

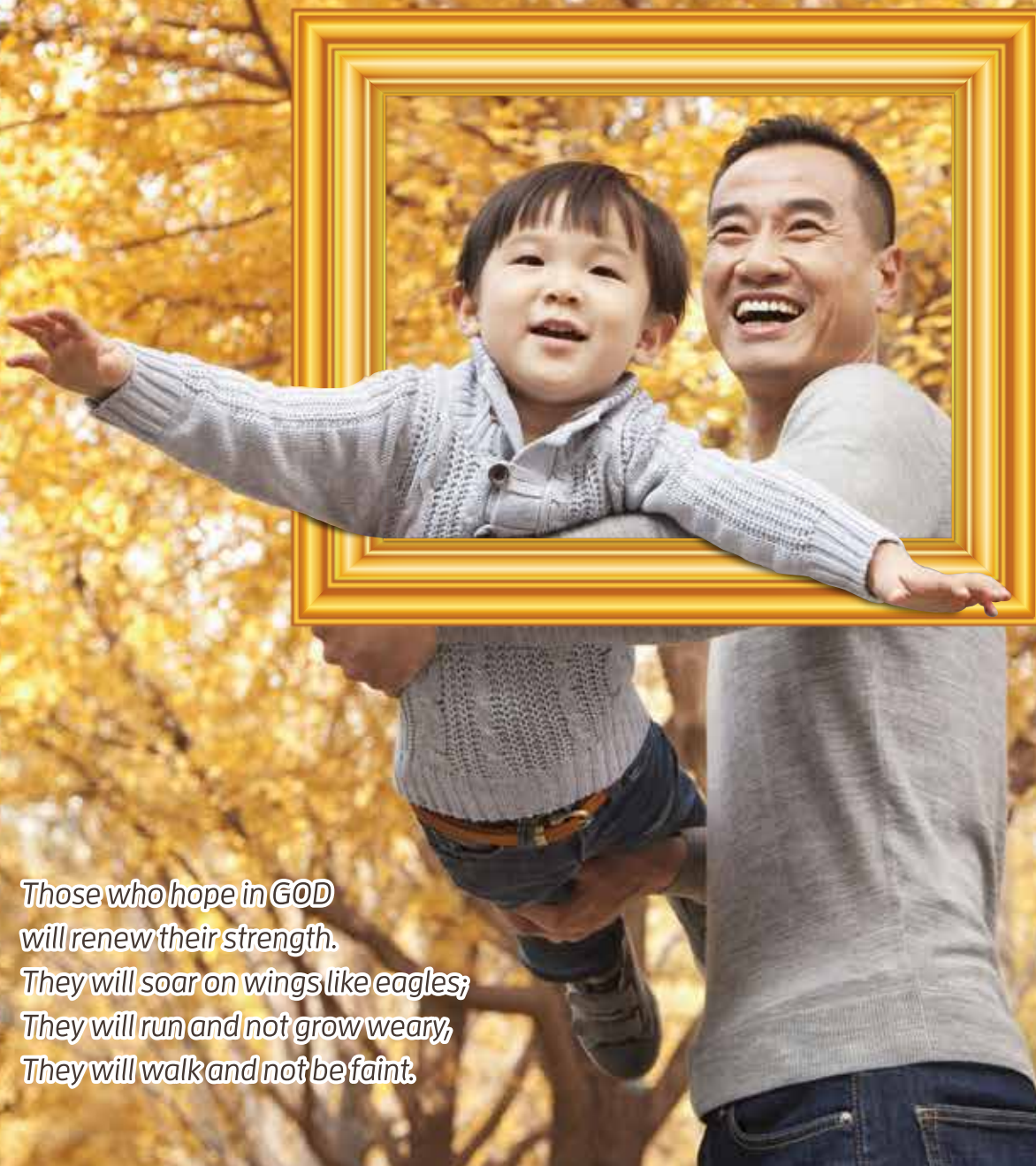


TM

Annual Report 2015

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 certification for ISO 9001:2008 has 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 360 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)

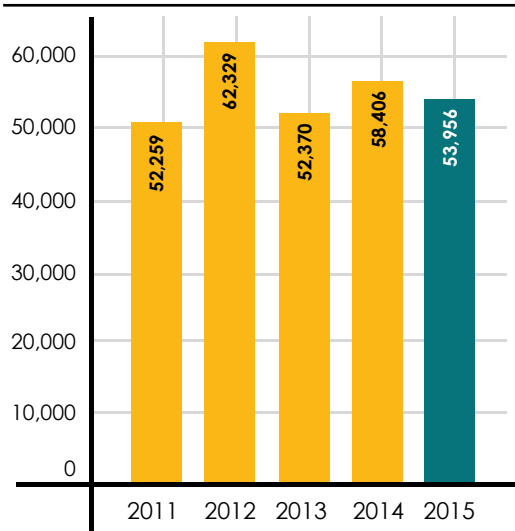
# Contents

<b>02</b>	Financial Highlights	
<b>03</b>	Corporate Structure	
<b>04</b>	Message from The Chairman	
<b>08</b>	Corporate Information	
<b>09</b>	Profile of Board of Directors	
<b>11</b>	Statement on Corporate Governance	
<b>25</b>	Audit Committee Report	
<b>29</b>	Statement on Risk Management and Internal Control	
<b>33</b>	Additional Compliance Information	
<b>34</b>	Financial Statements	
<b>85</b>	Analysis of Shareholdings	
<b>87</b>	List of Properties	
<b>89</b>	Notice of Annual General Meeting	
	Proxy Form	

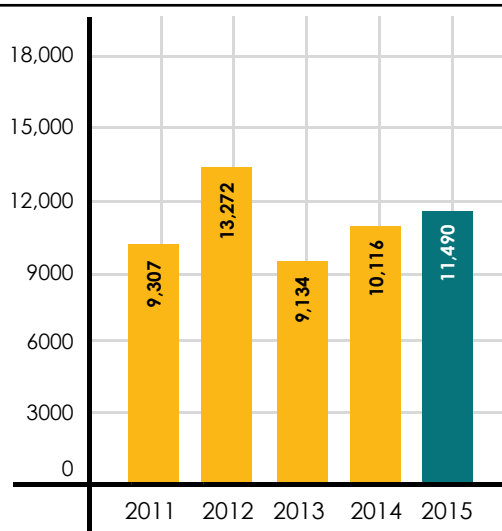
# FINANCIAL HIGHLIGHTS

	2015	2014	2013	2012	2011
Revenue (RM'000)	<b>53,956</b>	58,406	52,370	62,329	52,259
Profit Before Tax (RM'000)	<b>15,344</b>	13,344	12,091	17,100	11,907
Profit After Tax (RM'000)	<b>11,490</b>	10,116	9,134	13,272	9,307
Net Earnings Per Share (sen)	<b>9.54</b>	8.40	7.58	11.04	7.76
Net Dividend Per Share (sen)	<b>10.00</b>	8.00	8.00	10.50	8.25
Dividend Payout Ratio (%)	<b>104.9</b>	95.3	105.5	95.3	106.4
Net Asset Per Ordinary Share (sen)	<b>80.8</b>	79.2	78.9	81.3	78.6

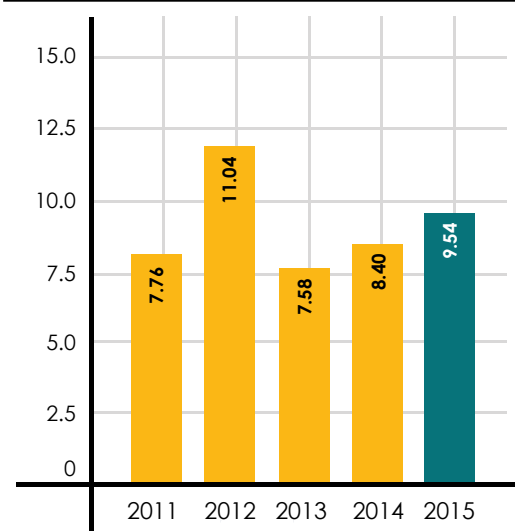
## REVENUE (RM'000)



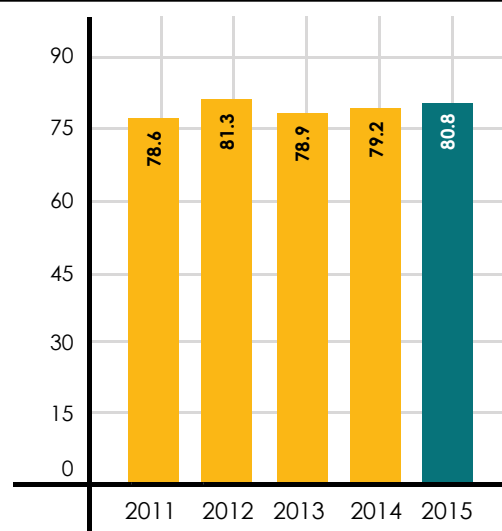
## PROFIT AFTER TAX (RM'000)



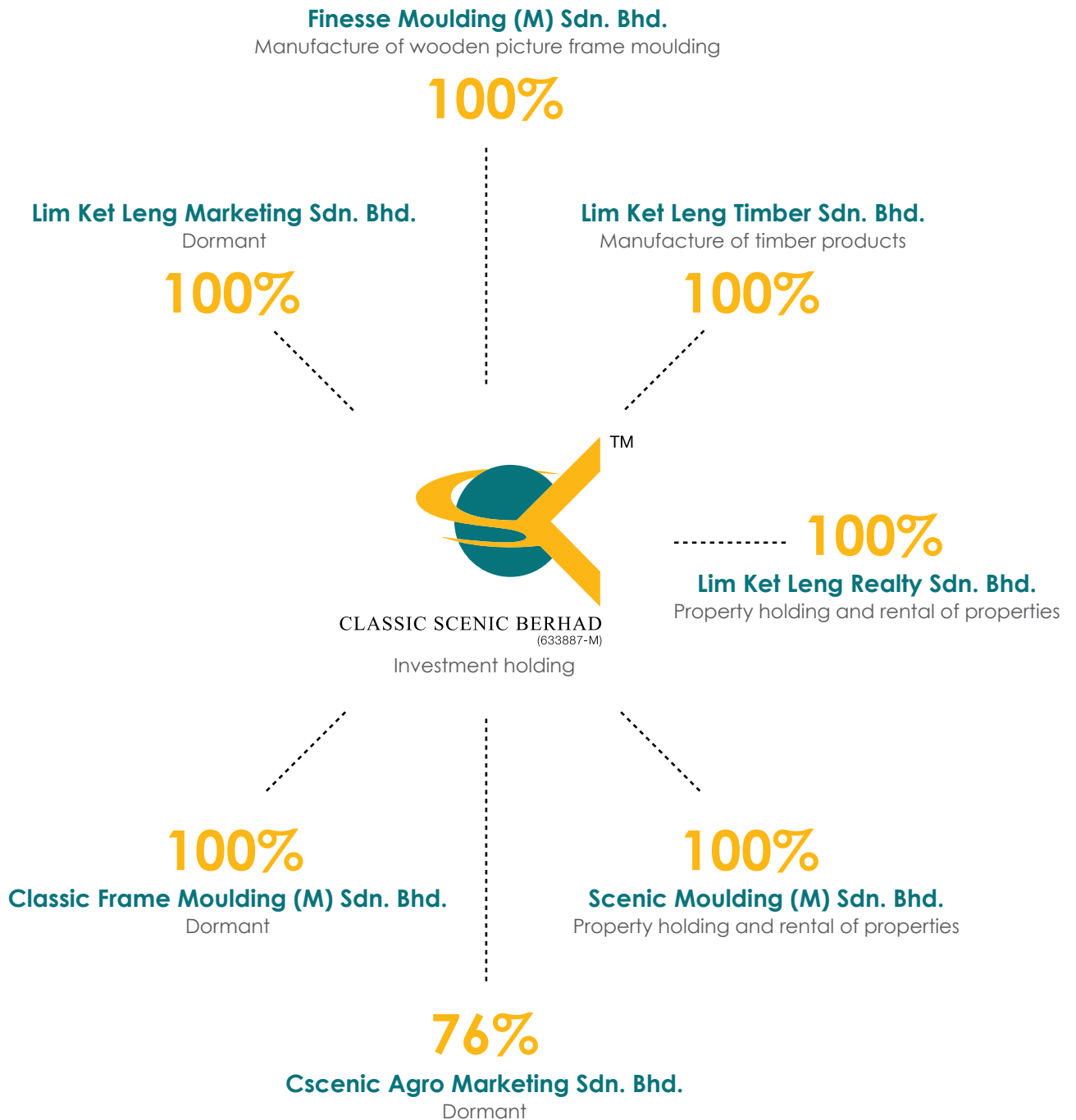
## NET EARNINGS PER SHARE (RM'000)



## NET ASSET PER ORDINARY SHARE (SEN)




# CORPORATE STRUCTURE





## 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 2015.

- Classic Scenic Berhad 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 2015.

The Group went through another volatile year in 2015 with the global economy experiencing a generally moderate, and erratic growth. For example, in the United States of America (“USA”), there was a temporary weather-related slowdown in the first quarter of 2015 and this had spillover effects on the Group’s wooden picture frame moulding exports. Nevertheless, the USA economy picked up moderately thereafter, driven by improved private consumption and investment as

well as continued recovery in the housing sector. Over in the Euro region, currency volatility had a major impact on our business, but the declining Malaysian Ringgit towards end-2015 put us in a stronger position.

In 2015, the Malaysian economy was faced with increasing challenges arising from low commodity prices, volatility in the financial markets and weak external environment. Coupled with the uncertainties over the timing of US interest hike and a de facto devaluation of Chinese Yuan in August 2015, the Malaysian Ringgit depreciated by 21.9% to a record low of RM4.4725 against US Dollar on 29 September 2015. However, with the Group being an export-oriented manufacturer,

the weakening Ringgit proved to be a positive development with more opportunities to boost export volumes. As at 31 December 2015, the Malaysian Ringgit had weakened against US Dollar by 18.6%.

From the input costs perspective, prices of local timber were fairly stable in year 2015, with demand from China moderating due to structural adjustments. In the event of a surge in price, this is, to a great extent, cushioned by our high sawn timber inventory level which lowered the average timber input cost.

Despite operating in a challenging global business environment, the Group however, continues to ride on the macro opportunities

## MESSAGE FROM THE CHAIRMAN (CONT'D)

and stay focused on increasing and maintaining market share, by introducing innovative and marketable products proactively and diligently. With our prudent growth strategies in place, and our commitment to the maintenance of a resilient cost structure of expenditure discipline, the Group delivered another commendable performance in 2015, with revenue of RM54.0 million and a pre-tax profit of RM15.3 million.

### Financial Performance Review

With the increasingly challenging market conditions and competitive global landscape in recent times, it is inevitable that the Group will be subject to constant intense competition in the wooden picture frame moulding industry. For the financial year ended 31 December 2015, the Group's revenue was at RM54.0 million, a decrease of RM4.4 million or 7.5% compared to the preceding financial year 2014 of RM58.4 million. This was mainly caused by low export volumes in the first-half of 2015 due to the slow US weather-related growth then, and also the weak Euro which enabled our competitors there to take some market share. Nevertheless, the second-half weakening of Ringgit Malaysia puts us in a stronger position to consequently recover our market share.

Despite recording a lower sales revenue from previous year, the Group was still able to deliver a commendable after-tax profit of RM11.5 million, an increase of RM1.4 million or 13.9%, compared to RM10.1 million in the preceding financial year 2014.

The Group is mindful of the on-going challenges and will continue to reinforce its time-validated organic growth strategies and remain focused on its core business of manufacturing of wooden picture frame moldings 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.

The Group is committed to put more emphasis on development of new products, productivity improvement, procurement optimization and operational efficiency, to drive business growth and sustain or enhance profitability.

### Dividend

The Group endeavours to maintain consistent and sustainable dividend payments as enriching shareholder value remains a high priority for the Group. On 26 February 2016, the Board declared a second interim single tier dividend of 12% or 6.0 sen per ordinary share totaling RM7.2 million in respect of the financial year ended 31 December 2015. The dividend will be payable on 18 May 2016 to depositors registered in the Record of Depositors on 3 May 2016. The Board does not propose final dividend for the financial year ended 31 December 2015.

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 2015 was paid on 18 November 2015. Therefore, the total net dividend paid, or to be paid, to shareholders for the financial year ended 31 December 2015, would amount to RM 12.0 million or 10.0 sen per ordinary share. The dividend payout ratio for the financial year ended 31 December 2015 was 104%.

### 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 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).

The Group has been practicing Good Corporate Governance to safeguard shareholders interest, as disclosed in Statement on Corporate Governance. The Corporate Governance 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 in-place Code of Ethics and Anti-Fraud and Whistle blowing policy which form part of risk management, have been adopted to inculcate ethical



## MESSAGE FROM THE CHAIRMAN (CONT'D)

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 endeavours 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

Our main subsidiary, Finesse Moulding (M) Sdn Bhd, has a long established policy in buying legally verified lumber, from well managed forested areas which practice responsible and sustainable forest management. The Group 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.

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.

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

### Workplace

Code of Business Conducts and Ethics and Anti-Fraud and Whistle Blowing Policy were established and adopted to instill ethical values into employees. The Code of Business Conducts and Ethics, and Anti-Fraud and Whistle Blowing Policy clearly define the Group's stand on integrity, honesty and ethical behavior and a zero tolerance to unethical business conduct.

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 and benefits are well taken care of. The remuneration package is reviewed and benchmarked against the market place periodically to ensure the package is competitive in the labor 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. In 2015, the Group also distributed financial aids to its employees who were affected by disasters, such as flood disaster in east coast of Peninsular Malaysia and earth quake in Nepal. Special leaves had also been granted to a few Nepalese representatives, who were appointed by the affected workers, to return to their home country to obtain first-hand information and updates.

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 organization and facilitates the achievement of the Group's objectives and goals. Opportunities for career advancement are performance driven and non-discriminating.



Nepal Earthquake Financial Aids were distributed to the Group's affected workers.



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



## MESSAGE FROM THE CHAIRMAN (CONT'D)



Periodic Safety and health trainings and briefings were conducted to provide a safe and healthy environment for the employees.



Various awards and tokens of appreciation were presented to the outstanding employees.

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 Safety Awareness, 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 the management on their problems and difficulties faced. Employees are the Groups' 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 an 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 participated in an Underprivileged Ang Pow distribution event hosted by the district association, and making a donation to support a group of underprivileged senior citizen, as part of its corporate responsibility initiatives.

During the year, the Group has also donated to a school as a fund-raising project to improve the school Information Technology facilities.

Yearly blood donation is co-organized 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 organized yearly by the Malaysia Timber Industry Club.

### Outlook

In 2016, the global recovery is expected to pick up at a modest pace. However, driven by country-specific factors, economic outlook across regions and main economies will remain uneven. The growth of the USA economy is expected to be the strongest, driven by a strengthening housing sector and falling unemployment rates, coupled with rising wage rates which are expected to drive consumption.

Going forward, besides all the proactive and active measures earlier mentioned, the Group will also continuously stay alert, agile and adaptive in the market place, and be more aggressive and proactive in developing and introducing innovative, competitively-priced marketable products of consistently high quality, as well as tap the growth opportunities by capitalizing on its strong market presence.

With our 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", and counting on our unwavering commitment in growing the business and performance driven measures, prudent cost discipline, the Group is optimistic of performing favorably in 2016.

### Appreciation to stakeholders

On behalf of the Board, I would like to express my deepest appreciation to our customers, suppliers and shareholders for their continued support and confidence in us. I also would like to thank the management and all staff of CScenic for their continued commitment, dedication and loyalty.

Last but not least, the Board and the Company also would like to extend a warm welcome to Madam Chow Chooi Yoong, who was appointed to the Board on 1 April 2016.

God Bless you all.

**Lim Chee Keong**  
Executive Chairman

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**LIM CHEE KEONG**  
Executive Chairman

**LIM CHEE BENG**  
Managing Director

**LIM CHEE HWA**  
Executive Director

**YEH SAU TOU**  
Independent Non-Executive Director

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

**LEE KONG WENG**  
Independent Non-Executive Director

**CHOW CHOOI YOONG**  
Non-Independent Non-Executive Director

## AUDIT COMMITTEE

### Yeh Sau Tou

Chairman  
(Independent Non-Executive Director)

### Au Thin An @ Low Teen Ann

Member  
(Independent Non-Executive Director)

### Lee Kong Weng

Member  
(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

**Andrea Huang Jia Mei**  
(MIA 36347)

## 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 – 2181 2456

## 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 60

*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 57

*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 52

*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 47

*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 72 *Independent Non-Executive Director*

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

### CHOW CHOOI YOONG

Malaysian, aged 56 *Non-Independent Non-Executive Director*

**Chow Chooi Yoong** was appointed to the Board as non-independent non-executive director on 1 April 2016. She is an associate member of the Institute of Chartered Secretaries and Administrators (UK). She graduated from Kolej Tunku Abdul Rahman with a Diploma in Business Studies in 1983 and commenced her career in secretarial practice in the same year with a management services company for about a year before she left to join T & S Management Sdn. Bhd. ("TS Management"), a medium sized service provider company offering corporate secretarial advisory services to a wide range of clients.

When the business of TS Management was taken over by T & S Secretarial Services Sdn. Bhd. ("T&S") in 2003, she became one of the shareholders of T&S and was appointed as Executive Director of the company, a position which she held until her retirement from secretarial practice in 2015. She has more than three decades of working experience in corporate secretarial practice. During her tenure with T&S, she has also acted as the named company secretary of several public listed companies for more than 10 years and many other private companies.

### LEE KONG WENG

Malaysian, aged 44 *Independent Non-Executive Director*

**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.

Currently, he is a partner of Baker Tilly AC, 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") recognises the importance of good corporate governance in ensuring that the interest of the Group, shareholders and other stakeholders are protected.

The Board is fully dedicated to continuously evaluating the Group's corporate governance practices and procedures with a view to ensure the principles and recommendations in corporate governance as stipulated by the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") are applied and adhered to safeguard shareholders' investments and protect the interests of all stakeholders.

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 MCCG 2012.

## 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 the overall responsibility for the corporate governance; establishing goals, strategies and direction; reviewing the Group's performance and critical business issues and ultimately the enhancement of long term shareholders' value.

The Board has established and implemented the following measures to assist the members of the Board to discharge their duties and responsibilities:

- (a) Established a Board Charter which, inter alia, sets a list of specific functions that are reserved for the Board, Chairman and Managing Director. The key matters reserved for the Board's approval include 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 and authority levels ;
- (b) Entrusted Board Committees with specific responsibilities to oversee the Group's affairs in accordance with their respective Terms of Reference as defined in the Board Charter. The key issues and decisions made by each Board Committee are required to be reported to the Board;
- (c) Established policies and procedures to govern controls over manufacturing processes to enhance quality management system and risk management; and
- (d) Established Authorisation Limit which defines relevant matters and applicable limits reserved for Chairman/Managing Director/Executive Director that are further cascaded to senior management team within the Company.

The Managing Director acts as the conduit between the Board and the management in ensuring the success of the Company's governance and management functions. He is responsible for managing the day-to-day operations of the Group's business and implementing policies and strategies adopted by the Board.

### 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, risk management, succession planning, investor relations programmes, internal control and management information systems.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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 Board has established an Executive and Risk Management Committee ("ERMC"), which comprises all Executive Directors and selected senior management staff, to assist the Board in discharging its responsibilities as below:

- (a) Reviewing and adopting the Company's strategic plans

The Board has put in place an annual business planning process, whereby management presents to the Board its proposed corporate objectives, strategies and business plan for the ensuing year at a Board meeting. During this session, the Board reviews and deliberates upon both management's and its own perspectives, as well as challenges management's views and assumptions to ensure that the business plan reflects industry trends and internal capabilities. In furtherance to this, the Board then reviews and approves the annual budget and the quality objectives for the ensuing year.

- (b) Oversee the conduct of the Company's business

The Managing Director is responsible for the day-to-day management of the business and operations of the Group. He is supported by the ERMC, which comprises senior management members in the Company. Management's performance, under the leadership of Managing Director, is assessed by the Board through business plan, corporate objective, financial statements, and financial performance which are tabled to the Board for approval and/or adoption during each reporting period. The Board is also kept informed of the customer satisfaction survey results, which was conducted annually to monitor customer satisfaction level and to ensure the Group has the capacity to maintain market competitiveness.

- (c) Identifying principal risks and ensuring the implementation of appropriate systems to manage them

The Board oversees the risk management of the Group through the ERMC, which is entrusted to, amongst others, establish and maintain an adequate and effective risk management framework and internal controls system, as well as advise the Board on the risks and opportunities associated with the business strategies and its operating processes. Periodically, ERMC reports its assessment on adequacy and effectiveness of the Group's risk management and internal control system to the Board via the Audit Committee.

Details of the ERMC and the Company's risk management framework are set out in the Statement of Risk Management and Internal Control of this Annual Report.

- (d) Succession planning

The Board delegates the responsibility to ensure orderly succession of senior management to the senior management team.

Annually, the senior management team conducts performance appraisal on staff to identify suitable talent within the Group for training and promotion into senior position. The annual assessment was undertaken to assess suitability based on potential candidate's capability, job knowledge, work attitude and characteristics, and taking into consideration the business needs of the Group.



## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

- (e) Overseeing the development and implementation of a communication policy for the Group

The Board adopted an Investor Relation Policy on 26 February 2014. Pursuant to this policy, the Company shall make efforts to ensure all material information of the Group is made as freely and widely public available and encourage an exchange of opinion between the Company and the substantial stakeholders.

The Company has identified the Managing Director and an Executive Director as its primary spoke-persons to communicate with stakeholders on, inter alia, corporate vision, strategic planning and strategies, development and future prospects. The Company also uses its website to enhance the existing modes of disseminating information and facilitate the investor relations function. Other than financial reports on the Group, the website provides an email communication with the Company and for the stakeholders to register their interest in information about the Company.

- (f) Reviewing the adequacy and integrity of the management information and internal control system of the Company

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details pertaining to the Company's internal control system and its effectiveness are available in the Statement of Risk Management and Internal Control of this Annual Report.

The presence of the Independent Non-Executive Directors assures an element of balance to the Board as they provide an independent view, advice and judgment 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") as well as Anti-Fraud and Whistle Blowing Policy ("AWP") on 20 November 2011. The Code outlines the standards of business conduct and ethical behaviours of Directors and employees of the Group in the performance and exercise of their duties when representing the Company. The Code covers conflict of interest; confidentiality of information; inside information and securities trading; protection of assets; business records and control; compliance to laws; personal gift and contribution; health and safety; sexual harassment; outside interest; fair and courteous behaviour; and misconduct.

The 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.

If employees discover or suspect fraudulent activities, they may report to Head of Department or Chairman of Audit Committee. The Board will periodically review and update the Code and the AWP in accordance with the needs of the Company to ensure that they continue to remain relevant and appropriate.

### 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.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### 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 at least seven (7) calendar days prior to the meeting to all Directors to enable them to obtain meeting documents and the Company's information in a timely manner and thus improving effectiveness of decision making.

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 is necessary in the furtherance of their duties.

### 1.6 Company Secretary

The Board had appointed a qualified secretary who is a member of the Malaysian Institute of Accountants and is qualified to act as Company Secretary under Section 139A of the Companies Act, 1965.

The Company Secretary is responsible to, amongst other, update and apprise the Board on new statutes or directives issued by regulatory authorities; attend Board and Board Committee meetings to ensure they are properly convened and deliberations at meetings are well documented; maintain accurate records of proceedings and resolutions passed at registered office and produced for inspection (if required); and lodgements with relevant statutory and regulatory bodies.

### 1.7 Board Charter

The Board implemented its Board Charter on 20 November 2012. It sets out the roles, functions, composition, operation and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members.

The Board Charter addresses, amongst others, the following matters:-

- i) Composition and board balance
- ii) Board role
- iii) The role of Chairman and Managing Director
- iv) Board committees
- v) Board meetings
- vi) Financial reporting
- vii) Directors' remuneration
- viii) Directors' training and continuing education
- ix) Investor relations and shareholder communication
- x) Relationship with other stakeholders (employees, environment and social responsibility)
- xi) Code of ethics and conduct

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

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### 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 assesses the effectiveness of the Board and the Board Committees, as well as performance of individual Directors on an annual basis. In furtherance to these annual assessments, the NC is able to identify gaps in the Board composition and the needs to identify and select new members to the Board. Apart from receiving nominations from Directors or committee members, the NC may also source potential candidates from relevant bodies. The NC shall conduct assessment on shortlisted candidates, evaluate their suitability and recommend the suitable candidates for further approval from and appointment by the Board.



## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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 judgment on issues considered by the Board and the ability to discharge such responsibilities as expected from Independent Non-Executive Directors; and
- 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 established 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.

The Board, on 1 April 2016, had deliberated and approved on the appointment of a female Non-Independent Non-Executive Director.

### (c) Re-election and Re-appointment of Directors

The NC is responsible to make recommendation to the Board for the re-election and re-appointment of Directors who retire by rotation and/or over seventy years of age. This recommendation is based on formal reviews on the performance of Directors, taking into consideration the Board competency matrix and the Directors' contribution to the Board through their knowledge and commitments, experience, level of independence and ability to act in the best interest of the Company in decision making.

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.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### (d) Annual Assessment

During the financial year, the NC conducted a meeting in November 2015 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 assessing 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 Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved.

The level of remuneration for the Executive Chairman, Managing Director and Executive Director is determined by the Remuneration Committee ("RC") after giving due consideration to the Group's performance and experience and level of responsibilities assumed. In the case of Non-Executive Directors, the level of remuneration is determined in accordance with their experience and level of responsibilities assumed.

The RC reviews annually the performance of the Executive Chairman, Managing Director and Executive Director and submits recommendation to the Board on specific adjustment to the remuneration that reflect their contributions for the year, and which are competitive and in tandem with the Company's objectives.

The RC was established on 19 October 2004. 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>

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 2015 and this meeting was attended by all the members.

The number of Directors whose income falls within the following bands as at 31 December 2015 is set out as follows:

Remuneration Bands	Executive Directors	Non-Executive Directors
RM50,000 and below	-	3
RM350,001- RM400,000	3	-

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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:	-	1,011,833	37,246	-	1,049,079
Non-Executive Directors:	54,000	-	-	7,500	61,500

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

It is not the Board's policy to disclose the remuneration of each Director due to the Company's concerns for the sensitivity and confidentiality of such information.

### 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 NC and the Board.

#### 3.2 Tenure of Independent Directors

The Board has implemented a nine-years tenure policy for Independent Director. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as Non-Independent Director. Otherwise, the Board must justify and seek shareholders' approval at AGM in the event it retains the Director as Independent Director. In justifying the decision, the NC is entrusted to assess the candidate's suitability to continue as Independence Non-Executive Director based on, amongst others, the criteria on independence.

As at the date of this statement and up to the forthcoming AGM, 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.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### 3.4 Composition of the Board

At the end of the financial year ended 31 December 2015, 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.

The Company Executive Chairman is a main founding member of the Group and has vast knowledge and experience in the industry in which the Group operates. The Board is of the view that it is in the interest of the Group to maintain an Executive Chairman so that the Group could have the benefit of a chairman who is well versed about the Group's business and is capable to guide discussion and brief the Board in a timely manner on key issues and development. The Board is of the view that the separation of the positions of Chairman and the Managing Director together with the Independent Directors, provide further assurance that there is a balance of power and authority on the Board, and effective stewardship of the Company in terms of strategies and performance.

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. Even though 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 minimum Bursa Securities requirement of 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

To facilitate the Directors' time planning, an annual general meeting calendar is prepared and circulated in advance of each new year. The calendar provides Directors with scheduled Board and Board Committees meetings, as well as closed periods for dealing in securities by Directors based on the targeted dates of announcement of quarterly results.

Directors are expected to have the relevant expertise in order to contribute positively to the Company's performance and to give sufficient time and attention to carry out their responsibilities. The Board shall obtain this confirmation from its new members at the time of appointment.

The Board has established a policy whereby all Board members are required to notify the Chairman before accepting any new directorships in a public listed company. The notification shall include an indication of time that the Director will spend on the new appointment.



## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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 2015, as reflected below:-

	Attendance At Meetings of			
	Board	Audit Committee	NC	RC
Lim Chee Keong	5/*5	N/A	N/A	1/*1
Lim Chee Beng	5/*5	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
Chow Chooi Yoong (appointed w.e.f. 1 April 2016)	0/*0	N/A	N/A	N/A

\*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 save for Ms. Chow Chooi Yoong who was appointed recently on 1 April 2016.

The Company has established a policy which requires each Director to attend at least one (1) training programme relevant to their respective scope of duties and responsibilities in each year.

All the Directors, after assessing their own training needs, have attended the following training programmes, seminar and/or conferences during the financial year ended 31 December 2015:-

Director	List of Training Programmes/Seminars/Conferences Attended	Date
Lim Chee Keong	GC Laity Convention : Nation Building in the Workplace	21 - 23 May 2015
Lim Chee Beng	Macroeconomic Forces in Financial Market	2 November 2015
Lim Chee Hwa	Malaysian Investor Relations Association ("MIRA") Conference 2015 : Malaysia's Changing Business Landscape. Be Prepared	27 October 2015
Au Thin An @ Low Teen Ann	11th Tricor Tax & Corporate Seminar	4 November 2015
Lee Kong Weng	1. Audit Committee Conference 2015: Rising to New Challenges 2. MFRS: Practical Implementation of Standards & Updated Bursa Listing Requirements	24 March 2015 26 March 2015
Yeh Sau Tou	1. Audit Committee Conference 2015: Rising to New Challenges 2. Persidangan Cukai Malaysia 2015 3. 2016 Budget Seminar : Summary & Highlights for Corporate Accountants	24 March 2015 6 & 7 October 2015 2 November 2015

## 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 judgments and estimates.

The Audit Committee discussed with External Auditors on their observations in relation to significant accounting and auditing issues as well as relevancy and appropriateness of the accounting principle applied and judgement affecting the financial statements.

#### 5.2 Relationship with the External Auditors

It is the policy of the Audit Committee to meet with the External Auditors to discuss their audit scope, methodology and materiality; preliminary audit risk assessment; new accounting standards and its financial and disclosure impact; audit findings and their views in respect of the integrity of the Company's financial statements. At least one of the meetings was held without the presence of executive Board members. In addition to this, External Auditors are invited to attend Annual General Meetings of the Company and are available to answer shareholders' questions on the audited financial statements of the Company.

##### *Assessment of suitability and independence of External Auditors*

The Company has established an External Auditor Appointment and Independence Policy, which outlines amongst others, the assessment and selection criteria of external auditor; process for appointment/re-appointment of external auditor; and assessment of independence. Such policy requires the lead partner and the review or concurring partner of the External Auditors to be subject to a five-year rotation with a two-year period during which they may not take part in the audit.

The Audit Committee had, on 1 April 2016, deliberated on the re-appointment of Messrs. KPMG as its External Auditors, which included amongst others, an assessment on the engagement team's qualification, credentials and experience; its audit approach; the audit firm's professional standing and reputation as well as cost. The Audit Committee has reviewed the independence of the External Auditors via, amongst others, an annual review of the non-audit services rendered by the External Auditors and the related amount of fees. The Audit Committee had also obtained assurance from the External Auditors confirming their independence throughout the audit engagement in accordance with the terms of relevant professional and regulatory requirements. Messrs. KPMG have been the External Auditor of the Company since 2004.

The Audit Committee was satisfied with the suitability of Messrs. KPMG based on the quality of services and sufficiency of resources they provided to the Group, in terms of the firm and the professional staff assigned to the audit. The Audit Committee was also satisfied on its assessment that provision of non-audit service by Messrs. KPMG to the Company for the financial year ended 31 December 2015 did not impair their independence as External Auditors.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### *Assessment of suitability and independence of External Auditors (Cont'd)*

Having regards to the above, the Board had, at its meeting held on 1 April 2016, approved the Audit Committee's recommendation for the shareholders' approval be sought at the forthcoming AGM for re-appointment of Messrs. KPMG as its External Auditor for the financial year ending 31 December 2016.

## **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 29 to 32 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 page 28 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.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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

#### 8.1 Encourage Shareholder Participation At General Meetings

The AGM represents the principal forum for dialogue and interaction with shareholders. At each AGM, the Board presents the performance and progress of the Company and provides ample opportunity for shareholders to raise questions pertaining to the business activities of the Company. All the Directors are available to provide responses to 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/her behalf. The Board has also ensured that each item of special business included in the notice of meeting will be accompanied by a full explanation on the effects of a proposed resolution.

Notice of the AGM and Annual Report are sent to shareholders 21 days prior to the meeting to allow shareholders additional time to go through the Annual Report and make the necessary attendance and voting arrangements.

#### 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 8 June 2015, there were no substantive resolutions put forth for shareholders' approval. As such, all resolutions set out in the Notice of the AGM are put to vote by a show of hands.

#### 8.3 Effective Communication and Proactive Engagement

The Board formalised and adopted the Investors Relations ("IR") Policy on 26 February 2014. The IR policy provides 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.

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 ON CORPORATE GOVERNANCE (CONT'D)

### **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 2015, 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 judgments which are reasonable and prudent; and
- ensure that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that proper accounting and other records are kept which enable the preparation of the financial statements with reasonable accuracy.

The Directors are also responsible for 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 1 April 2016.

# AUDIT COMMITTEE REPORT

## COMPOSITION

The Audit Committee of Classic Scenic Berhad ("CSCENIC") was established on 4 August 2004.

The members of the Committee for the financial year ended 31 December 2015 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 the Group;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- (e) obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- (f) convene meetings with the external auditors, internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

## AUDIT COMMITTEE REPORT (CONT'D)

### (3) FUNCTIONS AND RESPONSIBILITIES

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

## AUDIT COMMITTEE REPORT (CONT'D)

### (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.

### (5) AUDIT COMMITTEE MEETINGS

The Audit Committee met five (5) times during the financial year under review and details of attendance of each member 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

### (6) SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

During the financial year, the Audit Committee carried out the following activities:-

#### (6.1) Financial Reporting

- (a) Reviewed the audited quarterly financial results of the Company and the Group prior to submission to the Board for consideration and approval, with particular focus on the main factors contributing to the financial performance of the Group in terms of revenue and operating expenses.
- (b) Obtained confirmations from Financial Controller that there were no unusual transactions including related party transactions during the review of quarterly results.
- (c) Reviewed the impact of any changes to the accounting policies and adoption of new accounting standards as well as the accounting treatments used in the financial statements.
- (d) Reviewed the annual financial statements for the financial year ended 31 December 2014 of the Company and the Group, and discussed with the management and External Auditors prior to submission to the Board for consideration and approval.

The review was to ensure that the accounting treatments, financial reporting and disclosures are in compliance with the following:-

- i) Provision of Companies Act, 1965;
- ii) Listing Requirements of Bursa Malaysia Securities Berhad; and
- iii) Applicable accounting standards in Malaysia



## AUDIT COMMITTEE REPORT (CONT'D)

### (6.2) External Audit

- (a) Reviewed with the External Auditors:-
  - i) Audit plan, strategy, scope of work and materiality for the financial year ended 31 December 2015;
  - ii) Audit findings, audit report and management letter together with management response to their findings for the financial year ended 31 December 2014; and
  - iii) Assistance given by employees to the External Auditors for the financial year ended 31 December 2014.
- (b) Assessed the independence of External Auditors during the year. The Audit Committee obtained confirmation from the External Auditors on its independence throughout the audit engagement.
- (c) Evaluated the performance of External Auditors; reviewed the audit fees and made recommendation to the Board on their re-appointment and remuneration.
- (d) Met with the External Auditors once during the financial year in the absence of the executive Board members.
- (e) Appointed the External Auditors for recurring non-audit services in respect of review of the Statement on Risk Management and Internal Control and review of the breakdown of realised earnings for financial year ended 31 December 2015. In considering the nature and scope of non-audit fees, the Audit Committee was satisfied that they were not likely to impair independence of External Auditors.

### (6.3) Internal Audit

- (a) Reviewed the risk-based annual audit plan prepared by Internal Auditors to ensure adequacy of scope and coverage over the activities of the Group.
- (b) Reviewed the internal audit reports which were tabled during the year; audit findings and recommendations with respect to system and control weaknesses; and the management response to these recommendations.
- (c) Discussed the appointment of Internal Auditors for the Group.

## (7) INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to a professional services firm whose primary responsibility is to independently assure the Board, through the Audit Committee, that the systems of internal control are functioning effectively and reliably. The Internal Auditor reports directly to the Audit Committee to ensure its independent status within the Group 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 2015, the activities of the internal audit function included reviews in the following areas; "Human Resources and Occupational Safety and Health", "Export Sales Processing & Shipping", "Purchasing (Timber & Non-Timber)" and "Warehouse and Inventory Management". These reviews include reviewing and appraising the adequacy, effectiveness and integrity of the internal control systems, policies, procedures and information technology functions of the Group's significant entities.

The total cost incurred in maintaining the outsourced Internal Audit function for the financial year ended 31 December 2015 amounted to 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.

## 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.

The Group has established a risk management framework for managing risks affecting its business and operation, with the following features:

- (a) Clear and established functional responsibilities and authorities for the management of risk
  - i) ERMC - responsible for identifying, evaluating and managing the significant risks faced by the core business of the Group and/or emerging risks.

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.

Periodically, the ERMC reports the assessment of adequacy and effectiveness of risk management and internal control to the Board via the Audit Committee. The Managing Director and the Financial Controller are required to provide written assurance at the Board meeting on the adequacy and effectiveness of the Group's risk management and internal control system.

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

- (ii) Board of Directors, via the Audit Committee, oversees the establishment and implementation of the risk management system and periodically reviews the adequacy and effectiveness of the risk management and its policy and internal control system to ensure its continued application and relevance. The Board also reviews and approves the risk management policy, risk limits and risk tolerance. 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.

### (b) Risk management process

Within the framework, the Group has established and structured process for the risk identification, risk analysis, risk evaluation, risk treatment, communication as well as continuous monitoring and review.

Risk identification - all strategic business units maintain operational risk registers, whereby all material risks, risk owners, control system, likelihood, consequences and risk profile are identified and recorded in the risk registers.

Risk analysis - the Group utilizes quantitative and qualitative assessment to measure the risk impact and likelihood, as guided by the risk registers and risk impacts measure guideline.

Risk evaluation - the Head of Department and the ERM to evaluate and determine whether the level of risk is acceptable or unacceptable, taking into consideration the risk appetite of the Group.

Risk treatment - the Head of Department and the ERM to determine the risk treatment option (terminate risk, transfer risk, treat risk or tolerate risk).

### 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 ERM, 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 budget is reviewed on a monthly basis with explanation of any major variances;
- The ERM, 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, ERM, 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;

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

- 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, the 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.

During the year, the Board engaged an external professional firm ("IA Firm") to provide independent internal audit services to the Group. The IA Firm adopts a risk-based approach and prepares its audit strategy and plan based on the risk assessment of the business units of the Group. Scheduled internal audits are carried out based on the audit plan approved by the Audit Committee. On a quarterly basis, the IA Firm presents the Audit Committee with its internal audit report which summarises audit findings and recommendations with respect to system and control weaknesses; as well as the management response to these recommendations.

During the year, the IA Firm reviewed the internal control systems relating to the following:

- Human Resources and Occupational Safety and Health
- Export Sales Processing & Shipping
- Purchasing (Timber & Non-Timber)
- Warehouse and Inventory Management

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.

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

The management has a risk based approach to fraud; the Anti-Fraud and Whistle Blowing Policy ("anti-fraud 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 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.

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

### STATE 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 financial year under review and up to the date of issuance of the financial statements is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

The Board has received assurance from the Managing Director and Financial Controller that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, to meet the Group's objective during the financial year under review.

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 1 April 2016.



# ADDITIONAL COMPLIANCE INFORMATION

## UTILISATION OF PROCEEDS

The Company did not make any corporate proposal to raise proceed during the financial year ended 31 December 2015.

## SHARE BUY-BACKS

The Company did not buy back its Company's shares during the financial year ended 31 December 2015.

## OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year ended 31 December 2015, there were no options, warrants or convertible securities issued.

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

During the financial year ended 31 December 2015, 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 2015.

## NON-AUDIT FEES

Non-audit fees payable to external auditors for the financial year ended 31 December 2015 amounted to RM20,000/-.

## VARIATION IN RESULTS

There were no material variance between the audited results for the financial year ended 31 December 2015 and the unaudited results previously announced.

## PROFIT GUARANTEE

The Company did not issue any profit guarantee during the financial year ended 31 December 2015.

## 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 2015 or entered into since the end of the previous financial year.

## REVALUATION POLICY

The Group has no revaluation policy on landed properties.

# Financial Statements

**35** Directors' Report

**39** Statements of Financial Position

**40** Statements of Profit or Loss and Other Comprehensive Income

**41** Consolidated Statement of Changes in Equity

**42** Statement of Changes in Equity

**43** Statements of Cash Flows

**45** Notes to the Financial Statements

**82** Statement by Directors

**82** Statutory Declaration

**83** Independent Auditors' Report

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015.

### 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	11,490,241	9,332,033

### 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 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 15 May 2015.
- 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 2015 on 18 November 2015.

In February 2016, the Directors declared a second interim single tier dividend in respect of the financial year ended 31 December 2015 of 12.0% (6.0 sen) per ordinary share totalling RM7,229,984 which will be payable on 18 May 2016.

### 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  
Chow Chooi Yoong (appointed on 1 April 2016)

**DIRECTORS' REPORT (CONT'D)**  
FOR THE YEAR ENDED 31 DECEMBER 2015

**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 1.1.2015	Bought	Sold	At 31.12.2015
<b><u>Interest in the Company</u></b>				
<b>Direct</b>				
Au Thin An @ Low Teen Ann				
- own	48,000	-	-	48,000
- others*	218,300	-	-	218,300
Lee Kong Weng				
- own	20,800	-	-	20,800
- others*	4,800	-	-	4,800
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	59,444,205	-	-	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 1.1.2015	Bought	Sold	At 31.12.2015
<b><u>Interest in the holding company.</u></b>				
<b><u>Lim Ket Leng Holding Sdn. Bhd.</u></b>				
<b>Direct</b>				
Lim Chee Keong - own	3,370	-	-	3,370
Lim Chee Hwa - own	1,700	-	-	1,700
Lim Chee Beng - own	1,700	-	-	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' REPORT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2015

### 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.



**DIRECTORS' REPORT (CONT'D)**  
FOR THE YEAR ENDED 31 DECEMBER 2015

**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 2015 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: 1 April 2016

# STATEMENTS OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>Assets</b>					
Property, plant and equipment	3	47,550,318	48,942,431	5,670	6,894
Intangible asset	4	878,181	878,181	-	-
Investment in subsidiaries	5	-	-	39,221,324	39,721,324
<b>Total non-current assets</b>		<b>48,428,499</b>	<b>49,820,612</b>	<b>39,226,994</b>	<b>39,728,218</b>
Trade and other receivables	6	6,643,394	6,616,167	15,467,598	20,769,401
Prepayments	7	1,485,314	1,379,386	-	-
Inventories	8	26,762,675	29,018,151	-	-
Current tax assets		21,230	89,704	-	-
Cash and cash equivalents	9	21,385,731	16,523,884	6,370,248	858,358
<b>Total current assets</b>		<b>56,298,344</b>	<b>53,627,292</b>	<b>21,837,846</b>	<b>21,627,759</b>
<b>Total assets</b>		<b>104,726,843</b>	<b>103,447,904</b>	<b>61,064,840</b>	<b>61,355,977</b>
<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		36,651,767	34,801,506	271,257	579,204
<b>Total equity attributable to owners of the Company</b>	10	<b>97,342,490</b>	<b>95,492,229</b>	<b>60,961,980</b>	<b>61,269,927</b>
Non-controlling interest		-	-	-	-
<b>Total equity</b>		<b>97,342,490</b>	<b>95,492,229</b>	<b>60,961,980</b>	<b>61,269,927</b>
<b>Liabilities</b>					
Deferred tax liabilities	11	3,151,693	2,703,949	-	-
<b>Total non-current liabilities</b>		<b>3,151,693</b>	<b>2,703,949</b>	<b>-</b>	<b>-</b>
Current tax liabilities		876,029	709,741	-	-
Trade and other payables	12	2,511,242	2,852,290	102,860	86,050
Prepayments received	13	136,389	408,404	-	-
Derivative financial liabilities	14	709,000	1,281,291	-	-
<b>Total current liabilities</b>		<b>4,232,660</b>	<b>5,251,726</b>	<b>102,860</b>	<b>86,050</b>
<b>Total liabilities</b>		<b>7,384,353</b>	<b>7,955,675</b>	<b>102,860</b>	<b>86,050</b>
<b>Total equity and liabilities</b>		<b>104,726,843</b>	<b>103,447,904</b>	<b>61,064,840</b>	<b>61,355,977</b>

The notes on pages 45 to 81 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>Revenue</b>	15	53,955,681	58,405,683	9,500,000	10,000,000
Cost of sales		(31,609,658)	(37,633,871)	-	-
<b>Gross profit</b>		22,346,023	20,771,812	9,500,000	10,000,000
Other income		12,181	65,430	-	-
Distribution expenses		(1,085,667)	(1,134,704)	-	-
Administrative expenses		(3,224,460)	(3,317,034)	(198,260)	(159,709)
Other expenses		(3,050,209)	(3,246,820)	(111,310)	(126,902)
<b>Results from operating activities</b>		14,997,868	13,138,684	9,190,430	9,713,389
Finance income	16	346,312	205,410	141,603	70,827
<b>Profit before tax</b>		15,344,180	13,344,094	9,332,033	9,784,216
Income tax expense	17	(3,853,939)	(3,228,100)	-	11,462
<b>Profit and total comprehensive income for the year</b>	18	11,490,241	10,115,994	9,332,033	9,795,678
<b>Profit and total comprehensive income attributable to:</b>					
Owners of the Company		11,490,241	10,115,994	9,332,033	9,795,678
Non-controlling interest		-	-	-	-
		11,490,241	10,115,994	9,332,033	9,795,678
<b>Basic earnings per ordinary share (sen)</b>	19	9.54	8.40		

The notes on pages 45 to 81 are an integral part of these financial statements..

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2015

Group	Note	← Attributable to owners of the Company →			Total RM	Non- controlling interests RM	Total equity RM
		Share capital RM	Share premium RM	Retained earnings RM			
<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
<i>Distributions to owners of the Company</i>							
- Dividends to owners of the Company	20	-	-	(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				
<b>At 1 January 2015</b>		60,249,870	440,853	34,801,506	95,492,229	-	95,492,229
<b>Profit and total comprehensive income for the year</b>		-	-	11,490,241	11,490,241	-	11,490,241
<i>Distributions to owners of the Company</i>							
- Dividends to owners of the Company	20	-	-	(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 2015</b>		60,249,870	440,853	36,651,767	97,342,490	-	97,342,490
		Note 10.1	Note 10.2				

The notes on pages 45 to 81 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2015

Company	Note	← Attributable to owners of the Company →			
		Share capital RM	Share premium RM	Retained earnings RM	Total equity RM
<b>At 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
<i>Distributions to owners of the Company</i>					
- Dividends to owners of the Company	20	-	-	(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 2014/1 January 2015</b>		60,249,870	440,853	579,204	61,269,927
<b>Profit and total comprehensive income for the year</b>		-	-	9,332,033	9,332,033
<i>Distributions to owners of the Company</i>					
- Dividends to owners of the Company	20	-	-	(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 2015</b>		60,249,870	440,853	271,257	60,961,980
		Note 10.1	Note 10.2		

The notes on pages 45 to 81 are an integral part of these financial statements.



# STATEMENTS OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>Cash flows from operating activities</b>					
Profit before tax		15,344,180	13,344,094	9,332,033	9,784,216
Adjustments for:					
Depreciation of property, plant and equipment	3	1,846,065	2,198,572	1,224	1,224
Dividend income from subsidiaries	15	-	-	(9,500,000)	(10,000,000)
Finance income	16	(346,312)	(205,410)	(141,603)	(70,827)
Loss on disposal of property, plant and equipment	18	12,000	65,772	-	-
(Reversal of impairment)/ Impairment loss on trade receivables	18	(2,500)	136,714	-	-
Unrealised foreign exchange (gain)/loss		(1,675,181)	1,255,844	-	-
<b>Operating profit/(loss) before changes in working capital</b>		15,178,252	16,795,586	(308,346)	(285,387)
Changes in working capital:					
Inventories		2,255,476	(966,595)	-	-
Trade and other payables		1,029,778	163,701	16,810	(1,200)
Trade and other receivables		(670,607)	(2,882,077)	-	-
<b>Cash generated from/(used in) operations</b>		17,792,899	13,110,615	(291,536)	(286,587)
Dividend received		-	-	9,500,000	10,000,000
Interest received		346,312	205,410	141,603	70,827
Net income tax (paid)/refunded		(3,171,432)	(2,919,786)	-	59,003
<b>Net cash from operating activities</b>		14,967,779	10,396,239	9,350,067	9,843,243

The notes on pages 45 to 81 are an integral part of these financial statements.

**STATEMENTS OF CASH FLOWS (CONT'D)**  
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	3	(573,952)	(569,718)	-	-
Net repayment from/ (advances to) subsidiaries		-	-	5,301,803	(2,466,494)
Repayment of capital contribution		-	-	500,000	-
Proceeds from disposal of property, plant and equipment		108,000	131,500	-	-
Net cash (used in)/from investing activities		(465,952)	(438,218)	5,801,803	(2,466,494)
<b>Cash flows from financing activity</b>					
Dividends paid to owners of the Company	20	(9,639,980)	(9,639,980)	(9,639,980)	(9,639,980)
Net cash used in financing activity		(9,639,980)	(9,639,980)	(9,639,980)	(9,639,980)
<b>Net increase/(decrease) in cash and cash equivalents</b>		4,861,847	318,041	5,511,890	(2,263,231)
<b>Cash and cash equivalents at 1 January</b>		16,523,884	16,205,843	858,358	3,121,589
<b>Cash and cash equivalents at 31 December</b>		21,385,731	16,523,884	6,370,248	858,358

**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	
		2015 RM	2014 RM	2015 RM	2014 RM
Cash and bank balances		8,761,071	8,582,007	157,039	121,413
Highly liquid investments with non-bank financial institution		12,624,660	7,941,877	6,213,209	736,945
	9	21,385,731	16,523,884	6,370,248	858,358

The notes on pages 45 to 81 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 2015 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 2015 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 1 April 2016.

## 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 MFRSs, 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 January 2016***

- MFRS 14, *Regulatory Deferral Accounts*
- 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*, 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*
- 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*

## 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 (Cont'd)**

- 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 2018**

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

##### **MFRSs, Interpretations and amendments effective for a date yet to be confirmed**

- 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*

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

- from the annual period beginning on 1 January 2016 for those MFRSs, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14, *Amendments to MFRS 5*, *Amendments to MFRS 11* and *Amendments to MFRS 116* and *MFRS 141*, which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2018 for those MFRSs, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the MFRSs, 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:

#### (i) **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.

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

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

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

##### (ii) 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 is 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.

#### (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 - impairment losses in 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.



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

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

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

##### (i) Subsidiaries (Cont'd)

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.

##### (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.

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

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

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

##### (iv) Transactions eliminated on consolidation

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

#### (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.

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

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

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

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

###### *Financial assets (Cont'd)*

###### (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.

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.

## 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)

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.

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.

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

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

#### (e) Goodwill

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

#### (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.

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

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

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

##### (ii) Other assets

The carrying amounts of other assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or 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.

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

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

#### (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.

##### (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.

##### (iv) Income from highly liquid investments

Income from highly liquid investments is recognised when the Company's right to receive payment is established.



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

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

#### (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.

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.

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

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

#### (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.

#### (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 RM	Motor vehicles RM	Computer equipment RM	Construction in-progress RM	Total RM
<b>Cost</b>									
At 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/									
1 January 2015		24,336,938	25,443,992	21,466,959	2,284,562	2,292,506	1,004,908	220,208	77,050,073
Additions		-	57,600	91,500	152,691	-	210,991	61,170	573,952
Disposals		-	-	-	-	(287,750)	-	-	(287,750)
At 31 December 2015									
		24,336,938	25,501,592	21,558,459	2,437,253	2,004,756	1,215,899	281,378	77,336,275

NOTES TO THE  
FINANCIAL STATEMENTS (CONT'D)

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 and renovation RM	Motor vehicles RM	Computer equipment RM	Construction in-progress RM	Total RM
<b>Depreciation</b>									
At 1 January 2014		-	5,640,889	16,759,825	1,768,989	1,028,751	810,581	-	26,009,035
Depreciation for the year	18	-	528,163	1,262,518	184,516	147,795	75,580	-	2,198,572
Disposals		-	-	-	(8,599)	(91,366)	-	-	(99,965)
At 31 December 2014/ 1 January 2015		-	6,169,052	18,022,343	1,944,906	1,085,180	886,161	-	28,107,642
Depreciation for the year	18	-	529,709	1,001,091	110,124	105,888	99,253	-	1,846,065
Disposals		-	-	-	-	(167,750)	-	-	(167,750)
At 31 December 2015		-	6,698,761	19,023,434	2,055,030	1,023,318	985,414	-	29,785,957
<b>Carrying amounts</b>									
At 1 January 2014		24,336,938	19,757,603	4,496,454	503,575	1,552,393	94,694	26,900	50,768,557
At 31 December 2014/ 1 January 2015		24,336,938	19,274,940	3,444,616	339,656	1,207,326	118,747	220,208	48,942,431
At 31 December 2015		24,336,938	18,802,831	2,535,025	382,223	981,438	230,485	281,378	47,550,318

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 2014/31 December 2014/ 1 January 2015/31 December 2015		15,300
<b>Depreciation</b>		
At 1 January 2014		7,182
Depreciation for the year	18	1,224
At 31 December 2014/1 January 2015		8,406
Depreciation for the year	18	1,224
At 31 December 2015		9,630
<b>Carrying amounts</b>		
At 1 January 2014		8,118
At 31 December 2014/1 January 2015		6,894
At 31 December 2015		5,670

**3.1 Factory buildings**

Included in factory buildings of the Group is a warehouse building with carrying amount of RM844,594 (2014: RM859,116) situated on a piece of Temporary Occupation Land ("TOL") and the licence for the TOL is renewable annually.

**4. Intangible asset**

Group	Goodwill	
	2015 RM	2014 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.

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

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

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

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:

- Cash flows were projected based on actual operating results and a 5-year (2014: 5-year) projection.
- Revenue was projected at anticipated annual growth of 6% per annum for the first year and 5% per annum for the remaining 4 years (2014: 2% per annum for the first year and 5% per annum for the remaining 4 years).
- Effective tax rates were projected to be 24% for the 5 years (2014: 25% for the first year and 24% for the remaining 4 years).
- A discount rate of 8.10% (2014: 8.10%) 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% (2014: 1%) in the discount rate;
- A 10% (2014: 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 2014/31 December 2014/1 January 2015		41,557,970	13,721,658	55,279,628
Repayment of capital contribution		-	(500,000)	(500,000)
At 31 December 2015		41,557,970	13,221,658	54,779,628
<b>Impairment losses</b>				
At 1 January 2014/31 December 2014/1 January 2015/ 31 December 2015		15,034,946	523,358	15,558,304
<b>Carrying amounts</b>				
At 1 January 2014/31 December 2014/1 January 2015		26,523,024	13,198,300	39,721,324
At 31 December 2015		26,523,024	12,698,300	39,221,324
		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	
			2015 %	2014 %
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.	Dormant	Malaysia	100	100
CScenic Agro Marketing Sdn. Bhd.	Dormant	Malaysia	76	76

5.2 Capital contribution represent amounts due from subsidiaries which are non-trade in nature, unsecured, interest free and settlement of the amount are neither planned nor likely to occur in the foreseeable future. As these amounts are, 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	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>Trade</b>					
Trade receivables	22.4	5,662,941	6,038,369	-	-
<b>Non-trade</b>					
Amount due from a subsidiary	6.1	-	-	15,463,438	20,766,401
Other receivables and deposits		980,453	577,798	4,160	3,000
		980,453	577,798	15,467,598	20,769,401
		6,643,394	6,616,167	15,467,598	20,769,401

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 dividend receivables from a subsidiary amounting to RM5,000,000 in 2014 which were paid in 2015.



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

### 7. Prepayments

Prepayments paid mainly relate to advance payments made to suppliers.

### 8. Inventories

Group	2015 RM	2014 RM
Raw materials and consumables	20,118,859	22,680,015
Work-in-progress	4,522,342	4,174,356
Finished goods	2,121,474	2,163,780
	26,762,675	29,018,151

Inventories recognised as cost of sales in profit or loss during the year amounted to RM31,609,658 (2014: RM37,633,871).

### 9. Cash and cash equivalents

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash and bank balances	8,761,071	8,582,007	157,039	121,413
Highly liquid investments with non-bank financial institution	12,624,660	7,941,877	6,213,209	736,945
	21,385,731	16,523,884	6,370,248	858,358

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.

### 10. Capital and reserves

#### 10.1 Share capital

Group and Company	Amount 2015 RM	Number of shares 2015	Amount 2014 RM	Number of shares 2014
<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.

NOTES TO THE  
FINANCIAL STATEMENTS (CONT'D)

**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	
	2015 RM	2014 RM	2015 RM	2014 RM	2015 RM	2014 RM
Property, plant and equipment	-	-	3,201,183	2,752,840	3,201,183	2,752,840
Other temporary differences	(49,490)	(48,891)	-	-	(49,490)	(48,891)
Tax (assets)/liabilities	(49,490)	(48,891)	3,201,183	2,752,840	3,151,693	2,703,949
Set off	49,490	48,891	(49,490)	(48,891)	-	-
Net tax liabilities	-	-	3,151,693	2,703,949	3,151,693	2,703,949

**Movement in temporary differences during the year**

Group	Note	Property, plant and equipment RM	Other temporary differences RM	Total RM
At 1 January 2014		3,269,779	(79,000)	3,190,779
Recognised in profit or loss	17	(516,939)	30,109	(486,830)
At 31 December 2014/1 January 2015		2,752,840	(48,891)	2,703,949
Recognised in profit or loss	17	448,343	(599)	447,744
At 31 December 2015		3,201,183	(49,490)	3,151,693

**12. Trade and other payables**

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Trade</b>				
Trade payables	891,003	1,300,132	-	-
<b>Non-trade</b>				
Other payables and accruals	1,620,239	1,552,158	102,860	86,050
	2,511,242	2,852,290	102,860	86,050

NOTES TO THE  
FINANCIAL STATEMENTS (CONT'D)

**13. Prepayments received**

Prepayments received relate to advance payments from customers.

**14. Derivative financial liabilities**

Group	2015		2014	
	Nominal value RM	Liabilities RM	Nominal value RM	Liabilities RM
Derivatives held for trading at fair value through profit or loss				
- Forward exchange contracts	22,187,372	709,000	23,972,718	1,281,291

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.

**15. Revenue**

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Sales of goods	53,955,681	58,405,683	-	-
Dividend income from subsidiaries	-	-	9,500,000	10,000,000
	53,955,681	58,405,683	9,500,000	10,000,000

**16. Finance income**

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Interest income of loans and receivables	346,312	205,410	141,603	70,827

NOTES TO THE  
FINANCIAL STATEMENTS (CONT'D)

17. Income tax expense

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Recognised in profit or loss</b>				
<b>Current tax expense</b>				
Malaysian - current year	3,442,324	3,757,499	-	-
- prior year	(36,129)	(42,569)	-	(11,462)
Total current tax recognised in profit or loss	3,406,195	3,714,930	-	(11,462)
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	572,691	(393,032)	-	-
Over provision in prior year	(124,947)	(93,798)	-	-
Total deferred tax recognised in profit or loss (Note 11)	447,744	(486,830)	-	-
Total income tax expense	3,853,939	3,228,100	-	(11,462)
<b>Reconciliation of income tax expense</b>				
Profit before tax	15,344,180	13,344,094	9,332,033	9,784,216
Income tax calculated using Malaysian tax rate at 25%	3,836,045	3,336,023	2,333,008	2,446,054
Non-deductible expenses	538,904	528,637	77,393	71,653
Tax exempt income	(83,274)	(49,442)	(2,410,401)	(2,517,707)
Tax incentives	(133,587)	(170,496)	-	-
Non-taxable income	(143,073)	(280,255)	-	-
	4,015,015	3,364,467	-	-
Over provision in prior year	(161,076)	(136,367)	-	(11,462)
Total income tax expense	3,853,939	3,228,100	-	(11,462)

NOTES TO THE  
FINANCIAL STATEMENTS (CONT'D)

18. Profit and total comprehensive income for the year

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>Profit and total comprehensive income for the year is arrived at after charging:</b>					
Auditors' remuneration:					
- audit fees					
		120,000	110,000	30,000	25,000
- non-audit fees					
		20,000	20,000	20,000	20,000
Depreciation of property, plant and equipment					
	3	1,846,065	2,198,572	1,224	1,224
Impairment loss on trade receivables					
	22.4	-	136,714	-	-
Loss on foreign exchange:					
- realised					
		2,788,212	661,376	-	-
- unrealised					
		-	1,790,945	-	-
Loss on disposal of property, plant and equipment					
		12,000	65,772	-	-
Personnel expenses (including key management personnel):					
- contribution to state plan					
		635,223	532,483	-	-
- wages, salaries and others					
		11,380,733	12,423,218	-	-
<b>and after crediting:</b>					
Dividend income from subsidiaries					
	15	-	-	9,500,000	10,000,000
Gain on foreign exchange:					
- realised					
		-	969,831	-	-
- unrealised					
		1,675,181	535,101	-	-
Reversal of impairment loss on trade receivables					
	22.4	2,500	-	-	-

NOTES TO THE  
FINANCIAL STATEMENTS (CONT'D)

**19. Earnings per ordinary share**

The calculation of basic earnings per ordinary share at 31 December 2015 was based on the profit attributable to owners of the Company and a weighted average number of ordinary shares outstanding, calculated as follows:

<b>Group</b>	<b>2015 RM</b>	<b>2014 RM</b>
Profit for the year attributable to owners of the Company	11,490,241	10,115,994
<b>Group</b>	<b>2015</b>	<b>2014</b>
Weighted average number of ordinary shares at 31 December	120,499,740	120,499,740
<b>Group</b>	<b>2015 Sen</b>	<b>2014 Sen</b>
Basic earnings per ordinary share	9.54	8.40

**20. Dividends**

Dividends recognised by the Company:

	<b>Sen per ordinary share</b>	<b>Total amount RM</b>
<b>2015</b>		
Second interim 2014 ordinary - single tier	4.0	4,819,990
First interim 2015 ordinary - single tier	4.0	4,819,990
Total amount		9,639,980
<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

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.

	<b>Sen per ordinary share</b>	<b>Total amount RM</b>
Second interim 2015 ordinary - single tier	6.0	7,229,984

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

### 21. 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.

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.



NOTES TO THE  
FINANCIAL STATEMENTS (CONT'D)

21. Operating segments (Cont'd)

Segment trade receivables (Cont'd)

Group	North America		Australia		Malaysia		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	RM	RM	RM	RM	RM	RM	RM	RM
Segment revenue *	36,922,205	46,570,833	6,368,059	3,199,063	6,162,232	4,901,059	49,452,496	54,670,955
Included in measurement of segment revenue are:								
Revenue from external customers	36,922,205	46,570,833	6,368,059	3,199,063	6,162,232	4,901,059	49,452,496	54,670,955
Segment trade receivables # (Note 22.4)	3,878,189	4,910,564	435,421	-	813,470	778,575	5,127,080	5,689,139

\* 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.

NOTES TO THE  
FINANCIAL STATEMENTS (CONT'D)

21. Operating segments (Cont'd)

Reconciliation of reportable segment revenue, assets and other material items

Group	External revenue RM	Depreciation RM	Finance income RM	Loss on disposal of non-current assets other than financial instruments RM	Segment trade receivables RM
<b>2015</b>					
Total reportable segments	49,452,496	(1,846,065)	346,312	(12,000)	5,127,080
Other non-reportable segments	4,503,185	-	-	-	535,861
Consolidated total	53,955,681	(1,846,065)	346,312	(12,000)	5,662,941
<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

**Major customers**

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

Group	Revenue		Segment
	2015 RM	2014 RM	
Customer A	6,804,750	13,314,526	North America
Customer B	7,717,453	11,962,245	North America

22. Financial instruments

22.1 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"); and
- (c) Other financial liabilities measured at amortised cost ("OL").

NOTES TO THE  
FINANCIAL STATEMENTS (CONT'D)

22. Financial instruments (Cont'd)

22.1 Categories of financial instruments (Cont'd)

2015	Carrying amount RM	L&R RM	FVTPL - HFT RM	OL RM
<b>Financial assets</b>				
<b>Group</b>				
Trade and other receivables	6,643,394	6,643,394	-	-
Cash and cash equivalents	21,385,731	21,385,731	-	-
	28,029,125	28,029,125	-	-
<b>Company</b>				
Trade and other receivables	15,467,598	15,467,598	-	-
Cash and cash equivalents	6,370,248	6,370,248	-	-
	21,837,846	21,837,846	-	-
<b>Financial liabilities</b>				
<b>Group</b>				
Trade and other payables	2,511,242	-	-	2,511,242
Derivative financial liabilities	709,000	-	709,000	-
	3,220,242	-	709,000	2,511,242
<b>Company</b>				
Trade and other payables	102,860	-	-	102,860
<b>2014</b>				
<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	-	-

NOTES TO THE  
FINANCIAL STATEMENTS (CONT'D)

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

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

2014	Carrying amount RM	L&R RM	FVTPL - HFT RM	OL RM
<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

**22.2 Net gains and losses arising from financial instruments**

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Net gains/(losses) on:				
Loans and receivables	2,300,329	266,536	141,603	70,827
Fair value through profit or loss - Held for trading	(3,064,548)	(1,008,514)	-	-
	(764,219)	(741,978)	141,603	70,827

**22.3 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

**22.4 Credit risk**

Credit risk is the risk of a financial loss to the Group or the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's exposure to credit risk arises principally from trade 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.

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

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

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

##### 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 (2014: 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.

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

Group	Note	2015 RM	2014 RM
North America	21	3,878,189	4,910,564
Australia	21	435,421	-
Malaysia	21	813,470	778,575
Others		535,861	349,230
		5,662,941	6,038,369

At the reporting date, approximately 48% (2014: 50%) of the Group's trade receivables were due from 3 (2014: 2) major customers located in North America.

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

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

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

##### Trade receivables (Cont'd)

##### *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:

Group	Note	Gross RM	Individual impairment RM	Net RM
<b>2015</b>				
Not past due		4,320,627	-	4,320,627
Past due less than 30 days		675,583	-	675,583
Past due 31-120 days		660,184	-	660,184
Past due more than 120 days		732,090	(725,543)	6,547
	6	6,388,484	(725,543)	5,662,941
<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	6,766,412	(728,043)	6,038,369

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

Group	Note	2015 RM	2014 RM
At 1 January		728,043	591,329
Impairment loss (reversed)/recognised	18	(2,500)	136,714
At 31 December		725,543	728,043

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.

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

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

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

##### Highly liquid investments with non-bank financial institution (Cont'd)

###### *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.

###### *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:

<b>Company</b>	<b>2015 RM</b>	<b>2014 RM</b>
Amount due from a subsidiary	15,463,438	20,766,401

No impairment loss has been recognised in respect of the amount owing from a subsidiary.



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

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

#### 22.5 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.

#### **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:

Group	Carrying amount RM	Contractual interest rate	Contractual cash flow RM	Under 1 year RM
<b>2015</b>				
Trade and other payables	2,511,242	-	2,511,242	2,511,242
<i>Derivative financial liabilities</i>				
Forward exchange contracts (gross settled)				
Outflow	22,896,372	-	22,896,372	22,896,372
Inflow	(22,187,372)	-	(22,187,372)	(22,187,372)
	3,220,242		3,220,242	3,220,242
<b>2014</b>				
Trade and other payables	2,852,290	-	2,852,290	2,852,290
<i>Derivative financial liabilities</i>				
Forward exchange contracts (gross settled)				
Outflow	25,254,009	-	25,254,009	25,254,009
Inflow	(23,972,718)	-	(23,972,718)	(23,972,718)
	4,133,581		4,133,581	4,133,581
<b>Company</b>				
<b>2015</b>				
Other payables	102,860	-	102,860	102,860
<b>2014</b>				
Other payables	86,050	-	86,050	86,050

#### 22.6 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.

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

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

#### 22.6 Market risk (Cont'd)

##### 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 percentage of foreign currency to be hedged is reviewed and determined by the management periodically. The Group uses forward foreign exchange contracts to hedge its foreign currency risk. Forward foreign exchange contracts used by the Group have maturities of less than one year after the end of the reporting period. Where necessary, the forward foreign exchange contracts are rolled over at maturity.

##### *Exposure to foreign currency risk*

The Group's 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	2015 Denominated in			2014 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	4,498,819	200,909	311,742	5,077,485	-	281,387
Cash and cash equivalents	2,410,466	578,687	1,118,239	3,084,747	221,966	2,090,157
Trade payables	(72,240)	(7,074)	-	(102,294)	(23,825)	-
Forward foreign exchange contracts	(709,000)	-	-	(1,281,291)	-	-
<b>Net exposure</b>	<b>6,128,045</b>	<b>772,522</b>	<b>1,429,981</b>	<b>6,778,647</b>	<b>198,141</b>	<b>2,371,544</b>

##### *Currency risk sensitivity analysis*

A 5% (2014: 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.

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

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

#### 22.6 Market risk (Cont'd)

##### Currency risk (Cont'd)

##### Currency risk sensitivity analysis (Cont'd)

Group	Profit or loss	
	2015 RM	2014 RM
USD	229,802	254,199
EUR	28,970	7,430
YEN	53,624	88,933

A 5% (2014: 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.

#### 22.7 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.

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.

Group	Fair value of financial instruments carried at fair value			Total RM
	Level 1 RM	Level 2 RM	Level 3 RM	
<b>2015</b>				
Forward exchange contracts	-	(709,000)	-	(709,000)
<b>2014</b>				
Forward exchange contracts	-	(1,281,291)	-	(1,281,291)

##### 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).

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

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

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

##### 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 (2014: no transfer in either direction).

### 23. Capital commitments

Group	2015 RM	2014 RM
<b>Capital expenditure commitments</b>		
Property, plant and equipment contracted but not provided for in the financial statements	1,118,040	509,215

### 24. 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.

### 25. Key management personnel compensations

The key management personnel compensations are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Directors</b>				
Fees	54,000	45,000	54,000	45,000
Remuneration	1,011,833	1,186,301	-	-
Other short-term employee benefits	7,500	7,500	7,500	7,500
	1,073,333	1,238,801	61,500	52,500
<b>Other key management personnel</b>				
Remuneration	414,936	478,990	-	-
	1,488,269	1,717,791	61,500	52,500

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

### 25. Key management personnel compensation (Cont'd)

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 RM37,246 (2014: RM76,828).

### 26. 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 and entity that provides key management personnel services to the Company. 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. 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	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>A. Holding company</b>				
Dividend paid	4,755,536	5,389,977	4,755,536	5,389,977
<b>B. Subsidiaries</b>				
Management fees paid	-	-	25,000	25,000
Dividend income	-	-	(9,500,000)	(10,000,000)

NOTES TO THE  
FINANCIAL STATEMENTS (CONT'D)

**27. Corporate guarantees**

Company	2015 RM	2014 RM
Corporate guarantees issued to licensed banks in respect of banking facilities granted to a subsidiary	9,887,186	8,674,320

The corporate guarantees mature earliest in 2016 as it could be called on demand by the licensed banks in the event of a default by the subsidiary.

**28. 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	
	2015 RM	2014 RM	2015 RM	2014 RM
Total retained earnings of the Company and its subsidiaries				
- realised	47,649,958	46,853,767	271,257	579,204
- unrealised	8,888,486	7,735,277	-	-
	56,538,444	54,589,044	271,257	579,204
Less: Consolidation adjustments	(19,886,677)	(19,787,538)	-	-
Total retained earnings	36,651,767	34,801,506	271,257	579,204

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 39 to 81 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 2015 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 28 on page 81 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: 1 April 2016

## 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 39 to 81 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 1 April 2016.

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

Before me:

**D.Selvaraj** (No. W320)  
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 2015 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 39 to 81.

### *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 2015 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.



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLASSIC SCENIC BERHAD (CONT'D)

### Report on Other Legal and Regulatory Requirements (Cont'd)

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

- (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.

### 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 28 on page 81 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: 2666/09/17(J)  
Chartered Accountant

Petaling Jaya  
Date: 1 April 2016

# ANALYSIS OF SHAREHOLDINGS

## AS AT 4 APRIL 2016

### 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	: 2,610
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	17	0.65	592	0.00
100 - 1,000 shares	459	17.58	224,499	0.19
1,001 - 10,000	1,484	56.86	7,470,089	6.20
10,001 - 100,000	588	22.53	17,999,800	14.94
100,001 to less than 5% of issued shares	60	2.30	22,514,331	18.68
5% and above of issued shares	2	0.08	72,290,429	59.99
<b>Total</b>	<b>2,610</b>	<b>100.00</b>	<b>120,499,740</b>	<b>100.00</b>

### 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 Khoon	12,846,224	10.66
3. Ang Toon Chew & Sons (Malaysia) Sendirian Berhad	2,400,000	1.99
4. Moh Woon Chiow	2,046,200	1.70
5. Lim Jeng Dong	1,374,091	1.14
6. Ong Ken Sim	1,130,000	0.94
7. Chung Sook Lai	1,013,360	0.84
8. Ng Chin Peng	905,660	0.75
9. Shoptra Jaya (M) Sdn. Bhd.	882,800	0.73
10. Yap Teong Peng	872,000	0.72
11. Lim Soong Hwatt	660,000	0.55
12. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Hong Leong Consumer Products Sector Fund</i>	543,600	0.45
13. Lim Jeng Liang	524,080	0.43
14. Ong Yik Gee	500,000	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. Ti Lian Ker	358,700	0.30
17. Ming Yau Chuan	353,700	0.29
18. Tay Cheng Weng	350,000	0.29
19. Koh Kah Huat	310,000	0.26
20. Ng Chin Peng	300,000	0.25
21. Tay Yong Beng	300,000	0.25
22. Chong Man Kiyau	298,400	0.25
23. Chong Man Kiyau	290,000	0.24

ANALYSIS OF **SHAREHOLDINGS (CONT'D)**  
AS AT 4 APRIL 2016

**LIST OF THIRTY LARGEST SHAREHOLDERS**

Name	No. of Shares Held	%
24. Ong Aik Khoo	288,400	0.24
25. Malacca Equity Nominees (Tempatan) Sdn. Bhd. <i>Exempt Ann for Phillip Capital Management Sdn. Bhd. (EPF)</i>	269,900	0.22
26. Ong Hab Tong @ Ong Hup Thong	264,000	0.22
27. Maybank Securities Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Chan Heng Sui (REM 110)</i>	253,600	0.21
28. Lim Kwee Huay	251,040	0.21
29. Diana Goh Hoon Suat	250,000	0.21
30. Kua Beng Chuan	230,000	0.19
	89,917,560	74.61

**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	0.00	#59,444,205	49.33
Lim Chee Khoo	12,846,224	10.66	-	-

\* 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**

Director's Name	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
Chow Chooi Yoong	-	-	-	-

\* 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 2015 (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 / 21 years	76,209 / 69,369	5,263,424	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 / 18 years	76,058 / 65,383	5,496,638	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 / 11 years	94,422 / 70,347	6,652,595	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 / 14 years	98,631 / 106,692	8,691,756	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 / 15 years	76,478 / 60,500	5,609,400	08.01.1999 (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 2015 (RM)	Date of acquisition / approval / last revaluation
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 / 8 year	79,739 / 74,261	6,305,902	25.01.2006 (acquisition) 01.01.2011 (R)
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 / 12 years	23,400 / 22,435	844,594	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	1,630,911	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 Thirteenth 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 Friday, 13 May 2016, 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 2015 together with the Reports of the Directors and the Auditors thereon.
2. To approve the Directors' fees of RM54,000/- (2014: RM45,000/-) in respect of the year ended 31 December 2015. **(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 Keong Article 92 **(Resolution 2)**
  - (b) Mr. Yeh Sau Tou Article 92 **(Resolution 3)**
  - (c) Ms. Chow Chooi Yoong Article 97 **(Resolution 4)**
4. To consider and, if thought fit, pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:-

"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."

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

To consider and, if thought fit, to pass the following 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,**

**ANDREA HUONG JIA MEI**

**(MIA 36347)**

Company Secretary

Kuala Lumpur

20 April 2016

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### 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 Malaysia Securities Berhad, a Record of Depositors as at 9 May 2016 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 2015**

The audited financial statements are for discussion only under item 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 Annual General Meeting ("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 THIRTEENTH 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 Friday, 13 May 2016, at 10.00 a.m. and at any adjournment thereof.

(\*strike out whichever is not desired)

*My/Our proxy is to vote as indicated below:*

NO	RESOLUTIONS	FOR	AGAINST
1.	Approval of Directors' fees		
2.	Re-election of Mr. Lim Chee Keong as director		
3.	Re-election of Mr. Yeh Sau Tou as director		
4.	Re-election of Ms. Chow Chooi Yoong 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 \_\_\_\_\_ 2016

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 9 May 2016 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

fold here





CLASSIC SCENIC BERHAD (633887-M)  
Lot 12, Jalan RP3, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan.  
Tel : 03-6091 7477 • Fax : 03-6091 6766

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