office	**-**	214,189
Warehouse buildings**	**493,636**	-
	493,636	250,035

* In 2005, the extension of a subsidiary's existing warehouse building was constructed on a piece of Temporary Occupation Land ("TOL") and the licence for the TOL is renewable yearly. The extension works were completed in 2006 and the cost was transferred to "factory building".

** A warehouse building costing RM451,914 is constructed on a piece of Temporary Occupation Land ("TOL") and the licence for the TOL is renewable yearly. The contracted sum for the construction of the warehouse building amount to RM561,238. The subsidiary company is in the progress of applying for a separate document of title for the warehouse building.

3.3 Factory buildings

Included in factory buildings is a warehouse building costing RM975,520 (2005 - RM534,108) situated on a piece of Temporary Occupation Land ("TOL") and the licence for the TOL is renewable yearly.

4. INTANGIBLE ASSET

Goodwill	Note	GROUP 2006 RM	2005 RM
Cost			
At 1 January		**-**	-
Acquisition through business combination	26	**878,181**	-
At 31 December		**878,181**	-
Carrying amount			
At 31 December		**878,181**	-

Notes to the Financial Statements (cont'd)

4. INTANGIBLE ASSET (cont'd)

Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's manufacturing division which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount for the above was based on its value in use and was determined by discounting the future cash flows generated from the continuing use of those units and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and a 10-year projection.
- Revenue was projected at an anticipated annual revenue growth of 10% per annum for the first 5 years and 5% per annum for the remaining 5 years.
- Depreciation charges were projected based on 10 years useful live of plant and machineries.
- Effective tax rates were projected to be 9% for the first 5 years and 26% for the remaining 5 years after taking into consideration the pioneer status granted to a subsidiary company, Finesse Moulding (M) Sdn. Bhd. ("FMSB").
- A discount rate of 8% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the Group's existing rate of borrowings.

The values assigned to the key assumptions represent management's assessment of future trends in the industry.

5. PREPAID LEASE PAYMENTS

	GROUP
Leasehold land	**Unexpired lease period of more than 50 years RM**
Cost	
At 1 January 2005	-
Effect of adopting FRS 117 (Note 29)	350,800
At 1 January 2005, restated / 31 December 2005 / 31 December 2006	**350,800**
Amortisation	
At 1 January 2005 / 31 December 2005	-
Amortisation for the year	3,632
At 31 December 2006	**3,632**
Carrying amounts	
At 1 January 2005, restated	350,800
At 31 December 2005 / 1 January 2006	**350,800**
Less: Current portion	(3,632)
Non-current portion	347,168
At 31 December 2006	**347,168**
Less: Current portion	(3,632)
Non-current portion	343,536

Notes to the Financial Statements (cont'd)

6. INVESTMENT PROPERTIES

	Note	GROUP 2006 RM	GROUP 2005 RM Restated
Cost			
At 1 January		**4,229,000**	-
Effect of adopting FRS 140	29	**-**	4,229,000
Transfer from property, plant and equipment	3	**260,000**	-
At 31 December / 1 January 2005, restated		**4,489,000**	4,229,000
Depreciation and impairment loss			
Accumulated depreciation		**-**	-
Accumulated impairment loss		290,000	290,000
At 1 January		**290,000**	290,000
Depreciation for the year		3,467	-
Accumulated depreciation		**3,467**	-
Accumulated impairment loss		290,000	290,000
At 31 December		**293,467**	290,000
Carrying amount			
31 December		**4,195,533**	3,939,000
Including above are:			
Freehold land		**3,939,000**	3,939,000
Building		**256,533**	-
		4,195,533	3,939,000
Fair value			
31 December		**4,435,218**	4,175,218

6.1 Certain investment property with a carrying amount of RM788,000 (2005 - RM788,000) is charged to a licensed bank for credit facilities granted to the subsidiaries. The Group is in the progress of discharging the charges.

6.2 The fair value of freehold land is based on information on the latest transactions obtained verbally from an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

Notes to the Financial Statements (cont'd)

7. INVESTMENT IN SUBSIDIARIES

	COMPANY 2006 RM	COMPANY 2005 RM
Unquoted shares, at cost	**41,257,898**	40,249,568

Details of the subsidiaries are as follows:

Name of Company	Principal Activities	Country of Incorporation	Effective Ownership Interest 2006	Effective Ownership Interest 2005
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%
Finesse Moulding (M) Sdn. Bhd.*	Manufacture of wooden picture frame moulding	Malaysia	**100%**	-

* Audited by another firm of accountant.

8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	GROUP 2006 RM	GROUP 2005 RM	COMPANY 2006 RM	COMPANY 2005 RM
Current					
Trade					
Trade receivables	8.1	**6,274,054**	6,500,329	**-**	-
Non-trade					
Amount due from subsidiaries	8.2	**-**	-	**25,752,340**	24,741,356
Other receivables, deposits and prepayments	8.3	**2,120,850**	1,962,263	**11,000**	2,000
		2,120,850	1,962,263	**25,763,340**	24,743,356
		8,394,904	8,462,592	**25,763,340**	24,743,356

Notes to the Financial Statements (cont'd)

8. RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

8.1 The currency exposure profile of trade receivables denominated in Ringgit Malaysia equivalent is as follow:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Ringgit Malaysia	**699,686**	929,527	**-**	-
U.S. Dollar	**5,327,850**	5,339,766	**-**	-
Euro Dollar	**206,460**	183,762	**-**	-
Singapore Dollar	**34,497**	47,274	**-**	-
Japanese Yen	**5,561**	-	**-**	-
	6,274,054	6,500,329	**-**	-

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

8.3 Included in other receivables, deposits and prepayments of the Group is advance payment for invoices to suppliers amounting to RM1,324,438 (2005 - RM754,916) and financial assistance in the form of an interest-free cash advance to a supplier amounting to Nil (2005 - RM726,844).

9. INVENTORIES

	GROUP	
	2006 RM	2005 RM
At cost:		
Raw materials	**15,631,802**	10,084,142
Work-in-progress	**4,853,293**	4,048,475
Finished goods	**1,552,562**	2,609,850
	22,037,657	16,742,467

10. CASH AND CASH EQUIVALENTS

		GROUP		COMPANY	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
Cash and bank balances		**1,414,712**	1,016,320	**11,170**	7,292
Short term funds	10.1	**1,610,602**	5,216,441	**222,530**	-
		3,025,314	6,232,761	**233,700**	7,292

10. CASH AND CASH EQUIVALENTS (cont'd)

10.1 Included in short term funds of the Group and Company is a placement of fixed income trusts of which RM1,393,560 (2005 - RM2,700,649) and RM222,530 (2005 - Nil) is redeemable at call and RM217,042 (2005 - RM2,515,792) and Nil is redeemable upon 7 days notice.

11. CAPITAL AND RESERVES

Share capital

	GROUP AND COMPANY			
	Amount 2006 RM	**Number of shares 2006**	**Amount 2005 RM**	**Number of shares 2005**
Authorised:				
Ordinary shares of RM0.50 each	**100,000,000**	**200,000,000**	100,000,000	200,000,000
Issued and fully paid:				
Ordinary shares of RM0.50 each				
On issue at 1 January	**50,006,100**	**100,012,200**	50,000,000	100,000,000
Issue of shares				
under the Employees' Share Option Scheme	**154,450**	**308,900**	6,100	12,200
Bonus issue	**10,023,920**	**20,047,840**	-	-
At 31 December	**60,184,470**	**120,368,940**	50,006,100	100,012,200

At an Extraordinary General Meeting held on 26 April 2006, the shareholders of the Company approved a bonus issue of 20,047,840 new ordinary shares of RM0.50 each to be credited as fully paid-up ordinary shares on the basis of one (1) new ordinary share for every five (5) existing fully paid-up ordinary shares. The bonus issue of RM10,023,920 comprising 20,047,840 ordinary shares was allotted on 29 May 2006 and credited as fully paid-up ordinary shares by capitalising a sum of RM2,930,131 and RM7,093,789 from the Company's share premium account and retained earnings account respectively.

Retained earnings

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its distributable retained earnings at 31 December 2006 if paid out as dividends.

Share-based payments

On 30 September 2004, the shareholders approved the Employees' Share Option Scheme ("ESOS") that entitles all qualified personnel to purchase shares in the Company. On 28 October 2004, a grant of option was offered to the employees. In accordance with the ESOS, options are exercisable at the option price of RM1.05 per ordinary share.

As allowed by the transitional provision in FRS 2, the recognition and measurement principles in FRS 2 have not been applied to these grants.

Notes to the Financial Statements (cont'd)

11. CAPITAL AND RESERVES (cont'd)

Share-based payments (cont'd)

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

	GROUP AND COMPANY	
	2006 **RM**	**2005** **RM**
At 1 January	**11,675,000**	11,861,000
Bonus issue	**2,288,400**	-
Exercised	**(308,900)**	(12,200)
Lapsed	**(482,400)**	(173,800)
	13,172,100	11,675,000

Details of share options granted:

Expiry date	27 October 2009
Exercise price per ordinary share	RM1.05
Aggregate issue proceeds	RM369,745
Fair value at date of issue	RM424,775

12. NEGATIVE GOODWILL

		GROUP	
	Note	**2006** **RM**	**2005** **RM**
Cost			
At 1 January		**7,525,129**	7,525,129
Effect of adopting FRS 3	29	**(7,525,129)**	-
At 1 January, restated		**-**	7,525,129
At 31 December		**-**	7,525,129
Amortisation			
1 January		**1,332,575**	391,934
Effect of adopting FRS 3	29	**(1,332,575)**	-
At 1 January, restated		**-**	391,934
Amortisation for the year		**-**	940,641
At 31 December		**-**	1,332,575
Carrying amount			
At 31 December		**-**	6,192,554

Notes to the Financial Statements (cont'd)

13. DEFERRED TAX LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2006 RM	Assets 2005 RM	Liabilities 2006 RM	Liabilities 2005 RM	Net 2006 RM	Net 2005 RM
Property, plant and equipment	**-**	-	**4,386,037**	4,068,135	**4,386,037**	4,068,135
Other temporary differences	**(34,131)**	(40,819)	**-**	-	**(34,131)**	(40,819)
Net tax (assets) / liabilities	**(34,131)**	(40,819)	**4,386,037**	4,068,135	**4,351,906**	4,027,316

Movement in taxable/(deductible) temporary differences during the year is as follow:

Group	Property, plant and equipment RM	Other temporary differences RM	Total RM
At 1 January 2005	3,517,962	(23,000)	3,494,962
Recognised in income statement	550,173	(17,819)	532,354
At 31 December 2005 / 1 January 2006	**4,068,135**	**(40,819)**	**4,027,316**
Recognised in income statement	317,902	6,688	324,590
At 31 December 2006	**4,386,037**	**(34,131)**	**4,351,906**

14. PAYABLES AND ACCRUALS

	Note	GROUP 2006 RM	GROUP 2005 RM	COMPANY 2006 RM	COMPANY 2005 RM
Trade					
Trade payables		**1,048,787**	1,430,121	**-**	-
Non-trade					
Other payables and accruals	14.1	**1,757,904**	2,371,884	**64,100**	62,600
		2,806,691	3,802,005	**64,100**	62,600

14.1 Included in other payables and accruals of the Group is advance for sales order received from customers of RM123,828 (2005 - RM501,155)

Notes to the Financial Statements (cont'd)

15. REVENUE

	GROUP		COMPANY	
	2006 RM	2005 RM	**2006 RM**	2005 RM
Sales	**59,068,020**	58,225,690	**-**	-
Dividend income	**-**	-	**6,300,000**	15,000,000
Rental income from investment property	**103,000**	96,000	**-**	-
	59,171,020	58,321,690	**6,300,000**	15,000,000

16. OPERATING PROFIT

	GROUP		COMPANY	
	2006 RM	2005 RM	**2006 RM**	2005 RM
Operating profit is arrived at after charging:				
Amortisation of prepaid lease payments	**3,632**	-	**-**	-
Auditors' remuneration:				
- Audit services				
Auditors of the Company	**58,000**	50,000	**12,000**	10,000
Other auditor:				
- current year	**5,300**	-	**-**	-
- under provision in prior year	**300**	-	**-**	-
Depreciation of property, plant and equipment	**2,264,593**	2,349,968	**-**	-
Depreciation of investment property	**3,467**	-	**-**	-
Interest expenses on banker's acceptances	**5,804**	-	**-**	-
Loss on foreign exchange				
- realised	**488,118**	130,747	**-**	-
- unrealised	**138,428**	-	**-**	-
Personnel expenses				
(including key management personnel):				
- contribution to Employee's Provident Fund	**627,310**	606,438	**-**	-
- wages, salaries and others	**9,937,621**	9,088,146	**-**	-
Rental expenses on property leases	**117,000**	-	**-**	-
and after crediting:				
Dividend income from subsidiaries (unquoted)	**-**	-	**6,300,000**	15,000,000
Gain on disposal of plant and equipment	**27,325**	132,935	**-**	-
Unrealised gain on foreign exchange	**-**	14,181	**-**	-
Rental income from investment property	**103,000**	96,000	**-**	-

Notes to the Financial Statements (cont'd)

17. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Directors:				
- Fees	24,000	24,000	24,000	24,000
- Remuneration	1,473,920	1,545,600	-	-
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	122,250	122,250	20,000	20,000
	1,620,170	1,691,850	44,000	44,000

18. TAX EXPENSE

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Current tax expense				
Malaysian - current year	3,148,128	3,105,336	84,000	1,358
- prior year	(127,822)	(59,064)	-	125
	3,020,306	3,046,272	84,000	1,483
Deferred tax expense				
Origination and reversal of temporary differences	324,590	532,354	-	-
	3,344,896	3,578,626	84,000	1,483
Reconciliation of effective tax expense				
Profit before tax	14,524,953	18,531,463	6,141,375	14,841,825
Income tax using Malaysian tax rate of 28%	4,066,987	5,188,810	1,719,585	4,155,711
Effect of lower tax rate for subsidiaries*	(147,031)	(88,209)	-	-
Non-deductible expenses	264,384	189,893	44,415	45,717
Tax exempt income	(431,544)	(1,301,585)	(1,680,000)	(4,200,000)
Double deduction	(280,078)	(296,981)	-	-
Other items	-	(54,238)	-	(70)
	3,472,718	3,637,690	84,000	1,358
Prior year	(127,822)	(59,064)	-	125
	3,344,896	3,578,626	84,000	1,483

Notes to the Financial Statements (cont'd)

18. TAX EXPENSE (cont'd)

* With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000.

19. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	GROUP	
	2006 RM	**2005 RM**
Profit for the year attributable to shareholders	**11,180,057**	14,952,837

Weighted average number of ordinary shares

	GROUP	
	2006	**2005**
Issued ordinary shares at beginning of the year	**100,012,200**	100,000,000
Shares issued	**215,025**	9,658
Bonus issue	**20,047,840**	20,047,840
Weighted average number of ordinary shares	**120,275,065**	120,057,498

	GROUP	
	2006 sen	**2005 sen Restated**
Basic earnings per ordinary share	**9.30**	12.45

The previous year's earnings per ordinary share has been restated based on the profit attributable to ordinary shareholders of RM14,952,837 and the weighted average number of ordinary shares outstanding during the year of 120,057,498 ordinary shares after taking into consideration the bonus issue of 20,047,840 ordinary shares of RM0.50 each.

19. EARNINGS PER SHARE (cont'd)

Diluted earnings per ordinary share

The effect on the basic earnings per ordinary share arising from the assumed exercise of ESOS is anti-dilutive in 2006. Accordingly, diluted earnings per share have not been presented for 2006.

The calculation of diluted earnings per share in 2005 was based on the net profit attributable to ordinary shareholders of RM14,952,837 and the weighted average number of ordinary shares outstanding of 120,692,198 (after taking into effect the bonus issue) calculated as follow:

	GROUP 2005 RM
Profit for the year attributable to shareholders (diluted)	14,952,837

Weighted average number of ordinary shares (diluted)

	GROUP 2005 RM
Weighted average number of ordinary shares in issue as above	120,057,498
Effect of dilution - share options	634,700
Adjusted weighted average number of ordinary shares in issue and issuable	120,692,198
Diluted earnings per ordinary share	12.39 sen

20. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share	Total amount RM	Date of payment
2006			
Final 2005 ordinary	**4.0**	**4,008,128**	**31 May 2006**
2005			
First and final 2004 ordinary	2.5	2,500,305	13 July 2005
Interim 2005 ordinary	3.5	3,500,427	25 October 2005
Total amount		6,000,732	

20. DIVIDENDS (cont'd)

After the balance sheet date, the following dividend was proposed by the Directors. The dividend will be recognised in subsequent financial reports upon approval by the shareholders.

	Sen per share	Total amount RM
First and final ordinary	4.5	5,416,602

21. SEGMENT REPORTING

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 comprise mainly 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 year to acquire property, plant and equipment, and intangible assets other than goodwill.

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 therefore 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.

21. SEGMENT REPORTING (cont'd)

	North America RM	Australia RM	Asia (Ex-Malaysia) RM	Malaysia RM	Europe RM	Eliminations RM	Consolidated RM
2006							
Revenue from external customers by location of customers	**45,100,023**	**4,405,564**	**2,944,133**	**6,272,566**	**2,830,845**	**(2,382,111)**	**59,171,020**
Segment assets by location of assets	**-**	**-**	**-**	**87,418,077**	**-**	**-**	**87,418,077**
Capital expenditure by location of assets	**-**	**-**	**-**	**4,614,730**	**-**	**-**	**4,614,730**
2005							
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

22. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are partially used to hedge exposure to fluctuations in foreign exchange rates and interest rates.

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 new and existing customers on a selective basis upon management consideration in order to reduce the credit risk arising there from.

As at 31 December 2006, approximately 56% (2005 - 60%) of the Group's trade receivables were due from five major customers. Trade receivables balance from those major customers amounted to RM3,490,656 (2005 - RM3,892,220).

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. The Group does not hedge its interest rate risk.

Notes to the Financial Statements (cont'd)

22. FINANCIAL INSTRUMENTS (cont'd)

Effective interest rates and repricing analysis

In respect of interest-earning financial assets, the following table indicates their average effective interest rates at the balance sheet date and the period in which they mature, or if earlier, reprice.

Group	Average effective interest rate per annum %	Total amount RM	Less than 1 year
2006			
Short term funds	**2.5**	**1,610,602**	**1,610,602**
2005			
Short term funds	2.4	5,216,441	5,216,441

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.

Fair values

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

Foreign currency risk

Foreign currency risk arises on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk is U.S. Dollar, Euro Dollar, Singapore Dollar and Japanese Yen.

During the financial year, U.S. Dollar transactions exposures are partially hedged with derivative financial instrument such as forward foreign exchange contracts. The Directors monitor the Group's exposure to foreign currency risk on an ongoing basis.

There are no outstanding forward foreign exchange contracts as at year end.

23. CAPITAL COMMITMENTS

	GROUP	
	2006 RM	2005 RM
Capital expenditure commitments		
Property, plant and equipment contracted but not provided for in the financial statements	**3,133,586**	2,279,710

Notes to the Financial Statements (cont'd)

24. CONTINGENCIES (UNSECURED)

	COMPANY	
	2006 RM	**2005 RM**
Corporate guarantee granted to licensed banks in respect of credit facilities granted to its subsidiaries	**10,900,000**	10,700,000

25. RELATED PARTIES

Identity of related parties

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

The Group has a related party relationship with its subsidiaries (see Note 7), Directors and key management personnel.

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation is disclosed in Note 17.

Other related party transactions

	Transaction value year ended	
Company	**2006 RM**	**2005 RM**
Management fees paid to a subsidiary	**25,000**	25,000

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

26. ACQUISITION OF SUBSIDIARY

Business combination

On 30 August 2006, the Group acquired all the shares in Finesse Moulding (M) Sdn. Bhd. for RM1,008,330 satisfied in cash. This subsidiary manufactures wooden picture frame moulding. In the four months to 31 December 2006, the subsidiary contributed profit of RM531,122. If the acquisition has occurred on 1 January 2006, management estimates that consolidated revenue would have been RM59,536,264 and consolidated profit for the year would have been RM11,085,068.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date.

26. ACQUISITION OF SUBSIDIARY (cont'd)

Business combination (cont'd)

	Recognised values on acquisition RM
Property, plant and equipment	1,241,561
Inventories	231,443
Receivables, deposits and prepayments	207,860
Cash and cash equivalents	104,282
Payables and accruals	(1,654,997)
	130,149
Goodwill on acquisition	878,181
Consideration paid, satisfied in cash	1,008,330
Cash acquired	(104,282)
Net cash outflow	904,048

The values of assets and liabilities recognised on acquisition are based on the Directors' estimates.

27. SIGNIFICANT EVENTS

i) On 29 May 2006, the issued and paid-up capital of the Company was increased from RM50,160,550 to RM60,184,470 by the issuance of 20,047,840 new ordinary shares of RM0.50 each on the basis of one (1) new ordinary share for every five (5) existing ordinary shares held.

ii) On 30 August 2006, the Company acquired 100,000 ordinary shares of RM1.00 each representing 100% equity interest in Finesse Moulding (M) Sdn. Bhd. for a cash consideration of RM1,008,330.

28. EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 1 February 2007, the wholly-owned subsidiaries of the Company, Scenic Moulding (M) Sdn. Bhd. ("SMSB") and Finesse Moulding (M) Sdn. Bhd. ("FMSB") underwent an internal restructuring exercise involving the transfer of manufacturing facilities, machineries and business assets, except for land and buildings, from SMSB to FMSB.

The internal restructuring exercise will enable the Group to consolidate its manufacturing operation under one company in order to achieve economies of scale and to improve business efficiency. The Group will be able to streamline its manufacturing operation processes in order to bring about more efficient and effective management and cost savings.

The internal restructuring does not have impact on the net assets, share capital and substantial shareholders of the Company.

29. CHANGES IN ACCOUNTING POLICIES

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2006.

The changes in accounting policies arising from the adoption of FRS 3: *Business Combination*, FRS 138: *Intangible Assets*, FRS 117: *Leases* and FRS 140: *Investment Property* are summarised below:

(i) FRS 3: *Business Combination and FRS 138: Intangible Assets*

The adoption of FRS 3, *Business Combination* and the consequential changes to FRS 138, *Intangible Assets* has resulted in a change in the accounting policy relating to negative goodwill.

Negative goodwill which represents the excess of the fair value of the net identifiable assets acquired over the cost of the acquisition is now recognised immediately in the income statement. Prior to 1 January 2006, negative goodwill was recognised and amortised over a period of 8 years from the date of acquisition. In accordance with FRS 3, the negative goodwill as at 1 January 2006 of RM6,192,554 was derecognised with a corresponding increase in retained earnings of the Group.

Had there not been a change in accounting policy, the net profit attributable to shareholders for the financial year ended 31 December 2006 would increase by RM940,641.

This change in accounting policy has resulted in a decrease in earnings per share from 10.08 sen to 9.30 sen for the current year.

(ii) FRS 117: *Leases*

The adoption of FRS 117, *Leases* has resulted in a retrospective change in accounting policy relating to the classification of long term leasehold land. The up-front payment made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term. Prior to 1 January 2006, leasehold land was classified as property, plant and equipment and was stated at cost.

As a result of the adoption of FRS 117 at 1 January 2006, the carrying value of leasehold land which is held under operating lease has now been reclassified to prepaid lease payments as a separate line item in the consolidated balance sheet.

The adoption of this accounting policy has resulted in a transfer from property, plant and equipment of RM350,800.

(iii) FRS 140: *Investment Property*

The adoption of FRS 140, *Investment Property* has resulted in a retrospective change in classification of freehold land held as investment property. Prior to 1 January 2006, freehold land held as investment property was classified as property, plant and equipment and was stated at cost less accumulated impairment losses.

As a result of the adoption of FRS 140 at 1 January 2006, the Group's carrying value of freehold land held as investment property has now been reclassified to investment properties as a separate line item in the balance sheets.

The adoption of this accounting policy has resulted in a transfer from property, plant and equipment of RM3,939,000.

Notes to the Financial Statements (cont'd)

30. COMPARATIVE FIGURES

Certain comparative figures have been reclassified as a result of the changes in accounting policies as stated in Note 29 and to conform to the presentation requirement of FRS 101.

	GROUP	
	As restated RM	As previously stated RM
Balance sheets		
Property, plant and equipment	46,224,230	50,514,030
Prepaid lease payments	350,800	-
Investment properties	3,939,000	-
Statement of changes in equity		
Retained earnings at 1 January 2006	**20,507,108**	**14,314,554**

Leasehold land amounting to RM350,800 in 2005 was reclassified from property, plant and equipment to prepaid lease payments to comply with the requirements of FRS 117, *Leases*.

Properties amounting to RM3,939,000 in 2005 that are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both were reclassified from property, plant and equipment to investment properties to comply with FRS 140, *Investment Property*.

Analysis of Shareholdings
as at 25 April 2007

SHARE CAPITAL

Authorised Share Capital	: RM100,000,000/-
Issued and fully paid-up capital	: RM60,249,870/-
Class of Shares	: Ordinary shares of RM0.50 each
No. of Shareholders	: 1,198
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	10	0.83	540	0.00
100 - 1,000 shares	227	18.95	52,500	0.04
1,001 - 10,000	610	50.92	1,989,111	1.65
10,001 - 100,000	266	22.20	8,142,240	6.76
100,001 to less than 5% of issued shares	83	6.93	39,413,420	32.71
5% and above of issued shares	2	0.17	70,901,929	58.84
Total	1,198	100.00	120,499,740	100.00

LIST OF THIRTY LARGEST SHAREHOLDERS

	Name	No. of Shares Held	%
1.	Lim Ket Leng Holding Sdn. Bhd.	59,399,929	49.29
2.	Lim Ket Leng Holding Sdn. Bhd.	11,502,000	9.55
3.	Lim Ket Leng Holding Sdn. Bhd.	4,800,000	3.98
4.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. *Public Far-East Dividend Fund*	3,416,500	2.84
5.	Malaysia Nominees (Tempatan) Sendirian Berhad *Great Eastern Life Assurance (Malaysia) Berhad*	3,246,000	2.69
6.	Ang Toon Chew & Sons (Malaysia) Sendirian Berhad	2,400,000	1.99
7.	Mayban Nominees (Tempatan) Sdn. Bhd. *Mayban General Assurance Berhad (Insurance Fund)*	1,500,000	1.24
8.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for Prudential Equity Income Fund*	1,042,500	0.87

Analysis of Shareholdings
as at 25 April 2007 (cont'd)

LIST OF THIRTY LARGEST SHAREHOLDERS (cont'd)

	Name	No. of Shares Held	%
9.	Mayban Nominees (Tempatan) Sdn. Bhd. *Mayban Life Assurance Berhad (Prem Equity FD)*	1,000,000	0.83
10.	Malaysia Nominees (Tempatan) Sendirian Berhad *Great Eastern Life Assurance (Malaysia) Berhad*	996,000	0.83
11.	Malaysia Nominees (Tempatan) Sendirian Berhad *Great Eastern Life Assurance (Malaysia) Berhad*	900,000	0.75
12.	Lim Soong Hwatt	860,000	0.71
13.	Am Nominees (Tempatan) Sdn. Bhd. *Tabung Amanah Warisan Negeri Johor*	782,760	0.65
14.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. *Public Smallcap Fund*	680,240	0.56
15.	Malaysia Nominees (Tempatan) Sendirian Berhad *Great Eastern Life Assurance (Malaysia) Berhad*	680,040	0.56
16.	Teo Seng Poh	594,000	0.49
17.	Ong Ken Sim	564,000	0.47
18.	Chooi Sook Wai	512,660	0.43
19.	Mayban Nominees (Tempatan) Sdn. Bhd. *Mayban Life Assurance Berhad*	510,000	0.42
20.	Goh Cheang Huang	503,500	0.42
21.	Mayban Nominees (Tempatan) Sdn. Bhd. *Mayban Life Assurance Berhad*	500,000	0.41
22.	Mayban Nominees (Tempatan) Sdn. Bhd. *Mayban General Assurance Berhad*	500,000	0.41
23.	Koek Seam Cheng	500,000	0.41
24.	Lim Kwee Huay	472,240	0.39
25.	Zolkeflee bin Abd Hamid	469,000	0.39
26.	BHLB Trustee Berhad *Prusmall-Cap Fund*	400,020	0.33
27.	Heng Gak Heng	388,000	0.32
28.	Tan Lai Geok	373,000	0.31
29.	Yap Teong Peng	360,000	0.30
30.	Ah Hong Wing	335,600	0.28
		100,187,989	83.14

Analysis of Shareholdings
as at 25 April 2007 (cont'd)

SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders)

	No. of Ordinary Shares of RM0.50 Each			
Name of Substantial Shareholders	Direct	%	Indirect	%
Lim Ket Leng Holding Sdn. Bhd.	75,701,929	62.82	-	-
Lim Chee Keong	-	-	*75,701,929	62.82
Lim Chee Khoon	-	-	*75,701,929	62.82

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

STATEMENT OF DIRECTORS' SHAREHOLDINGS

	No. of Ordinary Shares of RM0.50 Each			
Directors' Name	Direct	%	Indirect	%
Lim Chee Keong	-	-	*75,701,929	62.82
Lim Chee Khoon	-	-	*75,701,929	62.82
Lim Chee Hwa	-	-	-	-
Lim Chee Beng	-	-	-	-
Tang Kam Chee	12,000	0.01	-	-
Tee Sze Ping	40,000	0.03	-	-

* 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 2006 (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 GRN 86305 Lot 186 Seksyen 19 (formerly under HSD 28279 PT 10351, Mukim of Rawang), Bandar Rawang District of Gombak, Selangor Darul Ehsan	Factory complex and office premises for the manufacturing of wooden picture frame moulding	Freehold / 12 years	76,209 / 69,369	5,555,661	25.03.1991 (acquisition)
4	Lot 10, Jalan RP3 Taman Rawang Perdana 48000 Rawang, Selangor Darul Ehsan held under title GRN 86306 Lot 187 Seksyen 19 (formerly under HSD 28280 PT 10352, Mukim of Rawang), Bandar Rawang District of Gombak, Selangor Darul Ehsan	Factory complex and office premises for the manufacturing of wooden picture frame moulding	Freehold / 9 years	76,058 / 65,383	5,826,825	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 2006 (RM)	Date of acquisition / approval
5	Lot 11, Jalan RP3 Taman Rawang Perdana 48000 Rawang, Selangor Darul Ehsan held under GRN 86307, Lot 188 Seksyen 19 (formerly under HSD 28281 PT 10353, Mukim of Rawang), Bandar Rawang District of Gombak, Selangor Darul Ehsan	Factory complex and office premises for the manufacturing of wooden picture frame moulding	Freehold / 2 years	94,422 / 70,347	6,507,883	19.07.2002 (acquisition)
6	Lot 12, Jalan RP3 Taman Rawang Perdana 48000 Rawang, Selangor Darul Ehsan held under title GRN 86308 Lot 189 Seksyen 19 (formerly under HSD 28282 PT 10354, Mukim of Rawang), Bandar Rawang District of Gombak, Selangor Darul Ehsan	Factory complex and office premises for the manufacturing of wooden picture frame moulding	Freehold / 5 years	98,631 / 106,692	9,249,992	21.04.1999 (acquisition)
7	Lot 13, Jalan RP3 Taman Rawang Perdana 48000 Rawang, Selangor Darul Ehsan held under GRN 86309 Lot 190 Seksyen 19 (formerly under HSD 28283 PT 10355, Mukim of Rawang), Bandar Rawang District of Gombak, Selangor Darul Ehsan	Factory complex and office premises for the manufacturing of wooden picture frame moulding, pallets and stillages.	Freehold / 6 years	76,478 / 60,500	5,733,515	08.01.1999 (acquisition)
8	Lot 41, Jalan RP Taman Rawang Perdana 48000 Rawang, Selangor Darul Ehsan held under title GRN 86350 Lot 204 Seksyen 19 (formerly under HSD 28293 PT 10365, Mukim of Rawang), Bandar Rawang District of Gombak, Selangor Darul Ehsan	Factory complex under construction	Freehold / N/A	79,739 / N/A	1,678,346	25.01.2006 (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 2006 (RM)	Date of acquisition / approval
9	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 / 3 years	23,400 / 22,435	929,576	24.9.2002 (approval)
10	No. 1, Jalan SJ 1, Taman Setia Jaya 48000 Rawang, Selangor Darul Ehsan held under title HSM 11510 PT 27163 Batu 16 Jalan Rawang, Mukim of Rawang District of Gombak, Selangor Darul Ehsan	3 storey shop office vacant	Leasehold / 1 year	1,453 / 4,200	603,701	06.08.2006 (acquisition)
11	Lot PT L.M.S. No. A6797 Jalan Batu Arang, Batang Berjuntai Mukim of Rawang District of Gombak, Selangor Darul Ehsan	Warehouse under construction	Temporary Occupation License Yearly renewal / N/A	40,000 / N/A	451,914	17.03.2006 (approval)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting of the Company will be held at the West VIP Lounge, Kuala Lumpur Golf & Country Club, 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Tuesday, 5 June 2007, at 10.00 a.m. for the transaction of the following businesses:-

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2006 together with the Reports of the Directors and the Auditors thereon. (Resolution 1)

2. To declare a first and final tax-exempt dividend of 4.5 sen per ordinary share in respect of the year ended 31 December 2006. (Resolution 2)

3. To approve the Directors' fees of RM24,000 (2005: RM24,000) in respect of the year ended 31 December 2006. (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 Beng (Resolution 4)

   (b) Mr. Tang Kam Chee (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/Special 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)

Notice of Annual General Meeting (cont'd)

(c) Ordinary Resolution 3

Proposed Share Buy-Back

"THAT subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised to purchase such amount of ordinary shares of RM0.50 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company PROVIDED THAT:- (Resolution 9)

(a) the aggregate number of ordinary shares of RM0.50 each in the Company which may be purchased and/or held by the Company shall not exceed ten per cent (10%) of the issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase, subject to a restriction that the issued and paid-up share capital of the Company does not fall below the applicable minimum share capital requirements of the Listing Requirements of Bursa Securities;

(b) the maximum funds to be allocated by the Company for the purpose of purchasing the shares shall not exceed the Company's latest audited retained profits and/or share premium account; and

(c) the authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and will continue to be in force until:-

(i) the conclusion of the next Annual General Meeting ("AGM") at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

AND THAT the Directors of the Company be and are hereby authorised to cancel all the shares or any part thereof so purchased or to retain all the shares so purchased as treasury shares (of which may be distributed as dividends to shareholders and/or resold on Bursa Securities and/or subsequently cancelled), or to retain part of the shares so purchased as treasury shares and cancel the remainder, and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act, the Listing Requirements of Bursa Securities and any other relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise or to effect the aforesaid share buy-back with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities and to do all such acts and things (including executing all documents) as the Directors may deem fit and expedient in the best interest of the Company."

(d) Special Resolution

Proposed Amendments to the Company's Articles of Association

"THAT the alterations, modifications, deletions and/or additions to the Articles of Association of the Company as set out in Appendix I of the Circular to Shareholders dated 14 May 2007 ("Proposed Amendments") be and are hereby approved and adopted; and (Resolution 10)

THAT the Directors and/or Secretary of the Company be and are/is hereby authorised to take all steps and do all acts, things and deeds which may be considered necessary or expedient in order to implement, finalise and give effect to the Proposed Amendments."

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 Fourth Annual General Meeting, the first and final tax-exempt dividend of 4.5 sen per ordinary share in respect of the year ended 31 December 2006 will be payable on 31 July 2007 to depositors registered in the Record of Depositors on 12 July 2007.

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 12 July 2007 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 (MIA 1832)
CHOW CHOOI YOONG (MAICSA 0772574)
Company Secretaries

Kuala Lumpur
14 May 2007

Notes:-

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint up to two 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 two (2) proxies, 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.

   Resolution pursuant to Share Buy-Back

   Resolution No. 9 proposed under item 6(c), if passed, will empower the Company to purchase and/or hold up to 10% of the issued and paid-up share capital of the Company. This authority will, unless revoked or varied by the Company in General Meeting, expire at the next Annual General Meeting. For further information, please refer to the Circular To Shareholders dated 14 May 2007 which is enclosed together with this Annual Report.

   Resolution pursuant to Proposed Amendment to the Company's Articles of Association

   Resolution No. 10 proposed under item 6(d), if passed, will render the Articles of Association of the Company to be in line with the amendments to the Listing Requirements of Bursa Securities, the Securities Industry (Central Depositories) Act 1991 and the Rules of Bursa Malaysia Depository Sdn. Bhd. and to be consistent with current business and commercial practices. The details of the Proposed Amendments to the Articles of Association are set out in the Appendix I of the Circular To Shareholders dated 14 May 2007 which is enclosed together with this Annual Report.

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 4th Annual General Meeting of the Company

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

(a) Mr. Lim Chee Beng

(b) Mr. Tang Kam Chee

2. 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 65 of the Annual Report.

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 and on *my/our behalf at the FOURTH ANNUAL GENERAL MEETING of the Company to be held at the West VIP Lounge, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Tuesday, 5 June 2007, at 10.00 a.m. and at any adjournment thereof. (** strike out whichever is not desired*)

My/Our proxy is to vote as indicated below:

NO.	RESOLUTIONS	FOR	AGAINST
1.	Adoption of Audited Financial Statements and Reports		
2.	Declaration of First and Final Tax-exempt Dividend		
3.	Approval of Directors' fees		
4.	Re-election of Mr. Lim Chee Beng as director		
5.	Re-election of Mr. Tang Kam Chee 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		
9.	**Ordinary Resolution 3** - Proposed Share Buy-Back		
10.	**Special Resolution** - Proposed amendments to the Articles of Association		

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 ____________________ 2007

No. of Shares Held	

____
Signature

Notes:

1. *A member of the Company entitled to attend and vote at this meeting is entitled to appoint up to two 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 two (2) proxies, 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.*

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

CLASSIC SCENIC BERHAD [633887-M]
Lot 12, Jalan RP3, Taman Rawang Perdana
48000 Rawang, Selangor Darul Ehsan

Tel : 03-6091 7477
Fax : 03-6091 6766
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