CLASSIC SCENIC BERHAD
(633887-M)

Those who hope in GOD
will renew their strength.
They will
soar on wings like eagles;
they will run and not grow weary,
they will walk and not be faint.

Scenic in Name
Beauty in *Frame*™

annual report **2011**

CLASSIC SCENIC BERHAD
(633887-M)

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.

Our Mission

To be a world-class designer-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.

VISION & MISSION

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 (Main Board and Second Board merged and now known as Main Market) 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 certifications for ISO 9001:2008 and Forest Stewardship Council (FSC) Chain-of-Custody (CoC) have been duly obtained.

The first mouldings were made in 1994, and in recent years, we have emerged to be one of 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 6 factories spread over an area of 500,000 sq. ft., and a 420 strong workforce. There is still a long road ahead, the Group will continuously focus on strengthening its overall management vis-à-vis a continuous improvement strategy in all aspects of the business and move on to greater heights on our road to success.

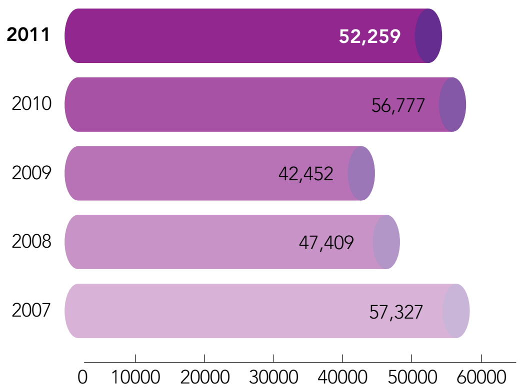
CONTENT

Financial Highlights

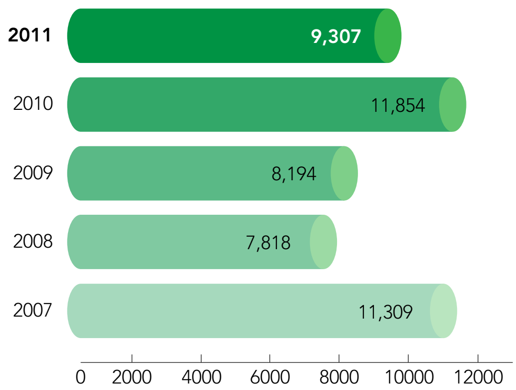
	2011	2010	2009	2008	2007
Revenue (RM'000)	**52,259**	56,777	42,452	47,409	57,327
Profit Before Tax (RM'000)	**11,907**	13,064	8,901	8,213	13,167
Profit After Tax (RM'000)	**9,307**	11,854	8,194	7,818	11,309
Net Earnings Per Share (sen)	***7.76**	9.88	6.83	6.50	9.39
Net Dividend Per Share (sen)	**8.25**	9.00	7.00	3.00	4.50
Dividend Payout Ratio (%)	**106.4**	91.1	102.5	46.1	47.9
Net Asset Per Share (sen)	**75.7**	77.0	78.1	74.3	72.2

* Based on the number of ordinary share in issue of 120,000,740 as at the end of the financial year 2011 after the exclusion of shares repurchased of 499,000

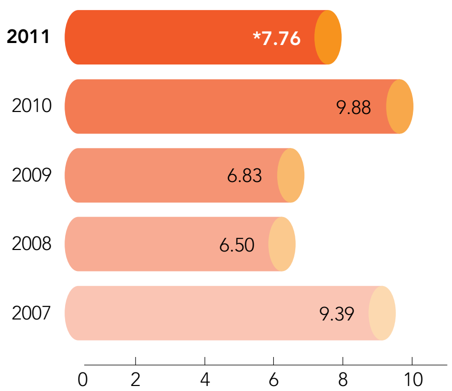
REVENUE (RM'000)



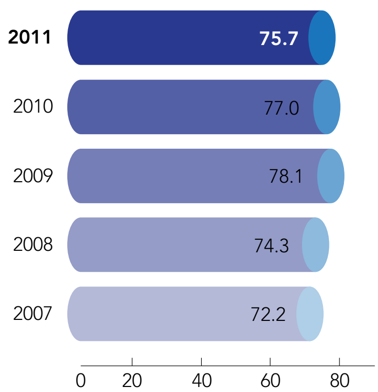
PROFIT AFTER TAX (RM'000)



NET EARNINGS PER SHARE (SEN)



NET ASSET PER SHARE (SEN)



Corporate Structure

TM

CLASSIC SCENIC BERHAD
(633887-M)
Investment holding

FINESSE MOULDING (M) SDN. BHD.
Manufacture of wooden picture frame moulding
100%

SCENIC MOULDING (M) SDN. BHD.
Property holding and rental of properties
100%

LIM KET LENG TIMBER SDN. BHD.
Manufacture of timber products
100%

CLASSIC FRAME MOULDING (M) SDN. BHD.
Dormant
100%

LIM KET LENG MARKETING SDN. BHD.
Marketing of timber-related products
100%

CSCENIC AGRO MARKETING SDN. BHD.
Dormant
76%

LIM KET LENG REALTY SDN. BHD.
Property holding and rental of properties
100%

Message from The Chairman

On behalf of the Board of Directors of Classic Scenic Berhad ("CScenic"), I am pleased to present the Annual Report and the Audited Financial Statements of CSCENIC for the financial year ended 31 December 2011.

"Those who hope in God will renew their strength. They will soar on wings like eagles; they will run and not grow weary, they will walk and not be faint" – with this believe, passion and the Group's strong foundation, we were able to demonstrate resilience in weathering the unprecedented economic headwinds and adversities over the past three years.

In the beginning of year 2011, there was a degree of optimism that the global economy would recover at a moderate pace. However, the expectation was short lived amidst the market confidence being dampened as a result of the high national debts in United States of America (USA) and Euro zone and the implications of austerity measures on economic growth prospects. This has resulted in significant downgrades of the sovereign debts in the USA and several European countries. With the slowing economic activities, subpar economic growth and persistent high unemployment rate, the global economy recovering progress was adversely affected and remained subdued.

Timber, the Group's major production input, was in great demand from China and higher imports to Japan for rebuilding after the devastating earthquake and tsunami in March 2011. This has resulted in upward trend of the timber price throughout the year. Many of the major market players in wooden picture frame industry have been substantially affected by the higher input cost. Nevertheless, the Group managed to lessen its impact on profit margin with its proven sourcing strategy. By keeping an average of 6-month timber inventory, average cost was brought down to below market price.

Asian countries currency, including Ringgit Malaysia, has continuously appreciated against USD due to the commendable economic growth underpinned by strong domestic demand and exports. The appreciation of home currency has placed pressure on the exporters as a result of the foreign currency exchange loss. However, the Group managed to mitigate the adverse impact by continuously hedging most of the export proceeds at a higher average exchange rate.

The challenging and uncertain external environment has further led to an industry shakeout coupled with newer and less-established manufacturers being perceived as less reliable and financially less resilient to economic downturn, thus creating a higher entry barrier. These circumstances have collectively and positively positioned the Group favourably in terms of market shares.

Despite the unfavorable external environment, the Group managed to maintain its profit before tax margin at 23% in year 2011 which is similar to that in the preceding year. This is attributable to our continued focus on our twin pillars of strength i.e. increasing productivity and maximizing cost-efficiency. Additionally, we launched a 'war on waste' to minimise wastage in all aspects of our business, and the results we are glad to say, speak for themselves.

Message from The Chairman (cont'd)

FINANCIAL PERFORMANCE REVIEW

Over the past three years, the Group has been putting great efforts in formulating sustainable business model and strategies to weather the unprecedented financial crisis. With the unwavering commitment and efforts of the team, the Group managed to achieve profitable performance since commencement of operation and particularly for the past three years despite the weak economic conditions, deepening sovereign debt crises and persistently weak labor market in western countries.

For the financial year ended 31 December 2011, the Group recorded a total revenue of RM52.3 million, a decrease of RM4.5 million or 7.9%, mainly due to lower sales revenue from export of wooden picture frame moulding as a result of the weaker than expected economic performance in western countries. Corresponding to the decrease in sales revenue and lower other operating income, the profit before tax registered at RM11.9 million, a decrease of RM1.2 million or 9.2%, compared to RM13.1 million in the preceding financial year 2010. Nevertheless, the Group's profit before tax margin remained at 23% thanks to the internal cost saving measures initiated by the team. The Group's net profit recorded lower at RM9.3 million chiefly attributable to the decline in sales revenue and the expiration of the pioneer status granted to one of the Group's subsidiaries under the Promotion Investment Act 1986.

The Group will continue to focus on its core business and pursue proven organic growth strategies whilst strengthening the relationship with major customers by studying changes in consumer needs, and understanding their preferences. This is well in line with our continued unwavering commitment to developing and introducing innovative and highly marketable products of consistently high quality at a competitive price, in tandem with improving productivity, procurement optimization and maximising operational efficiency to enhance overall profitability and sustain business growth.

DIVIDEND

Enriching shareholder value remains a high priority for the Group and with the Group's ability in generating healthy cash flows, the Board proposed a second interim dividend comprising franked dividend of 6% or 3 sen, less 25% tax per ordinary share and tax exempt dividend of 4% or 2 sen per ordinary share totalling RM5.1 million in respect of the financial year ended 31 December 2011. The dividend will be payable on 22 May 2012 to depositors registered in the Record of Depositors on 11 May 2012. The Board does not propose final dividend for the financial year ended 31 December 2011.

Long service award was extended to employees as a gesture of appreciation from the Group.

On 15 November 2011, an interim tax-exempt dividend of 8% or 4.0 sen per ordinary share totalling RM4.8 million in respect of the financial year ended 31 December 2011 was paid. Therefore, the total net dividend paid or to be paid to shareholders for the financial year ended 31 December 2011 would amount to RM 9.9 million or 8.25 sen per ordinary share.

CORPORATE SOCIAL RESPONSIBILITY

Market place:

Product – The Group's technical team are ever vigilant in carrying out various studies and tests to ensure full compliance of safety levels of raw materials in line with national and international safety & health standards. Raw materials and finished products are regularly sent for lab tests to ensure safety compliances, e.g. Lead and Formaldehyde tests in order to ensure they are both well within permissible safety level norms, in compliance with Code of Federal Regulations, Chapter II – Consumer Products Safety Commission of U.S.A. and USA Environmental Protection Agency Air Resources Board - Airborne Toxic Control Measure (ATCM).

Shareholders - Good Corporate Governance, as disclosed in Statement on Corporate Governance, is periodically reviewed & enhanced by the Group to protect the interest of shareholders. We have in place a Code of Ethics as well as an Anti-Fraud and Whistle blowing policy, all of which have been adopted to inculcate ethical values amongst all at CScenic. The continued promotion and cultivation of an honest working environment is integral to the Group's stand on illegal, unethical and dishonest acts and serve to diligently emphasize employees' awareness of their roles, rights and responsibilities pertaining to illegal, unethical and dishonest acts. The strict enforcement of the anti-fraud and whistle blowing policy would reduce the risk to the Group's reputation from fraudulent acts and protect the shareholders interest.

Message from The Chairman (cont'd)

Raw materials and finished products are regularly sent for lab tests to ensure safety compliances.

A 3Rs concept: Reduce, Reuse and Recycle was rolled out to the entire organization to conserve the resources.

Part of the savings derived from the Environmental Green Fund Scheme was used to aid a group of underprivileged employees.

Environment:

We have been awarded with the Forest Stewardship Council™ (FSC) Chain-of-Custody (COC) certification since January 2009, a clear reflection of our commitment to responsible management of the world's forests. This certification is also an affirmation of our long established policy of buying legally verified lumber from well managed forested areas which practice responsible forest management and other controlled sources via the FSC COC. The Group has been making every effort to ensure its timbers are from legal and traceable sources. The Group also supports and promotes forest sustainability through practising good forestry practises in its management system which is aligned to the Group's mission. During the financial year ended 31 December 2011, the Group switched to using more plantation wood from natural forest wood and the former accounted for almost 50% of the total usage of wood.

Wood waste has been considerably utilized as it is used to produce steam and generate energy. Additionally, the saw dust generated during production processes is also being compressed into wood briquette and used to generate heat energy.

An Environmental Green Fund Scheme has been established to create the awareness of the energy conservation in its business and operational activities. A 3Rs concept which is Reduce, Reuse and Recycle has also been rolled out to the entire organization to conserve the resources. During the financial year, the savings derived were given out and shared among all employees and also used to aid a group of underprivileged employees.

Workplace:

Code of business conducts and ethics and anti-fraud and whistle blowing policy were established & adopted to instill ethical values into employees. The Code of business conducts and ethics and anti-fraud and whistle blowing policy clearly defined the Group's stand on integrity, honesty and ethical behaviour – zero tolerance on unethical business conduct and series of actions for suspicious fraud.

Emoluments & benefits – Employees' emoluments & benefits are well taken care of. The remuneration package is reviewed and benchmarked against marketplace periodically to ensure the package is competitive in labour market and the employees are equitably remunerated based on their contributions. Various emoluments, benefits and incentives are provided to lower income level staff such as transport allowances. Long service award is also extended to employees as a gesture of appreciation from the Group.

Human Capital Development – Yearly structured training is continuously provided to employees to sharpen their skills & competencies and to prepare them for the progression of career path. The structure training not just benefits the employees personally but also strengthens the capability of the entire organization and facilitates the achievement of the Group's objectives and goals. Opportunities for career advancement are performance driven and non-discriminating.

A 'Safety and Health' environment is continuously promoted to employees. A Safety and Health Committee was established and meetings are conducted periodically to review the safety & health matters. Policies were also set to ensure all employees are aware of their roles & responsibilities in the aspect of safety & health. Periodic in-house safety and health audit is conducted to ensure that the Group's safety rules & regulations are enforced and complied with.

Message from The Chairman (cont'd)

The first yearly blood donation drive with the National Blood Centre of Malaysia was organized at the Group's corporate office.

CScenic is always committed to provide a safe and healthy environment for its employees and adopts an open door policy where staff can easily have access to the management to voice out problems and difficulties. Employees are the Groups' valuable assets and their feedback and opinion are very critical and are duly accorded important recognition. A yearly Employee Job Satisfaction Survey is conducted to give employees an opportunity to voice out any grievances and dissatisfaction with current work conditions, for which the management thereafter would give serious considerations in addressing.

Community:
In fulfilling its corporate responsibility, the Group has been consistently participating in Underprivileged Ang Pow distribution event hosted by a district association to support some of the underprivileged senior citizen.

During the year, the Group also organized its first yearly blood donation drive with the National Blood Centre of Malaysia at its corporate office, in order to inculcate a spirit of giving back to community amongst all in the company, and at the same time encourage individual responsibility in contributing to the national blood bank.

OUTLOOK AND PROSPECTS 2012

The sluggish growth in the US together with the lingering debt crisis in Europe are capable of eroding overall business confidence in USA. With these situations being exacerbated by fast rising operating costs in Asia, we anticipate a more challenging year ahead particularly when the US Dollar is volatile.

In the face of upward trend of timber price, the Group will remain vigilant and will aggressively take all necessary measures, such as greater business innovation, productivity and operational efficiency optimization and sourcing alternative less expensive timber species, to mitigate the cost pressure on our business.

Nevertheless, the Group has constantly been able to demonstrate resilience in overcoming adversities and to capitalise on the situations where weaker players are exiting the industry, thereby creating more opportunities for the stronger ones.

Barring any unforeseen circumstances, the Group shall perform favorably for the financial year ending 31 December 2012.

APPRECIATION TO STAKEHOLDERS

On behalf of the Board, I wish to bid a farewell to Mr. Tang Kam Chee and thank him for his valuable contributions during his tenure as a member of the Board. Meanwhile, the Board and the Company would also like to extend a warm welcome to Mr. Lee Kong Weng, who was appointed to the Board on 30 December 2011.

I would like to express my deepest appreciation to the management and all staff of CScenic for their unwavering commitment, dedication and loyalty. Last but not least, I would like to thank our shareholders, customers and suppliers for their support and confidence in us.

Lim Chee Keong
Executive Chairman

Corporate Information

BOARD OF DIRECTORS

LIM CHEE KEONG
(Executive Chairman)

LIM CHEE BENG
(Managing Director)

LIM CHEE KHOON
(Executive Director)

LIM CHEE HWA
(Executive Director)

YEH SAU TOU
(Independent Non-Executive Director)

AU THIN AN @ LOW TEEN ANN
(Independent Non-Executive Director)

LEE KONG WENG
(Non-Independent Non-Executive Director)

AUDIT COMMITTEE

Yeh Sau Tou
Chairman
(Independent Non-Executive Director)

Au Thin An @ Low Teen Ann
Member
(Independent Non-Executive Director)

Lee Kong Weng
Member
(Non-Independent Non-Executive Director)

NOMINATION COMMITTEE

Yeh Sau Tou
Chairman
(Independent Non-Executive Director)

Au Thin An @ Low Teen Ann
Member
(Independent Non-Executive Director)

Lee Kong Weng
Member
(Non-Independent Non-Executive Director)

REMUNERATION COMMITTEE

Yeh Sau Tou
Chairman
(Independent Non-Executive Director)

Lee Kong Weng
Member
(Non-Independent Non-Executive Director)

Lim Chee Keong
Member
(Executive Chairman)

COMPANY SECRETARY

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

HEAD OFFICE

Lot 12, Jalan RP3
Taman Rawang Perdana
48000 Rawang
Selangor, Malaysia
Tel. : 603 - 6091 7477
Fax : 603 - 6091 6766
Email : marketing@classicscenic.com
Website : www.classicscenic.com

REGISTERED OFFICE

Lot 4.100, Tingkat 4
Wisma Central, Jalan Ampang
50450 Kuala Lumpur
Tel. : 603 - 2161 9733
Fax : 603 - 2162 8157

AUDITORS

KPMG (Firm No: AF 0758)
Chartered Accountants
KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel. : 603 - 7721 3388
Fax : 603 - 7721 3399

PRINCIPAL BANKERS

Citibank Berhad
Hong Leong Bank Berhad

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya, Selangor
Tel. : 603 - 7841 8000
Fax : 603 - 7841 8008

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market
Stock Code : 7202
Stock Name : CSCENIC

Profile of Board of Directors

LIM CHEE KEONG
Malaysian, aged 56 (Executive Chairman)

Lim Chee Keong was appointed as the Chairman of CSCENIC on 3 August 2004. He is also the chairman of the 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 48 (Managing Director)

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

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

LIM CHEE KHOON
Malaysian, aged 55 (Executive Director)

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

LIM CHEE HWA
Malaysian, aged 53 (Executive Director)

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

Profile of Board of Directors (cont'd)

YEH SAU TOU
Malaysian, aged 43 (Independent Non-Executive Director)

Yeh Sau Tou was appointed to the Board as independent non-executive director on 2 July 2007. He is the Chairman of the Audit, 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 a medium-siza audit firm 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 68 (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 leaving 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 Deputy Chairman. He was an Honorary Treasurer of Insurance Brokers Association of Malaysia.

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

LEE KONG WENG
Malaysian, aged 40 (Non-Independent Non-Executive Director)

Lee Kong Weng was appointed to the Board as non-independent non-executive director on 30 December 2011. He is a member of the Audit, Remuneration and Nomination Committees. He graduated with a Bachelor in Accounting (Honours Class 1) from University of Malaya in 1996. He is also a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He started his audit career with Arthur Anderson & Co. (now merged with Ernst & Young) in 1996. In 2000, he joined Classic Scenic Berhad group as Finance Manager responsible for the treasury and finance function of the group. In 2002, he was promoted to the position of Group Financial Controller of which he was instrumental in the Initial Public Offering process of Classic Scenic Berhad on the Second Board of Bursa Malaysia Securities Berhad and, subsequently, to the Main Board. In 2007, he left Classic Scenic Berhad group and joined a local accounting firm, Lee & Associates.

Currently, he is a partner of Moore Stephens AC, a member of an international accounting network firm.

OTHER INFORMATION ON DIRECTORS

Save for Lim Chee Keong, Lim Chee Beng, Lim Chee Khoon and Lim Chee Hwa who are brothers, none of the Directors are related to each other and/or any other substantial shareholders of CSCENIC. In addition, all the above Directors have no conflict of interest with the Group and have had no conviction for any offences other than traffic offences, if any, in the last ten (10) years.

Statement on Corporate Governance

The Board of Directors of Classic Scenic Berhad ("CSCENIC") is committed to ensure that the high standards of corporate governance are practiced throughout the Group. In line with this commitment, the Board has taken and is continuously reviewing, where appropriate, the necessary steps to comply with the principles and best practices of corporate governance as set out in the Malaysian Code on Corporate Governance ("the Code") in the business of the Group.

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 Group continues to be led and managed by an effective Board. The Board is primarily responsible for the Group's overall strategic plans for business performance, overseeing the proper conduct of business, succession planning, risk management, investor relations programmes, internal control and management information systems.

During the financial year, Mr. Tang Kam Chee, an Independent Non-Executive Director, resigned from the Board and Mr. Lee Kong Weng was appointed as Non-Independent Non-Executive Director. The changes to the composition of the Board were effective on 30 December 2011. Subsequent to the change, the Board now has seven (7) members comprising an Executive Chairman, a Managing Director, two Executive Directors, two Independent Non-Executive Directors and a Non-Independent Non-Executive Director.

The composition of the Board is well balanced and complies with the Main Market 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. Members of the Board comprise professionals from diverse backgrounds, bringing with them depth and diversity of expertise, with a wide range of experience and perspective in discharging their responsibilities and duties and in managing the business of the Group. A description of the background of each director is presented on pages 9 to 10.

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.

Mr. Yeh Sau Tou has been appointed as the Senior Independent Non-Executive Director to whom shareholders can voice their view and concerns by e-mail at styeh@classicscenic.com

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, five (5) Board meetings were held. The number of board meetings held and attendance of the directors for the financial year ended 31 December 2011 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 *(Resigned w.e.f. 30/12/11)*	5/5
Yeh Sau Tou	5/5
Au Thin An @ Low Teen Ann	5/5
Lee Kong Weng *(Appointed w.e.f. 30/12/11)*	0/0

* *Reflect the number of meetings held during the director's tenure of office*

Statement on Corporate Governance (cont'd)

THE BOARD OF DIRECTORS (CONT'D)

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

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;
iv) Review risks and opportunities associated with business strategies and operating processes;
v) Formulate corporate policies; and
vi) Promote awareness of the importance of good corporate practices.

APPOINTMENT TO THE BOARD

The Nomination Committee ("NC") was established on 19 October 2004. The objective of this NC is to ensure that there is a formal and transparent procedure for the appointment of new directors to the Board. The NC had held one (1) meeting during the financial year ended 31 December 2011.

The members of the NC are as follows:-

Chairman : Yeh Sau Tou *(Redesignated w.e.f. 30/12/11)*
(Independent Non-Executive Director)
Chairman : Tang Kam Chee *(Resigned w.e.f. 30/12/11)*
(Independent Non-Executive Director)
Member : Au Thin An @ Low Teen Ann
(Independent Non-Executive Director)
Member : Lee Kong Weng *(Appointed w.e.f. 30/12/11)*
(Non-Independent Non-Executive Director)

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 NC 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 NC 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 NC 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, executive chairman and Board Committee members. All assessments and evaluation should be properly documented.

The NC conducted its annual directors' appraisal in November 2011.

Statement on Corporate Governance (cont'd)

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. Updates on companies and securities legislations, rules and regulations such as amendments to Companies Act 1965, Listing Requirements of Bursa Securities and Corporate Governance Blueprint 2011 was provided to the Board, together with Board papers, to acquaint them with the latest developments in these areas.

The Directors have attended training during the financial year ended 31 December 2011. A brief description on the type of training the Directors have attended are listed below:

Title of seminar/conference/ courses/workshop	Mode of Training	No. of days spent
Towards Boardroom Excellence	Seminar	½ day
Sustainability Programme for Corporate Malaysia	Seminar	½ day
Is the Global Economic still Slowing down	Seminar	1 day
International Timber Marketing Conference	Conference	1 day
7th Tricor Tax and Corporate Seminar	Seminar	1 day
2012 Budget Seminar	Seminar	1 day
Persidangan Cukai Malaysia 2011	Conference	2 days
FSC Standards for Chain of Custody Certification	Training	½ day

RE-ELECTION OF DIRECTORS

Director's re-election provides an opportunity for shareholders to renew their mandate conferred to the Directors. In this respect, the Articles of Association of the Company provides that all directors shall retire by rotation once in every three (3) years or at least one-third (1/3) of the Board shall retire from office and be eligible to offer themselves for re-election at the Annual General Meeting ("AGM").

Any director appointed during the year is required under the Company's Articles to retire and seek re-election by shareholders at the following AGM immediately after his appointment. 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 Annual Report.

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 held one (1) meeting during the financial year ended 31 December 2011.

The members of the RC are as follows:

Chairman : Yeh Sau Tou *(Redesignated w.e.f. 30/12/11)*
(Independent Non-Executive Director)
Chairman : Tang Kam Chee *(Resigned w.e.f. 30/12/11)*
(Independent Non-Executive Director)
Member : Lim Chee Keong (Executive Chairman)
Member : Lee Kong Weng *(Appointed w.e.f. 30/12/11)*
(Non-Independent Non-Executive Director)

Statement on Corporate Governance (cont'd)

DIRECTORS' REMUNERATION (CONT'D)

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	-	3
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:	-	1,342,356	72,000	-	1,414,356
Non-Executive Directors:	36,000	-	-	19,500	55,500

* *Subject to approval by shareholders at the AGM.*

SHAREHOLDERS

- **Communication and Investor Relations**
The Board endeavours to provide timely and accurate disclosure of all material information of the Group to the shareholders and investors Information is disseminated through various disclosures and announcements made to the Bursa Securities which includes the quarterly financial results, audited financial statements and Annual Reports. This information is also electronically published at the Bursa Securities and the Company's websites at http://www.bursamalaysia.com and http://www.classicscenic.com respectively and it is accessible by public.

  Mr. Yeh Sau Tou has been designated as the Senior Independent Director and investors are welcome to direct their concerns and queries to him. 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.

- **AGM**
The Board regards the AGM as an opportunity to communicate directly with shareholders and encourages attendance and participation in dialogue. Notice of the AGM and Annual Report are sent to shareholders 21 days prior to the meeting. At each AGM, the Board presents the performance and progress of the Company and provides shareholders with the opportunity to raise questions pertaining to the Company. The Executive Chairman and the Board will respond to the questions raised by the shareholders during the AGM. The Board has ensured that an explanatory statement will accompany each item of special business included in the notice of meeting on the effects of the proposed resolution.

Statement on Corporate Governance (cont'd)

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.

RELATIONSHIP WITH AUDITORS

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. Twice a year, the Audit Committee will convene meetings with the external auditors without the presence 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 16 to 19.

INTERNAL CONTROL

The Board also acknowledges the internal audit function as an integral part of an effective system of corporate governance. The Statement of Internal Controls furnished on pages 20 to 21 of this Annual Report provides an overview on the state of internal controls within the Group.

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 with the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the Main Market 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 2011 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; 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 23 April 2012.

Audit Committee Report

COMPOSITION

The Audit Committee of Classic Scenic Berhad ("CSCENIC") was established on 4 August 2004. The members of the Committee for the financial year ended 31 December 2011 comprises the following directors:

Chairman : Yeh Sau Tou (Independent Non-Executive Director)
Members : Au Thin An @ Low Teen Ann
(Independent Non-Executive Director)
Tang Kam Chee *(Resigned w.e.f. 30/12/2011)*
(Independent Non-Executive Director)
Lee Kong Weng *(Appointed w.e.f. 30/12/2011)*
(Non-Independent Non-Executive Director)

SUMMARY OF THE TERMS OF REFERENCE

(1) MEMBERSHIP

(a) 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 members, of whom the majority shall be independent.

(b) The Committee shall include at least one 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 fulfill such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

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

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

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

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

(2) 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 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.

(3) FUNCTIONS AND RESPONSIBILITIES

(3.1) 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.

(3.2) The Committee shall establish an internal audit function which is independent of the activities it audits.

(3.3) The Committee shall oversee all internal audit functions and is authorised to commission investigations to be conducted by internal audit as it deems fit.

(3.4) The internal auditor shall report directly to the Committee and shall have direct access to the Chairman of the Committee.

Audit Committee Report (cont'd)

(3) FUNCTIONS AND RESPONSIBILITIES (CONT'D)

(3.5) All proposals by management regarding the appointment, transfer or dismissal of the internal auditor shall require the prior approval of the Committee.

(3.6) 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.

(3.7) The Committee may report any breaches of the Listing Requirements, which have not been satisfactorily resolved, to the Bursa Securities.

(4) QUORUM, ATTENDANCE AND FREQUENCY OF MEETINGS

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

(b) The Finance Manager, the Internal Auditor 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.

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

AUDIT COMMITTEE MEETINGS

The Audit Committee met five (5) times during the financial year ended 31 December 2011. The details of Audit Committee's meetings held and attended by the Committee during the financial year are as follows:-

Audit Committee Member	No. of Audit Committee Meetings Attended	No. of Audit Committee Meetings Held
Chairman Yeh Sau Tou (Independent Non-Executive Director)	5	5
Members Tang Kam Chee *(Resigned w.e.f. 30/12/2011)* (Independent Non-Executive Director)	5	5
Au Thin An @ Low Teen Ann (Independent Non-Executive Director)	5	5
Lee Kong Weng *(Appointed w.e.f. 30/12/2011)* (Non-Independent Non-Executive Director)	0	0

Audit Committee Report (cont'd)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

During the financial year ended 31 December 2011, the activities of the Audit Committee included the following:-

(a) reviewed the unaudited quarterly financial results and announcements of the Company and the Group 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 2010;

(c) reviewed the external auditors' reports for the financial year ended 31 December 2010 in relation to audit and accounting issues arising from the audit;

(d) reviewed the assistance given by the employees to the external auditors in respect of the audit for the financial year ended 31 December 2010;

(e) considered the nomination of external auditors for recommendation to the Board for re-appointment and reviewed the audit fees;

(f) reviewed the external auditors' audit plan and scope of audit for the financial year ended 31 December 2011;

(g) reviewed the internal audit and risk management reports of the Group;

(h) 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 2010 and recommended their adoption to the Board; and

(i) met with the External Auditors twice during the financial year ended 31 December 2011 in the absence of the executive Board members.

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 them and 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 based on the audit plan that is reviewed and approved by the Audit Committee.

During the financial year ended 31 December 2011, the activities of the internal audit function included the following areas; warehouse and inventory management, quality assurance and process engineering and information technology management. These reviews include reviewing and appraising the adequacy, effectiveness and integrity of the internal control systems, policies, procedures and information technology functions of the Group's significant entities. The cost incurred for the internal audit function in respect of the financial year ended 31 December 2011 was RM40,000.

Statement on Internal Control

INTRODUCTION

The Board of Directors ("the Board") of Classic Scenic Berhad ('the Group") recognises that it is the Board's responsibility to review the adequacy and integrity of the Group's system of internal control. The Board is committed to maintain and ensure that a sound system of internal control exists and operates effectively across the Group and is pleased to provide this statement outlining the nature and scope of the internal control of the Group during the financial year pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad and compliance with Section 167A of the Companies Act, 1965.

BOARD RESPONSIBILITIES

The Board acknowledges its responsibilities and reaffirms its commitment to recognise the importance of an effective and appropriate 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 system of internal control. The system of internal control covers inter alia, governance, risk management, financial organisation, operational and compliance control. However, the Board recognises that this system is designed to manage and control risk appropriately rather than eliminate the risks of failure to achieve the Group's 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

Risk management is embedded in the Group's management systems. The Board with the assistance of the outsourced internal audit function have established processes 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 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 at least on a quarterly basis. 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 operational and 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, Nomination Committee and Remuneration Committee have been established with defined terms of reference;

Statement on Internal Control (cont'd)

KEY INTERNAL CONTROL PROCESSES (CONT'D)

- Management organisation structure with reporting lines of accountability and authority have been defined and documented;
- 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;
- Code of Conduct and Standard Operating Procedures which include the ISO 9001:2008 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 9001:2008 Quality Management System has been implemented for the Group's core business. Internal quality audits and annual surveillance audit are carried out by the management and a certification body respectively. These audits are conducted annually to provide assurance of compliance with the ISO 9001:2008 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 and 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.

ANTI-FRAUD AND WHISTLE BLOWING POLICY

The management has a proactive risk based approach to fraud; the Anti-Fraud and Whistle blowing policy is the main component that drives the anti-fraud work undertaken. This policy provides the required direction and guidance to deal with fraud and related matters including theft and corruption and further defines the rights of the informants and the protection accorded to them. The policy takes the Group to a higher level of transparency and corporate responsibility.

The Group's formalised anti-fraud policy, includes the following objectives:

- The Group's business is conducted in compliance with the law;
- Promotion and cultivation of an honest environment including one full of integrity;
- Enhance the awareness of the Group's stand on illegal, unethical and dishonest acts and the consequences of such acts to its employees; and
- Create employees' awareness of their roles, rights and responsibilities pertaining to illegal, unethical and dishonest acts

The anti-fraud policy sets out the responsibility of employees of the Group for preventing and detecting defalcations, misappropriations and other irregularities, the specific roles of employees in prevention and detection of fraud and fraud discovery reporting as well as the steps the Group will take in respect of employees involved in fraudulent acts. The strict enforcement of the anti-fraud policy reduces the risk to the Group's reputation from fraudulent acts.

The Board recognises that the system of internal control must continuously improve in line 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 23 April 2012.

Additional Compliance Information

UTILISATION OF PROCEEDS

The Company did not make any corporate proposal to raise proceed during the financial year ended 31 December 2011.

SHARE BUY-BACKS

The Company did not buy back its Company's shares during the financial year ended 31 December 2011.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year ended 31 December 2011, there were no options, warrants or convertibles securities issued.

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

During the financial year ended 31 December 2011, the Company did not sponsor any ADR or GDR programmes.

IMPOSITION OF SANCTIONS/PENALTIES

There were no sanctions/penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31 December 2011.

NON-AUDIT FEES

Non-audit fees payable to external auditors for the financial year ended 31 December 2011 amounted to RM15,000.

VARIATION IN RESULTS

There were no material variance between the audited results for the financial year ended 31 December 2011 and the unaudited results previously announced.

PROFIT GUARANTEE

The Company did not issue any profit guarantee during the financial year ended 31 December 2011.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiary companies which involved directors' and major shareholders' interests either still subsisting at the end of the financial year ended 31 December 2011 or entered into since the end of the previous financial year.

REVALUATION POLICY

The Group has no revaluation policy on landed properties.

FINANCIAL STATEMENTS

Directors' Report
for the year ended 31 December 2011

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 2011.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities of its subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the year attributable to:		
Owners of the Company	9,307,455	7,123,055

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:

i) a second interim ordinary dividend of 10% (5 sen) per ordinary share less 25% tax totalling RM4,500,028 and tax exempt dividend of 2.5% (1.25 sen) per ordinary share totalling RM1,500,009 in respect of the financial year ended 31 December 2010 on 19 May 2011.

ii) an interim tax exempt dividend of 8% (4 sen) per ordinary share totalling RM4,800,029 in respect of the financial year ended 31 December 2011 was declared on 18 August 2011 and paid on 15 November 2011.

On 29 February 2012, the Directors declared a second interim ordinary dividend in respect of the year ended 31 December 2011 of 6% (3 sen) per ordinary share less 25% tax totalling RM2,700,016 and tax exempt dividend of 4% (2 sen) per ordinary share totalling RM2,400,015 and will be payable on 22 May 2012.

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
Yeh Sau Tou
Au Thin An @ Low Teen Ann
Lee Kong Weng (appointed on 30.12.2011)
Tang Kam Chee (resigned on 30.12.2011)

DIRECTORS' INTERESTS

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at 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 RM1.00 each			
	At 1.1.2011	Bought	Sold	At 31.12.2011
Interest in the immediate holding and ultimate holding company				
Lim Ket Leng Holding Sdn. Bhd.				
Lim Chee Keong	24	-	-	24
Lim Chee Khoon	22	-	-	22
Lim Chee Beng	11	-	-	11
Lim Chee Hwa	11	-	-	11

	Number of ordinary shares of RM0.50 each			
	At 1.1.2011/ date of appointment #	Bought	Sold	At 31.12.2011
Interest in the Company				
Au Thin An @ Low Teen Ann				
- own	48,000	-	-	48,000
- others*	36,000	-	-	36,000
Lee Kong Weng				
- own	20,800 #	-	-	20,800
- other*	4,800 #	-	-	4,800
Lim Chee Beng				
- own	2,098,360	1,065,000	-	3,163,360
- other*	1,600,000	400,000	-	2,000,000
Lim Chee Keong				
- own	-	524,080	(524,080)	-
- others*	1,962,491	524,080	-	2,486,571
Lim Chee Khoon				
- other*	64,800	-	-	64,800
Yeh Sau Tou	74,400	-	-	74,400
Deemed interest in the Company				
Lim Chee Keong @	75,701,929	-	-	75,701,929
Lim Chee Khoon @	75,701,929	-	-	75,701,929

* Shares held through spouse and/or children.

@ Deemed interest by virtue of the Directors' interests in Lim Ket Leng Holding Sdn. Bhd. 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' Report (cont'd)

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.

ULTIMATE HOLDING COMPANY

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

ISSUE OF SHARES AND DEBENTURES

There were no 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.

OTHER STATUTORY INFORMATION

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

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the 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.

OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

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

Lim Chee Keong

Lim Chee Hwa

Petaling Jaya,

Date: 23 April 2012

Statements of Financial Position

at 31 December 2011

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
Assets					
Property, plant and equipment	3	45,536,689	46,717,619	10,566	11,790
Intangible asset	4	878,181	878,181	-	-
Investment properties	5	-	-	-	-
Investment in subsidiaries	6	-	-	34,736,500	38,329,486
Amount due from subsidiaries	7	-	-	20,125,498	24,135,227
Total non-current assets		46,414,870	47,595,800	54,872,564	62,476,503
Trade and other receivables	8	5,078,669	7,162,450	4,000	4,000
Prepayments paid	9	1,031,926	1,248,030	-	-
Inventories	10	26,125,892	24,036,269	-	-
Current tax assets		71,436	-	26,536	-
Cash and cash equivalents	11	19,127,459	20,503,690	10,824,122	6,923,830
Total current assets		51,435,382	52,950,439	10,854,658	6,927,830
Total assets		97,850,252	100,546,239	65,727,222	69,404,333
Equity					
Share capital		60,249,870	60,249,870	60,249,870	60,249,870
Share premium		302,594	302,594	302,594	302,594
Treasury shares		(311,438)	(311,438)	(311,438)	(311,438)
Retained earnings		30,640,761	32,133,372	5,395,996	9,073,007
Total equity attributable to owners of the Company	12	90,881,787	92,374,398	65,637,022	69,314,033
Non-controlling interest		-	-	-	-
Total equity		90,881,787	92,374,398	65,637,022	69,314,033
Liabilities					
Deferred tax liabilities	13	3,488,848	3,684,364	-	-
Total non-current liabilities		3,488,848	3,684,364	-	-
Current tax liabilities		411,727	230,882	-	-
Trade and other payables	14	2,898,649	4,007,362	90,200	90,300
Prepayments received	15	169,241	249,233	-	-
Total current liabilities		3,479,617	4,487,477	90,200	90,300
Total liabilities		6,968,465	8,171,841	90,200	90,300
Total equity and liabilities		97,850,252	100,546,239	65,727,222	69,404,333

The notes on pages 34 to 71 are an integral part of these financial statements.

Statements of Comprehensive Income

for the year ended 31 December 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Revenue	16	52,259,291	56,777,096	11,400,000	12,300,000
Cost of sales		(34,933,315)	(38,413,490)	-	-
Gross profit		17,325,976	18,363,606	11,400,000	12,300,000
Other income		650,604	2,634,628	-	-
Distribution expenses		(1,094,412)	(1,222,039)	-	-
Administrative expenses		(3,399,327)	(3,303,297)	(151,265)	(170,997)
Other expenses		(2,010,203)	(3,801,133)	(3,652,841)	(2,114,684)
Results from operating activities		11,472,638	12,671,765	7,595,894	10,014,319
Finance income		434,650	391,858	150,625	37,420
Profit before tax		11,907,288	13,063,623	7,746,519	10,051,739
Income tax expense	17	(2,599,833)	(1,209,342)	(623,464)	(1,828,910)
Profit and total comprehensive income for the year	19	9,307,455	11,854,281	7,123,055	8,222,829
Attributable to:					
Owners of the Company		9,307,455	11,854,281	7,123,055	8,222,829
Non-controlling interest		-	-	-	-
		9,307,455	11,854,281	7,123,055	8,222,829
Basic earnings per ordinary share (sen)	20	7.76	9.88		

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The notes on pages 34 to 71 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2011

Group	Note	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total RM	Non-controlling interest RM	Total equity RM
		← Attributable to owners of the Company				→		
		← Non-distributable		→	Distributable			
At 1 January 2010		60,249,870	302,594	(311,438)	33,479,172	93,720,198	-	93,720,198
Dividends to the owners of the Company	21	-	-	-	(13,200,081)	(13,200,081)	-	(13,200,081)
Total comprehensive income for the year		-	-	-	11,854,281	11,854,281	-	11,854,281
At 31 December 2010/ 1 January 2011		60,249,870	302,594	(311,438)	32,133,372	92,374,398	-	92,374,398
Dividends to the owners of the Company	21	-	-	-	(10,800,066)	(10,800,066)	-	(10,800,066)
Total comprehensive income for the year		-	-	-	9,307,455	9,307,455	-	9,307,455
At 31 December 2011		60,249,870	302,594	(311,438)	30,640,761	90,881,787	-	90,881,787
		Note 12.1	Note 12.2	Note 12.3				

The notes on pages 34 to 71 are an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2011

Company	Note	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total equity RM
		← Attributable to owners of the Company →				
		← Non-distributable →			Distributable	
At 1 January 2010		60,249,870	302,594	(311,438)	14,050,259	74,291,285
Dividends to the owners of the Company	21	-	-	-	(13,200,081)	(13,200,081)
Total comprehensive income for the year		-	-	-	8,222,829	8,222,829
At 31 December 2010/ 1 January 2011		60,249,870	302,594	(311,438)	9,073,007	69,314,033
Dividends to the owners of the Company	21	-	-	-	(10,800,066)	(10,800,066)
Total comprehensive income for the year		-	-	-	7,123,055	7,123,055
At 31 December 2011		60,249,870	302,594	(311,438)	5,395,996	65,637,022
		Note 12.1	Note 12.2	Note 12.3	Note 12.4	

The notes on pages 34 to 71 are an integral part of these financial statements.

Statements of Cash Flows
for the year ended 31 December 2011

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Cash flows from operating activities				
Profit before tax	11,907,288	13,063,623	7,746,519	10,051,739
Adjustments for:				
Depreciation of:				
- investment properties	-	11,056	-	-
- property, plant and equipment	2,769,904	2,738,347	1,224	2,237
Dividend income	-	-	(11,400,000)	(12,300,000)
Finance income	(434,650)	(391,858)	(150,625)	(37,420)
Gain on disposal of:				
- investment property	-	(669,449)	-	-
- property, plant and equipment	(3,266)	(7,945)	-	-
Impairment loss on:				
- investment in subsidiaries	-	-	3,592,986	2,081,060
- investment properties	-	509,942	-	-
- property, plant and equipment	-	17,987	-	17,987
Reversal of impairment loss:				
- amount due from subsidiaries	-	-	-	(40,000)
- trade receivables	-	(43,845)	-	-
Unrealised foreign exchange loss	271,542	528,072	-	-
Operating profit/(loss) before changes in working capital	14,510,818	15,755,930	(209,896)	(224,397)
Changes in working capital:				
Inventories	(1,873,519)	(96,717)	-	-
Trade and other payables	(1,108,713)	1,870,377	(100)	13,500
Trade and other receivables	1,732,247	(3,264,975)	-	25,325
Cash generated from/(used in) operations	13,260,833	14,264,615	(209,996)	(185,572)
Income tax paid	(2,685,940)	(434,156)	(650,000)	(1,828,910)
Dividend received	-	-	11,400,000	12,300,000
Interest received	434,650	391,858	150,625	37,420
Net cash from operating activities	11,009,543	14,222,317	10,690,629	10,322,938

Statements of Cash Flows (cont'd)

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Cash flows from investing activities					
Acquisition of:					
- investment in subsidiaries		-	-	-	(299,996)
- property, plant and equipment		(1,599,708)	(2,340,472)	-	(19,000)
Proceeds from disposal of:					
- investment property		-	1,457,448	-	-
- property, plant and equipment		14,000	714,801	-	-
Repayment of amount due from subsidiaries		-	-	4,009,729	7,904,449
Net cash (used in)/ from investing activities		(1,585,708)	(168,223)	4,009,729	7,585,453
Cash flows from financing activity					
Dividends paid to owners of the Company		(10,800,066)	(13,200,081)	(10,800,066)	(13,200,081)
Net cash used in financing activity		(10,800,066)	(13,200,081)	(10,800,066)	(13,200,081)
Net (decrease)/increase in cash and cash equivalents		(1,376,231)	854,013	3,900,292	4,708,310
Cash and cash equivalents at 1 January		20,503,690	19,649,677	6,923,830	2,215,520
Cash and cash equivalents at 31 December	(i)	19,127,459	20,503,690	10,824,122	6,923,830

NOTES TO STATEMENTS OF CASH FLOWS

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Cash and bank balances		4,449,023	4,147,459	397	654
Highly liquid investment with non-bank financial institution		14,678,436	16,356,231	10,823,725	6,923,176
	11	19,127,459	20,503,690	10,824,122	6,923,830

The notes on pages 34 to 71 are an integral part of these financial statements.

Notes to the Financial Statements

Classic Scenic Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business of the Company 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 2011 comprise the Company and its subsidiaries (together referred to as "the Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 31 December 2011 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 6.

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 authorised for issue by the Board of Directors on 23 April 2012.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group have been prepared in accordance with Financial Reporting Standards ("FRSs"), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures (revised)*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

Notes to the Financial Statements (cont'd)

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures*

The Group's financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the MASB and International Financial Reporting Standards ("IFRSs"). As a result, the Group will not be adopting the above FRSs, Interpretations and amendments.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 4 - measurement of the recoverable amounts of cash-generating units.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the 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 ability to exercise its 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.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investments includes transaction costs.

(ii) Accounting for business combination

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

The Group has changed its accounting policy with respect to accounting for business combinations. From 1 January 2011 the Group has applied FRS 3, *Business Combinations* (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

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

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(ii) Accounting for business combination (cont'd)

Acquisitions on or after 1 January 2011 (cont'd)

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

(iii) Non-controlling interest

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

Since the beginning of the reporting period, the Group has applied FRS 127, *Consolidated and Separate Financial Statements* (revised) where losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

In the previous financial years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(iv) Transactions eliminated on consolidation

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

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.

(v) Loss of control

The Group applied FRS 127, *Consolidated and Separate Financial Statements* (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

In the previous financial years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

(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 transactions.

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

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

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

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(j)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

(ii) Subsequent costs

The cost of replacing a 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 or the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss 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
• cabin, office equipment, furniture and fittings and renovation	5 - 12 years
• motor vehicles	10 years
• computer equipment	3 years

Depreciation methods, useful lives and residual values are reviewed and adjusted as appropriate at end of the reporting period.

(e) Intangible asset

Goodwill

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses.

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

(f) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In 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 the estimated costs necessary to make the sale.

(h) Prepayments paid/received

Prepayments paid and received are stated at cost.

(i) Cash and cash equivalents

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

(j) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

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

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment (cont'd)

(ii) Other assets

The carrying amounts of other assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs 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 or cash-generating units.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or the group of cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(k) Equity instruments

Instruments classified as equity are stated at cost on initial recognition and are not remeasured subsequently.

Repurchase, disposal and reissue of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Equity instruments (cont'd)

Repurchase, disposal and reissue of share capital (cont'd)

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(l) Employee benefits

(i) Short term employee benefits

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

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

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(m) 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.

(n) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, 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, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Revenue and other income (cont'd)

(ii) Rental income

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

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(iv) Finance income

Finance income includes interest income and income from highly liquid investments. Interest income is recognised as it accrues, using the effective interest method in profit or loss. Income from highly liquid investments is recognised when the Group's and the Company's right to receive payment is established.

(o) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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 end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Earnings per ordinary share

The Group presents basic 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, adjusted for own shares held.

(q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Directors of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Factory buildings RM	Machineries, forklifts, plant and equipment RM	Cabin, office equipment, furniture and fittings and renovation RM	Motor vehicles RM	Computer equipment RM	Total RM
Cost							
At 1 January 2010	16,210,622	25,037,992	18,327,131	1,861,023	2,845,049	643,478	64,925,295
Additions	-	90,500	530,112	223,917	1,436,510	59,433	2,340,472
Disposals	-	-	-	(270)	(2,081,815)	-	(2,082,085)
At 31 December 2010/ 1 January 2011	16,210,622	25,128,492	18,857,243	2,084,670	2,199,744	702,911	65,183,682
Additions	-	12,000	1,413,783	49,143	-	124,782	1,599,708
Disposals	-	-	(28,000)	-	-	-	(28,000)
Write off	-	-	-	(19,000)	-	-	(19,000)
At 31 December 2011	16,210,622	25,140,492	20,243,026	2,114,813	2,199,744	827,693	66,736,390

Notes to the Financial Statements (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land RM	Factory buildings RM	Machineries, forklifts, plant and equipment RM	Cabin, office equipment, furniture and fittings and renovation RM	Motor vehicles RM	Computer equipment RM	Total RM
Depreciation and impairment loss							
At 1 January 2010	-	3,545,990	10,222,373	975,631	1,847,623	493,341	17,084,958
Depreciation for the year	-	521,105	1,768,469	198,448	153,349	96,976	2,738,347
Disposals	-	-	-	(22)	(1,375,207)	-	(1,375,229)
Impairment	-	-	-	17,987	-	-	17,987
Accumulated depreciation	-	4,067,095	11,990,842	1,174,057	625,765	590,317	18,448,076
Accumulated impairment loss	-	-	-	17,987	-	-	17,987
At 31 December 2010/1 January 2011	-	4,067,095	11,990,842	1,192,044	625,765	590,317	18,466,063
Depreciation for the year	-	522,632	1,845,435	198,620	125,324	77,893	2,769,904
Disposals	-	-	(17,266)	-	-	-	(17,266)
Write off	-	-	-	(19,000)	-	-	(19,000)
Accumulated depreciation	-	4,589,727	13,819,011	1,371,664	751,089	668,210	21,199,701
Accumulated impairment loss	-	-	-	-	-	-	-
At 31 December 2011	-	4,589,727	13,819,011	1,371,664	751,089	668,210	21,199,701
Carrying amounts							
At 1 January 2010	16,210,622	21,492,002	8,104,758	885,392	997,426	150,137	47,840,337
At 31 December 2010/ 1 January 2011	16,210,622	21,061,397	6,866,401	892,626	1,573,979	112,594	46,717,619
At 31 December 2011	16,210,622	20,550,765	6,424,015	743,149	1,448,655	159,483	45,536,689

Notes to the Financial Statements (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Office equipment RM
Cost	
At 1 January 2010	15,300
Addition	19,000
At 31 December 2010/1 January 2011	34,300
Write off	(19,000)
At 31 December 2011	15,300
Depreciation and impairment loss	
At 1 January 2010	2,286
Depreciation for the year	2,237
Impairment	17,987
Accumulated depreciation	4,523
Accumulated impairment loss	17,987
At 31 December 2010/1 January 2011	22,510
Depreciation for the year	1,224
Write off	(19,000)
Accumulated depreciation	4,734
Accumulated impairment loss	-
At 31 December 2011	4,734
Carrying amount	
At 1 January 2010	13,014
At 31 December 2010/1 January 2011	11,790
At 31 December 2011	10,566

3.1 Factory building

Included in factory building of the Group is a warehouse building costing RM1,069,020 (2010 - RM1,066,020) situated on Temporary Occupation Land ("TOL") and the licence for the TOL is renewable yearly.

Notes to the Financial Statements (cont'd)

4. INTANGIBLE ASSET

	Group	
Goodwill	**2011 RM**	**2010 RM**
Cost		
At 1 January/31December	878,181	878,181
Carrying amount		
At 31 December	878,181	878,181

Impairment testing for cash-generating units 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 5-year (2010: 7 years) projection.
- Revenue was projected at anticipated annual revenue growth of 10% per annum for the first 2 years (2010: 15% per annum for the first year, 10% per annum for the second year) and 5% per annum for the remaining 3 years (2010: 5 years).
- Effective tax rates were projected to be 25% (2010: 25%).
- A discount rate of 7.85% (2010: 7.6%) 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 and based on both external sources and internal sources (historical data).

The Group will not suffer any impairment loss even if the above estimates experienced the following changes:

- An increase in (2010: 1%) in the discount rate;
- A (2010: 10%) decrease in future projected revenue.

Notes to the Financial Statements (cont'd)

5. INVESTMENT PROPERTIES

	Note	Group 2011 RM	Group 2010 RM
Cost			
At 1 January		552,796	1,630,795
Disposal		-	(1,077,999)
Write off	5.1	(552,796)	-
At 31 December		-	552,796
Depreciation and impairment loss			
Accumulated depreciation		42,854	31,798
Accumulated impairment loss		509,942	290,000
At 1 January		552,796	321,798
Depreciation for the year		-	11,056
Disposal		-	(290,000)
Write off	5.1	(552,796)	-
Impairment	5.1	-	509,942
Accumulated depreciation		-	42,854
Accumulated impairment loss		-	509,942
At 31 December		-	552,796
Carrying amount			
At 31 December		-	-
Included above are:			
Freehold land		-	-
Building		-	-
		-	-
Fair value			
At 31 December		-	-

Notes to the Financial Statements (cont'd)

5. INVESTMENT PROPERTIES (CONT'D)

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

	Group 2011 RM	Group 2010 RM
Rental income	16,000	96,000
Direct operating expenses		
- income generating investment properties	(3,380)	(5,516)
- non-income generating investment properties	-	(6,749)

5.1 In 2010, the license for the Temporary Occupation Land ("TOL") where a building is situated has been recalled by the Government and the Group has returned the TOL to the Government in February 2011. The building has been fully impaired in year 2010 and was written off during the year.

6. INVESTMENT IN SUBSIDIARIES

	Note	Company 2011 RM	Company 2010 RM
Unquoted shares, at cost	6.1	41,557,970	41,557,970
Less: Impairment loss	6.2	(6,821,470)	(3,228,484)
		34,736,500	38,329,486

6.1 Details of the subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Effective ownership interest 2011	Effective ownership interest 2010
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%

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.1 Details of the subsidiaries are as follows: (cont'd)

Name of company	Principal activities	Country of incorporation	Effective ownership interest 2011	Effective ownership interest 2010
Lim Ket Leng Marketing Sdn. Bhd.	Marketing of timber-related products	Malaysia	100%	100%
CScenic Agro Marketing Sdn. Bhd.	Dormant	Malaysia	76%	76%

6.2 The impairment loss for the year is mainly recognised in respect of the investment in Classic Frame Moulding (M) Sdn. Bhd. and Scenic Moulding (M) Sdn. Bhd.

7. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2011 RM	2010 RM
Non-trade	20,648,856	24,658,585
Less: Allowance for impairment loss	(523,358)	(523,358)
	20,125,498	24,135,227

The amount due from subsidiaries is non-trade in nature, unsecured and interest free. The settlement of the amount is neither planned nor likely to occur in the foreseeable future. As this amount is, in substance, a part of the entity's net investment in the subsidiaries, it is stated at cost less accumulated impairment losses.

8. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
Trade					
Trade receivables	23.4	5,362,778	6,964,123	-	-
Less: Allowance for impairment loss	23.4	(591,329)	(591,329)	-	-
	23.4	4,771,449	6,372,794	-	-
Non-trade					
Other receivables and deposits		307,220	605,154	4,000	4,000
Fair value through profit or loss financial assets	8.1	-	184,502	-	-
		5,078,669	7,162,450	4,000	4,000

8.1 Fair value through profit or loss financial assets comprise mark-to-market gains on forward foreign exchange contracts.

Notes to the Financial Statements (cont'd)

9. PREPAYMENTS PAID

Prepayments paid mainly relate to advance payments made to suppliers.

10. INVENTORIES

	Group 2011 RM	Group 2010 RM
At cost:		
Raw materials	19,452,536	16,606,790
Work-in-progress	4,714,179	5,437,950
Finished goods	1,959,177	1,991,529
	26,125,892	24,036,269

Inventories recognised as cost of sales during the year amounted to RM34,933,315 (2010: RM38,413,490).

11. CASH AND CASH EQUIVALENTS

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Cash and bank balances	4,449,023	4,147,459	397	654
Highly liquid investments with non-bank financial institution				
- redeemable at call	2,189,280	3,027,656	1,998,346	43,861
- redeemable upon 7 days notice	12,489,156	13,328,575	8,825,379	6,879,315
	19,127,459	20,503,690	10,824,122	6,923,830

The Directors regard the highly liquid investments as cash and cash equivalents in view of its high liquidity and insignificant changes in values.

Notes to the Financial Statements (cont'd)

12. CAPITAL AND RESERVES

12.1 Share capital

	Group and Company			
	Amount 2011 RM	Number of shares 2011	Amount 2010 RM	Number of shares 2010
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	60,249,870	120,499,740	60,249,870	120,499,740

12.2 Share premium

The reserve comprises the premium paid on subscription of shares in the Company over and above par value of the shares.

12.3 Treasury shares

The shareholders of the Company, by a special resolution passed in a general meeting held on 10 June 2008, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

For the financial year ended 31 December 2008, the Company repurchased 499,000 ordinary shares of its issued share capital from the open market at an average price of RM0.62 per ordinary share. The total consideration paid was RM311,438. The repurchase transactions were financed by internally generated funds. The shares repurchased are retained as treasury shares. There were no repurchase of own shares during the financial year.

12.4 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 all of its distributable retained earnings at 31 December 2011 if paid out as dividends.

The Finance Act 2007 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.

Notes to the Financial Statements (cont'd)

13. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

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

Group	Assets 2011 RM	Assets 2010 RM	Liabilities 2011 RM	Liabilities 2010 RM	Net 2011 RM	Net 2010 RM
Property, plant and equipment	-	-	3,652,848	3,114,924	3,652,848	3,114,924
Other temporary differences	(164,000)	(230,687)	-	800,127	(164,000)	569,440
Tax (assets)/liabilities	(164,000)	(230,687)	3,652,848	3,915,051	3,488,848	3,684,364
Set off of tax	164,000	230,687	(164,000)	(230,687)	-	-
Net tax liabilities	-	-	3,488,848	3,684,364	3,488,848	3,684,364

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 2010	3,016,642	699,758	3,716,400
Recognised in profit or loss	98,282	(130,318)	(32,036)
At 31 December 2010/1 January 2011	3,114,924	569,440	3,684,364
Recognised in profit or loss	537,924	(733,440)	(195,516)
At 31 December 2011	3,652,848	(164,000)	3,488,848

14. TRADE AND OTHER PAYABLES

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Trade					
Trade payables		986,431	2,109,207	-	-
Non-trade					
Other payables and accruals		1,872,717	1,898,155	90,200	90,300
Fair value through profit or loss financial liabilities	14.1	39,501	-	-	-
		2,898,649	4,007,362	90,200	90,300

14.1 Fair value through profit or loss financial liabilities comprise mark-to-market losses on forward foreign exchange contracts.

Notes to the Financial Statements (cont'd)

15. PREPAYMENTS RECEIVED

Prepayments received relate to advance payments from customers.

16. REVENUE

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Sales of goods	52,259,291	56,777,096	-	-
Dividend income	-	-	11,400,000	12,300,000
	52,259,291	56,777,096	11,400,000	12,300,000

17. INCOME TAX EXPENSE

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Current tax expense				
Malaysian - current year	2,833,992	1,237,516	650,000	1,825,000
- prior year	(38,643)	3,862	(26,536)	3,910
	2,795,349	1,241,378	623,464	1,828,910
Deferred tax (reversal)/expense				
Origination and reversal of temporary differences	(124,863)	(406,050)	-	-
(Over)/Underprovision in prior year	(70,653)	374,014	-	-
	(195,516)	(32,036)	-	-
	2,599,833	1,209,342	623,464	1,828,910
Reconciliation of tax expense				
Profit before tax	11,907,288	13,063,623	7,746,519	10,051,739
Tax at 25%	2,976,822	3,265,905	1,936,630	2,512,935
Non-deductible expenses	170,257	152,064	951,026	571,420
Tax exempt income	(294,950)	(2,417,016)	(2,237,656)	(1,259,355)
Tax incentives	(143,000)	(169,487)	-	-
	2,709,129	831,466	650,000	1,825,000
(Over)/Underprovision in prior year	(109,296)	377,876	(26,536)	3,910
	2,599,833	1,209,342	623,464	1,828,910

Notes to the Financial Statements (cont'd)

18. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Directors emoluments:				
Fees - Company Directors	36,000	36,000	36,000	36,000
Remuneration	1,342,356	1,384,504	-	-
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	91,500	87,313	19,500	19,500
	1,469,856	1,507,817	55,500	55,500
Other key management personnel:				
Remuneration	817,336	834,909	-	-
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	16,600	14,175	-	-
	833,936	849,084	-	-
	2,303,792	2,356,901	55,500	55,500

Other key management personnel comprise 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.

19. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Profit and total comprehensive income for the year is arrived at after charging:				
Audit fees	82,000	82,000	20,000	20,000
Non-audit fees	15,000	15,000	15,000	15,000
Depreciation of:				
- investment properties	-	11,506	-	-
- property, plant and equipment	2,769,904	2,738,347	1,224	2,237
Impairment loss on:				
- investment in subsidiaries	-	-	3,592,986	2,081,060
- investment properties	-	509,942	-	-
- property, plant and equipment	-	17,987	-	17,987
Loss on foreign exchange:				
- realised	508,354	398,337	-	-
- unrealised	540,463	712,574	-	-
Personnel expenses (including key management personnel):				
- contribution to Employees Provident Fund	675,852	663,715	-	-
- wages, salaries and others	11,387,819	11,805,713	-	-

Notes to the Financial Statements (cont'd)

19. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR (CONT'D)

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
and after crediting:				
Dividend income from subsidiaries	-	-	11,400,000	12,300,000
Gain on disposal of:				
- investment property	-	669,449	-	-
- property, plant and equipment	3,266	7,945	-	-
Gain on foreign exchange:				
- realised	1,353,733	1,619,242	-	-
- unrealised	268,921	184,502	-	-
Rental income from investment property	16,000	96,000	-	-
Reversal of impairment loss on:				
- trade receivables	-	43,845	-	-
- amount due from subsidiaries	-	-	-	40,000

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	
	2011 RM	2010 RM
Profit for the year attributable to owners	9,307,455	11,854,281

Weighted average number of ordinary shares

	Group	
	2011	2010
Issued ordinary shares at beginning of the year	120,499,740	120,499,740
Effect of treasury shares held	(499,000)	(499,000)
Weighted average number of ordinary shares	120,000,740	120,000,740

	Group	
	2011 sen	2010 sen
Basic earnings per ordinary share	7.76	9.88

Notes to the Financial Statements (cont'd)

21. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per ordinary share (net of tax/ tax exempt*)	Total amount RM	Date of payment
2011			
Second interim 2010 ordinary			
net of tax	3.75	4,500,028	19 May 2011
tax exempt*	1.25	1,500,009	19 May 2011
First interim 2011 ordinary*	4.00	4,800,029	15 November 2011
		10,800,066	
2010			
First and final 2009 ordinary*	7.00	8,400,052	8 July 2010
First interim 2010 ordinary*	4.00	4,800,029	16 November 2010
		13,200,081	

On 29 February 2012, the following dividends were declared by the Directors. These dividends will be recognised in the subsequent financial period.

	Sen per ordinary share (net of tax/ tax exempt*)	Total amount RM
Second interim 2011 ordinary		
net of tax	2.25	2,700,016
tax exempt*	2.00	2,400,015
		5,100,031

22. OPERATING SEGMENTS

The Group has three reportable segments, which represents the business activities of the Group in different geographical locations. The Group carries out different business activities and adopts different business strategies in carrying out its business in different geographical locations. For each of the geographical locations, the Group's Executive Directors ("ED") review internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segment:-

Reportable segment	Principal business activities
North America	Sales of wooden picture frame
Australia	Sales of wooden picture frame
Malaysia	Sales and manufacturing of wooden picture frame and other timber products and purchasing of timber

The above reportable segment of the Group is primarily confined within one business, which is the manufacturing and sales of wooden picture frame.

Non-reportable segments comprise operations relating to the sales of wooden picture frame in the region of Europe, Japan and Singapore.

Segment revenue

Performance is measured based on segment revenue as included in the internal management reports that are reviewed by the Group's ED, who are collectively the Group's chief operating decision maker. Segment revenue is used to measure performance as management believes that such information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same geographical location.

Segment profit is not used to measure the performance of the respective segment and not included in the internal management reports that are reviewed by the ED. The necessary information to disclose segment profit is also not available and it is not practicable to incur excessive cost to develop the information.

Segment trade receivables

The total of segment asset is measured based on trade receivables of the respective segment. The trade receivables relating to the respective segment is included in the internal management report to the Group's ED. Segment trade receivables are used to evaluate the credit risk and foreign currency fluctuation risk exposure arising from trade receivables by different geographical locations.

Segment asset is not used to measure the financial position of the respective segment and not included in the internal management reports that are reviewed by the ED, as all assets within the Group, other than trade receivables, are attributed to the business activities in Malaysia.

Notes to the Financial Statements (cont'd)

22. OPERATING SEGMENTS (CONT'D)

	North America		Australia		Malaysia		Total	
	2011 RM	2010 RM	2011 RM	2010 RM	2011 RM	2010 RM	2011 RM	2010 RM
Segment revenue *	38,765,828	42,395,086	4,814,589	5,384,630	3,136,328	3,365,768	46,716,745	51,145,484
Included in measurement of segment revenue are:								
Revenue from external customers	38,765,828	42,395,086	4,814,589	5,384,630	3,136,328	3,365,768	46,716,745	51,145,484
Segment trade receivables #	3,292,271	4,268,692	313,630	493,275	692,344	911,566	4,298,245	5,673,533

* Segment profit is not disclosed as it is not used to measure the performance of the respective segment and not included in the internal management reports that are reviewed by the ED. The necessary information to disclose segment profit is also not available and it is not practicable to incur excessive cost to develop the information.

Segment asset is not disclosed as it is not used to measure the financial position of the respective segment and not included in the internal management reports that are reviewed by the ED as all assets within the Group, other than trade receivables, are attributed to the business activities in Malaysia.

Reconciliation of reportable segment revenue, assets and other material items

2011	External revenue RM	Depreciation RM	Finance income RM	Gain on disposal of non-current assets other than financial instruments RM	Impairment losses RM	Segment trade receivables RM
Total reportable segment	46,716,745	(2,769,904)	434,650	3,266	-	4,298,245
Other non-reportable segment	5,542,546	-	-	-	-	473,204
Consolidated total	52,259,291	(2,769,904)	434,650	3,266	-	4,771,449
2010						
Total reportable segment	51,145,484	(2,749,853)	391,858	677,394	(527,929)	5,673,533
Other non-reportable segment	5,631,612	-	-	-	-	699,261
Consolidated total	56,777,096	(2,749,853)	391,858	677,394	(527,929)	6,372,794

Notes to the Financial Statements (cont'd)

22. OPERATING SEGMENTS (CONT'D)

Major customers

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

	Revenue 2011 RM	Revenue 2010 RM	Segment
Customer A	9,613,118	9,348,276	North America
Customer B	7,600,212	10,168,298	North America
Customer C	7,046,933	8,716,183	North America

23. FINANCIAL INSTRUMENTS

23.1 Categories of financial instruments

As at the end of the reporting period, the Group has the following financial instruments:-

	Carrying amounts 2011 RM	Carrying amounts 2010 RM
Financial assets		
Trade and other receivables	5,078,669	7,162,450
Cash and cash equivalents	19,127,459	20,503,690
	24,206,128	27,666,140
Financial liabilities		
Trade and other payables	2,898,649	4,007,362

All financial assets are categorised as loans and receivables. All financial liabilities are categorised as other financial liabilities measured at amortised cost.

23.2 Net gains and losses arising from financial instruments

	2011 RM	2010 RM
Net gains arising on loans and receivables	1,008,487	1,128,536

Notes to the Financial Statements (cont'd)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

23.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and highly liquid investments with non-bank financial institution.

Trade receivables

Risk management objectives, policies and processes for managing the risk

In mitigating this risk, the management has established credit management procedures and had carried out a review over the Group's exposure to credit risk.

Exposure to credit risk, credit quality and collaterals

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

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable value. A significant portion of these trade receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis and past payment trend analysis to monitor the credit quality of the trade receivables. Any trade receivables having significant balances due more than 30 days (2010: 30 days) and have exceeded their usual payment trend will be monitored individually.

The trade receivables of the Group are unsecured.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographical region was:

	2011 RM	2010 RM
North America	3,380,479	4,356,900
Australia	313,630	493,275
Japan	219,735	421,594
Europe	253,469	267,999
Singapore	-	9,668
Malaysia	1,195,465	1,414,687
	5,362,778	6,964,123

23. FINANCIAL INSTRUMENTS (CONT'D)

23.4 Credit risk (cont'd)

Trade receivables (cont'd)

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

	Note	Gross RM	Individual impairment RM	Net RM
2011				
Not past due		2,767,309	-	2,767,309
Past due less than 30 days		1,547,943	-	1,547,943
Past due 31-120 days		456,197	-	456,197
Past due more than 120 days		591,329	(591,329)	-
	8	5,362,778	(591,329)	4,771,449
2010				
Not past due		3,383,609	-	3,383,609
Past due less than 30 days		2,247,273	-	2,247,273
Past due 31-120 days		701,044	-	701,044
Past due more than 120 days		632,197	(591,329)	40,868
	8	6,964,123	(591,329)	6,372,794

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

	2011 RM	2010 RM
At 1 January	591,329	635,174
Impairment losses reversed	-	(43,845)
At 31 December	591,329	591,329

During the year, no impairment loss was recognised for trade receivables past due equal or more than 30 days (2010: 30 days) as subsequent payments have been fully received as of the date of this report.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the trade receivable directly.

Notes to the Financial Statements (cont'd)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.4 Credit risk (cont'd)

Highly liquid investments with non-bank financial institution

Risk management objectives, policies and processes for managing the risk

Investments of the Group and the Company are restricted to highly liquid investments with an insignificant risk of changes in value.

Exposure to credit risk, credit quality and collaterals

As at the end of the reporting period, the Group and the Company have only placed highly liquid investments domestically. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view that investments are only restricted to highly liquid investments with an insignificant risk of changes in value placed with counterparty with sound credit rating, management does not expect the counterparty to fail to meet its obligation.

The highly liquid investments with non-bank financial institution of the Group and the Company are not pledged as security.

As at the end of the reporting period, there is no indication that the highly liquid investments with non-bank financial institution are not recoverable.

23.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its trade and other payables.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance its operations and mitigate the effects of fluctuations in the cash flows.

Maturity analysis

The contractual cash flows of the Group's financial liabilities as at the end of the reporting period approximates the respective carrying amount, do not bear any contractual interest rate and are expected to be settled within 1 year.

23. FINANCIAL INSTRUMENTS (CONT'D)

23.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates will affect the Group's financial position or cash flows.

Currency risk

The Group is exposed to foreign currency risk on sales that are denominated in a currency other than the functional currency of Group. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Euro Dollar ("EUR") and Japanese Yen ("YEN").

Risk management objectives, policies and processes for managing the risk

The Group performs ongoing review over its exposure to foreign currency risk and manage the risk by hedging its foreign currency denominated trade receivables, trade payables and estimated foreign currency exposure in respect of forecast sales and forecast purchases over the following three to six months. The hedge percentage for the foreign currency is reviewed and determined by the management periodically. The Group uses forward foreign exchange contracts to hedge its foreign currency risk. Forward foreign exchange contracts used by the Group have maturities of less than one year after the end of the reporting period. Where necessary, the forward foreign exchange contracts are rolled over at maturity.

Exposure to foreign currency risk

The Group's significant exposure to foreign currency (a currency which is other than the functional currency of the Group) risk, based on carrying amounts as at the end of the reporting period was:

	2011 Denominated in			2010 Denominated in		
	USD	**EUR**	**YEN**	**USD**	**EUR**	**YEN**
In RM						
Trade receivables	3,605,901	253,469	219,735	4,761,967	267,999	421,594
Cash and cash equivalents	2,131,809	770,031	233,904	2,874,145	460,909	19,338
Trade payables	(234,148)	(94,339)	-	(208,074)	(39,159)	-
Forward foreign exchange contracts	(37,935)	-	(1,566)	192,759	(11,612)	3,355
Net exposure	5,465,627	929,161	452,073	7,620,797	678,137	444,287

Notes to the Financial Statements (cont'd)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.6 Market risk (cont'd)

Currency risk sensitivity analysis

A 5 percent strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have decreased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss	
	2011 RM	2010 RM
USD	206,384	278,552
EUR	34,844	25,865
YEN	17,012	16,535

A 5 percent weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

23.7 Fair values of financial instruments

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

23.8 Fair value hierarchy

Comparative figures have not been presented for 31 December 2010 by virtue of the exemption provided in paragraph 44G of FRS 7.

Financial instruments carried at fair value are analysed by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group does not have any financial instruments carried at fair value as at 31 December 2011 other than fair value through profit or loss financial liabilities relating to forward foreign exchange contracts. The fair value through profit or loss financial liabilities relating to forward foreign exchange contracts are categorise as Level 2 fair value measurement financial instruments.

24. CAPITAL COMMITMENTS

	Group	
	2011 RM	**2010 RM**
Capital expenditure commitments		
Property, plant and equipment contracted but not provided for in the financial statements	21,992	562,038

25. CAPITAL MANAGEMENT

The Group's objective when managing capital is to maintain an optimal capital structure and safeguard the Group's ability to continue as a going concern, so as to safeguard shareholder's interest within the Group.

The Group's strategy for capital management is to mitigate unnecessary debts obligation and funding cost. There were no changes to the Group's capital management strategy during the year.

The Group did not have any debt obligation as at the end of the reporting period.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

26. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control 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 of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

Notes to the Financial Statements (cont'd)

26. RELATED PARTIES (CONT'D)

Identity of related parties (cont'd)

The significant related party transactions of the Group and Company, other than key management personnel compensation as disclosed in Note 18 to the financial statements, are as follows:

	Transaction amount for the year ended 31 December			
	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Subsidiaries				
Management fees paid to a subsidiary	-	-	25,000	25,000
Dividend income received from a subsidiary	-	-	(11,400,000)	(12,300,000)
A Director				
Disposal of a motor vehicle	-	53,000	-	-
Holding company				
Dividend paid	6,813,174	8,327,212	6,813,174	8,327,212

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

	Balance outstanding at 31 December			
	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Amount due from subsidiaries	-	-	20,125,498	24,135,227

All transactions and outstanding balances are expected to be settled in cash by the related parties.

27. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2011, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
The retained earnings of the Company and its subsidiaries				
- Realised	53,969,465	59,439,365	5,395,996	9,073,007
- Unrealised	(1,458,293)	(1,432,405)	-	-
	52,511,172	58,006,960	5,395,996	9,073,007
Less: Consolidation adjustments	(21,870,411)	(25,873,588)	-	-
Total group retained earnings as per consolidated accounts	30,640,761	32,133,372	5,395,996	9,073,007

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 28 to 70 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 27 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Lim Chee Keong

Lim Chee Hwa

Petaling Jaya,

Date: 23 April 2012

Statutory Declaration

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

I, **Lim Chee Hwa**, the Director primarily responsible for the financial management of Classic Scenic Berhad, do solemnly and sincerely declare that the financial statements set out on pages 28 to 71 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 Petaling Jaya on 23 April 2012.

Lim Chee Hwa

Before me:

Independent Auditors' Report
to the members of Classic Scenic Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Classic Scenic Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 28 to 70.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report (cont'd)

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 27 on page 71 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Ow Peng Li
Approval Number: 2666/09/13(J)
Chartered Accountant

Petaling Jaya,

Date: 23 April 2012

Analysis of Shareholdings
as at 23 April 2012

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	:	1,687
Voting rights	:	1 vote per ordinary share
No. of Treasury shares held	:	499,000 ordinary shares of RM0.50 each

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Share Held	%
Less than 100 shares	14	0.83	780	0.00
100 - 1,000 shares	265	15.71	85,340	0.07
1,001 - 10,000	903	53.53	4,466,440	3.72
10,001 - 100,000	453	26.85	13,835,580	11.53
100,001 to less than 5% of issued shares	50	2.96	30,710,671	25.60
5% and above of issued shares	2	0.12	70,901,929	59.08
Total	1,687	100.00	120,000,740	100.00

LIST OF THIRTY LARGEST SHAREHOLDERS

	Name	No. of Shares Held	%
1.	Lim Ket Leng Holding Sdn. Bhd.	59,399,929	49.50
2.	Lim Ket Leng Holding Sdn. Bhd.	11,502,000	9.58
3.	Lim Ket Leng Holding Sdn. Bhd.	4,800,000	4.00
4.	Lim Chee Beng	3,163,360	2.64
5.	Ang Toon Chew & Sons (Malaysia) Sendirian Berhad	2,400,000	2.00
6.	Chung Sook Cheng	2,000,000	1.67
7.	Chin Sim Yee	1,393,500	1.16
8.	Lim Jeng Dong	1,374,091	1.15
9.	Ong Ken Sim	1,130,000	0.94
10.	Moh Woon Chiow	988,000	0.82
11.	Chung Sook Lai	929,500	0.77
12.	Ng Chin Peng	923,860	0.77
13.	Yap Teong Peng	872,000	0.73
14.	Lim Soong Hwatt	750,000	0.62
15.	Ah Hong Wing	719,000	0.60
16.	Shoptra Jaya (M) Sdn. Bhd.	710,000	0.59

Analysis of Shareholdings (cont'd)

LIST OF THIRTY LARGEST SHAREHOLDERS (CONT'D)

	Name	No. of Shares Held	%
17.	Heng Gek Imm	567,200	0.47
18.	Lim Jeng Liang	524,080	0.44
19.	Yu Weng Keong	500,040	0.42
20.	Cheng Sow @ Cheng Lai Chee	500,000	0.42
21.	Lim Kwee Huay	341,040	0.28
22.	Lee Chee Kok	339,800	0.28
23.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt An for Merrill Lynch Pierce Fenner & Smith Incorporated (Foreign)	320,000	0.27
24.	Ming Yau Chuan	310,000	0.26
25.	Ong Hab Tong @ Ong Hup Thong	300,000	0.25
26.	Ng Chin Peng	300,000	0.25
27.	Chong Man Kiyau	298,400	0.25
28.	Chong Man Kiyau	290,000	0.24
29.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Oye Chee Peng (E-KPG)	257,900	0.21
30.	Loi Hean Sing	256,600	0.21
		98,160,300	81.80

SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders)

	No. of ordinary Shares of RM0.50 Each			
Name of Substantial Shareholders	Direct	%	Indirect	%
Lim Ket Leng Holding Sdn. Bhd.	75,701,929	63.08	-	-
Lim Chee Keong	-	-	*78,188,500	65.16
Lim Chee Khoon	-	-	*75,801,929	63.17

* 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.

Analysis of Shareholdings (cont'd)

STATEMENT OF DIRECTORS' SHAREHOLDINGS

	No. of ordinary Shares of RM0.50 Each			
Directors' Name	Direct	%	Indirect	%
Lim Chee Keong	-	-	*78,188,500	65.16
Lim Chee Khoon	-	-	*75,801,929	63.17
Lim Chee Hwa	-	-	-	-
Lim Chee Beng	3,163,360	2.64	#2,000,000	1.67
Yeh Sau Tou	74,400	0.06	-	-
Au Thin Ann @ Low Teen Ann	48,000	0.04	#36,000	0.03
Lee Kong Weng	20,800	0.02	#4,800	0.00

* 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 and/or children's interest by virtue of Section 134(12)(c) of the Companies Act, 1965.

List of Properties

No.	Title and Location	Description and Existing Use	Tenure / Approx. Age of Buildings	Land Area / Built-up Area (Square feet)	Net Book Value as at 31 December 2011 (RM)	Date of acquisition / approval
1	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 / 17 years	76,209 / 69,369	5,170,294	25.03.1991 (acquisition)
2	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 / 14 years	76,058 / 65,383	5,432,098	03.01.1992 24.08.1994 (acquisition)
3	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 / 7 years	94,422 / 70,347	6,182,988	19.07.2002 (acquisition)
4	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 / 10 years	98,631 / 106,692	8,634,099	21.04.1999 (acquisition)
5	Lot 13, Jalan RP3, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan held under GRN 86309, Lot 191 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 / 11 years	76,478 / 60,500	5,381,827	08.01.1999 (acquisition)
6	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 and warehouse premises for the manufacturing of wooden picture frame moulding	Freehold / 4 years	79,739 / 74,261	5,036,824	25.01.2006 (acquisition)
7	Lot 2375, Jalan RP3, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan.	Factory complex and warehouse for storing of wooden picture frame moulding	Temporary Occupation License Yearly renewal / 8 years	23,400 / 22,435	923,256	24.9.2002 (approval)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting of the Company will be held at the Kiara Room, Sri Damansara Club Berhad, Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur on Thursday, 7 June 2012, 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 2011 together with the Reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To approve the Directors' fees of RM36,000 (2010: RM36,000/-) in respect of the year ended 31 December 2011. **(Resolution 2)**

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

(a)	Mr. Lim Chee Beng	Article 92	**(Resolution 3)**
(b)	Mr. Lim Chee Hwa	Article 92	**(Resolution 4)**
(c)	Mr. Lee Kong Weng	Article 97	**(Resolution 5)**

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

5. As Special Business:-
To consider and, if thought fit, to pass the following resolutions:-

(a) Ordinary Resolution **(Resolution 7)**
Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

"THAT subject always to the Companies Act, 1965, Articles of Association of the Company and approvals of the relevant governmental/regulatory bodies where such approvals shall be necessary, the Directors be and are hereby authorised and empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the Company at any time until the conclusion of the next annual general meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital for the time being of the Company and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad ("Bursa Securities")."

(b) Special Resolution **(Resolution 8)**
Proposed Amendments to the Company's Articles of Association ("Proposed Amendments")

"**THAT** the proposed amendments to the Company's Articles of Association as set out in Appendix I on page 81 of the Annual Report be and are hereby approved and adopted;

AND THAT the Directors and/or Secrteary be and are hereby authorised to take all such steps as are necessary and expedient in order to implement, finalise and give full effect to the Proposed Amendments."

Notice of Annual General Meeting (cont'd)

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

BY ORDER OF THE BOARD,

SHA THIAM FOOK (MIA 1832)
CHOW CHOOI YOONG (MAICSA 0772574)
Company Secretaries

Kuala Lumpur
14 May 2012

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. **General Meeting Record of Depositors**
For purposes of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 47(C) of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Securities, a Record of Depositors as at 31 May 2012 and a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his stead.

6. **Explanatory Notes on Special Business**

(a) **Resolution pursuant to Section 132D of the Companies Act, 1965**
Resolution No. 7 proposed under item 5(a) is to seek a renewal of the general mandate for the issue of new ordinary shares pursuant to Section 132D of the Companies Act, 1965 which was approved by shareholders at the last year's AGM. There was no issuance of new shares during the year.

The proposed Resolution No. 7, if passed, will empower the Directors of the Company to issue and allot new shares in the Company at any time and for such purposes as the Directors considered would be in the interests of the Company up to an aggregate not exceeding 10% of the issued share capital of the Company without convening a general meeting. This authority unless revoked or varied at a general meeting will expire at the next AGM.

The renewal mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding investment project(s), working capital and/or acquisition.

(b) **Resolution pursuant to Proposed Amendments to the Company's Articles of Association**
Resolution No. 8 proposed as a Special Resolution under item 5(b), if passed, will streamline the Company's Articles of Association to be aligned with the recent amendments made to Chapter 7 of the Main Market Listing Requirements of Bursa Securities.

Notice of Annual General Meeting (cont'd)

Appendix I

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Proposed Amendments are to comply with the amendments made to Chapter 7 of the Listing Requirements ("LR") in relation to the following:-

(a) Appointment of multiple proxies by an exempt authorised nominee; and
(b) Qualification of proxy.

The details of the Proposed Amendments are set out below:-

The existing Articles of the Company are amended by the alterations, modifications, deletions and/or additions, wherever necessary whereby the affected existing Articles are reproduced hereunder alongside with the amended Articles of the Company:-

EXISTING ARTICLES		PROPOSED AMENDMENTS TO THE ARTICLES		RATIONALE
Article 2 Interpretation		**Article 2 Interpretation**		
Words & Expressions	**Meanings**	**Words & Expressions**	**Meanings**	
No provision		**Exempt authorised nominee**	**An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.**	Pursuant to Paragraph 7.21(2) of the LR
Article 68 (A) The instrument appointing a proxy shall be in writing signed by the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or signed by an officer or attorney so authorised. A proxy may, but need not, be a Member of the Company. A Member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. A Member may appoint up to two (2) proxies. Where two (2) proxies are appointed, the Member shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.		**Article 68 (A)** The instrument appointing a proxy shall be in writing signed by the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or signed by an officer or attorney so authorised. **A member of a Company entitled to attend and vote at a meeting of a Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy.** A Member may appoint up to two (2) proxies. Where two (2) proxies are appointed, the Member shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid. **A proxy appointed to attend and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.**		Pursuant to Paragraph 7.21(A) of the LR
Article 68 (B) Any Member of the Company that is an authorised nominee as defined under the Central Depositories Act may appoint at least one (1) proxy in respect of each securities account held by it with ordinary shares of the Company standing to the credit of the said securities account.		**Article 68(B)** **Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.**		Pursuant to Paragraph 7.21(1) of the LR

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Proxy Form

CLASSIC SCENIC BERHAD
(633887-M)
(Incorporated in Malaysia)

I/We ____
(FULL NAME IN BLOCK LETTERS)

of ____
(ADDRESS)

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

____
(FULL NAME)

of ____
(ADDRESS)

or failing him/her, ____
(FULL NAME)

of ____
(ADDRESS)

or failing him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the NINTH ANNUAL GENERAL MEETING of the Company to be held at the Kiara Room, Sri Damansara Club Berhad, Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur on Thursday, 7 June 2012, 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.	Approval of Directors' fees		
3.	Re-election of Mr. Lim Chee Beng as director		
4.	Re-election of Mr. Lim Chee Hwa as director		
5.	Re-election of Mr. Lee Kong Weng as director		
6.	Re-appointment of Messrs. KPMG as Auditors		
7.	Ordinary Resolution Authority to issue shares pursuant to Section 132D of the Companies Act, 1965		
8.	Special Resolution Proposed Amendments to the Company's Articles of Association		

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

Dated this ______________ day of ______________ 2012

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.
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. **General Meeting Record of Depositors**
   For purposes of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 47(C) of the Articles of Association of the Company and Paragraph 7.16(2) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, a Record of Depositors as at 31 May 2012 and a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his stead.

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Affix
Stamp

THE COMPANY SECRETARY

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

fold here

CLASSIC SCENIC BERHAD (633887-M)

Lot 12, Jalan RP3, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan.
Tel : 03-6091 7477 • Fax : 03-6091 6766

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