

Annual Report **2014**



CLASSIC SCENIC BERHAD  
(633887-M)

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



*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.*





## 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.

## 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.



CLASSIC SCENIC BERHAD  
(633887-M)

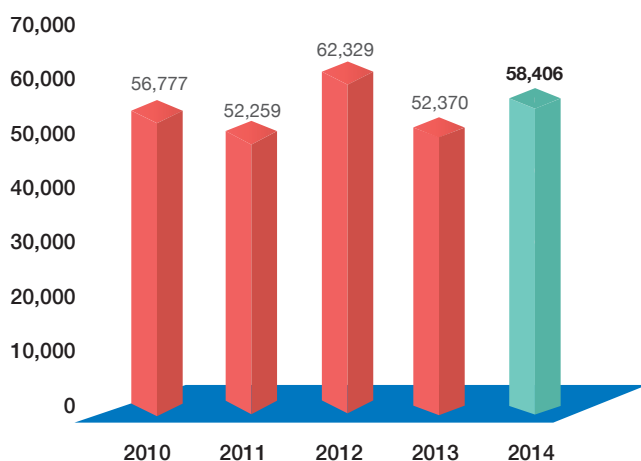
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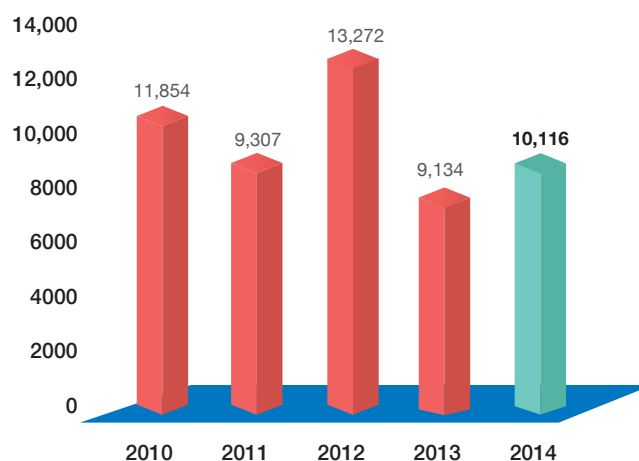
# FINANCIAL HIGHLIGHTS

	2014	2013	2012	2011	2010
Revenue (RM'000)	58,406	52,370	62,329	52,259	56,777
Profit Before Tax (RM'000)	13,344	12,091	17,100	11,907	13,064
Profit After Tax (RM'000)	10,116	9,134	13,272	9,307	11,854
Net Earnings Per Share (sen)	8.40	7.58	11.04	7.76	9.88
Net Dividend Per Share (sen)	8.00	8.00	10.50	8.25	9.00
Dividend Payout Ratio (%)	95.3	105.5	95.3	106.4	91.1
Net Asset Per Ordinary Share (sen)	79.2	78.9	81.3	78.6	77.0

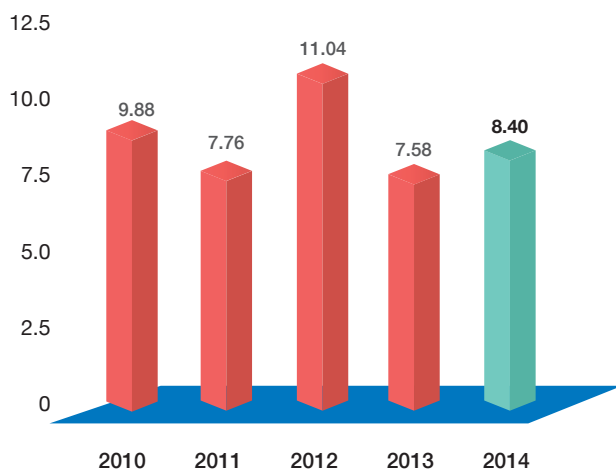
**REVENUE**  
(RM'000)



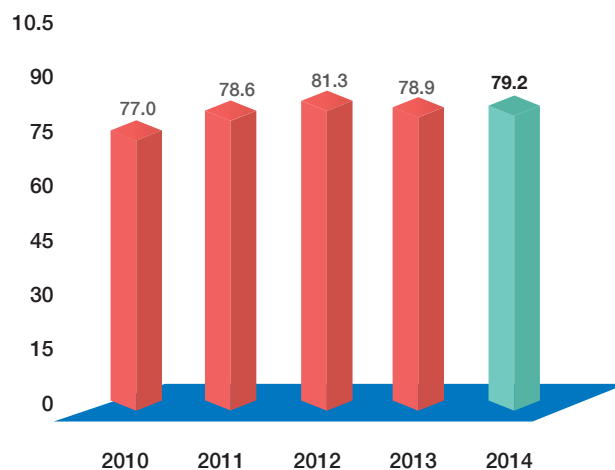
**PROFIT AFTER TAX**  
(RM'000)

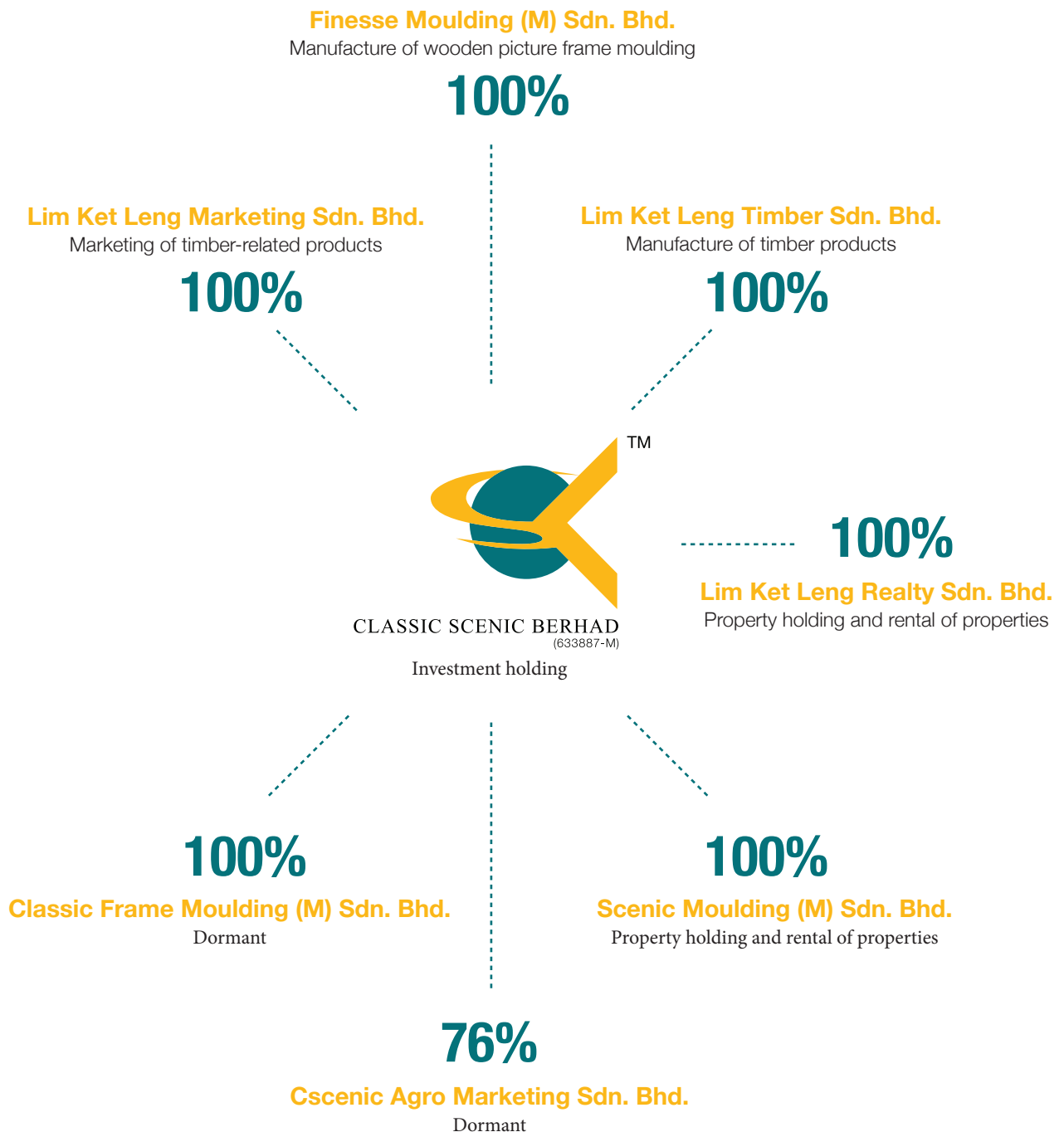


**NET EARNINGS PER SHARE**  
(SEN)



**NET ASSET PER ORDINARY SHARE**  
(SEN)





## 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 2014.

-Classic Scenic Berhad Chairman-

It was indeed another challenging year in 2014 with moderate recovery and growth in the advanced countries remaining relatively low. In the USA, there was a temporary setback in the first quarter of 2014. However the economic activity in the remaining quarters continued to gain momentum, with the strengthening of the housing sector and an improving job market. In the Euro region, growth remained subdued as the sluggish labour market, low demand and high debt continued to strain economies. This has exerted financial stress among manufacturers in the wooden picture frame moulding industry, resulting in many less resilient manufacturers winding down business in recent years. The Group however, rode on these macro opportunities and continued staying focused in increasing and maintaining market share by introducing innovative and marketable products proactively and diligently.

In 2014, the Malaysian Ringgit fell against US Dollar by approximately 6% amid market expectations that a sooner than expected rise in US Federal funds rate would lead to an outflow of funds from regional financial markets, dragging down the Ringgit along with other regional currencies. In addition, the slumping global oil prices further exerted downward pressure on the Ringgit in the last quarter of 2014. However, with the Group being an

export-orientated manufacturer, both the economic recovery of USA, and the weakening Ringgit proved positive and beneficial.

From the input costs perspective, prices of local timber were fairly stable with a marginal increase in the second half of 2014. This was mitigated by our high sawn timber inventory level which lowered the average timber input cost.

Despite operating in a challenging global business environment, once again, with our prudent growth strategies in place and our commitment to the maintenance of a resilient cost structure, the Group demonstrated its continued sustainability by delivering yet another commendable performance with revenue of RM58.4 million and a pre-tax profit of RM13.3 million.

### Financial Performance Review

The improving labour market, strengthening of the housing sector together with better business sentiment in the consumption driven economy of the USA had boosted retail sales and consumer spending and coupled with the weakening of Ringgit, this resulted in the Group's revenue surging to RM58.4 million for the financial year ended 31 Dec 2014, an increase of RM6.0 million or 11.5% compared to the financial year ended 2013 of RM52.4 million.

In tandem with the higher export sales revenue, the Group's after-tax profit increased to RM10.1 million, an increase of RM1.0 million or 11.0%, compared to RM9.1 million in the preceding financial year 2013. Despite all the uncertainty and challenging external and domestic environment, the Group was able to demonstrate its resilience by delivering a commendable growth and this is attributed to the Group's firm commitment to excellence from all levels of its staff. The Group is thus well-positioned to confront challenges and to seize opportunities to further grow its business.

The Group will reinforce its organic growth strategies and remain focused on its core business of manufacturing of wooden picture frame mouldings and wooden products. We will concentrate on further strengthening the relationship with major customers by studying changes in consumer needs and understanding their preferences, to facilitate the development and introduction of innovative, price-competitive and marketable products of consistently high quality.

In addition, we are committed to put more emphasis on development of new products, productivity improvement, procurement optimisation and operational efficiency, to drive business growth and sustain or enhance profitability.

## Dividend

The Board proposed a second interim single tier dividend of 8% or 4.0 sen per ordinary share totaling RM4.8 million in respect of the financial year ended 31 December 2014. The dividend will be payable on 15 May 2015 to depositors registered in the Record of Depositors on 27 April 2015. The Board does not propose final dividend for the financial year ended 31 December 2014.

On 18 November 2014, a first interim single tier dividend of 8% or 4.0 sen per ordinary share totaling RM4.8 million in respect of the financial year ended 31 December 2014 was paid. Therefore, the total net dividend paid, or to be paid, to shareholders for the financial year ended 31 December 2014, would amount to RM9.6 million or 8.0 sen per ordinary share. The dividend payout ratio for the financial year ended 31 December 2014 was 95%, which is aligned to the Group's dividend policy. The Group strives to maintain consistent and sustainable dividend payments as enriching shareholder value remains a high priority for the Group.

## Corporate Responsibility

We have been a firm believer in Corporate Responsibility ("CR") being not only good for business, but more importantly, the principles and practices of CR make for a long term sustainable creation of shared value among CScenic, and its network of stakeholders. The Group's CR initiatives are focused on the following four key areas of Market Place, Environment, Workplace and Community.

### Market place :

Product – Product safety is one of the top priorities in our quality policy, and the Group's technical team remains fully committed in carrying out various studies and tests in accordance with standard procedures, to ensure the

safety level of raw materials comply with safety and health standards. For instance, raw materials and finished products are sent to accredited labs for Lead and Formaldehyde tests in order to ensure the content of both are well 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 – The Group has been practicing Good Corporate Governance, as disclosed in Statement on Corporate Governance. The Statement is periodically reviewed & enhanced by the Group to protect the interest of shareholders. Executive and Risk Management Committee is in-place to assist the Board of Directors in risk management, which includes overseeing the development and effectiveness of risk management policies and processes, reviewing risk exposure and portfolio, ensuring that internal control systems is put in place for effective risk management activities, and reporting to the board of directors via audit committee.

The Code of Ethics and Anti-Fraud and Whistle blowing policy which form part of risk management, have been adopted to inculcate ethical values among all at CScenic, and to promote and cultivate an honest and transparent environment. These policies enhance the awareness of the Group's stand on illegal, unethical and dishonest acts and the consequences of such acts to its employees; and to create employees' awareness of their roles, rights and responsibilities pertaining to illegal, unethical and dishonest acts. The strict enforcement of the anti-fraud policy would reduce the risk to the Group's reputation from fraudulent acts and protect the shareholders' interest.

CScenic endeavors to make prompt payments to all its suppliers and service providers. To achieve this and

in support of a green environment, the Group, via electronic credit payment system, makes payments directly to the vendors and service providers' bank accounts. The electronic credit payment system has eliminated the risk of lost or stolen cheques and the delivery or waiting time for cheques to be cleared.

## 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 in buying legally verified lumber, FSC COC lumber, from well managed forested areas which practice responsible and sustainable forest management. The Company is committed in making every effort to ensure all 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. The Group remains committed to using more plantation wood besides natural forest wood.

"Plant Tree, Plant Legacy" tree planting campaign has been launched since year 2012 to promote and create awareness of sustainable forest and environment conservation, which is aligned to our Group's mission and FSC COC Policy.

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



## MESSAGE FROM THE CHAIRMAN (CONT'D)



*CSCENIC Team participated in and sponsored annually the charity forestry run, which was organized by Malaysia Timber Industry Club, to promote a healthy lifestyle.*



*Health Surveillance Programme is conducted annually in taking care of the workforce's health and safety.*

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 organisation to conserve the resources.

### **Workplace :**

Code of business conducts and ethics and anti-fraud policy were established and adopted to instill ethical values into employees. The Code of business conducts and ethics, and anti-fraud and whistle blowing policies clearly define the Group's stand on integrity, honesty and ethical behavior and a zero tolerance to unethical business conduct.



*Periodic in-house safety and health trainings have been conducted to improve employees' health and safety.*



*Yearly blood donation is organized at CSCENIC's corporate office in contributing to the national blood bank and the community.*

A Gender Diversity Policy was adopted and the Group is continuously committed to increase gender diversity especially among the Board and Senior Executive positions in order to establish a diverse and skilled workforce, leading to continuous improvement in achievement of corporate goals.

Employees' emoluments & benefits are well taken care of. The remuneration package is reviewed and benchmarked against the marketplace periodically to ensure the package is competitive in the 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 awards are 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 and competencies as part of their career planning, which not only benefits the employees personally, but also strengthens the capability of the entire organisation and facilitates the achievement of the Group's objectives and goals. Opportunities for career advancement are performance driven and non-discriminating.

CScenic is committed to provide a safe and healthy environment for its employees and the Group has implemented various initiatives focusing on this. A Safety and Health Committee was established and meetings are conducted periodically to review these safety and health matters. Policies were also set to ensure all employees are aware of their roles and responsibilities in the aspect of safety and health. Periodic in-house safety and health audits are conducted to ensure that the Group's safety rules and regulations are enforced and complied with. A series of safety and health trainings, such as First Aid and CPR, Fire Prevention, Chemical Hazards etc, had additionally been conducted periodically to improve employees' health and safety.

The management adopts an open door policy where staff can easily have access to on their problems and difficulties faced. Employees are the Group's valuable assets and their feedback and opinion are very critical and must be accorded due recognition. The Group remains committed in conducting a periodic Employee Job Satisfaction Survey to give employees opportunity to voice out any grievances and dissatisfaction with the current work conditions, and thereafter the management will consider next course of action to improve further.

### **Community :**

As a socially responsible company, the Group actively participates in the Underprivileged Ang Pow distribution event hosted by the district association, and makes donation to support a group





Audio metric test is conducted by the health professional annually under the Group's hearing loss prevention programme.

of underprivileged senior citizen, as part of its corporate responsibility initiatives.

Yearly blood donation is co-organised with the National Blood Centre of Malaysia at the Group's corporate office in contributing to the national blood bank and the community.

To promote a healthy lifestyle and fulfill our CR, CScenic also participated in, and sponsored, the charity forestry run, an event organised yearly by the Malaysia Timber Industry Club.

### Outlook and Prospects 2015

With varying pace of economic growth across regions and countries, the global recovery is expected to continue on a moderate path. Nevertheless, the growth of the USA economy is expected to be the strongest. The steady employment growth, strengthening household balance sheets, improving housing market, and a more favourable financial condition should boost further retail sales and consumer spending for most of the short to medium term.



Fire prevention, firefighting trainings and evacuation drills are periodically conducted to safeguard a safe and healthy environment for its employees.

The Malaysian economic environment has become more challenging amid the plunge in global crude oil prices and the expected slower consumer spending resulting from the implementation of Goods and Services Tax (GST). These economic conditions exert pressure on the weakened Malaysian Ringgit and increase domestic inflation, both of which remains major concerns as they exert additional input cost-pressures to manufacturing industries.

In the face of these challenges, the Group is committed to continue maintaining a sustainable cost structure of prudent cost discipline, whilst

continuously undertaking measures to improve productivity and achieve cost efficiency. We will also continue to be more aggressive and proactive in developing and introducing innovative, competitively-priced marketable products of consistently high quality, as well as look for opportunities amid the challenges.

Counting on our performance driven measures, prudent cost discipline, and the steadfast belief in God's words "Those who hope in the 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", the Group is very optimistic of performing favourably in 2015.

### Appreciation to stakeholders

On behalf of the Board, I would like to thank Mr. Lim Chee Khoon who has resigned as Executive Director for his valuable contributions during his tenure as a Board member.

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

**LIM CHEE KEONG**  
Executive Chairman

## BOARD OF DIRECTORS

**Lim Chee Keong**  
*Executive Chairman*

**Yeh Sau Tou**  
*Independent Non-Executive Director*

**Lim Chee Beng**  
*Managing Director*

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

**Lim Chee Hwa**  
*Executive Director*

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

## REMUNERATION COMMITTEE

**Yeh Sau Tou**  
Chairman  
*(Independent Non-Executive Director)*

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

**Lim Chee Keong**  
Member  
*(Executive Chairman)*

## COMPANY SECRETARY

**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](mailto:marketing@classicscenic.com)  
Website : [www.classicscenic.com](http://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 59

*Executive Chairman*

**Lim Chee Keong** was appointed as the Chairman of CSCENIC on 3 August 2004. He is also the chairman of the Executive and Risk Management Committee and a member of the Remuneration Committee. He is the main founder of the Group and has accumulated more than 40 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 HWA

Malaysian, aged 56

*Executive Director*

**Lim Chee Hwa** was appointed to the Board on 3 August 2004. He is also a member of the Executive and Risk Management 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.

## LIM CHEE BENG

Malaysian, aged 51

*Managing Director*

**Lim Chee Beng** was appointed to the Board on 3 August 2004. He is also a member of the Executive and Risk Management 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.

## YEH SAU TOU

Malaysian, aged 46

*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-size audit firm in 1999 and subsequently he started his own public accounting firm, Messrs Yeh & Co., in year 2000.

## PROFILE OF BOARD OF DIRECTORS (CONT'D)

### **AU THIN AN @ LOW TEEN ANN**

Malaysian, aged 71 *Independent Non-Executive Director*

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**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 restructuring the Company, which is now known as Jardine Lloyd Thompson Sdn Bhd, a member of Jardine Matheson Group and the last position held until his retirement was as The Deputy Chairman. He was an Honorary Treasurer of Insurance Brokers Association of Malaysia.

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

### **LEE KONG WENG**

Malaysian, aged 43 *Independent Non-Executive Director*

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**Lee Kong Weng** was appointed to the Board as non-independent non-executive director on 29 December 2011 and was re-designated to Independent non-executive director on 1 September 2012. 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 Baker Tilly AC and Baker Tilly Monteiro Heng, a member of an international accounting network firm.

### **OTHER INFORMATION ON DIRECTORS**

Save for Lim Chee Keong, Lim Chee Beng 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 a high standard of corporate governance practices are implemented throughout the Group as a fundamental part of discharging its responsibilities to safeguard, protect and enhance shareholders' value and for sustainable long term growth of the Group's business. In line with this commitment, the Board will continuously review and where appropriate, take necessary steps to comply with the principles and recommendations of corporate governance as set out in the Malaysian Code on Corporate Governance 2012 ("2012 Code").

In this annual Corporate Governance Statement, the Board is pleased to report its state of corporate governance in CSCENIC for the current financial year and the extent to which it has complied with the principles and recommendations set out in the 2012 Code.

## 1. Establish clear roles and responsibilities

### 1.1 Clear Functions of the Board and Management

The Group continues to be led and managed by an effective Board. The Board has overall responsibilities for the corporate governance practices of the Group. It guides and monitors the affairs of the Group on behalf of the shareholders and retains full and effective control over the Group.

To ensure the effective discharge of its function and responsibilities, the Board maintains specific Board Committees namely the Executive and Risk Management 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.

In addition, the Board is guided by the Board Charter which sets out a list of specific functions that are reserved for the Board. Key matters reserved for the Board's approval includes financial results, dividend policy, related party transactions, annual business plan and budgets, new ventures and investments, material acquisitions and disposal of assets not in the ordinary course of business, authority levels and treasury policies.

### 1.2 Clear Roles and Responsibilities

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.

The Group practices a division of responsibility between the Executive and Non-Executive Directors. The Executive Directors are responsible for the overall management of the Group, to oversee operations and to coordinate the development and implementation of business and corporate strategies.

The Executive and Risk Management Committee ("ERMC"), comprising all Executive Directors and selected senior management staff, 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 and maintain an adequate and effective Enterprise 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.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

The presence of the Independent Non-Executive Directors assures an element of balance to the Board as they provide an independent view, advice and judgement to ensure that the interests of minority shareholders and the general public are given due consideration in the decision-making progress.

### **1.3 Formalised Ethical Standards through Code of Ethics**

The Board has adopted the Code of Business Conducts and Ethics ("Code") to assist the Directors, officers and employees of the Group in complying with both the Company's corporate policies and governmental laws. In addition, the Company's Anti-Fraud and Whistle Blowing Policy ("AWP") was established to provide a framework for direction and a procedure 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 Code and AWP brings the Group to a higher level of transparency and corporate responsibility.

### **1.4 Strategies Promoting Sustainability**

The Board is committed to sustainability development. Employees' welfare, environment as well as community responsibilities are integral to the way in which the Company conducts its business. Report on activities pertaining to its corporate responsibilities is set out on pages 5 to 7 of this Annual Report.

### **1.5 Access to Information and Advice**

The Directors have the right to access all information pertaining to the business and affairs of the Group for the purpose of discharging their duties. All scheduled meetings held during the year were preceded with a formal agenda issued by the Company Secretary. Prior to the meeting of the Board and the Board Committees, Board papers which include reports relevant to the issues of the meeting were circulated in a timely manner to all Directors to enable them to obtain further explanations, where necessary, in order to be properly briefed before the meeting.

Every Director has unhindered access to the advice and services of the Company Secretary and senior management. The Directors are also empowered to seek independent professional advice at the Company's expense should they consider it necessary in the furtherance of their duties.

### **1.6 Company Secretary**

The Directors had appointed a qualified secretary who is a member of the Malaysian Institute of Chartered Secretaries and Administrators for the Company and its subsidiaries. The Directors are regularly updated by the Company Secretary on new statutory as well as regulatory requirements relating to the discharge of their duties as Directors of the Company. The Company Secretary attends all board meetings and ensures that accurate and adequate records of the proceedings of board meetings and decisions made are properly kept.

### **1.7 Board Charter**

The Company's Board Charter sets out the role, functions, composition, operation and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware on their duties and responsibilities as Board members.

The Board will periodically review and update its charter in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.

## 2. Strengthen Composition

### 2.1 Nomination Committee

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 and for the performance appraisal of Directors. Meetings of the NC are held as and when necessary, and at least once a year.

The members of the NC, comprising exclusively of Non-Executive Directors, a majority of whom must be independent, are as follows:-

Chairman	: Yeh Sau Tou	<i>(Independent Non-Executive Director)</i>
Member	: Au Thin An @ Low Teen Ann	<i>(Independent Non-Executive Director)</i>
Member	: Lee Kong Weng	<i>(Independent Non-Executive Director)</i>

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

- (a) To consider, evaluate and recommend to the Board any new Board appointments;
- (b) To recommend to the Board, Directors to fill the seats on Board Committees;
- (c) To review annually and recommend to the Board with regard to the structure, size, balance and composition of the Board and Committees including the required mix of skills and experience, core competencies which non-executive directors should bring to the Board and other qualities to function effectively and efficiently;
- (d) To evaluate on an annual basis, the effectiveness of the Board as a whole, the Board Committees and each Director's ability to contribute to the effectiveness of the Board and the relevant Board Committees;
- (e) To recommend to the Board whether Directors who are retiring by rotation should be put forward for re-election/re-appointment at annual general meetings;
- (f) To review the Board's succession plans;
- (g) To review and recommend training to new Directors as well as continuous training for all Directors during the year; and
- (h) To consider other matters as referred to the Committee by the Board.

### 2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

#### (a) Recruitment or New Appointment of Directors

The NC, in making a recommendation to the Board on the candidate for recruitment or new Board appointment, shall have regard to:

- (i) Size, composition, mix of skills, experience, competencies and other qualities of the existing Board, level of commitment, resources and time that the recommended candidate can contribute to the existing Board and Group;
- (ii) The candidate's skills, knowledge, expertise and experience, professionalism, integrity and, in the case of a candidate for the position of Independent Non-Executive Director, the independence criteria as set out in paragraph 1.01 of the Main Market Listing Requirements as well as the necessary skill and experience to bring an independent and objective judgement on issues considered by the Board and the ability to discharge such responsibilities as expected from Independent Non-Executive Directors; and

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

- (iii) The appropriate number of Independent Directors to fairly reflect the interests of the minority shareholders and that Independent Directors should make up at least one-third of the membership of the Board.

The final decision as to who shall be appointed as Director remains the responsibility of the full Board after considering the recommendation of the NC.

### **(b) Gender Diversity Policy**

The Board has approved the establishment of a gender diversity policy which includes recruiting from a diverse pool of candidates for all positions and reviewing succession plans to ensure an appropriate focus on diversity.

### **(c) Re-election and Re-appointment 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.

### **(d) Annual Assessment**

During the financial year, the NC conducted a meeting in November 2014 to carry out its annual appraisal on the effectiveness of the Board, its Committees, the contribution of each director and the independence of the Independent Directors. The annual appraisal was conducted via questionnaires. This meeting was attended by all members of the NC.

The Board's effectiveness was assessed in the areas of composition, board strategy, board meetings, corporate and financial reporting, risk management and investors relations. The review criteria for accessing the Directors' individual performance was largely focus on their meeting attendance, competencies, experience, knowledge and commitment, contribution to interaction, constructive expression of views and issues, quality of input and understanding of role as Directors. The NC, upon the review carried out, is satisfied that the size of the Board is optimum and that there is an appropriate mix of experience and expertise in the composition of the Board and its Committees.

## **2.3 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 2012 Code, 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.



## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

The members of the RC, comprising a majority of Non-Executive Directors, are as follows:

Chairman	: Yeh Sau Tou	<i>(Independent Non-Executive Director)</i>
Member	: Lim Chee Keong	<i>(Executive Chairman)</i>
Member	: Lee Kong Weng	<i>(Independent Non-Executive Director)</i>

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 that a fair differential between the remuneration of Board members and other levels of management is maintained;
- 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.

Meetings of the RC are held as and when necessary, and at least once a year. The RC had held one (1) meeting during the financial year ended 31 December 2014 and this meeting was attended by majority of the members.

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 aggregated annual 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)	Allowance (RM)	Total (RM)
Executive Directors:	-	1,186,301	76,828	-	1,263,129
Non-Executive Directors:	45,000	-	-	7,500	52,500

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

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### 3. Reinforce Independence

#### 3.1 Annual Assessment of Independence

The Board, through the NC, assess the independence of the Independent Directors on the Board, including new appointments.

During the financial year, the NC conducted the annual appraisal on the independence of the Independent Directors using the peer evaluation questionnaire for assessing the performance of the Independent Directors and the Independent Director questionnaire. Based on results of the appraisal, it was concluded that each of the three (3) Independent Directors continues to remain objective and independent in expressing their views and in participating in deliberations and decision making of the Board and Board Committees.

Additionally, each of these three (3) Independent Non-Executive Directors has provided an annual confirmation of their independence to the Nomination Committee and the Board.

#### 3.2 Tenure of Independent Directors

The 2012 Code recommends that the tenure of service for Independent Directors to be capped at the maximum of nine years. As at the date of this statement and up to the forthcoming Annual General Meeting, none of the existing three Independent Non-Executive Directors has served the Company for more than nine (9) years.

#### 3.3 Separation of positions of the Chairman and Managing Director

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.

#### 3.4 Composition of the Board

The Executive Director, Mr. Lim Chee Khoon, retired from office on 26 October 2014. At the end of the financial year ended 31 December 2014, the Board has six (6) members comprising an Executive Chairman, a Managing Director, one (1) Executive Director and three (3) Independent Non-Executive Directors.

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. The profile of each Director is presented on pages 9 to 10 of this Annual Report.

Recommendation 3.5 of the 2012 Code states that the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director. The Company's Chairman is not an Independent Director. The presence of the three (3) Independent Non-Executive Directors would fulfill a pivotal role in corporate governance accountability, providing unbiased and independent views, advice and evaluation of the strategies proposed by the executive members of the Board and would be sufficient to maintain a balance of power and authority on the Board. Though the present number of three (3) Independent Non-Executive Directors are below the majority number of Board members suggested by the 2012 Code, this number of Independent Non-Executive Directors is more than the Bursa Securities requirement of minimum two (2) or one third, whichever is higher, of the total number of Directors to be independent. Therefore, the Board is in the view that its current composition is sufficient.

#### 4. Foster Commitment

##### 4.1 Time Commitment

The Directors' commitment in carrying out their duties and responsibilities is affirmed by their attendance at the Board and Board Committee Meetings held during the financial year ended 31 December 2014, as reflected below:-

	Attendance At Meetings of			
	Board	Audit Committee	NC	RC
Lim Chee Keong	3/*5	N/A	N/A	0/*1
Lim Chee Beng	5/*5	N/A	N/A	N/A
Lim Chee Khoo (Resigned on 26/10/2014)	4/*4	N/A	N/A	N/A
Lim Chee Hwa	5/*5	N/A	N/A	N/A
Yeh Sau Tou	5/*5	5/*5	1/*1	1/*1
Au Thin An @ Low Teen Ann	5/*5	5/*5	1/*1	N/A
Lee Kong Weng	5/*5	5/*5	1/*1	1/*1

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

##### 4.2 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.

During the financial year ended 31 December 2014, the Directors have attended the following training programmes:-

Director	Training
Lim Chee Keong	Goods and Services Tax Seminar
Lim Chee Beng	1. Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers 2. Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers: Nominating Committee Programme
Lim Chee Hwa	1. Goods and Services Tax Seminar 2. Better Business Decisions: Beating the Business and Stock Market Cycle
Au Thin An @ Low Teen Ann	1. 10 <sup>th</sup> Tricor Tax & Corporate Seminar 2. Risk Management & Internal Control Workshop for Audit Committee Members
Lee Kong Weng	1. Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers 2. ACCA Futures Conference 2014: The Future of Business and Impact on the Accounting Profession 3. Risk Management & Internal Control – Is our Line of Defence Adequate and Effective?
Yeh Sau Tou	1. Audit Express Training Course 2. Kursus Khas Cukai Barangan dan Perkhidmatan (GST) untuk Ejen Cukai Anjuran Jabatan Kastam Diraja Malaysia Bersama Malaysian Association of Tax Accountant 3. Risk Management & Internal Control – Is our Line of Defence Adequate and Effective? 4. National Tax Conference 2014 5. 2015 Budget Seminar

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### 5. Uphold Integrity in Financial Reporting

#### 5.1 Financial Reporting

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 is assisted by the Audit Committee to oversee the Group's financial reporting process and also to ensure that the financial statements are drawn up following appropriate accounting policies and in accordance with the provisions of the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 1965 so as to give a true and fair view of the financial position of the Group and of the Company. The accounting policies, once adopted, are consistently applied and supported by reasonable judgements and estimates.

#### 5.2 Relationship with the External 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. The Audit Committee meets with the external auditors at least once a year to discuss their audit plan and findings on the Company's financial statements. The Audit Committee has during these meetings met with the external auditors without the presence of the executive members of the Board. In addition, the external auditors attend the Annual General Meetings of the Company and are available to answer shareholders' questions on the audited financial statements of the Company.

### 6. Recognise and Manage Risks

#### 6.1 Risk Management and Internal Control

The Board is responsible for the adequacy and effectiveness of the Group's risk management and internal control system. Risk management is embedded in the Group's management systems. The Board with the assistance of the ERM and the outsourced internal audit function has established processes for identifying, evaluating and managing the significant risks faced by the core business of the Group. The outcome of the process is reviewed by the Board and is guided by the Statement on Risk Management & Internal Control Guidelines for Directors of Public Listed Companies issued by Bursa Securities.

The Statement of Risk Management and Internal Control furnished on pages 24 to 26 of this Annual Report provides an overview on the state of internal controls within the Group.

#### 6.2 Internal Audit Function

The internal audit function was established in June 2005 and is outsourced to an external 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. Further details of the activities of the internal audit function are set out in the Audit Committee Report on pages 23 of this Annual Report.



## **7. Ensure Timely and High Quality Disclosure**

### **7.1 Corporate Disclosure Policy**

The Board adheres strictly to the Bursa Securities' disclosure framework to provide investors and the public with accurate and complete information on a timely basis and not merely to meet the minimum regulatory requirements for disclosure. The Board ensures that confidential information is handled properly by authorised personnel to avoid leakage and improper use of such information. The Board is also mindful that information which is expected to be material must be announced immediately.

### **7.2 Leverage on Information Technology for Effective Dissemination of Information**

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.

## **8. Strengthen Relationship between Company and Shareholders**

### **8.1 Encourage Shareholder Participation At General Meetings**

The Board regards the Annual General Meeting ("AGM") and other general meetings 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. Each shareholder can vote in person or by appointing a proxy to attend and vote on his behalf. The Board has also 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.

### **8.2 Poll Voting**

In line with Recommendation 8.2 of the 2012 Code, the Board would encourage and facilitate poll voting at general meetings in the case of substantive resolutions which require shareholders' approval. At the last AGM of the Company held on 5 June 2014, there were no substantive resolutions put forth for shareholders' approval. As such, the resolutions at the last AGM were voted by a show of hands instead of a poll.

### **8.3 Effective Communication and Proactive Engagement**

During the financial year, the Board has formalised and adopted the Investors Relations ("IR") Policy. The IR policy will provide a structured framework for the Group's IR processes and procedures and give guidance to the Group on how it will meet its obligations to communicate information fairly and accurately to its shareholders, investors, financial community and stakeholders.

Besides the key channels of communication through the Annual Report, the general meetings and announcements to the Bursa Securities, the Company's website at <http://www.classicscenic.com> provides corporate, financial and non-financial information. Through the website, shareholders are able to direct enquiries to the Company.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

The Board has also designated Mr. Yeh Sau Tou as the Senior Independent Director to whom shareholders can voice their view and concerns by email at [styeh@classicscenic.com](mailto:styeh@classicscenic.com), as an alternative channel of communication with shareholders.

Where practicable, the Board is prepared to enter into a dialogue with shareholders and analysts. 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. Nevertheless, in conducting briefing and dialogue, the Board and the management are mindful of the share price sensitive information and the fair opportunity of information to shareholders and investors.

### **Statement of Directors' Responsibility for Preparation of the Financial Statements**

The Board is satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2014, the Directors have:

- adopted the appropriate accounting policies and applied them consistently;
- ensure compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965;
- made estimates and judgements which are reasonable and prudent; and
- ensure the financial statements have been prepared 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 15 April 2015.

## 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 2014 comprises the following directors:

<b>Chairman</b>	Yeh Sau Tou	<i>(Independent Non-Executive Director)</i>
<b>Members</b>	Au Thin An @ Low Teen Ann	<i>(Independent Non-Executive Director)</i>
	Lee Kong Weng	<i>(Independent Non-Executive Director)</i>

## 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:-

## AUDIT COMMITTEE REPORT (CONT'D)

- (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 evaluation of the system of risk management and internal controls via reports from Executive and Risk Management Committee.
- (j) 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;
- (k) 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
- (l) 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.

(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 Head of Finance, the Head of Internal Audit, and a representative of the External Auditors shall normally attend meetings. Other Board members and employees may attend any particular meeting only at the Audit Committee's invitation, specific to the relevant meeting. However, at least once a year the Committee shall meet with the External Auditors without executive Board members present.
- (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 2014. The details of Audit Committee's meetings held and attended by the Committee during the financial year are as follows:-

Audit Committee Member	No. of Audit Committee Meetings	
	Attended	Held
<b>Chairman</b> Yeh Sau Tou (Independent Non-Executive Director)	5	5
<b>Members</b> Au Thin An @ Low Teen Ann (Independent Non-Executive Director)	5	5
Lee Kong Weng (Independent Non-Executive Director)	5	5

### SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

During the financial year ended 31 December 2014, 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 2013;
- (c) reviewed the external auditors' reports for the financial year ended 31 December 2013 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 2013;
- (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 2014;
- (g) reviewed the Group Risk Management Framework and recommended its adoption to the Board;
- (h) reviewed the internal audit and risk management reports of the Group;
- (i) reviewed the disclosure statements on compliance of the Malaysian Code of Corporate Governance, Audit Committee Report and the Statement on Risk Management and Internal Control for the financial year ended 31 December 2013 and recommended their adoption to the Board; and
- (j) met with the External Auditors twice during the financial year ended 31 December 2014 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 2014, the activities of the internal audit function included reviews in the following areas; "Preventive Maintenance and Utilities", "Production - Final Inspection & Packaging", "Production - Sanding & Spraying", "Production - Gesso & Trafilux" and a follow up review on the Production Cycle. 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 2014 was RM40,000.



# STATEMENT ON RISK MANAGEMENT AND 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 risk management and internal control. The Board is committed to maintain and ensure that a sound system of risk management and internal control exists and operates effectively across the Group and is pleased to provide this statement outlining the nature and scope of the risk management and internal control of the Group during the financial year under review pursuant to Paragraph 15.26(b) of the Main market Listing Requirements of Bursa Malaysia Securities Berhad. The Statement on Risk Management and Internal Control is in compliance with Section 167A of the Companies Act, 1965 and in line with the Malaysian Code of Corporate Governance (MCCG) 2012.

## BOARD RESPONSIBILITIES

The Board acknowledges its responsibilities and reaffirms its commitment to recognise the importance of having an effective and appropriate system of risk management and internal control 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 risk management and internal control. The system of risk management and internal control covers inter alia, governance, 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, this system 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 also acknowledges the guidelines on the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) which further emphasises the need for maintaining a sound system of risk management and internal control.

The Board is of the view that the system of risk management and 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. In line with the Guidelines, the Group Managing Director and Group Financial Controller have provided assurance to the Board stating that the Group’s risk management and internal control system have operated adequately and effectively, in all material aspects, to meet the Group’s objective during the financial year under review.

The Management also assists the Board in the implementation of the Board’s policies and procedures on risk and control by identifying and assessing the risks faced by the Group, 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 system. The Board, with its Executive and Risk Management Committee (“ERMC”) and with the assistance of the outsourced internal audit function have established an ongoing processes for identifying, evaluating and managing the significant risks faced by the core business of the Group i.e. manufacturing of wooden picture frame moulding and this process includes conducting risk profiling and determining key risk areas and its impact including developing annual internal audit plan, updating of the operational risk register and the system of internal controls at all times and especially when there are changes to business environment or regulatory guidelines. This process has been in place for the year under review and up to the date of issuance of the annual report and financial statement.

In broad terms, the ERMC also reviews the risks and opportunities associated with the business strategies and its operating processes; sets the materiality limits for reporting and communication of performance and decides on the appropriate actions to balance the risks incurred and potential rewards. Head of departments shall identify, evaluate and manage or report risks to the ERMC.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Annually, the ERMIC reports the assessment of adequacy and effectiveness of risk management and internal control to the Board via the Audit Committee. The Board reviews the adequacy and effectiveness of the risk management and its policy and internal control system to ensure its continued application and relevance. Such reviews are to be supported with independent examinations carried out by the outsourced internal audit function and the consequential findings serve as continuing improvement of the risk management framework.

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.

### INTERNAL CONTROL

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 and Risk Management Committee, comprising Executive Directors and senior managers, and the Board of Directors review and approve the annual budget;
- Management accounts/reports are prepared and the actual performance compared with the budgets reviewed on a monthly basis with explanation of any major variances;
- The Executive and Risk Management Committee, 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 and Risk Management Committee, Nomination Committee and Remuneration Committee have been established with defined terms of reference;
- Management organisation structure with reporting lines of accountability and authority have been defined and documented;
- 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 Internal Auditors and the Management. The Audit Committee also monitors the implementation of the recommendations, if any, proposed by the Internal Auditors and External Auditors. The internal audit function reviews the adequacy and integrity of the system of internal controls and reports its findings to the Audit Committee on a quarterly basis. During the financial year, some areas of improvement to internal controls were identified and addressed accordingly. Nevertheless, the identified weaknesses in the internal controls have not resulted in any losses and/or require further disclosure in this Statement. The Board is of the view that the risk management and internal control system are satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report, to improve the Group's risk management and internal control system in meeting the Group's strategic objectives.

## STATEMENT ON **RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)**

### **ANTI-FRAUD AND WHISTLE BLOWING POLICY**

The management has a 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 activities. The adoption of the anti-fraud policy reduces the risk to the Group's reputation from fraudulent activities.

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

This statement was made in accordance with a resolution of the Board dated 15 April 2015.

# ADDITIONAL COMPLIANCE INFORMATION

## UTILISATION OF PROCEEDS

The Company did not make any corporate proposal to raise proceed during the financial year ended 31 December 2014.

## SHARE BUY-BACKS

The Company did not buy back its Company's shares during the financial year ended 31 December 2014.

## OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year ended 31 December 2014, 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 2014, 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 2014.

## NON-AUDIT FEES

Non-audit fees payable to external auditors for the financial year ended 31 December 2014 amounted to RM20,000/-.

## VARIATION IN RESULTS

There were no material variance between the audited results for the financial year ended 31 December 2014 and the unaudited results previously announced.

## PROFIT GUARANTEE

The Company did not issue any profit guarantee during the financial year ended 31 December 2014.

## 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 2014 or entered into since the end of the previous financial year.

## REVALUATION POLICY

The Group has no revaluation policy on landed properties.

# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

## For The Year Ended 31 December 2014

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

### PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 5 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	10,115,994	9,795,678

### RESERVES AND PROVISIONS

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

### DIVIDENDS

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

- i) a second interim ordinary dividend of 8.0% (4.0 sen) per ordinary share totalling RM4,819,990 in respect of the financial year ended 31 December 2013 on 23 May 2014.
- ii) a first interim single tier dividend of 8.0% (4.0 sen) per ordinary share totalling RM4,819,990 in respect of the financial year ended 31 December 2014 on 18 November 2014.

In February 2015, the Directors declared a second interim single tier dividend in respect of the financial year ended 31 December 2014 of 8.0% (4.0 sen) per ordinary share totalling RM4,819,990 which will be payable on 15 May 2015.

### DIRECTORS OF THE COMPANY

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

Lim Chee Keong  
Lim Chee Beng  
Lim Chee Hwa  
Yeh Sau Tou  
Au Thin An @ Low Teen Ann  
Lee Kong Weng  
Lim Chee Khoon (resigned on 26.10.2014)

## DIRECTORS' INTERESTS IN SHARES

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 financial year end (including the interests of the spouse or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2014	Bought	Sold	At 31.12.2014
<b>Interest in the Company</b>				
<b>Direct</b>				
Au Thin An @ Low Teen Ann				
- own	48,000	-	-	48,000
- others*	36,000	364,600	(182,300)	218,300
Lee Kong Weng				
- own	20,800	-	-	20,800
- others*	4,800	-	-	4,800
Lim Chee Beng				
- own	3,163,360	-	(3,163,360)	-
- other*	2,000,000	3,163,360	(5,163,360)	-
Lim Chee Keong - others*	2,486,571	-	-	2,486,571
Yeh Sau Tou - own	74,400	-	-	74,400
<b>Indirect</b>				
Lim Chee Keong - own	75,701,929	396,700	(16,654,424)	59,444,205
Lim Chee Hwa - own	-	59,444,205	-	59,444,205
Lim Chee Beng - own	-	59,444,205	-	59,444,205

\* Shares held through spouse and/or children.

	Number of ordinary shares of RM1.00 each			
	At 1.1.2014	Bought	Sold	At 31.12.2014
<b>Interest in the holding company, Lim Ket Leng Holding Sdn. Bhd.</b>				
<b>Direct</b>				
Lim Chee Keong - own	24	3,346	-	3,370
Lim Chee Hwa - own	11	1,689	-	1,700
Lim Chee Beng - own	11	1,689	-	1,700

By virtue of their interests in the shares of the Company, Lim Chee Keong, Lim Chee Hwa and Lim Chee Beng are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Classic Scenic Berhad has an interest.

## **DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee 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 company 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.

## **HOLDING COMPANY**

The holding company during the financial year was 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 financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) 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 financial statements of the Group and of the Company 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 2014 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: 15 April 2015

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>Assets</b>					
Property, plant and equipment	3	48,942,431	50,768,557	6,894	8,118
Intangible asset	4	878,181	878,181	-	-
Investment in subsidiaries	5	-	-	39,721,324	39,721,324
<b>Total non-current assets</b>		49,820,612	51,646,738	39,728,218	39,729,442
Trade and other receivables	6	6,616,167	4,810,742	20,769,401	18,302,907
Prepayments	7	1,379,386	949,102	-	-
Inventories	8	29,018,151	28,051,556	-	-
Current tax assets		89,704	247,132	-	47,541
Cash and cash equivalents	9	16,523,884	16,205,843	858,358	3,121,589
<b>Total current assets</b>		53,627,292	50,264,375	21,627,759	21,472,037
<b>Total assets</b>		103,447,904	101,911,113	61,355,977	61,201,479
<b>Equity</b>					
Share capital		60,249,870	60,249,870	60,249,870	60,249,870
Share premium		440,853	440,853	440,853	440,853
Retained earnings		34,801,506	34,325,492	579,204	423,506
<b>Total equity attributable to owners of the Company</b>	10	95,492,229	95,016,215	61,269,927	61,114,229
Non-controlling interest		-	-	-	-
<b>Total equity</b>		95,492,229	95,016,215	61,269,927	61,114,229
<b>Liabilities</b>					
Deferred tax liabilities	11	2,703,949	3,190,779	-	-
<b>Total non-current liabilities</b>		2,703,949	3,190,779	-	-
Current tax liabilities		709,741	72,025	-	-
Trade and other payables	12	4,133,581	3,364,059	86,050	87,250
Prepayments received	13	408,404	268,035	-	-
<b>Total current liabilities</b>		5,251,726	3,704,119	86,050	87,250
<b>Total liabilities</b>		7,955,675	6,894,898	86,050	87,250
<b>Total equity and liabilities</b>		103,447,904	101,911,113	61,355,977	61,201,479

The notes on pages 39 to 76 are an integral part of these financial statements.



# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 December 2014

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>Revenue</b>	14	58,405,683	52,370,448	10,000,000	13,550,000
Cost of sales		(37,633,871)	(33,968,231)	-	-
<b>Gross profit</b>		20,771,812	18,402,217	10,000,000	13,550,000
Other income		65,430	96,116	-	-
Distribution expenses		(1,134,704)	(1,262,416)	-	-
Administrative expenses		(3,317,034)	(3,364,185)	(159,709)	(148,162)
Other expenses		(3,246,820)	(2,106,885)	(126,902)	(5,067,228)
<b>Results from operating activities</b>		13,138,684	11,764,847	9,713,389	8,334,610
Finance income	15	205,410	326,357	70,827	142,741
<b>Profit before tax</b>		13,344,094	12,091,204	9,784,216	8,477,351
Income tax expense	16	(3,228,100)	(2,957,028)	11,462	(860,205)
<b>Profit and total comprehensive income for the year</b>	17	10,115,994	9,134,176	9,795,678	7,617,146
<b>Profit and total comprehensive income attributable to:</b>					
Owners of the Company		10,115,994	9,134,176	9,795,678	7,617,146
Non-controlling interest		-	-	-	-
		10,115,994	9,134,176	9,795,678	7,617,146
<b>Basic earnings per ordinary share (sen)</b>	18	8.40	7.58		

The notes on pages 39 to 76 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2014

← Attributable to owners of the Company →

←Non-distributable→Distributable

Group	Note	Share capital RM	Share premium RM	Retained earnings RM	Total RM	Non- controlling interests RM	Total equity RM
<b>At 1 January 2013</b>		60,249,870	440,853	37,241,290	97,932,013	-	97,932,013
<b>Profit and total comprehensive income for the year</b>		-	-	9,134,176	9,134,176	-	9,134,176
Distributions to owners of the Company							
- Dividends to owners of the Company	19	-	-	(12,049,974)	(12,049,974)	-	(12,049,974)
<b>Total transactions with owners of the Company</b>		-	-	(12,049,974)	(12,049,974)	-	(12,049,974)
<b>At 31 December 2013</b>		60,249,870	440,853	34,325,492	95,016,215	-	95,016,215
		Note 10.1	Note 10.2				
<b>At 1 January 2014</b>		60,249,870	440,853	34,325,492	95,016,215	-	95,016,215
<b>Profit and total comprehensive income for the year</b>		-	-	10,115,994	10,115,994	-	10,115,994
Distributions to owners of the Company							
- Dividends to owners of the Company	19	-	-	(9,639,980)	(9,639,980)	-	(9,639,980)
<b>Total transactions with owners of the Company</b>		-	-	(9,639,980)	(9,639,980)	-	(9,639,980)
<b>At 31 December 2014</b>		60,249,870	440,853	34,801,506	95,492,229	-	95,492,229
		Note 10.1	Note 10.2				

The notes on pages 39 to 76 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2014

Company	Note	← Attributable to owners of the Company →			
		Share capital RM	Share premium RM	Retained earnings RM	Total equity RM
<b>At 1 January 2013</b>		60,249,870	440,853	4,856,334	65,547,057
<b>Profit and total comprehensive income for the year</b>		-	-	7,617,146	7,617,146
Distributions to owners of the Company					
- Dividends to owners of the Company	19	-	-	(12,049,974)	(12,049,974)
<b>Total transactions with owners of the Company</b>		-	-	(12,049,974)	(12,049,974)
<b>At 31 December 2013/1 January 2014</b>		60,249,870	440,853	423,506	61,114,229
<b>Profit and total comprehensive income for the year</b>		-	-	9,795,678	9,795,678
Distributions to owners of the Company					
- Dividends to owners of the Company		-	-	(9,639,980)	(9,639,980)
<b>Total transactions with owners of the Company</b>		-	-	(9,639,980)	(9,639,980)
<b>At 31 December 2014</b>		60,249,870	440,853	579,204	61,269,927
		Note 10.1	Note 10.2		

The notes on pages 39 to 76 are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

For The Year Ended 31 December 2014

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>Cash flows from operating activities</b>					
Profit before tax		13,344,094	12,091,204	9,784,216	8,477,351
Adjustments for:					
Depreciation of property, plant and equipment	3	2,198,572	2,302,849	1,224	1,224
Dividend income from subsidiaries	14	-	-	(10,000,000)	(13,550,000)
Finance income	15	(205,410)	(326,357)	(70,827)	(142,741)
Loss/(gain) on disposal of property, plant and equipment	17	65,772	(6,200)	-	-
Impairment loss on:					
- investment in subsidiaries	17	-	-	-	4,947,503
- trade receivables	17	136,714	-	-	-
Unrealised foreign exchange loss/(gain)		1,255,844	(159,460)	-	-
<b>Operating profit/(loss) before changes in working capital</b>		16,795,586	13,902,036	(285,387)	(266,663)
Changes in working capital:					
Inventories		(966,595)	(2,895,454)	-	-
Trade and other payables		163,701	(119,675)	(1,200)	(19,000)
Trade and other receivables		(2,882,077)	(290,681)	-	-
<b>Cash generated from/(used in) operations</b>		13,110,615	10,596,226	(286,587)	(285,663)

The notes on pages 39 to 76 are an integral part of these financial statements.

STATEMENTS OF  
**CASH FLOWS (CONT'D)**  
For The Year Ended 31 December 2014

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>Cash generated from/(used in) operations</b>		13,110,615	10,596,226	(286,587)	(285,663)
Dividend received		-	-	10,000,000	7,675,000
Interest received		205,410	326,357	70,827	142,741
Net income tax (paid)/refunded		(2,919,786)	(3,960,093)	59,003	-
<b>Net cash from operating activities</b>		10,396,239	6,962,490	9,843,243	7,532,078
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	3	(569,718)	(447,048)	-	-
Net (advances to)/repayment from subsidiaries		-	-	(2,466,494)	1,280,368
Increase in capital contribution	5	-	-	-	(3,000,000)
Proceeds from disposal of property, plant and equipment		131,500	16,400	-	-
<b>Net cash used in investing activities</b>		(438,218)	(430,648)	(2,466,494)	(1,719,632)
<b>Cash flows from financing activity</b>					
Dividends paid to owners of the Company	19	(9,639,980)	(12,049,974)	(9,639,980)	(12,049,974)
<b>Net cash used in financing activity</b>		(9,639,980)	(12,049,974)	(9,639,980)	(12,049,974)
<b>Net increase/(decrease) in cash and cash equivalents</b>		318,041	(5,518,132)	(2,263,231)	(6,237,528)
<b>Cash and cash equivalents at 1 January</b>	(i)	16,205,843	21,723,975	3,121,589	9,359,117
<b>Cash and cash equivalents at 31 December</b>	(i)	16,523,884	16,205,843	858,358	3,121,589

(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		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
Cash and bank balances		8,582,007	6,223,124	121,413	52,852
Highly liquid investments with non-bank financial institution		7,941,877	9,982,719	736,945	3,068,737
	9	16,523,884	16,205,843	858,358	3,121,589

The notes on pages 39 to 76 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 the 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 financial year ended 31 December 2014 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 financial year ended 31 December 2014 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 5.

The 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 15 April 2015.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014***

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 1. Basis of preparation (Cont'd)

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

##### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016**

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

##### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017**

- MFRS 15, *Revenue from Contracts with Customers*

##### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018**

- MFRS 9, *Financial Instruments (2014)*

**1. Basis of preparation (Cont'd)**

**(a) Statement of compliance (Cont'd)**

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 119 and Amendments to MFRS 140, which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to MFRS 5, Amendments to MFRS 10 and MFRS 128, Amendments to MFRS 10, MFRS 12 and MFRS 128, Amendments to MFRS 11, MFRS 14, Amendments to MFRS 116 and MFRS 141 and Amendments to MFRS 134 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

***MFRS 15, Revenue from Contracts with Customers***

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

***MFRS 9, Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9.

**(b) Basis of measurement**

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 1. Basis of preparation (Cont'd)

#### (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 MFRSs 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 the following notes:

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

Note 5 - investments in subsidiaries

### 2. Significant accounting policies

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

#### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

## 2. Significant accounting policies (Cont'd)

### (a) Basis of consolidation (Cont'd)

#### (ii) Business combinations

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.

For new acquisitions, the Group measures the cost of 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.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, 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.

#### (iii) Non-controlling interests

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 profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

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.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. Significant accounting policies (Cont'd)

#### (b) Foreign currency

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 end of 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.

#### (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 or financial assets that are specifically designated into this category upon initial recognition.

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) ***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.

**2. Significant accounting policies (Cont'd)**

**(c) Financial instruments (Cont'd)**

**(ii) Financial instrument categories and subsequent measurement (Cont'd)**

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

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.

**(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 control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. 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, 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.

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



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. Significant accounting policies (Cont'd)

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

##### (i) Recognition and measurement (Cont'd)

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 component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component 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.

##### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. 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 at end of the reporting period, and adjusted as appropriate.

#### (e) Goodwill

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

## **2. Significant accounting policies (Cont'd)**

### **(f) Inventories**

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

The cost of inventories is measured based on 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 the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### **(g) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments.

### **(h) Impairment**

#### **(i) Financial assets**

All financial assets (except for financial assets categorised as fair value through profit or loss, investments 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. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables 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.

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.

#### **(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, the recoverable amount is estimated each period at the same time.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. Significant accounting policies (Cont'd)

#### (h) Impairment (Cont'd)

##### (ii) Other assets (Cont'd)

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 cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. 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 of disposal. 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 unit.

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 (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups 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.

##### (i) Equity instruments

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

Ordinary shares are classified as equity.

##### (j) 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 service 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.

**2. Significant accounting policies (Cont'd)**

**(j) Employee benefits (Cont'd)**

**(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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**(k) 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 discounts 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, 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.

**(ii) Dividend income**

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

**(iii) Interest income**

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 Company's right to receive payment is established.

**(l) Income tax**

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

Current tax is the expected tax payable or receivable on the taxable income or loss 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 financial 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 be applied 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. Significant accounting policies (Cont'd)

#### (l) Income tax (Cont'd)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the 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.

#### (m) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

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.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

#### (n) 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. Operating segment 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.

#### (o) 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 not recognised in the statements of financial position and 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.

## 2. Significant accounting policies (Cont'd)

### (p) Fair value measurement

Fair value of an asset or a liability, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE  
**FINANCIAL STATEMENTS**  
**(CONT'D)**

**3. Property, plant and equipment**

Group	Note	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	Construction in-progress RM	Total RM
<b>Cost</b>									
At 1 January 2013		24,336,938	25,353,992	20,982,631	2,230,037	2,622,805	845,402	4,500	76,376,305
Additions		-	44,500	273,648	42,527	4,100	59,873	22,400	447,048
Disposals		-	-	-	-	(45,761)	-	-	(45,761)
At 31 December 2013/									
1 January 2014		24,336,938	25,398,492	21,256,279	2,272,564	2,581,144	905,275	26,900	76,777,592
Additions		-	45,500	210,680	20,597	-	99,633	193,308	569,718
Disposals		-	-	-	(8,599)	(288,638)	-	-	(297,237)
At 31 December 2014									
		24,336,938	25,443,992	21,466,959	2,284,562	2,292,506	1,004,908	220,208	77,050,073



3. Property, plant and equipment (Cont'd)

Group	Note	Freehold land RM	Factory buildings RM	Machineries, forklifts, plant and equipment RM	Cabin, office equipment, furniture and fittings RM	Motor vehicles RM	Computer equipment RM	Construction in-progress RM	Total RM
<b>Depreciation</b>									
At 1 January 2013		-	5,113,353	15,404,914	1,574,748	902,169	746,563	-	23,741,747
Depreciation for the year	17	-	527,536	1,354,911	194,241	162,143	64,018	-	2,302,849
Disposals		-	-	-	-	(35,561)	-	-	(35,561)
<b>At 31 December 2013/</b>									
1 January 2014		-	5,640,889	16,759,825	1,768,989	1,028,751	810,581	-	26,009,035
Depreciation for the year	17	-	528,163	1,262,518	184,516	147,795	75,580	-	2,198,572
Disposals		-	-	-	(8,599)	(91,366)	-	-	(99,965)
<b>At 31 December 2014</b>									
		-	6,169,052	18,022,343	1,944,906	1,085,180	886,161	-	28,107,642
<b>Carrying amounts</b>									
At 1 January 2013		24,336,938	20,240,639	5,577,717	655,289	1,720,636	98,839	4,500	52,634,558
At 31 December 2013/		24,336,938	19,757,603	4,496,454	503,575	1,552,393	94,694	26,900	50,768,557
1 January 2014		24,336,938	19,274,940	3,444,616	339,656	1,207,326	118,747	220,208	48,942,431

NOTES TO THE  
**FINANCIAL STATEMENTS**  
**(CONT'D)**

**3. Property, plant and equipment (Cont'd)**

Company	Note	Office equipment RM
<b>Cost</b>		
At 1 January 2013/31 December 2013/ 1 January 2014/31 December 2014		15,300
<b>Depreciation</b>		
At 1 January 2013		5,958
Depreciation for the year	17	1,224
At 31 December 2013/1 January 2014		7,182
Depreciation for the year	17	1,224
At 31 December 2014		8,406
<b>Carrying amounts</b>		
At 1 January 2013		9,342
At 31 December 2013/1 January 2014		8,118
At 31 December 2014		6,894

**3.1 Factory buildings**

Included in factory buildings of the Group is a warehouse building with carrying amount of RM859,116 (2013: RM880,496) situated on a piece of Temporary Occupation Land ("TOL") and the licence for the TOL is renewable annually.

**4. Intangible asset**

Group	Goodwill	
	2014 RM	2013 RM
<b>Cost</b>		
At 1 January/31 December	878,181	878,181
<b>Carrying amount</b>		
At 1 January/31 December	878,181	878,181

**Impairment testing for cash-generating unit containing goodwill**

For the purpose of impairment testing, goodwill is allocated to the Group's wooden picture frame 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 expected to be generated from the continuing use of the unit and was based on the following key assumptions:

#### 4. Intangible asset (Cont'd)

##### Impairment testing for cash-generating unit containing goodwill (Cont'd)

- Cash flows were projected based on actual operating results and a 5-year (2013: 5-year) projection.
- Revenue was projected at anticipated annual growth of 2% per annum for the first year and 5% per annum for the remaining 4 years (2013: 10% per annum for the first year and 5% per annum for the remaining 4 years).
- Effective tax rates were projected to be 25% for the first years and 24% at the remaining 4 years (2013: 25%).
- A discount rate of 8.10% (2013: 7.85%) 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 are 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 of 1% (2013: 1%) in the discount rate;
- A 10% (2013: 10%) decrease in future projected revenue.

#### 5. Investment in subsidiaries

Company	Note	Cost of investment RM	Capital contribution RM	Total RM
<b>Cost</b>				
At 1 January 2013		41,557,970	10,721,658	52,279,628
Additions		-	3,000,000	3,000,000
At 31 December 2013/1 January 2014/ 31 December 2014		41,557,970	13,721,658	55,279,628
<b>Impairment losses</b>				
At 1 January 2013		10,087,443	523,358	10,610,801
Impairment loss	17	4,947,503	-	4,947,503
At 31 December 2013/1 January 2014/ 31 December 2014		15,034,946	523,358	15,558,304
<b>Carrying amounts</b>				
At 1 January 2013		31,470,527	10,198,300	41,668,827
At 31 December 2013/1 January 2014/ 31 December 2014		26,523,024	13,198,300	39,721,324
		Note 5.1	Note 5.2	

NOTES TO THE  
**FINANCIAL STATEMENTS**  
**(CONT'D)**

**5. Investment in subsidiaries (cont'd)**

5.1 Details of the subsidiaries are as follows:

Name of entity	Principal activities	Country of incorporation	Effective ownership and voting interest	
			2014 %	2013 %
Finesse Moulding (M) Sdn. Bhd.	Manufacture of wooden picture frame moulding	Malaysia	100	100
Scenic Moulding (M) Sdn. Bhd.	Property holding and rental of properties	Malaysia	100	100
Classic Frame Moulding (M) Sdn. Bhd.	Dormant	Malaysia	100	100
Lim Ket Leng Realty Sdn. Bhd.	Property holding and rental of properties	Malaysia	100	100
Lim Ket Leng Timber Sdn. Bhd.	Manufacture of timber products	Malaysia	100	100
Lim Ket Leng Marketing Sdn. Bhd.	Marketing of timber-related products	Malaysia	100	100
CScenic Agro Marketing Sdn. Bhd.	Dormant	Malaysia	76	76

5.2 Capital contribution represent amount due from subsidiaries which is non-trade in nature, unsecured, interest free and 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 Company's net investment in the subsidiaries, it is stated at cost less accumulated impairment losses.

**6. Trade and other receivables**

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>Trade</b>					
Trade receivables	21.4	6,038,369	4,309,248	-	-
<b>Non-trade</b>					
Amount due from a subsidiary	6.1	-	-	20,766,401	18,299,907
Other receivables and deposits		577,798	491,348	3,000	3,000
Derivatives held for trading at fair value through profit or loss					
- Forward exchange contracts	6.2	-	10,146	-	-
		577,798	501,494	20,769,401	18,302,907
		6,616,167	4,810,742	20,769,401	18,302,907

## 6. Trade and other receivables (Cont'd)

- 6.1 The amount due from a subsidiary is non-trade in nature, unsecured, interest free and is repayable on demand, except for single tier tax exempt dividends receivable from a subsidiary amounting to RM5,000,000 (2013: RM5,000,000) which are payable in 2015.
- 6.2 In 2013, the nominal value of the forward exchange contracts amounted to RM15,102,036. Forward exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables denominated in currencies other than the functional currency of the group entities. Forward exchange contracts entered by the Group had maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity.

## 7. Prepayments

Prepayments paid mainly relate to advance payments made to suppliers.

## 8. Inventories

Group	2014 RM	2013 RM
Raw materials and consumables	22,680,015	22,100,386
Work-in-progress	4,174,356	4,659,535
Finished goods	2,163,780	1,291,635
	29,018,151	28,051,556

Inventories recognised as cost of sales in profit or loss during the year amounted to RM37,633,871 (2013: RM33,968,231).

## 9. Cash and cash equivalents

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Cash and bank balances	8,582,007	6,223,124	121,413	52,852
Highly liquid investments with non-bank financial institution	7,941,877	9,982,719	736,945	3,068,737
	16,523,884	16,205,843	858,358	3,121,589

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

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**10. Capital and reserves**

**10.1 Share capital**

Group and Company	Amount 2014 RM	Number of shares 2014	Amount 2013 RM	Number of shares 2013
<b>Ordinary shares of RM0.50 each</b>				
Authorised	100,000,000	200,000,000	100,000,000	200,000,000
Issued and fully paid	60,249,870	120,499,740	60,249,870	120,499,740

**10.2 Share premium**

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

**11. 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		Liabilities		Net	
	2014 RM	2013 RM	2014 RM	2013 RM	2014 RM	2013 RM
Property, plant and equipment	-	-	2,752,840	3,269,779	2,752,840	3,269,779
Other temporary differences	(48,891)	(79,000)	-	-	(48,891)	(79,000)
Tax (assets)/ liabilities	(48,891)	(79,000)	2,752,840	3,269,779	2,703,949	3,190,779
Set off	48,891	79,000	(48,891)	(79,000)	-	-
Net tax liabilities	-	-	2,703,949	3,190,779	2,703,949	3,190,779

**Movement in temporary differences during the year**

Group	Note	Property, plant and equipment RM	Other temporary differences RM	Total RM
At 1 January 2013		3,368,683	(91,900)	3,276,783
Recognised in profit or loss	16	(98,904)	12,900	(86,004)
At 31 December 2013/1 January 2014		3,269,779	(79,000)	3,190,779
Recognised in profit or loss	16	(516,939)	30,109	(486,830)
At 31 December 2014		2,752,840	(48,891)	2,703,949

**12. Trade and other payables**

	<b>Group</b>		<b>Company</b>	
	<b>2014 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>	<b>2013 RM</b>
<b>Trade</b>				
Trade payables	1,300,132	1,439,291	-	-
<b>Non-trade</b>				
Other payables and accruals	1,552,158	1,924,768	86,050	87,250
Derivatives held for trading at fair value through profit or loss				
- Forward exchange contracts	1,281,291	-	-	-
	2,833,449	1,924,768	86,050	87,250
	4,133,581	3,364,059	86,050	87,250

The nominal value of the forward exchange contracts amounted to RM23,972,718. Forward exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables denominated in currencies other than the functional currency of the group entities. Forward exchange contracts entered by the Group had maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity.

**13. Prepayments received**

Prepayments received relate to advance payments from customers.

**14. Revenue**

	<b>Group</b>		<b>Company</b>	
	<b>2014 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>	<b>2013 RM</b>
Sales of goods	58,405,683	52,370,448	-	-
Dividend income from subsidiaries	-	-	10,000,000	13,550,000
	58,405,683	52,370,448	10,000,000	13,550,000

**15. Finance income**

	<b>Group</b>		<b>Company</b>	
	<b>2014 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>	<b>2013 RM</b>
Interest income of financial assets that are not at fair value through profit or loss	205,410	326,357	70,827	142,741



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**16. Income tax expense**

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>Recognised in profit or loss</b>					
<b>Current tax expense</b>					
Malaysian - current year		3,757,499	3,021,085	-	875,000
- prior year		(42,569)	21,947	(11,462)	(14,795)
Total current tax recognised in profit or loss		3,714,930	3,043,032	(11,462)	860,205
<b>Deferred tax expense</b>					
Origination and reversal of temporary differences		(393,032)	(57,666)	-	-
Over provision in prior year		(93,798)	(28,338)	-	-
Total deferred tax recognised in profit or loss	11	(486,830)	(86,004)	-	-
Total income tax expense		3,228,100	2,957,028	(11,462)	860,205

**Reconciliation of income tax expense**

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Profit before tax	13,344,094	12,091,204	9,784,216	8,477,351
Income tax calculated using Malaysian tax rate at 25%	3,336,023	3,022,800	2,446,054	2,119,338
Non-deductible expenses	528,637	187,294	71,653	1,303,847
Tax exempt income	(49,442)	(77,434)	(2,517,707)	(2,548,185)
Tax incentives	(170,496)	(166,704)	-	-
Non-taxable income	(280,255)	(2,537)	-	-
	3,364,467	2,963,419	-	875,000
Over provision in prior year	(136,367)	(6,391)	(11,462)	(14,795)
Total income tax expense	3,228,100	2,957,028	(11,462)	860,205

**17. Profit and total comprehensive income for the year**

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>Profit and total comprehensive income for the year is arrived at after charging</b>					
Auditors' remuneration:					
- audit fees					
- KPMG Malaysia		110,000	100,000	25,000	25,000
- non-audit fees					
- KPMG Malaysia		20,000	20,000	20,000	20,000
Depreciation of property, plant and equipment	3	2,198,572	2,302,849	1,224	1,224
Impairment loss on:					
- investment in subsidiaries	5	-	-	-	4,947,503
- trade receivables	21.4	136,714	-	-	-
Loss on foreign exchange:					
- realised		661,376	701,807	-	-
- unrealised		1,790,945	398,798	-	-
Loss on disposal of property, plant and equipment		65,772	-	-	-
Personnel expenses (including key management personnel):					
- contribution to state plan		532,483	597,650	-	-
- wages, salaries and others		12,423,218	11,887,952	-	-
<b>and after crediting:</b>					
Dividend income from subsidiaries	14	-	-	10,000,000	13,550,000
Gain on disposal of property, plant and equipment		-	6,200	-	-
Gain on foreign exchange:					
- realised		969,831	581,983	-	-
- unrealised		535,101	558,258	-	-

**18. Earnings per ordinary share**

The calculation of basic earnings per ordinary share at 31 December 2014 was based on the profit attributable to owners of the Company and a weighted average number of ordinary shares outstanding, calculated as follows:

Group	2014 RM	2013 RM
Profit for the year attributable to owners of the Company	10,115,994	9,134,176

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**18. Earnings per ordinary share (Cont'd)**

Group	2014	2013
Weighted average number of ordinary shares at 31 December	120,499,740	120,499,740
Group	2014 Sen	2013 Sen
Basic earnings per ordinary share	8.40	7.58

**19. Dividends**

Dividends recognised by the Company:

	Sen per ordinary share	Total amount RM
<b>2014</b>		
Second interim 2013 ordinary - single tier	4.0	4,819,990
First interim 2014 ordinary - single tier	4.0	4,819,990
Total amount		9,639,980
<b>2013</b>		
Second interim 2012 ordinary - net of tax	5.4	6,506,986
- tax exempt	0.6	722,998
First interim 2013 ordinary - single tier	4.0	4,819,990
Total amount		12,049,974

After the end of the reporting period, the following interim dividends were declared by the Directors. These dividends will be recognised in subsequent financial period.

	Sen per ordinary share	Total amount RM
Second interim 2014 ordinary - single tier	4.0	4,819,990

## 20. Operating segments

The Group has three reportable segments, as described below, which represent 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") (the chief operating decision maker) review internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segment:

<b>Reportable segment</b>	<b>Principal business activities</b>
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.

Other 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. 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 assets are 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 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.

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**20. Operating segments (Cont'd)**

**Segment trade receivables (Cont'd)**

Segments assets are 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.

Group	North America		Australia		Malaysia		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	RM	RM	RM	RM	RM	RM	RM	RM
Segment revenue *	46,570,833	37,520,620	3,199,063	4,411,333	4,901,059	5,083,082	54,670,955	47,015,035
Included in measurement of segment revenue are:								
Revenue from external customers	46,570,833	37,520,620	3,199,063	4,411,333	4,901,059	5,083,082	54,670,955	47,015,035
Segment trade receivables # (Note 21.4)	4,910,564	2,128,587	-	526,548	778,575	889,524	5,689,139	3,544,659

\* 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 assets are not disclosed as they are 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.

## 20. Operating segments (Cont'd)

### Reconciliation of reportable segment revenue, assets and other material items

Group	External revenue RM	Depreciation RM	Finance income RM	(Loss)/Gain on disposal of non-current assets other than financial instruments RM	Segment trade receivables RM
<b>2014</b>					
Total reportable segments	54,670,955	(2,198,572)	205,410	(65,772)	5,689,139
Other non-reportable segments	3,734,728	-	-	-	349,230
Consolidated total	58,405,683	(2,198,572)	205,410	(65,772)	6,038,369
<b>2013</b>					
Total reportable segments	47,015,035	(2,302,849)	326,357	6,200	3,544,659
Other non-reportable segments	5,355,413	-	-	-	764,589
Consolidated total	52,370,448	(2,302,849)	326,357	6,200	4,309,248

### Major customers

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

Group	2014 RM	Revenue 2013 RM	Segment
Customer A	13,314,526	7,307,959	North America
Customer B	11,962,245	6,878,850	North America
Customer C	5,061,587	6,378,578	North America

## 21. Financial instruments

### 21.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorized as follows:

- (a) Loans and receivables ("L&R");
- (b) Fair value through profit or loss ("FVTPL");  
- Held for trading ("HFT")
- (c) Other financial liabilities measured at amortised cost ("OL").

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**21. Financial instruments (Cont'd)**

**21.1 Categories of financial instruments (Cont'd)**

2014	Carrying amount RM	L&R RM	FVTPL - HFT RM	OL RM
<b>Financial assets</b>				
<b>Group</b>				
Trade and other receivables	6,616,167	6,616,167	-	-
Cash and cash equivalents	16,523,884	16,523,884	-	-
	23,140,051	23,140,051	-	-
<b>Company</b>				
Trade and other receivables	20,769,401	20,769,401	-	-
Cash and cash equivalents	858,358	858,358	-	-
	21,627,759	21,627,759	-	-
<b>Financial liabilities</b>				
<b>Group</b>				
Trade and other payables	2,852,290	-	-	2,852,290
Derivative financial liabilities	1,281,291	-	1,281,291	-
	4,133,581	-	1,281,291	2,852,290
<b>Company</b>				
Trade and other payables	86,050	-	-	86,050
<b>2013</b>				
<b>Financial assets</b>				
<b>Group</b>				
Trade and other receivables	4,800,596	4,800,596	-	-
Derivative financial assets	10,146	-	10,146	-
Cash and cash equivalents	16,205,843	16,205,843	-	-
	21,016,585	21,006,439	10,146	-
<b>Company</b>				
Trade and other receivables	18,302,907	18,302,907	-	-
Cash and cash equivalents	3,121,589	3,121,589	-	-
	21,424,496	21,424,496	-	-
<b>Financial liabilities</b>				
<b>Group</b>				
Trade and other payables	3,364,059	-	-	3,364,059
<b>Company</b>				
Trade and other payables	87,250	-	-	87,250



## 21. Financial instruments (Cont'd)

### 21.2 Net gains and losses arising from financial instruments

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Net gains/(losses) on:				
Loans and receivables	266,536	637,255	70,827	142,741
Fair value through profit or loss				
- Held for trading	(1,008,514)	(271,258)	-	-
	(741,978)	365,997	70,827	142,741

### 21.3 Financial risk management

The Group and the Company have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### 21.4 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. In addition, the Company is also exposed to credit risk in respect of non-trade amounts owing from subsidiaries.

#### **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 in respect of trade receivables.

#### ***Exposure to credit risk, credit quality and collateral***

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 statement 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 (2013: 30 days) and have exceeded their usual payment trend, which are deemed to have higher credit risk, are monitored individually.

The trade receivables of the Group are unsecured.

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**21. Financial instruments (Cont'd)**

**21.4 Credit risk (Cont'd)**

**Trade receivables (Cont'd)**

**Exposure to credit risk, credit quality and collateral (Cont'd)**

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

<b>Group</b>	<b>Note</b>	<b>2014 RM</b>	<b>2013 RM</b>
North America	20	4,910,564	2,128,587
Australia	20	-	526,548
Malaysia	20	778,575	889,524
Others		349,230	764,589
		<u>6,038,369</u>	<u>4,309,248</u>

At the reporting date, approximately 50% (2013: 24%) of the Group's trade receivables were due from 2 (2013: 2) major customers located in North America.

**Impairment losses**

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

<b>Group</b>	<b>Note</b>	<b>Gross RM</b>	<b>Individual impairment RM</b>	<b>Net RM</b>
<b>2014</b>				
Not past due		5,226,556	-	5,226,556
Past due less than 30 days		251,281	-	251,281
Past due 31-120 days		524,558	-	524,558
Past due more than 120 days		764,017	(728,043)	35,974
	6	<u>6,766,412</u>	<u>(728,043)</u>	<u>6,038,369</u>
<b>2013</b>				
Not past due		1,906,252	-	1,906,252
Past due less than 30 days		1,919,412	-	1,919,412
Past due 31-120 days		356,442	-	356,442
Past due more than 120 days		718,471	(591,329)	127,142
	6	<u>4,900,577</u>	<u>(591,329)</u>	<u>4,309,248</u>

## 21. Financial instruments (Cont'd)

### 21.4 Credit risk (Cont'd)

#### Trade receivables (Cont'd)

#### *Impairment losses (Cont'd)*

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

Group	Note	2014 RM	2013 RM
At 1 January		591,329	591,329
Impairment loss recognised	17	136,714	-
At 31 December		728,043	591,329

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.

#### **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 fair value.

#### ***Exposure to credit risk, credit quality and collateral***

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 fair 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.

#### ***Impairment losses***

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 21. Financial instruments (Cont'd)

#### 21.4 Credit risk (Cont'd)

##### Inter-company balances

##### *Risk management objectives, policies and processes for managing the risk*

The Company is exposed to credit risk in respect of non-trade amounts owing from subsidiaries. In view that the Company has the power to control the subsidiaries, the Company does not have a formal policy in place to monitor the credit risk exposure arising from the non-trade amounts owing from subsidiaries.

##### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Non-trade amounts only arose in the normal course of business, whilst advances are only provided to subsidiaries to finance working capital or the acquisition of property, plant and equipments in the normal course of business.

##### *Impairment losses*

The Company does not specifically monitor the ageing of the non-trade amounts owing from subsidiaries as follows:

Company	2014 RM	2013 RM
Amount due from a subsidiary	20,766,401	18,299,907

There were no movements in the allowance for impairment losses of non-trade amounts owing from subsidiaries of the Company during the financial year.

The allowance account in respect of the non-trade amounts owing from subsidiaries is used to record impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

#### 21.5 Liquidity risk

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

The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance their operations and mitigate the effects of fluctuations in the cash flows.

## 21. Financial instruments (Cont'd)

### 21.5 Liquidity risk (Cont'd)

#### *Maturity analysis*

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	<b>Carrying amount RM</b>	<b>Contractual interest rate</b>	<b>Contractual cash flow RM</b>	<b>Under 1 year RM</b>
<b>Group 2014</b>				
Trade and other payables	4,133,581	-	4,133,581	4,133,581
<b>2013</b>				
Trade and other payables	3,364,059	-	3,364,059	3,364,059
<b>Company 2014</b>				
Other payables	86,050	-	86,050	86,050
<b>2013</b>				
Other payables	87,250	-	87,250	87,250

### 21.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, that 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 the group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Euro ("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, if necessary, its foreign currency denominated trade receivables, trade payables and estimated foreign currency exposure in respect of forecast sales and forecast purchases over the next 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.

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**21. Financial instruments (Cont'd)**

**21.6 Market risk (Cont'd)**

**Currency risk (Cont'd)**

**Exposure to foreign currency risk**

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

Group	2014 Denominated in			2013 Denominated in		
	USD RM	EUR RM	YEN RM	USD RM	EUR RM	YEN RM
<b>Balances recognised in the statement of financial position</b>						
Trade receivables	5,077,485	-	281,387	2,954,879	194,683	270,162
Cash and cash equivalents	3,084,747	221,966	2,090,157	1,527,164	19,340	1,863,273
Trade payables	(102,294)	(23,825)	-	(121,453)	(564,061)	-
Forward foreign exchange contracts	(1,281,291)	-	-	10,146	-	-
<b>Net exposure</b>	<b>6,778,647</b>	<b>198,141</b>	<b>2,371,544</b>	<b>4,370,736</b>	<b>(350,038)</b>	<b>2,133,435</b>

**Currency risk sensitivity analysis**

A 5% (2013: 5%) 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 is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

Group	Profit or loss	
	2014 RM	2013 RM
USD	254,199	163,903
EUR	7,430	(13,126)
YEN	88,933	80,004

A 5% (2013: 5%) 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.

**21.7 Fair value information**

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

## 21. Financial instruments (Cont'd)

### 21.7 Fair value information (Cont'd)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value			Total RM
	Level 1 RM	Level 2 RM	Level 3 RM	
<b>2014</b>				
Forward exchange contracts	-	(1,281,291)	-	(1,281,291)
<b>2013</b>				
Forward exchange contracts	-	10,146	-	10,146

#### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### Level 2 fair value - Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

#### Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2013: no transfer in either direction).

## 22. Capital commitments

Group	2014 RM	2013 RM
<b>Capital expenditure commitments</b>		
Property, plant and equipment contracted but not provided for in the financial statements	509,215	19,000

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 23. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

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.

### 24. Related parties

#### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly 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. Related parties may be individuals or other entities.

Related parties also include key management personnel 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.

The Group has related party relationship with its holding company, significant investors, subsidiaries and key management personnel.

#### Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Note 6.

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>A. Holding company</b>				
Dividend paid	5,389,977	7,570,193	5,389,977	7,570,193
<b>B. Subsidiaries</b>				
Management fees paid	-	-	25,000	25,000
Dividend income	-	-	(10,000,000)	(13,550,000)



**24. Related parties (Cont'd)**

**Significant related party transactions (Cont'd)**

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>C. Key management personnel</b>				
<b>Directors</b>				
Fees	45,000	45,000	45,000	45,000
Remuneration	1,186,301	1,342,356	-	-
Other short-term employee benefits	7,500	7,500	7,500	7,500
	1,238,801	1,394,856	52,500	52,500
<b>Other key management personnel</b>				
Remuneration	478,990	693,127	-	-
	1,717,791	2,087,983	52,500	52,500

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 group entities either directly or indirectly.

The estimated monetary value of Directors' benefit-in-kind is RM76,828 (2013: RM78,783).

**25. Corporate guarantees**

Company	2014 RM	2013 RM
Corporate guarantees issued to licensed banks in respect of banking facilities granted to a subsidiary	8,674,320	8,600,064

The corporate guarantees mature earliest in 2015 as it could be called on demand by the licensed banks in the event of a default by the subsidiary.

NOTES TO THE  
**FINANCIAL STATEMENTS**  
**(CONT'D)**

**26. Supplementary financial information on the breakdown of realised and unrealised profits or losses**

The breakdown of the retained earnings of the Group and of the Company at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Total retained earnings of the Company and its subsidiaries				
- realised	46,853,767	45,320,321	579,204	423,506
- unrealised	7,735,277	8,937,364	-	-
	54,589,044	54,257,685	579,204	423,506
Less: Consolidation adjustments	(19,787,538)	(19,932,193)	-	-
Total retained earnings	34,801,506	34,325,492	579,204	423,506

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 the 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 33 to 75 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2014 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 26 on page 76 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: 15 April 2015

## STATUTORY DECLARATION PURSUANT TO **SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, **Lim Chee Hwa**, the Director primarily responsible for the financial management of Classic Scenic Berhad, do solemnly and sincerely declare that the financial statements set out on pages 33 to 76 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 15 April 2015.

.....  
**LIM CHEE HWA**

Before me:

**Manoharan A/L Sellamuthu** (No. W656)

Commissioner for Oaths

Kuala Lumpur

# 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 2014 of the Group and of the Company, and the statements of profit or loss and other 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 33 to 75.

### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## **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  
**TO THE MEMBERS OF CLASSIC SCENIC BERHAD**  
**(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 26 on page 76 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 Malaysian Financial Reporting Standards or International 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: 2666/09/15(J)  
Chartered Accountant

Petaling Jaya  
Date: 15 April 2015

# ANALYSIS OF SHAREHOLDINGS

## As at 23 April 2015

### 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	: 2,235
Voting rights	: 1 vote per ordinary share

### ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Share Held	%
Less than 100 shares	16	0.72	590	0.00
100 - 1,000 shares	396	17.72	180,580	0.15
1,001 - 10,000	1,270	56.82	6,281,250	5.21
10,001 - 100,000	500	22.37	15,741,560	13.07
100,001 to less than 5% of issued shares	51	2.28	22,343,231	18.54
5% and above of issued shares	2	0.09	75,952,529	63.03
Total	2,235	100.00	120,499,740	100.00

### LIST OF THIRTY LARGEST SHAREHOLDERS

Name	No. of Shares Held	%
1. Lim Ket Leng Holding Sdn. Bhd.	59,444,205	49.33
2. Lim Chee Khoo	16,508,324	13.70
3. Moh Woon Chiow	2,906,300	2.41
4. Ang Toon Chew & Sons (Malaysia) Sendirian Berhad	2,400,000	1.99
5. Chung Sook Lai	2,013,360	1.67
6. Lim Jeng Dong	1,374,091	1.14
7. Ong Ken Sim	1,130,000	0.94
8. Shoptra Jaya (M) Sdn. Bhd.	882,800	0.73
9. Yap Teong Peng	872,000	0.72
10. Ng Chin Peng	819,660	0.68
11. Lim Soong Hwatt	660,000	0.55
12. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustee Malaysia Berhad for Hong Leong Consumer Products Sector Fund</i>	543,600	0.45
13. Lim Jeng Liang	524,080	0.43
14. Lee Chee Kok	490,000	0.41
15. HSBC Nominees (Asing) Sdn. Bhd. <i>Exempt An for Bank Julius Baer &amp; Co. Ltd. (Singapore BCH)</i>	407,600	0.34
16. Ming Yau Chuan	356,700	0.30
17. Tay Cheng Weng	350,000	0.29
18. Diana Goh Hoon Suat	330,000	0.27
19. Malacca Equity Nominees (Tempatan) Sdn. Bhd. <i>Exempt Ann for Phillip Capital Management Sdn. Bhd. (EPF)</i>	300,100	0.25
20. Ng Chin Peng	300,000	0.25
21. Chong Man Kiyau	298,400	0.25
22. Chong Man Kiyau	290,000	0.24

### LIST OF THIRTY LARGEST SHAREHOLDERS

Name	No. of Shares Held	%
23. Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Law Teck Peng</i>	283,700	0.24
24. Ong Hab Tong @ Ong Hup Thong	264,000	0.22
25. Lim Kwee Huay	251,040	0.21
26. Lim Kong Choon	220,000	0.18
27. Goh Tian Hock	219,400	0.18
28. Maybank Securities Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Chan Heng Sui</i>	210,100	0.17
29. Lim Chong Khim	202,000	0.17
30. CIMB Group Nominees (Tempatan) Sdn. Bhd. <i>Exempt An for Fortress Capital Asset Management (M) Sdn. Bhd.</i>	200,000	0.17
	95,051,460	78.88

### SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders)

Name of Substantial Shareholders	No. of ordinary Shares of RM0.50 Each			
	Direct	%	Indirect	%
Lim Ket Leng Holding Sdn. Bhd.	59,444,205	49.33	-	-
Lim Chee Keong	-	-	*61,930,776	51.39
Lim Chee Hwa	-	-	#59,444,205	49.33
Lim Chee Beng	-	-	#59,444,205	49.33
Lim Chee Tak	4,200	-	#59,444,205	49.33
Lim Chee Khoon	16,431,524	13.62	-	-

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

### STATEMENT OF DIRECTORS' SHAREHOLDINGS

Name of Substantial Shareholders	No. of ordinary Shares of RM0.50 Each			
	Direct	%	Indirect	%
Lim Chee Keong	-	-	*61,930,776	51.39
Lim Chee Hwa	-	-	#59,444,205	49.33
Lim Chee Beng	-	-	#59,444,205	49.33
Yeh Sau Tou	74,400	0.06	-	-
Au Thin Ann @ Low Teen Ann	48,000	0.04	~218,300	0.18
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 shareholdings in Lim Ket Leng Holding Sdn. Bhd. pursuant to Section 6A 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 2014 (RM)	Date of acquisition / approval / last revaluation
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 / 19 years	76,209 / 69,369	5,340,920	25.03.1991 (acquisition) 01.01.2011 (R)
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 / 16 years	76,058 / 65,383	5,575,583	03.01.1992 24.08.1994 (acquisition) 01.01.2011 (R)
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 / 9 years	94,422 / 70,347	6,725,573	19.07.2002 (acquisition) 01.01.2011 (R)
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 / 12 years	98,631 / 106,692	8,822,725	21.04.1999 (acquisition) 01.01.2011 (R)
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 / 13 years	76,478 / 60,500	5,631,542	08.01.1999 (acquisition) 01.01.2011 (R)
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 / 6 year	79,739 / 74,261	6,380,960	25.01.2006 (acquisition) 01.01.2011 (R)



**LIST OF  
PROPERTIES  
(CONT'D)**

No.	Title and Location	Description and Existing Use	Tenure / Approx. Age of Buildings	Land Area / Built-up Area (Square feet)	Net Book Value as at 31 December 2014 (RM)	Date of acquisition / approval/ last revaluation
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 / 10 years	23,400 / 22,435	859,116	24.9.2002 (approval)
8	GM 4833, Lot 1371, Mukim Ulu Yam, Tempat Ulu Kg. Tembayan, Daerah Hulu Selangor, Selangor Darul Ehsan.	Vacant land	Freehold / N/A	125,238 / N/A	1,630,910	11.05.2012 (acquisition)
9	GM6281 (formerly known as EMR3236), Lot 1832, Mukim Ulu Yam, Daerah Hulu Selangor, Selangor Darul Ehsan.	Vacant land	Freehold / N/A	78,953 / N/A	593,694	22.06.2012 (acquisition)
10	GM4848 (formerly known as EMR3181), Lot 1833, Mukim Ulu Yam, Daerah Hulu Selangor, Selangor Darul Ehsan.	Vacant land	Freehold / N/A	95,282 / N/A	717,182	22.06.2012 (acquisition)
11	Lot 569, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan held under title GRN 86843, Lot 569 Seksyen 19 (formerly under HSD 28340 PT 10412, Mukim of Rawang), Bandar Rawang, District of Gombak, Selangor Darul Ehsan.	Vacant land	Freehold / N/A	39,148 / N/A	1,333,673	26.09.2012 (acquisition)

Note:

(R) – Revaluation was performed on 1 January 2011 as the Group elected to apply the optional exemption to measure the freehold land at fair value at the date of transition to MFRSs and use that fair value as deemed cost under MFRSs.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Twelfth 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 Monday, 8 June 2015, 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 2014 together with the Reports of the Directors and the Auditors thereon.
2. To approve the Directors' fees of RM45,000/- (2013: RM45,000/-) in respect of the year ended 31 December 2014. **(Resolution 1)**
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 2)**
  - (b) Mr. Lim Chee Hwa Article 92 **(Resolution 3)**
  - (c) Mr. Lee Kong Weng Article 92 **(Resolution 4)**
4. To consider and, if thought fit, pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:- **(Resolution 5)**

"THAT, pursuant to Section 129(6) of the Companies Act, 1965, Mr. Au Thin An @ Low Teen Ann be re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting."
5. To re-appoint Messrs. KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**
6. As Special Business:-

To consider and, if thought fit, to pass the following ordinary resolution:-

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

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

**BY ORDER OF THE BOARD,**

**CHOW CHOOI YOONG**

**(MAICSA 0772574)**

Company Secretary

Kuala Lumpur

15 May 2015

**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. There shall be no restriction as to the qualification of proxy.
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. Where a member of the Company is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 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 EAN may appoint in respect of each omnibus account it holds.
4. 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.
5. 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.

6. **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 2 June 2015 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.

7. **Explanatory Notes on Ordinary and Special Business**

(a) **Audited Financial Statements for the financial year ended 31 December 2014**

The audited financial statements are for discussion only under Agenda 1, as it does not require shareholders' approval under the provisions of Section 169(1) and (3) of the Companies Act, 1965. Hence, it will not be put for voting.

(b) **Resolution pursuant to Section 132D of the Companies Act, 1965**

Resolution No. 7 proposed under item 6 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.



# 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 TWELFTH 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 Monday, 8 June 2015, 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	AGAINTS
1.	Approval of Directors' fees		
2.	Re-election of Mr. Lim Chee Beng as director		
3.	Re-election of Mr. Lim Chee Hwa as director		
4.	Re-election of Mr. Lee Kong Weng as director		
5.	Re-appointment of Mr. Au Thin An @ Low Teen Ann 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		

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 \_\_\_\_\_ 2015

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. There shall be no restriction as to the qualification of proxy.
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. Where a member of the Company is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 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 EAN may appoint in respect of each omnibus account it holds.
4. 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.
5. 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.
6. 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 2 June 2015 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.

fold here

Affix  
Stamp

**THE COMPANY SECRETARY**  
**CLASSIC SCENIC BERHAD** (633887-M)  
LOT 4. 100, Tingkat 4  
Wisma Central  
Jalan Ampang  
50450 Kuala Lumpur

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**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

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