

# Annual Report 2007

*Scenic* in Name  
*Beauty* in *Frame* <sup>TM</sup>



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

# CORPORATE PROFILE

annual report 2007

[www.classicscenic.com](http://www.classicscenic.com)



## 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, Finesse 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 420 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

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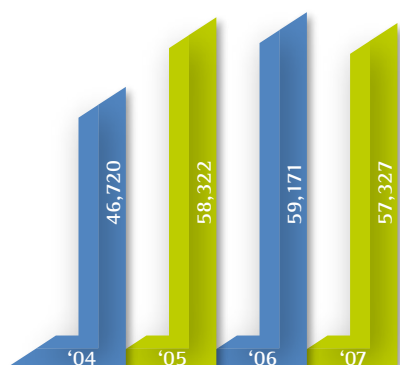


	2007	2006	2005	2004
Revenue (RM'000)	57,327	59,171	58,322	46,720
Profit Before Tax (RM'000)	13,167	14,525	18,531	15,099
Profit After Tax (RM'000)	11,309	11,180	14,953	13,146
Gross Earnings Per Ordinary Share (sen)	*10.93	12.07	18.53	15.10
Net Earnings Per Ordinary Share (sen)	*9.39	9.30	12.45	13.15
Net Dividend Per Ordinary Share (sen)	#4.50	4.50	7.50	2.50
Dividend payout ratio (%)	47.9	48.4	50.2	46.5
Net Asset Per Ordinary Share (sen)	72.2	67.3	67.4	58.5

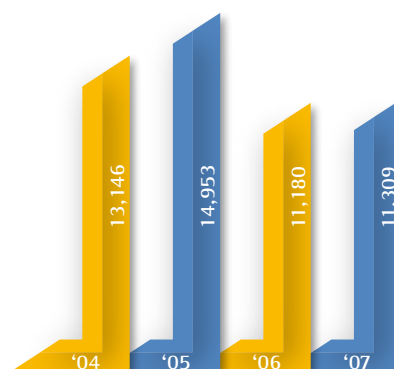
\* Based on the number of ordinary share in issue of 120,499,740 as at the end of the financial year 2007.

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

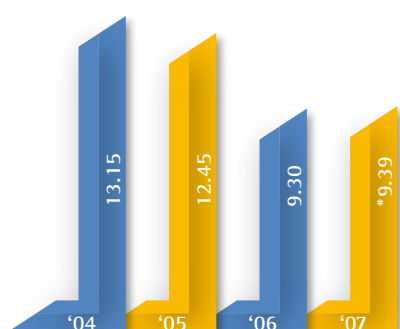
REVENUE (RM'000)



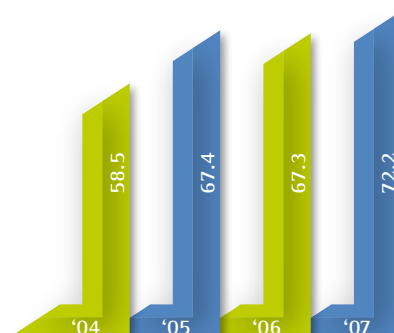
PROFIT AFTER TAX (RM'000)



NET EARNINGS PER ORDINARY SHARE (SEN)



NET ASSET PER ORDINARY SHARE (SEN)







On behalf of the Board of Directors of Classic Scenic Berhad (“CSCENIC”), I am pleased to present our Annual Report and the Audited Financial Statements of CSCENIC for the financial year ended 31st December 2007.

#### CLIMATE OF CONTINUING CHALLENGES

2007 was a year that saw a broad gamut of commodity prices touch unexpectedly high levels, and sawn timber was no exception, with prices increasing on average by 5% to 14%. In the same breath, the skyrocketing prices of crude oil affected consumer demand in the USA, our main export market, where consumers adopted a more cautious spending pattern. Additionally, the sub-prime mortgage crisis there also resulted in a generally dampened buying sentiment.

Meanwhile, we have also had to contend with a US Dollar that has declined against the Malaysian Ringgit by about 6% year on year, thus impacting adversely, the total CSCENIC Group revenue in Malaysian Ringgit terms, as a significant portion of our monetary inflows are US Dollar denominated. Perhaps a good corroboration that all the challenges we have faced in 2007 are indeed very challenging, is the fact that the industry itself saw a few more domestic competitors downscaling its production, suggesting the very difficult business environment prevailing.

#### STRATEGIES AND SOLUTIONS

However as always in challenges, there were opportunities that had been tapped to actively, and proactively, meet those challenges. Among the most telling was our focus on further cost rationalization, where we not so much looked at cutting costs per se, but on sourcing for more cost-effective raw materials, optimizing work flows and reducing waste! The waste we refer to here means not only physical waste, but also on waste on time, energy, and human resources. This has undoubtedly helped us to minimize the negative effects of the hefty increases in production inputs cost, as well as keep abreast of the adverse impacts of the depreciating US Dollar.

Additionally, we took the opportunity to expand our customer base as well, diligently pursuing new markets outside the USA, especially the Middle-East, Europe, Australia and Canada, and we are confident of seeing the fruition of growth in sales volume attributed to these emerging market in the near future. In the meantime, our stepped-up marketing efforts have also brought in fresh volumes that have helped to mitigate the impact of a narrowing profit margin, and further led to savings as a result of higher economies of scale. In 2008, this marketing focus will continue, and in anticipation of increased volumes, CSCENIC has already invested, and completed, a new factory lot in continued pursuance of this strategy.



For existing business partners, thanks to a healthy, transparent, and long-term business relationship, we managed to recover some of the increase in cost inputs through upward revisions in selling price. Last but not least, for all new and existing customers, we will engage in a programme of continuous improvement to produce new innovative and marketable designs, that will spearhead mutual business growth between CSCENIC and all partners.

### FINANCIAL PERFORMANCE REVIEW

As explained earlier, we are happy to report that CSCENIC had a 7% increase in export volume, partly mitigating the adverse effects of the weak US Dollar. Overall, CSCENIC Group revenue came to RM57.3m, a slight decrease of 3%, over the 2006 amount of RM59.2m. However, again due to the active, and proactive measures taken during the course of 2007, we are justifiably proud to have achieved a gross profit margin of 36%, only a marginal decline compared to 37% in 2006, and these are in spite of the major business challenges mentioned earlier.

On the whole, knowing the difficult business environment afflicting the wooden picture frame moulding industry in 2007, we are very pleased to report a net profit after tax of RM11.3 million, an increase of 1% over 2006.

### DIVIDEND

CSCENIC is committed to the delivery of shareholder value, by maximising profitability through the various strategies mentioned earlier. This, together with CSCENIC ability to generate a healthy cash flow, has allowed the Board to propose a first and final tax-exempt dividend of 9% for the financial year ended 31st December 2007 (31.12.2006: Tax exempt dividend of 9%).

On 31st July 2007, a first and final tax-exempt dividend of 9%, or 4.5cents/share totalling RM5.4million in respect of the previous financial year 31st December 2006, was duly paid out.

### CORPORATE SOCIAL RESPONSIBILITY

#### In the marketplace...

- To protect shareholders interest, Good Corporate Governance is constantly in practice by CSCENIC, as disclosed to shareholders in the Statement on Corporate Governance.
- To ensure product health and safety, CSCENIC carried out Lead content testing on relevant CSCENIC products, to ensure Lead content are within permissible levels, and full compliance to the Code of Federal Regulations, Chapter II - Consumer Products Safety Commission of USA.





- To ensure environmental sustainability, we source our sawn timber from legal and traceable sources, with all imported origins arriving with Certificates of Origin.

#### At the Workplace...

- A Code of Business Conduct and Ethics was formulated and consequently adopted, with its main objective the instilling among all in CSCENIC stakeholders, from directors to operators, of a positive and ethical work culture. A significant principal of this Code is the establishment of an open channel for all manner of workforce feedback, suggestions, and grievances.
- In employee emoluments and benefits, we constantly benchmark against other manufacturing organisations in the country, in order to come to the best possible competitive win-win remunerative package for CSCENIC and its workforce. We are fervent believers that an organisation is only as good as the people that make up that organisation. For those in the lesser-income category, we also provide a Cost of Living Allowance (COLA), and transport allowances.
- To encourage team spirit and promote good camaraderie, an annual appreciation cum annual dinner is always held. In the same spirit, we also organise a bi-yearly outstation team building trip for all in CSCENIC.
- Human Capital Development is always close to CSCENIC's philosophy, and employees are frequently sent for training to enhance not only their workplace skills and competencies, but also their own personal development. An objective performance-based appraisal system also ensures equal opportunities for career advancement.
- A Safety, Health, and Environment (SHE) Council has been set-up to review features in CSCENIC operations related to these 3 important aspects. Station by station, worksite by worksite, the CSCENIC SHE Council has gone, and will still be going around, to identify areas where safety, health and environmental within CSCENIC could be improved, for the good of all people, planet and profits.
- Wood waste has been considerably low, as we burn the wood waste to produce steam, which in turn is used as an additional energy source for CSCENIC, thus reducing greatly the environmental impact of wood waste disposal.





## The Community around us...

- It gives a special warmth to be able to contribute in our modest way, towards the community which surrounds our operations. Schools, charities, and also directly to the underprivileged segments of society, all have received contributions as we seek to help within the limited resources of CSCENIC.

## OUTLOOK AND PROSPECTS

There is no trick to being a captain, as long as the sea is quiet! Well, the sea facing us in 2008 looks set to become a tempest of low USD's, an unceasing trend of price escalation of commodities like timber and oil, and a continued pessimistic sentiment among US consumers! However, we have no doubt that with all that we have put into place to meet the expected short to medium term scenario, as mentioned few times over in this address, we will surely steer our CSCENIC ship through the unsettling seas before us, and on to new shores of mutual and sustainable prosperity for all in CSCENIC.

## APPRECIATIONS

On behalf of the Board of Directors, I would like to thank Mr. Tee Sze Ping who has resigned as Independent Non-Executive Director for his contribution and welcome Mr. Yeh Sau Tou and Mr. Au Thin Ann @ Low Teen Ann to the Board of Directors.

CSCENIC also would like to extend its sincere appreciation to the many who have guided, assisted, and supported CSCENIC to what it is today, the biggest wooden picture frame moulding manufacturer in Malaysia. Without all their fingers in the pie, rest assured the CSCENIC pie of today would surely have been less sweet and big.

## LIM CHEE KEONG Executive Chairman

Kuala Lumpur  
16 May 2008





## 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

> Yeh Sau Tou  
Independent Non-Executive Director

> Au Thin Ann @ Low Teen Ann  
Independent Non-Executive Director

## AUDIT COMMITTEE

### Chairman

Yeh Sau Tou  
Independent Non-Executive Director

### Member

Tang Kam Chee  
Independent Non-Executive Director

Au Thin Ann @ Low Teen Ann  
Independent Non-Executive Director

## NOMINATION COMMITTEE

### Chairman

Tang Kam Chee  
Independent Non-Executive Director

### Member

Yeh Sau Tou  
Independent Non-Executive Director

Au Thin Ann @ Low Teen Ann  
Independent Non-Executive Director

## REMUNERATION COMMITTEE

### Chairman

Tang Kam Chee  
Independent Non-Executive Director

### Member

Yeh Sau Tou  
Independent Non-Executive Director

Lim Chee Keong  
Executive Chairman

## COMPANY SECRETARY

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

## HEAD OFFICE

Lot 12, Jalan RP3  
Taman Rawang Perdana  
48000 Rawang  
Selangor, 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  
KPMG Tower  
8, First Avenue  
Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan

## PRINCIPAL BANKERS

Citibank Berhad  
Hong Leong 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



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

*Investment Holding*





**LIM CHEE KEONG**

Malaysian • Aged 52 • 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 Remuneration Committee. He is the Honorary 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 44 • Managing Director

- Lim Chee Beng was appointed to the Board on 3 August 2004. He is also a member of the Option and Executive Committees. 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 51 • Executive Director

- Lim Chee Khoon was appointed to the Board on 3 August 2004. He is a member of the Option and Executive Committees. 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 49 • Executive Director

- Lim Chee Hwa was appointed to the Board on 3 August 2004. He is also a member of the Option and Executive Committees. 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 53 • 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 Committees. He is also a member of the Audit and Option Committees. 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 Berhad ("KHB") and also a Director of a number of the subsidiaries under the KHB Group.

### YEH SAU TOU

Malaysian • Aged 39 • Independent Non-Executive Director

➤ Yeh Sau Tou, aged 39 was appointed to the Board as independent non-executive director on 2 July 2007. He is the Chairman of the Audit Committees. He is also a member of the Remuneration and Nomination Committees. He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom and also a member of Malaysian Institute of Accountants. He started his audit and business assurance career with PricewaterhouseCoopers in 1995. He joined the audit division of Tan & Co. in 1999 and subsequently he started his own public accounting firm, Messrs Yeh & Co., in year 2000.

### AU THIN AN @ LOW TEEN ANN

Malaysian • Aged 64 • Independent Non-Executive Director

➤ Au Thin An @ Low Teen Ann, was appointed to the Board as independent non-executive director on 2 January 2008. He is a member of the Audit and Nomination Committees. He started his career in insurance 40 years ago with then Sime Insurance Services, an inhouse insurance division of Sime Darby Group. He was responsible for the Insurance Broking Companies in the Far East for Sime Darby and his last position before he left the Group was Regional Division Director. He joined Kris Jardine Insurance Brokers Sdn Bhd as Advisor in 1999 and was responsible for re-structuring the Company, which is now known as Jardine Lloyd Thompson Sdn Bhd, a member of Jardine Matheson Group and the last position held until his retirement was as The Deputy Chairman. He was an Honorary Treasurer of Insurance Brokers Association of Malaysia.

Currently, he operates a Risk Management Consultancy and is the Insurance Risk Advisor to several major companies. He is also an Independent Non-Executive Director of Lee Swee Kiat Group Bhd and is the Chairman of its Audit and Remuneration Committees as well as a member of the Nomination Committees.

### OTHER INFORMATION ON DIRECTORS

Save for Lim Chee Keong, Lim Chee Beng, Lim Chee Khoo 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.





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 directors with professional and business experience. The Board currently has seven (7) members comprising an Executive Chairman, a Managing Director, two Executive Directors and three Independent Non-Executive Directors. The composition of the Board complies with the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") that requires at least two or one-third, whichever is higher, of the total number of Directors to be independent. 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. Tang Kam Chee 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 pages 8 to 9.

The Board is provided with appropriate and timely information to enable it to discharge its duties effectively. The management and auditors are also invited to be present at the Board and Audit Committee meetings to provide further explanations and reports to the Board as and when necessary.

During the financial year, 5 Board meetings were held. The number of board meetings held and attendance of the directors for the financial year ended 31 December 2007 are as follows:

Directors	Attendance at the Board Meetings Attended / Held
Lim Chee Keong	5/5
Lim Chee Beng	5/5
Lim Chee Khoon	5/5
Lim Chee Hwa	5/5
Tang Kam Chee	5/5
Tee Sze Ping <i>(Resigned on 2 July 2007)</i>	3/3*
Yeh Sau Tou <i>(Appointed on 2 July 2007)</i>	2/2*
Au Thin Ann @ Low Teen Ann <i>(Appointed on 2 January 2008)</i>	-

\* reflect the number of meetings held during the time the Director held office.

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.

# STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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The Executive Committee ("EC") which was established in 2005, comprises all Executive Directors and selected senior management staff. This Committee meets at least once a month, and additional meetings will be held as and when required by the Chairman of the EC.

The EC assists the Board in the following:

- i) Manage overall operations of the Group;
- ii) Implement strategic business plan and policy approved by the Board;
- iii) Establish an adequately resourced risk management framework;
- iii) Review risks and opportunities associated with business strategies and operating processes;
- iv) Formulate corporate policies; and
- v) 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 2007.

The members of the NC are as follows:

### Chairman

Tang Kam Chee (Independent Non-Executive Director)

### Member

Tee Sze Ping (Independent Non-Executive Director)  
*(Resigned on 2 July 2007)*

Yeh Sau Tou (Independent Non-Executive Director)  
*(Appointed on 2 July 2007)*

Au Thin Ann @ Low Teen Ann (Independent Non-Executive Director)  
*(Appointed on 2 January 2008)*

The duties and responsibilities of the NC are as follows:

- a) 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.
- b) 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.
- c) To recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board. In making its recommendations, the Nomination Committee should consider the candidates':
  - skills, knowledge expertise and experience;
  - professionalism;
  - integrity; and
  - in the case of candidates for the position of independent non-executive directors, the Nomination Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive directors.





- d) To consider in making its recommendations, candidates for directorships proposed by the Executive Chairman/Managing Director and, within the bounds of practicability, by any other Director or shareholder.
- e) To recommend to the Board, Directors to fill the seats on Board Committees.
- f) To undertake an annual review of the required mix of skills and experience and other qualities of Directors, including core competencies, which Non-Executive Directors should bring to the Board.
- g) To assist the Board in implementing procedures that would enable the Nomination Committee to conduct an annual assessment on the effectiveness of the board as a whole, on the committees of the Board and on the contributions and performance of each individual director, including independent non-executive director, chief executive director and Board Committee members. All assessments and evaluation should be properly documented.

The NC conducted its annual directors' appraisal in November 2007.

### 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 2007. 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
Seven Leadership Skills of Highly Effective Supervisors	Seminar	2 days
Managing Corporate Mergers and Acquisitions	Seminar	1 day
Strategies Marketing Plan and Brand Management Strategies	Seminar	1 day
Corporate Social Responsibility and Development Strategies	Conference	1 day
Tax Incentives & Double Deductions	Seminar	1 day
Financial Reporting Standard 139 - Financial Instruments : Recognition and Measurement Step-by-step Conversion Workshop	Seminar	2 days

### 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, meeting attendance, 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)

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## 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 2007.

The members of the RC are as follows:

### Chairman

Tang Kam Chee (Independent Non-Executive Director)

### Member

Tee Sze Ping (Independent Non-Executive Director)  
*(Resigned on 2 July 2007)*

Yeh Sau Tou (Independent Non-Executive Director)  
*(Appointed on 2 July 2007)*

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)	Allowances (RM)	Total (RM)
Executive Directors	-	1,447,600	102,250	-	1,549,850
Non-Executive Directors	24,000	-	-	18,500	42,500

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

During the financial year, the Managing Director and/or key management personnel also 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 17 to 21.

# STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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## 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 2007 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 18 April 2008.





## COMPOSITION

The Audit Committee of Classic Scenic Berhad ("CSCENIC") was established on 4 August 2004. The members of the Committee comprises the following directors:

### Chairman

Yeh Sau Tou <i>(Appointed on 2 July 2007)</i>	(Independent Non-Executive Director)
Tee Sze Ping <i>(Resigned on 2 July 2007)</i>	(Independent Non-Executive Director)

### Members

Tang Kam Chee	(Independent Non-Executive Director)
Au Thin Ann @ Low Teen Ann <i>(Appointed on 2 January 2008)</i>	(Independent Non-Executive Director)
Lim Chee Keong <i>(Resigned on 2 January 2008)</i>	(Executive Director)

## 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 CLASSIC SCENIC BERHAD 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 Malaysian financial standards 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 and shall be composed exclusively of Non-Executive Directors of no fewer 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 or approved by Bursa Securities.
- 3.3) No alternate director shall be appointed as a member of the Committee.



- 3.4) The members of the Committee shall elect from among their number a chairman who is non-executive and independent, as defined above.
- 3.5) If one or more members of the Committee resign, die or for any other reason cease to be a member with the result that the Listing Requirements of Bursa Securities are breached, the Board shall, within three (3) months of the event, appoint such number of new members as may be required to correct the breach.
- 3.6) The Board shall review the term of office of Committee members no less than once every three (3) years.

#### 4) Authority

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

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

#### 5) Functions

The functions of the Committee shall be, amongst others, to review the following and report the same to the Board:

- a) with the external auditors, the scope of the audit and the audit plan;
- b) with the external auditors, their evaluation of the system of internal controls;
- c) with the external auditors, their management letter and the management's response;
- d) with the external auditors, their audit report;
- e) the assistance given by the employees to the external auditors;
- f) the nomination or re-appointment of the external auditors and their audit fees as well as matters pertaining to resignation or change of the external auditors;
- g) the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- h) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;



- i) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
  - i) any changes in or implementation of major accounting policy changes;
  - ii) significant adjustments arising from the audit;
  - iii) significant and unusual events;
  - iv) the going concern assumption; and
  - v) compliance with accounting standards and other legal requirements;
- j) any related party transaction and conflict of interest situation that may arise within the Company or the group including any transaction, procedure or course of conduct that raises questions of management integrity; and
- k) any other matters as directed by the Board.

#### 6) **Overseeing the Internal Audit Function**

- 6.1) The Committee shall establish an internal audit function which is independent of the activities it audits.
- 6.2) The Committee shall oversee all internal audit functions and is authorised to commission investigations to be conducted by Internal Auditor as it deems fit.
- 6.3) The Internal Auditor shall report directly to the Committee and shall have direct access to the Chairman of the Committee.
- 6.4) 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 twice a year the Committee shall meet with the External Auditors without executive Board members present.

#### 9) **Frequency of Meetings**

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

#### 10) **Proceedings of Meetings**

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

### 11) Reporting Procedures

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

### AUDIT COMMITTEE MEETINGS

The Audit Committee met five (5) times during the financial year ended 31 December 2007. 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	Attended
<b>Chairman</b>		
Yeh Sau Tou (Independent Non-Executive Director) <i>(appointed on 2 July 2007)</i>	2*	2
Tee Sze Ping (Independent Non-Executive Director) <i>(resigned on 2 July 2007)</i>	3*	3
<b>Members</b>		
Tang Kam Chee (Independent Non-Executive Director)	5	5
Lim Chee Keong (Executive Chairman) <i>(resigned on 2 January 2008)</i>	5	5

\* reflect the number of meetings held during the time the Director held office.





#### SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

During the financial year ended 31 December 2007, the activities of the Audit Committee included the following:

- a) reviewed the quarterly financial results and announcements for the financial quarters ended 31 December 2006, 31 March 2007, 30 June 2007 and 30 September 2007 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 2006;
- c) reviewed the external auditors' reports for the financial year ended 31 December 2006 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 for the financial year ended 31 December 2006 and recommended their adoption to the Board;

#### 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 2007, 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

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## RESPONSIBILITY

The Board of Directors ("Board") 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. Accordingly, these systems can only provide reasonable, but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the financial statements is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

## RISK MANAGEMENT

The Board together with the outsourced independent consultant has established an on-going process for identifying, evaluating and managing the significant risks faced by the core business of the Group i.e. manufacturing of wooden picture frame mouldings and this process includes updating of the operational risk register and the system of internal controls when there are changes to business environment or regulatory guidelines. The outcome of the process is regularly reviewed by the Board and accords with the guidelines for directors on internal control, the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

The Board also relies largely on the close involvement of the Executive Directors of the Group in its 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.

## KEY INTERNAL CONTROL PROCESSES

The Board has considered the system of internal control in operation during the financial year and some of the key elements include the following:

- Business plan including annual budget is prepared for the Group. The Executive Committee and the Board of Directors review and approve the annual budget.
- Management accounts/reports are prepared and the actual performance compared with the budget is reviewed on a monthly basis with explanation of any major variances;
- The Executive Committee, comprising Executive Directors, 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 lines of accountability and authority have been defined and documented;



- Monthly operational review meetings were held and attended by the Executive Directors and the departmental heads to identify, discuss and resolve key operational issues, to further improve its effectiveness, the frequency of these meetings were increased to weekly meetings with effect from July 2007;
- Code of Conduct and Standard Operating Procedures which include the ISO 9001:2000 Quality Management System for the core business of the Group are documented;
- There are proper procedures within the Group for hiring and termination of staff, formal training programmes for staff, annual performance appraisals and other relevant procedures in place to ensure that staff are competent and adequately trained in carrying out their responsibilities;
- ISO 9001:2000 Quality Management System has been implemented for the Group's core business. Internal quality audits are carried out by the management and surveillance audits and these audits are conducted semi-annually 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. The Audit Committee also monitors the implementation of the recommendations proposed by the External Auditors and Internal Auditors; 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 accordingly. 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 18 April 2008.



## UTILISATION OF PROCEEDS

The Company did not make any corporate proposal to raise proceed during the financial year ended 31 December 2007.

## SHARE BUY-BACKS

Mandate for the share buy-back of the Company's shares was approved by the shareholders at the last Annual General Meeting held on 5 June 2007.

The Company has not bought back any of the Company's shares during the financial year ended 31 December 2007.

## OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year ended 31 December 2007, 130,800 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 2007, 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 2007 was RM7,000/-.

## VARIATION IN RESULTS

There was no material variance between the audited results for the financial year ended 31 December 2007 and the unaudited results previously announced.

## PROFIT GUARANTEE

The Company did not issue any profit guarantee during the financial year ended 31 December 2007.

## 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 2007 or entered into since the end of the previous financial year.

## REVALUATION POLICY

The Group has no revaluation policy on land properties.



# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

for the year ended 31 December 2007

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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 2007.

## 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 RM	Company RM
Profit for the year	11,309,131	12,046,985

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year under review.

## DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final tax exempt dividend of 9% (4.5 sen) per ordinary share totalling RM5,422,488 in respect of the financial year ended 31 December 2006 on 31 July 2007.

The first and final dividend recommended by the Directors in respect of the financial year ended 31 December 2007 is 9% (4.5 sen) per ordinary share tax exempt totalling RM5,422,488.

## 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

Yeh Sau Tou (appointed on 2.7.2007)

Au Thin An @ Low Teen Ann (appointed on 2.1.2008)

Tee Sze Ping (resigned on 2.7.2007)



## DIRECTORS' INTERESTS

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations of those who were Directors at year end (including the interests of the spouse or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

### NUMBER OF ORDINARY SHARES OF RM0.50 EACH

	At 1.1.2007/ Date of appointment as Director	Bought	Sold	At 31.12.2007
<b>Direct interest in the Company</b>				
Tang Kam Chee	12,000	-	-	12,000
Yeh Sau Tou	74,000	-	-	74,000
<b>Deemed interest through Lim Ket Leng Holding Sdn. Bhd.</b>				
Lim Chee Keong				
- own	75,701,929	-	-	75,701,929
- others*	-	606,400	-	606,400
Lim Chee Khoon				
- own	75,701,929	-	-	75,701,929
- others*	-	150,000	-	150,000

\* Chong Man Kiyau and Lim Jeng Dong is the spouse and son of Lim Chee Keong while Lim Boon Bing and Lim Sei Wei is the son and daughter of Lim Chee Khoon. In accordance with Section 134 (12)(c) of the Companies Act, 1965, the interests of Chong Man Kiyau, Lim Jeng Dong, Lim Boon Bing and Lim Sei Wei in the shares of the Company and of its related corporations shall be treated as the interests of Lim Chee Keong and Lim Chee Khoon.

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.

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

# DIRECTORS' REPORT

for the year ended 31 December 2007 (cont'd)

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## ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 130,800 ordinary shares of RM0.50 each arising from the exercise of employees' share options at the option price of RM1.05 per ordinary share.

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.

## 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:

Date of offer	NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH				
	Option price RM	At 1.1.2007	Exercised	Lapsed	At 31.12.2007
28.10.2004	1.05	13,172,100	(130,800)	(454,800)	12,586,500

The salient features of the ESOS scheme are, inter alia, 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.





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

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

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

**NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH**

Name of employee	Option price RM	Date of expiry	At 1.1.2007	Granted	Exercised	At 31.12.2007
Lim Chee Keong	1.05	27.10.2009	1,800,000	-	-	1,800,000
Lim Chee Khoon	1.05	27.10.2009	1,800,000	-	-	1,800,000
Lim Chee Beng	1.05	27.10.2009	1,800,000	-	-	1,800,000
Lim Chee Hwa	1.05	27.10.2009	1,800,000	-	-	1,800,000
Lim Kwee Huay	1.05	27.10.2009	360,000	-	-	360,000

**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.



# DIRECTORS' REPORT

for the year ended 31 December 2007 (cont'd)

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## OTHER STATUTORY INFORMATION (cont'd)

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2007 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 EVENT

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 Group and of the Company.

## AUDITORS

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

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

.....  
**Lim Chee Keong**

.....  
**Lim Chee Hwa**

Kuala Lumpur,  
Date: 18 April 2008

# STATEMENT BY DIRECTORS

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

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In the opinion of the Directors, the financial statements set out on pages 33 to 65 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards 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 2007 and of the results of their operations and cash flows for the year ended on that date.

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

.....  
**Lim Chee Keong**

.....  
**Lim Chee Hwa**

Kuala Lumpur,  
Date: 18 April 2008

# 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 33 to 65 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 18 April 2008.

.....  
**Lim Chee Hwa**

Before me:

# REPORT OF THE AUDITORS

to the members of Classic Scenic Berhad

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We have audited the financial statements set out on pages 33 to 65. 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 Financial Reporting Standards 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 2007 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 have been properly kept in accordance with the provisions of the said Act.

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

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

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

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

Kuala Lumpur,  
Date: 18 April 2008

# BALANCE SHEETS

at 31 December 2007

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	Note	GROUP		COMPANY	
		2007 RM	2006 RM	2007 RM	2006 RM
<b>Assets</b>					
Property, plant and equipment	3	51,199,048	49,417,503	26,390	-
Intangible asset	4	878,181	878,181	-	-
Prepaid lease payments	5	343,536	347,168	-	-
Investment properties	6	1,039,333	4,195,533	-	-
Investment in subsidiaries	7	-	-	41,257,898	41,257,898
Amount due from subsidiaries	8	-	-	32,684,908	-
<b>Total non-current assets</b>		<b>53,460,098</b>	<b>54,838,385</b>	<b>73,969,196</b>	<b>41,257,898</b>
<hr/>					
Receivables, deposits and prepayments	9	10,109,779	8,394,904	4,000	25,763,340
Inventories	10	25,885,923	22,037,657	-	-
Current tax assets		64,485	68,773	8,434	8,434
Cash and cash equivalents	11	5,743,782	3,025,314	46,379	233,700
<b>Total current assets</b>		<b>41,803,969</b>	<b>33,526,648</b>	<b>58,813</b>	<b>26,005,474</b>
<b>Total assets</b>		<b>95,264,067</b>	<b>88,365,033</b>	<b>74,028,009</b>	<b>67,263,372</b>
<hr/>					
<b>Equity</b>					
Share capital	12	60,249,870	60,184,470	60,249,870	60,184,470
Reserves		302,594	230,654	302,594	230,654
Retained earnings	12	26,471,891	20,585,248	13,408,645	6,784,148
<b>Total equity attributable to shareholders</b>		<b>87,024,355</b>	<b>81,000,372</b>	<b>73,961,109</b>	<b>67,199,272</b>
<hr/>					
<b>Liabilities</b>					
Deferred tax liabilities	13	4,123,920	4,351,906	-	-
<b>Total non-current liabilities</b>		<b>4,123,920</b>	<b>4,351,906</b>	<b>-</b>	<b>-</b>
<hr/>					
Payables and accruals	14	3,918,270	2,806,691	66,900	64,100
Current tax liabilities		197,522	206,064	-	-
<b>Total current liabilities</b>		<b>4,115,792</b>	<b>3,012,755</b>	<b>66,900</b>	<b>64,100</b>
<b>Total liabilities</b>		<b>8,239,712</b>	<b>7,364,661</b>	<b>66,900</b>	<b>64,100</b>
<b>Total equity and liabilities</b>		<b>95,264,067</b>	<b>88,365,033</b>	<b>74,028,009</b>	<b>67,263,372</b>

The notes on pages 39 to 65 are an integral part of these financial statements.

# INCOME STATEMENTS

for the year ended 31 December 2007

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	Note	GROUP		COMPANY	
		2007 RM	2006 RM	2007 RM	2006 RM
Revenue	15	57,326,902	59,171,020	16,800,000	6,300,000
Cost of sales		(36,779,789)	(37,171,247)	-	-
<b>Gross profit</b>		20,547,113	21,999,773	16,800,000	6,300,000
Other income		59,940	115,376	-	-
Distribution expenses		(1,741,270)	(1,677,392)	-	-
Administrative expenses		(3,193,474)	(3,176,390)	(137,510)	(120,349)
Other expenses		(2,579,294)	(2,794,672)	(81,439)	(39,828)
<b>Operating profit</b>	16	13,093,015	14,466,695	16,581,051	6,139,823
Interest income		81,619	64,062	1,934	1,552
Finance costs	17	(7,899)	(5,804)	-	-
<b>Profit before tax</b>		13,166,735	14,524,953	16,582,985	6,141,375
Tax expense	19	(1,857,604)	(3,344,896)	(4,536,000)	(84,000)
<b>Profit for the year</b>		11,309,131	11,180,057	12,046,985	6,057,375
<b>Basic earnings per ordinary share (sen)</b>	20	9.39	9.30		
<b>Diluted earnings per ordinary share (sen)</b>	20	8.80	N/A		

The notes on pages 39 to 65 are an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2007

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Group	Note	NON-DISTRIBUTABLE		DISTRIBUTABLE	
		Share capital RM	Share premium RM	Retained earnings RM	Total RM
<b>At 1 January 2006</b>		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)
Dividend to shareholders	21	-	-	(4,008,128)	(4,008,128)
Profit for the year		-	-	11,180,057	11,180,057
<b>At 31 December 2006/1 January 2007</b>		60,184,470	230,654	20,585,248	81,000,372
ESOS exercised		65,400	71,940	-	137,340
Dividend to shareholders	21	-	-	(5,422,488)	(5,422,488)
Profit for the year		-	-	11,309,131	11,309,131
<b>At 31 December 2007</b>		60,249,870	302,594	26,471,891	87,024,355

Note 12

The notes on pages 39 to 65 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2007

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Company	Note	NON-DISTRIBUTABLE		DISTRIBUTABLE	
		Share capital RM	Share premium RM	Retained earnings RM	Total RM
<b>At 1 January 2006</b>		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)
Dividend to shareholders	21	-	-	(4,008,128)	(4,008,128)
Profit for the year		-	-	6,057,375	6,057,375
<b>At 31 December 2006/1 January 2007</b>		60,184,470	230,654	6,784,148	67,199,272
ESOS exercised		65,400	71,940	-	137,340
Dividend to shareholders	21	-	-	(5,422,488)	(5,422,488)
Profit for the year		-	-	12,046,985	12,046,985
<b>At 31 December 2007</b>		60,249,870	302,594	13,408,645	73,961,109

Note 12

Note 12

The notes on pages 39 to 65 are an integral part of these financial statements.

# CASH FLOW STATEMENTS

for the year ended 31 December 2007

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	Note	GROUP		COMPANY	
		2007 RM	2006 RM	2007 RM	2006 RM
<b>Cash flows from operating activities</b>					
Profit before tax		13,166,735	14,524,953	16,582,985	6,141,375
Adjustments for:					
Amortisation of prepaid lease payments		3,632	3,632	-	-
Depreciation of property, plant and equipment		2,458,825	2,264,593	1,550	-
Depreciation of investment property		5,200	3,467	-	-
Interest expenses		7,899	5,804	-	-
Gain on disposal of plant and equipment		(26,562)	(27,325)	-	-
Interest income		(81,619)	(64,062)	(1,934)	(1,552)
Unrealised foreign exchange losses		117,398	138,428	-	-
Gain on disposal of investment property		(33,378)	-	-	-
<b>Operating profit before changes in working capital</b>		15,618,130	16,849,490	16,582,601	6,139,823
Inventories		(3,848,266)	(5,063,747)	-	-
Payables and accruals		1,111,579	(2,645,242)	2,800	1,500
Receivables, deposits and prepayments		(1,832,273)	132,051	7,000	(9,000)
Cash generated from operations		11,049,170	9,272,552	16,592,401	6,132,323
Tax paid		(2,089,844)	(3,386,990)	(4,536,000)	(85,128)
Tax refund		-	4,786	-	-
Interest received		81,619	64,062	1,934	1,552
<b>Net cash from operating activities</b>		9,040,945	5,954,410	12,058,335	6,048,747
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		(4,384,908)	(4,614,730)	(27,940)	-
Proceeds from disposal of plant and equipment		171,100	165,750	-	-
Proceeds from disposal of investment property		3,184,378	-	-	-
Acquisition of subsidiary, net of cash acquired	28	-	(904,048)	-	(1,008,330)
Advances to subsidiaries		-	-	(6,932,568)	(1,010,984)
<b>Net cash used in investing activities</b>		(1,029,430)	(5,353,028)	(6,960,508)	(2,019,314)
<b>Cash flows from financing activities</b>					
Proceeds from the issue of shares		137,340	369,745	137,340	369,745
Interest paid		(7,899)	(5,804)	-	-
Share issue expenses		-	(164,642)	-	(164,642)
Dividends paid to shareholders		(5,422,488)	(4,008,128)	(5,422,488)	(4,008,128)
<b>Net cash used in financing activities</b>		(5,293,047)	(3,808,829)	(5,285,148)	(3,803,025)
Net increase/(decrease) in cash and cash equivalents		2,718,468	(3,207,447)	(187,321)	226,408
Cash and cash equivalents at 1 January		3,025,314	6,232,761	233,700	7,292
<b>Cash and cash equivalents at 31 December</b>	(i)	5,743,782	3,025,314	46,379	233,700

# CASH FLOW STATEMENTS

for the year ended 31 December 2007 (cont'd)

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## NOTES TO CASH FLOW STATEMENTS

### (i) Cash and cash equivalents

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

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash and bank balances	2,108,210	1,414,712	24,915	11,170
Short term funds	3,635,572	1,610,602	21,464	222,530
	5,743,782	3,025,314	46,379	233,700

The notes on pages 39 to 65 are an integral part of these 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 of the Company as at and for the year ended 31 December 2007 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 2007 do not include other entities.

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 7.

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

The financial statements were approved by the Board of Directors on 18 April 2008.

## 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 Financial Reporting Standards ("FRS") 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 accounting policies adopted by the Group and the Company are consistent with those adopted in the audited financial statements for the year ended 31 December 2006, except for the adoption of FRS 124, Related Party Disclosures which is effective for annual periods beginning 1 October 2006.

The adoption of FRS 124 does not result in significant changes in accounting policies of the Group and the Company except for the format and extent of disclosures presented in the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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## 1. BASIS OF PREPARATION (cont'd)

### (a) Statement of compliance (cont'd)

The MASB has also issued the following Financial Reporting Standards ("FRS") and Interpretations that are effective for annual period beginning after 1 January 2007 and that have not been applied in preparing these financial statements:

FRSs/Interpretations	Effective date
FRS 107, <i>Cash Flow Statements</i>	1 July 2007
FRS 111, <i>Construction Contracts</i>	1 July 2007
FRS 112, <i>Income Taxes</i>	1 July 2007
FRS 118, <i>Revenue</i>	1 July 2007
FRS 120, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	1 July 2007
Amendment to FRS 121, <i>The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation</i>	1 July 2007
FRS 126, <i>Accounting and Reporting by Retirement Benefit Plans</i>	1 July 2007
FRS 129, <i>Financial Reporting in Hyperinflationary Economies</i>	1 July 2007
FRS 134, <i>Interim Financial Reporting</i>	1 July 2007
FRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 July 2007
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	To be announced
IC Interpretation 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1 July 2007
IC Interpretation 2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	1 July 2007
IC Interpretation 5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	1 July 2007
IC Interpretation 6, <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	1 July 2007
IC Interpretation 7, <i>Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies</i>	1 July 2007
IC Interpretation 8, <i>Scope of FRS 2</i>	1 July 2007

The Group and the Company plan to apply the abovementioned FRSs and Interpretations for the annual period beginning 1 January 2008, except for FRS 139, Financial Instruments: Recognition and Measurement as the effective date has yet to be announced.

The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30 (b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemption given in FRS 139.103AB.

The initial application of the other FRSs and Interpretations are not expected to have any material impact on the financial statements of the Company.

### (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 Company's functional currency.



## 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.

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

- Note 4 - measurement of the recoverable amounts of cash-generating units
- Note 6 - investment properties

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities, including 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. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, 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 at 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) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the income statements.

#### (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 carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

#### (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 balance sheet date.

#### (e) 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.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

#### (f) Intangible asset

##### Goodwill

Goodwill arises on business combination and is measured at cost less any accumulated losses.

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.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the costs of acquisition is recognised immediately in the income statement.

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

#### (g) Investment properties

##### (i) Investment properties carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land (other than leasehold land) held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than investment properties.



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (g) Investment properties (cont'd)

#### (i) Investment properties carried at cost (cont'd)

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

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.

#### (ii) Determination of fair value

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

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

Significant assumptions in arriving at the fair value of investment properties are disclosed in Note 6.

### (h) 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.

### (i) 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.

### (j) 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.

### (k) 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 that have indefinite useful lives, the recoverable amount is estimated at each reporting date.





## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (k) 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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 statements. 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.

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 statements in the year in which the reversals are recognised.

### (l) 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.

### (m) 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 statutory pension fund is charged to the 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.



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (n) 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.

### 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.

### (o) 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.

### (p) Revenue recognition

#### (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.

### (q) 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.



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (r) 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 substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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.

### (s) Earnings per ordinary share

The Group presents basic and diluted earnings per ordinary 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.

### (t) 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)

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## 3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Factory buildings RM	Machineries, plant and equipment RM	Office equipment, furniture and fittings and renovation RM	Motor vehicles RM	Computer equipment RM	Construction in-progress RM	Total RM
<b>Cost</b>								
At 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 28)	-	-	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/ 1 January 2007	16,210,622	21,318,182	16,187,890	1,275,897	3,250,798	359,567	493,636	59,096,592
Additions	-	60,000	1,337,997	157,229	104,828	48,977	2,675,877	4,384,908
Disposals	-	-	(89,600)	(3,200)	(212,813)	-	-	(305,613)
Transfer	-	542,836	-	-	-	-	(542,836)	-
At 31 December 2007	16,210,622	21,921,018	17,436,287	1,429,926	3,142,813	408,544	2,626,677	63,175,887
<b>Depreciation</b>								
At 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/ 1 January 2007	-	2,088,728	5,067,396	584,719	1,658,947	279,299	-	9,679,089
Depreciation for the year	-	455,577	1,640,148	121,489	184,106	57,505	-	2,458,825
Disposals	-	-	(45,638)	(3,200)	(112,237)	-	-	(161,075)
At 31 December 2007	-	2,544,305	6,661,906	703,008	1,730,816	336,804	-	11,976,839
<b>Carrying amounts</b>								
At 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/ 1 January 2007	16,210,622	19,229,454	11,120,494	691,178	1,591,851	80,268	493,636	49,417,503
At 31 December 2007	16,210,622	19,376,713	10,774,381	726,918	1,411,997	71,740	2,626,677	51,199,048



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

Company	Office equipment RM	Total RM
<b>Cost</b>		
At 1 January 2006/31 December 2006/1 January 2007	-	-
Additions	27,940	27,940
31 December 2007	27,940	27,940
<b>Depreciation</b>		
At 1 January 2006/31 December 2006/1 January 2007	-	-
Depreciation for the year	1,550	1,550
31 December 2007	1,550	1,550
<b>Carrying amount</b>		
At 1 January 2006/31 December 2006/1 January 2007	-	-
At 31 December 2007	26,390	26,390

#### 3.1 Construction in-progress

	GROUP	
	2007 RM	2006 RM
Factory building	2,626,677	-
Warehouse buildings*	-	493,636
	2,626,677	493,636

\* In 2006, a warehouse building costing RM451,914 was 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 amounted to RM561,238. The warehouse building was completed in 2007 and the cost was transferred to "factory building".

#### 3.2 Factory buildings

Included in factory buildings are warehouse buildings costing RM1,518,356 (2006 - RM975,520) situated on Temporary Occupation Land ("TOL") and the licenses for the TOL is renewable yearly. The subsidiary companies are in the process of applying for separate document of titles for the warehouse buildings costing RM1,518,356.



#### 4. INTANGIBLE ASSET

		GROUP	
	Note	2007 RM	2006 RM
<b>Goodwill</b>			
<b>Cost</b>			
At 1 January		878,181	-
Acquisition through business combination	28	-	878,181
At 31 December		878,181	878,181
<b>Carrying amount</b>			
At 31 December		878,181	878,181

#### 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 3% per annum for the first 2 years and 5% per annum for the remaining 8 years.
- 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	
		Unexpired lease period of more than 50 years	
		2007 RM	2006 RM
<b>Leasehold land</b>			
<b>Cost</b>			
At 1 January/31 December		350,800	350,800
<b>Amortisation</b>			
At 1 January		3,632	-
Amortisation for the year		3,632	3,632
At 31 December		7,264	3,632
<b>Carrying amount</b>			
At 31 December		343,536	347,168





### 6. INVESTMENT PROPERTIES

GROUP			
	Note	2007 RM	2006 RM
<b>Cost</b>			
At 1 January		4,489,000	4,229,000
Transfer from property, plant and equipment	3	-	260,000
Disposal		(3,151,000)	-
At 31 December		1,338,000	4,489,000
<b>Depreciation and impairment loss</b>			
Accumulated depreciation		3,467	-
Accumulated impairment loss		290,000	290,000
At 1 January		293,467	290,000
Depreciation for the year		5,200	3,467
Accumulated depreciation		8,667	3,467
Accumulated impairment loss		290,000	290,000
At 31 December		298,667	293,467
<b>Carrying amount</b>			
At 31 December		1,039,333	4,195,533
Including above are:			
Freehold land	6.1	788,000	3,939,000
Building		251,333	256,533
		1,039,333	4,195,533
<b>Fair value</b>			
At 31 December	6.2	1,284,218	4,435,218

The following are recognised in the income statement in respect of investment properties:

GROUP			
		2007 RM	2006 RM
Rental income		69,968	103,000
Direct operating expenses			
- income generating investment properties		(9,713)	(14,971)
- non-income generating investment properties		(4,385)	(3,152)

6.1 In 2006, certain investment property with a carrying amount of RM788,000 was charged to a licensed bank for credit facilities granted to the subsidiaries.

6.2 The fair value is based on information on the latest transactions obtained 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)

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## 7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2007 RM	2006 RM
Unquoted shares, at cost	41,257,898	41,257,898

Details of the subsidiaries are as follows:

NAME OF COMPANY	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	EFFECTIVE OWNERSHIP INTEREST	
			2007	2006
Finesse Moulding (M) Sdn. Bhd.	Manufacture of wooden picture frame moulding	Malaysia	100%	100%
Scenic Moulding (M) Sdn. Bhd.	Property holding and rental of properties	Malaysia	100%	100%
Classic Frame Moulding (M) Sdn. Bhd.	Dormant	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%

## 8. AMOUNT DUE FROM SUBSIDIARIES

	COMPANY	
	2007 RM	2006 RM
Non-trade	32,684,908	-

The amount due from subsidiaries is unsecured, interest free and is not expected to be repaid within the next 12 months.

## 9. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	GROUP		COMPANY	
		2007 RM	2006 RM	2007 RM	2006 RM
<b>CURRENT</b>					
<b>Trade</b>					
Trade receivables	9.1	6,067,002	6,274,054	-	-
<b>Non-trade</b>					
Amount due from subsidiaries	9.2	-	-	-	25,752,340
Other receivables, deposits and prepayments	9.3	4,042,777	2,120,850	4,000	11,000
		4,042,777	2,120,850	4,000	25,763,340
		10,109,779	8,394,904	4,000	25,763,340



### 9. RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

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

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Ringgit Malaysia	501,148	699,686	-	-
U.S. Dollar	4,932,337	5,327,850	-	-
Euro Dollar	552,303	206,460	-	-
Singapore Dollar	47,365	34,497	-	-
Japanese Yen	33,849	5,561	-	-
	6,067,002	6,274,054	-	-

9.2 The amount due from subsidiaries is unsecured, interest free and has no fixed term of repayment.

9.3 Included in other receivables, deposits and prepayments of the Group is advance payment for invoices to suppliers amounting to RM2,740,060 (2006 - RM1,324,438).

### 10. INVENTORIES

	GROUP	
	2007 RM	2006 RM
At cost:		
Raw materials	18,156,916	15,631,802
Work-in-progress	5,002,075	4,853,293
Finished goods	1,905,687	1,552,562
Goods in transit	821,245	-
	25,885,923	22,037,657

### 11. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash and bank balances	2,108,210	1,414,712	24,915	11,170
Short term funds				
- redeemable at call	1,846,743	1,393,560	21,464	222,530
- redeemable upon 7 days notice	1,788,829	217,042	-	-
	5,743,782	3,025,314	46,379	233,700

### 12. CAPITAL AND RESERVES

Share capital	GROUP AND COMPANY			
	Amount 2007 RM	Number of shares 2007	Amount 2006 RM	Number of shares 2006
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	60,184,470	120,368,940	50,006,100	100,012,200
Issue of shares under the Employees' Share Option Scheme	65,400	130,800	154,450	308,900
Bonus issue	-	-	10,023,920	20,047,840
At 31 December	60,249,870	120,499,740	60,184,470	120,368,940

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 (Distributable)

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank approximately RM13,300,000 (2006 - all) of its distributable retained earnings at 31 December 2007 if paid out as dividends.

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

#### 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 Scheme, options are exercisable at the option price of RM1.05 per ordinary share.

The recognition and measurement principles in FRS 2 have not been applied to these grants as they were granted prior to the specific date of FRS 2.



### 12. CAPITAL AND RESERVES (cont'd)

#### Share-based payments (cont'd)

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

	GROUP AND COMPANY	
	2007	2006
At 1 January	13,172,100	11,675,000
Bonus issue	-	2,288,400
Exercised	(130,800)	(308,900)
Lapsed	(454,800)	(482,400)
At 31 December	12,586,500	13,172,100

Details of share options exercised:

Expiry date	27 October 2009
Exercise price per ordinary share	RM1.05
Aggregate issue proceeds	RM137,340
Fair value at date of issue	RM149,112

### 13. DEFERRED TAX LIABILITIES

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities (before offsetting) are attributable to the following:

Group	ASSETS		LIABILITIES		NET	
	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM
Property, plant and equipment	-	-	4,169,537	4,386,037	4,169,537	4,386,037
Other temporary differences	(45,617)	(34,131)	-	-	(45,617)	(34,131)
Net tax (assets)/liabilities	(45,617)	(34,131)	4,169,537	4,386,037	4,123,920	4,351,906

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 2006	4,068,135	(40,819)	4,027,316
Recognised in income statement	317,902	6,688	324,590
At 31 December 2006/1 January 2007	4,386,037	(34,131)	4,351,906
Recognised in income statement	(216,500)	(11,486)	(227,986)
At 31 December 2007	4,169,537	(45,617)	4,123,920

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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## 14. PAYABLES AND ACCRUALS

	Note	GROUP		COMPANY	
		2007 RM	2006 RM	2007 RM	2006 RM
<b>Trade</b>					
Trade payables		1,622,623	1,048,787	-	-
<b>Non-trade</b>					
Other payables and accruals	14.1	2,295,647	1,757,904	66,900	64,100
		3,918,270	2,806,691	66,900	64,100

14.1 Included in other payables and accruals of the Group is advance for sales order received from customers of RM174,396 (2006 - RM123,828)

## 15. REVENUE

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Sales	57,256,934	59,068,020	-	-
Dividend income	-	-	16,800,000	6,300,000
Rental income from investment property	69,968	103,000	-	-
	57,326,902	59,171,020	16,800,000	6,300,000

## 16. OPERATING PROFIT

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Operating profit is arrived at after charging:				
Amortisation of prepaid lease payments	3,632	3,632	-	-
Auditors' remuneration:				
Audit services				
- current year	63,000	58,000	12,000	12,000
- under provision in prior year	8,000	-	2,000	-
Other auditor:				
- current year	-	5,300	-	-
- under provision in prior year	4,600	300	-	-
Depreciation of property, plant and equipment	2,458,825	2,264,593	1,550	-
Depreciation of investment property	5,200	3,467	-	-
Loss on foreign exchange				
- realised	224,378	488,118	-	-
- unrealised	117,398	138,428	-	-
Personnel expenses				
(including key management personnel):				
- contribution to Employee's Provident Fund	635,300	627,310	-	-
- wages, salaries and others	10,444,349	9,937,621	-	-
Rental expenses on property leases	65,000	117,000	-	-





### 16. OPERATING PROFIT (cont'd)

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>and after crediting:</b>				
Gain on disposal of investment property	33,378	-	-	-
Dividend income from subsidiaries (unquoted)	-	-	16,800,000	6,300,000
Gain on disposal of plant and equipment	26,562	27,325	-	-
Rental income from investment property	69,968	103,000	-	-

### 17. FINANCE COSTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Bankers' acceptances	7,899	5,804	-	-

### 18. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Directors:				
- Fees	24,000	24,000	24,000	24,000
- Remuneration	1,447,600	1,473,920	-	-
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	120,750	122,250	18,500	20,000
	1,592,350	1,620,170	42,500	44,000
Other key management personnel:				
- short-term employee benefits	608,891	704,884	-	-
- other benefits	23,850	27,700	-	-
	632,741	732,584	-	-
	2,225,091	2,352,754	42,500	44,000

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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## 19. TAX EXPENSE

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Current tax expense</b>				
Malaysian - current year	1,189,768	3,148,128	4,536,000	84,000
- prior year	895,822	(127,822)	-	-
	2,085,590	3,020,306	4,536,000	84,000
<b>Deferred tax (reversal)/expense</b>				
Origination and reversal of temporary differences	(227,986)	324,590	-	-
	1,857,604	3,344,896	4,536,000	84,000
<b>Reconciliation of effective tax expense</b>				
Profit before tax	13,166,735	14,524,953	16,582,985	6,141,375
Income tax using Malaysian tax rate at 27% (2006 - 28%)	3,555,018	4,066,987	4,477,406	1,719,585
Effect of lower tax rate for subsidiaries*	(157,955)	(147,031)	-	-
Effect of change in tax rate**	(79,585)	-	-	-
Non-deductible expenses	273,410	264,384	58,594	44,415
Tax exempt income	(2,589,435)	(431,544)	-	(1,680,000)
Double deduction	(39,671)	(280,078)	-	-
	961,782	3,472,718	4,536,000	84,000
Prior year	895,822	(127,822)	-	-
	1,857,604	3,344,896	4,536,000	84,000

\* 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.

\*\* The corporate tax rates are 27% for year of assessment 2007, 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

## 20. EARNINGS PER ORDINARY SHARE

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

	GROUP	
	2007 RM	2006 RM
Profit for the year attributable to shareholders	11,309,131	11,180,057



### 20. EARNINGS PER ORDINARY SHARE (cont'd)

#### Weighted average number of ordinary shares

	GROUP	
	2007	2006
Issued ordinary shares at beginning of the year	120,368,940	100,012,200
Shares issued	98,100	215,025
Bonus issue	-	20,047,840
Weighted average number of ordinary shares	120,467,040	120,275,065

	GROUP	
	2007 Sen	2006 Sen
Basic earnings per ordinary share	9.39	9.30

#### Diluted earnings per ordinary share

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

The calculation of diluted earnings per ordinary share at 31 December 2007 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	GROUP
	2007 RM
Profit for the year attributable to shareholders	11,309,131
Interest income resulting from conversion of ESOS	396,475
Weighted average number of ordinary shares	11,705,606

#### Weighted average number of ordinary shares diluted

	GROUP
	2007
Weighted average number of ordinary shares at 31 December	120,467,040
Effect of share options on issue	12,586,500
Weighted average number of ordinary shares (diluted) at 31 December	133,053,540

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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## 20. EARNINGS PER ORDINARY SHARE (cont'd)

### Diluted earnings per ordinary share (cont'd)

Diluted earnings per ordinary share

	GROUP
	2007 Sen
Diluted earnings per ordinary share	8.80

## 21. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per ordinary share	Total amount RM	Date of payment
<b>2007</b>			
First and final 2006 ordinary	4.5	5,422,488	31 July 2007
<b>2006</b>			
Final 2005 ordinary	4.0	4,008,128	31 May 2006

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 ordinary share	Total amount RM
First and final ordinary	4.5	5,422,488

## 22. 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.



## 22. SEGMENT REPORTING (cont'd)

### 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.

	North America RM	Australia RM	Asia (Ex-Malaysia) RM	Malaysia RM	Europe RM	Consolidated RM
<b>2007</b>						
Revenue from external customers						
by location of customers	43,940,611	4,893,187	2,204,236	2,791,967	3,496,901	57,326,902
Segment assets						
by location of assets	-	-	-	94,321,401	-	94,321,401
Capital expenditure						
by location of assets	-	-	-	4,384,908	-	4,384,908
<b>2006</b>						
Revenue from external customers						
by location of customers	45,100,023	4,405,564	2,944,133	3,890,455	2,830,845	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

## 23. SIGNIFICANT EVENT

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 Group and of the Company.



### 24. 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 2007, approximately 54% (2006 - 56%) of the Group's trade receivables were due from five (2006 - five) major customers. Trade receivables balance from those major customers amounted to RM3,248,190 (2006 - RM3,490,656).

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.

#### 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.

	Average effective interest rate per annum %	Total amount RM	Less than 1 year
<b>GROUP</b>			
<b>2007</b>			
Short term funds	2.8	3,635,572	3,635,572
<b>2006</b>			
Short term funds	2.5	1,610,602	1,610,602
<b>COMPANY</b>			
<b>2007</b>			
Short term funds	2.8	21,464	21,464
<b>2006</b>			
Short term funds	2.5	222,530	222,530





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

#### Liquidity risk

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

#### Foreign currency risk

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 are 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.

#### 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.

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

### 25. CAPITAL COMMITMENTS

	GROUP	
	2007 RM	2006 RM
<b>Capital expenditure commitments</b>		
Property, plant and equipment contracted but not provided for in the financial statements	941,844	3,133,586

### 26. CONTINGENCIES (UNSECURED)

	COMPANY	
	2007 RM	2006 RM
Corporate guarantee issued to licensed banks in respect of credit facilities granted to its subsidiaries	17,310,984	10,900,000

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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## 27. RELATED PARTIES

### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company 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 or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The significant related party transactions of the Company, other than key management personnel compensation, are as follows:

	TRANSACTION AMOUNT FOR THE YEAR ENDED 31 DECEMBER	
	2007 RM	2006 RM
Management fees paid to a subsidiary	25,000	25,000

The significant related party balances of the Company are as follows:

	BALANCE OUTSTANDING AT 31 DECEMBER	
	2007 RM	2006 RM
Subsidiary companies		
Amount due from:		
- Non-current	32,684,908	-
- Current	-	25,752,340

All the amount outstanding is unsecured and expected to be settled in cash.



## 28. 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.

	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.

# ANALYSIS OF SHAREHOLDINGS

as at 29 April 2008

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## 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	: 1,167
Voting rights	: 1 vote per ordinary share

## ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Share Held	%
Less than 100 shares	10	0.86	580	0.00
100 - 1,000 shares	230	19.71	52,300	0.04
1,001 - 10,000	580	49.70	1,917,211	1.59
10,001 - 100,000	260	22.28	7,689,340	6.38
100,001 to less than 5% of issued shares	85	7.28	39,938,380	33.14
5% and above of issued shares	2	0.17	70,901,929	58.84
Total	1,167	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. Amanah Raya Nominees (Tempatan) Sdn. Bhd. Public Islamic Balanced Fund	5,694,000	4.73
4. Lim Ket Leng Holding Sdn. Bhd.	4,800,000	3.98
5. Malaysia Nominees (Tempatan) Sdn. Bhd. Great Eastern Life Assurance (Malaysia) Berhad (Non Par 1)	2,428,600	2.02
6. Ang Toon Chew & Sons (Malaysia) Sdn. Bhd.	2,400,000	1.99
7. Mayban Nominees (Tempatan) Sdn. Bhd. Mayban General Assurance Berhad (Insurance Fund)	1,500,000	1.24
8. Mayban Nominees (Tempatan) Sdn. Bhd. Mayban Life Assurance Berhad (Prem Equity FD)	1,000,000	0.83
9. Malaysia Nominees (Tempatan) Sdn. Bhd. Great Eastern Life Assurance (Malaysia) Berhad (DR)	751,200	0.62
10. Malaysia Nominees (Tempatan) Sdn. Bhd. Great Eastern Life Assurance (Malaysia) Berhad (LGF)	730,300	0.61
11. Teo Seng Poh	684,500	0.57



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

Name	No. of Shares Held	%
12. Malaysia Nominees (Tempatan) Sdn. Bhd. Great Eastern Life Assurance (Malaysia) Berhad (LPF)	680,040	0.56
13. Lim Soong Hwatt	610,000	0.51
14. Ong Ken Sim	604,000	0.50
15. Yap Teong Peng	560,000	0.46
16. Mayban Nominees (Tempatan) Sdn. Bhd. Mayban Life Assurance Berhad (Non-Par Fund)	510,000	0.42
17. Mayban Nominees (Tempatan) Sdn. Bhd. Mayban Life Assurance Berhad (Par Fund)	500,000	0.41
18. Mayban Nominees (Tempatan) Sdn. Bhd. Mayban Life Assurance Berhad (S/Holders Fund)	500,000	0.41
19. HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for Prudential Equity Income Fund (4801)	488,900	0.41
20. Zolkeflee Bin Abd Hamid	449,000	0.37
21. Tan Lai Geok	446,000	0.37
22. Ah Hong Wing	435,600	0.36
23. Lim Chee Tak	426,200	0.35
24. Lim Kwee Huay	341,040	0.28
25. Chong Yih Who	329,600	0.27
26. Ng Chin Peng	324,640	0.27
27. Ila Nadia Binti Ali Badaruddin	323,300	0.27
28. Citigroup Nominees (Asing) Sdn. Bhd. Exempt An for Merrill Lynch Pierce Fenner & Smith Incorporated (Foreign)	320,000	0.27
29. Lim Siong Wee	319,000	0.26
30. Liza Binti Harith	315,600	0.26
<b>Total:</b>	<b>99,373,449</b>	<b>82.47</b>

# ANALYSIS OF SHAREHOLDINGS

as at 29 April 2008 (cont'd)

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## SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders)

Name of Substantial Shareholders	NO. OF ORDINARY SHARES OF RM0.50 EACH			
	Direct	%	Indirect	%
Lim Ket Leng Holding Sdn. Bhd.	75,701,929	62.82	-	-
Lim Chee Keong	-	-	76,308,329*	63.33
Lim Chee Khoon	-	-	75,851,929*	62.95

\* Deemed interested by virtue of his shareholdings in Lim Ket Leng Holding Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965 and his spouse's and/or children's interest by virtue of Section 134(12)(c) of the Companies Act, 1965.

## STATEMENT OF DIRECTORS' SHAREHOLDINGS

Directors' Name	NO. OF ORDINARY SHARES OF RM0.50 EACH			
	Direct	%	Indirect	%
Lim Chee Keong	-	-	76,308,329*	63.33
Lim Chee Khoon	-	-	75,851,929*	62.95
Lim Chee Hwa	-	-	-	-
Lim Chee Beng	-	-	-	-
Tang Kam Chee	12,000	0.01	-	-
Yeh Sau Tou	74,400	0.06	-	-
Au Thin Ann @ Low Teen Ann	48,000	0.04	16,000#	0.01

\* Deemed interested by virtue of his shareholdings in Lim Ket Leng Holding Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965 and his spouse's and/or children's interest by virtue of Section 134(12)(c) of the Companies Act, 1965.

# Deemed interested by virtue of his spouse's direct shareholdings.



# LIST OF PROPERTIES

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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 2007 (RM)	Date of acquisition / approval
1	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)
2	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 / 13 years	76,209 / 69,369	5,478,590	25.03.1991 (acquisition)
3	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 / 10 years	76,058 / 65,383	5,747,879	03.01.1992 24.08.1994 (acquisition)
4	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 / 3 years	94,422 / 70,347	6,467,104	19.07.2002 (acquisition)
5	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 / 6 years	98,631 / 106,692	9,151,013	21.04.1999 (acquisition)

# LIST OF PROPERTIES (cont'd)

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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 2007 (RM)	Date of acquisition / approval
6	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 / 7 years	76,478 / 60,500	5,663,179	08.01.1999 (acquisition)
7	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	4,263,301	25.01.2006 (acquisition)
8	Lot 2375, Jalan RP3 Taman Rawang Perdana 48000 Rawang Selangor Darul Ehsan	Warehouse for the storing of wooden picture frame moulding	Temporary Occupation License Yearly renewal / 4 years	23,400 / 22,435	910,066	24.9.2002 (approval)
9	Lot PT L.M.S. No. A6797 Jalan Batu Arang, Batang Berjuntai Mukim of Rawang District of Gombak, Selangor Darul Ehsan	Warehouse for the storing of sawn timber	Temporary Occupation License Yearly renewal / 1 year	40,000 / 11,104	532,884	17.03.2006 (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 / 2 year	1,453 / 4,200	594,869	06.08.2006 (acquisition)



**NOTICE IS HEREBY GIVEN THAT** the Fifth Annual General Meeting of the Company will be held at the Angsana Room, First Floor, Perangsong Templer Golf Club, No. 1, Templer Park Resort, 48000 Rawang, Selangor on Tuesday, 10 June 2008, at 10.00 a.m. for the transaction of the following businesses:

- |    |   |                        |
|----|---|------------------------|
| 1. | To receive the Audited Financial Statements for the year ended 31 December 2007 together with the Reports of the Directors and the Auditors thereon.  | <b>(Resolution 1)</b>  |
| 2. | To declare a first and final tax-exempt dividend of 9% per ordinary share in respect of the year ended 31 December 2007.  | <b>(Resolution 2)</b>  |
| 3. | To approve the Directors' fees of RM24,000/- (2006: RM24,000/-) in respect of the year ended 31 December 2007.  | <b>(Resolution 3)</b>  |
| 4. | To re-elect the following Directors who retire pursuant to the Company's Articles of Association and, being eligible, offer themselves for re-election:   |                        |
|    | <b>Article 92</b>   |                        |
|    | (a) Mr. Lim Chee Keong  | <b>(Resolution 4)</b>  |
|    | (b) Mr. Lim Chee Khoon  | <b>(Resolution 5)</b>  |
|    | <b>Article 97</b>   |                        |
|    | (a) Mr. Yeh Sau Tou   | <b>(Resolution 6)</b>  |
|    | (b) Mr. Au Thin Ann @ Low Teen Ann  | <b>(Resolution 7)</b>  |
| 5. | To re-appoint Messrs. KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.   | <b>(Resolution 8)</b>  |
| 6. | As Special Business:<br>To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:   |                        |
|    | <b>(a) Ordinary Resolution 1</b><br><b>Authority to issue shares pursuant to Section 132D of the Companies Act, 1965</b>  | <b>(Resolution 9)</b>  |
|    | "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." |                        |
|    | <b>(b) Ordinary Resolution 2</b><br><b>Authority to issue shares pursuant to the Employees' Share Option Scheme</b>   | <b>(Resolution 10)</b> |
|    | "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."  |                        |

# NOTICE OF ANNUAL GENERAL MEETING (cont'd)

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(c) **Ordinary Resolution 3**  
**Proposed Renewal of Authority For Share Buy-Back**

(Resolution 11)

"THAT, subject to compliance with the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") all other applicable laws, regulations and guidelines and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to allocate an amount not exceeding the total available retained profits of the Company for the purpose of and to purchase such amount of ordinary shares of RM0.50 each in the Company (Proposed Purchase) as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at the point of purchase.

**AND THAT** upon completion of the purchase by the Company of its own shares (CSCENIC Shares), the Directors are authorised to retain CSCENIC Shares as treasury shares or cancel CSCENIC Shares or retain part of CSCENIC Shares so purchased as treasury shares and cancel the remainder. The Directors are further authorised to resell the treasury shares on Bursa Securities or distribute the treasury shares as dividends to the Company's shareholders or subsequently cancel the treasury shares or any combination of the three.

**AND THAT** the Directors be and are hereby empowered to carry out the above immediately upon the passing of this resolution and from the date of the passing of this resolution until:

- (i) the conclusion of the next Annual General Meeting of the Company following the General Meeting at which this resolution was passed at which time it shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next Annual General Meeting after that date is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders in General Meeting,

whichever is the earliest but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and to take all steps as are necessary and/or to do all such acts and things as the Directors deem fit and expedient in the interest of the Company to give full effect to the Proposed Purchase with full powers to assent to any condition, modification, revaluation, variation and/or amendment (if any) as may be imposed by the relevant authorities."

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



## NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS HEREBY GIVEN THAT**, subject to the approval of the shareholders at the Fifth Annual General Meeting, the first and final tax-exempt dividend of 9% per ordinary share in respect of the year ended 31 December 2007 will be payable on 20 August 2008 to depositors registered in the Record of Depositors on 1 August 2008.

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 1 August 2008 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  
16 May 2008

## 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. 9 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. 10 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. 11 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 unless revoked or varied by the Company at a General Meeting will expire at the next Annual General Meeting of the Company. For further information, please refer to the Circular To Shareholders dated 16 May 2008 enclosed together with the Company's 2007 Annual Report.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

annual report 2007

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(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 5th Annual General Meeting of the Company**

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

(a) Mr. Lim Chee Keong

(b) Mr. Lim Chee Khoon

**Pursuant to Article 97 of the Company's Articles of Association**

(a) Mr. Yeh Sau Tou

(b) Mr. Au Thin Ann @ Low Teen Ann

**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 pages 9 to 10 of the Annual Report and their securities holdings in the Company and its subsidiaries are set out on page 68 of the Annual Report.

# FORM OF PROXY



**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 FIFTH ANNUAL GENERAL MEETING of the Company to be held at the Angsana Room, First Floor, Perangsang Templer Golf Club, No. 1, Templer Park Resort, 48000 Rawang, Selangor on Tuesday, 10 June 2008, 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.	To receive the 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 Keong as director		
5.	Re-election of Mr. Lim Chee Khoon as director		
6.	Re-election of Mr. Yeh Sau Tou as director		
7.	Re-election of Mr. Au Thin Ann @ Low Teen Ann as director		
8.	Re-appointment of Messrs. KPMG as Auditors		
9.	Ordinary Resolution 1 Authority to issue shares pursuant to Section 132D of the Companies Act, 1965		
10.	Ordinary Resolution 2 Authority to issue shares pursuant to the Employees' Share Option Scheme		
11.	Ordinary Resolution 3 Proposed Renewal of Authority For Share Buy-Back		

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 \_\_\_\_\_ 2008

No. of Shares Held	
CDS Account No.	
Tel No. (during office hours)	

\_\_\_\_\_  
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.
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Fold this flap for sealing

Then fold here

STAMP

The Company Secretary  
**CLASSIC SCENIC BERHAD** (633887-M)  
Lot 4.100, Tingkat 4  
Wisma Central, Jalan Ampang  
50450 Kuala Lumpur

1st fold here

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

Lot 12, Jalan RP3, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan.  
telephone : 03-6091 7477 | facsimile : 03-6091 6766 | [www.classicscenic.com](http://www.classicscenic.com)