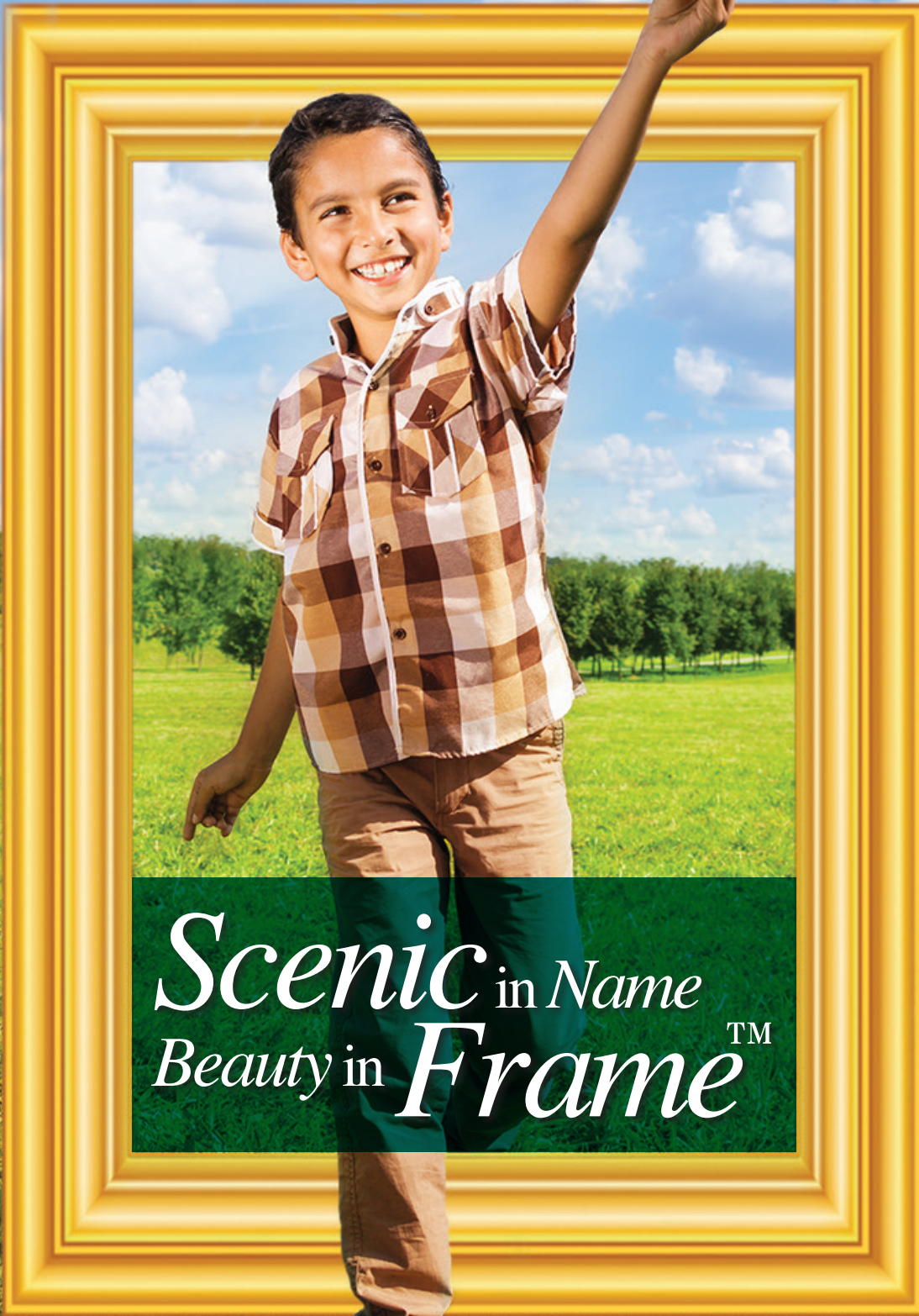


*Those who hope in GOD  
will renew their strength.  
They will soar on wings like eagles;  
They will run and not grow weary,  
They will walk and not be faint.*



CLASSIC SCENIC BERHAD  
(633887-M)

ANNUAL REPORT 2016



*Scenic* in Name  
*Beauty* in *Frame*™





#### **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.

### **CLASSIC SCENIC GROUP at a Glance**

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 ISO2008:2015 has been duly obtained.

The first mouldings were made in 1988, and we have emerged to be one of the largest wooden picture frame mouldings manufacturer and exporter in Malaysia, and one of the biggest operations in the region as well since 2000s. More than 90% of the Group's premium wooden picture frame mouldings are mainly exported to North America, Australia, Europe and Japan. Current manufacturing facility comprises of 6 factories centrally located in Rawang, Selangor 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)

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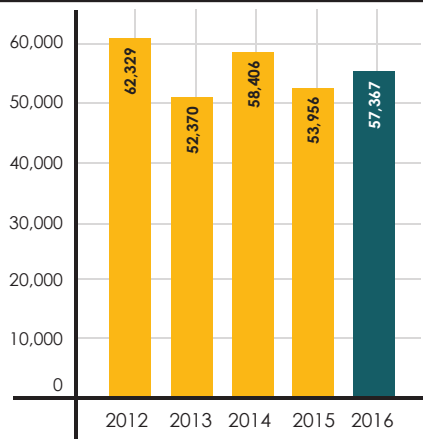


## Financial Highlights

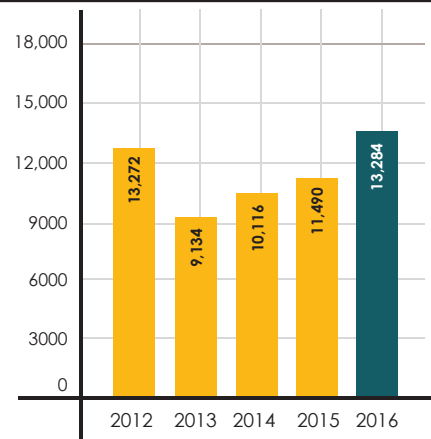
	2016	2015	2014	2013	2012
Revenue (RM'000)	57,367	53,956	58,406	52,370	62,329
Profit Before Tax (RM'000)	17,477	15,344	13,344	12,091	17,100
Profit After Tax (RM'000)	13,284	11,490	10,116	9,134	13,272
Net Cash (RM'000)	23,915	21,386	16,524	16,206	21,724
Return on Equity (%)	13.8	11.8	10.6	9.6	13.6
Net Asset Per Ordinary Share (sen)	79.8	80.8	79.2	78.9	81.3
Net Earnings Per Share (sen)	11.02	9.54	8.40	7.58	11.04
Net Dividend Per Share (sen)	11.00	10.00	8.00	8.00	10.50
Dividend Payout Ratio (%) *	99.8	104.9	95.3	105.5	95.3
Net Dividend Yield (%)	6.1	8.3	6.7	7.3	10.0

\* The Group's Dividend Policy: Distributing 50% of the Group net profit after tax attributable to shareholders.

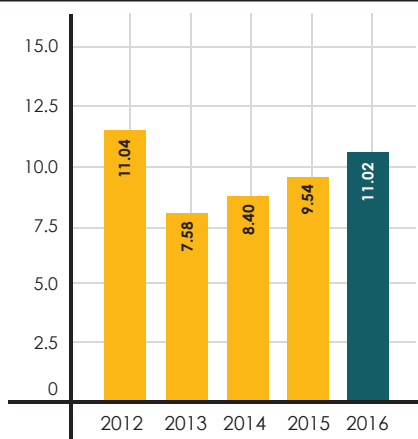
**REVENUE**  
RM'000



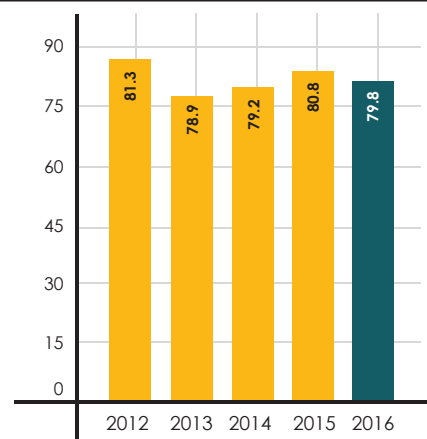
**PROFIT AFTER TAX**  
RM'000



**NET EARNINGS PER SHARE**  
(SEN)



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



## Corporate Structure



**100%**

**Finesse Moulding (M) Sdn. Bhd.**

Manufacture of wooden picture frame moulding

**100%**

**Lim Ket Leng Timber Sdn. Bhd.**

Manufacture of timber products

**100%**

**Scenic Moulding (M) Sdn. Bhd.**

Property holding and rental of properties

**100%**

**Lim Ket Leng Realty Sdn. Bhd.**

Property holding and rental of properties

**100%**

**Lim Ket Leng Marketing Sdn. Bhd.**

Dormant

**100%**

**Classic Frame Moulding (M) Sdn. Bhd.**

Dormant

**76%**

**Cscenic Agro Marketing Sdn. Bhd.**

Dormant



## Chairman's Messages and Management Discussion & Analysis

**"Classic Scenic ended 2016 with resilient results amidst a challenging environment, thanks to our steadfast belief in God, strong business fundamentals, prudent strategies and the unwavering commitment from our team!"**

**- 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 2016.

Our main export market, North America, continued to be challenging in 2016. However with God's grace, we saw upbeat economic data continued to emerge from the USA economy, such as healthy retail sales growth, unemployment rates returning to pre-crisis level, and a strengthening housing market. Additionally, the US Federal Reserve has also been gradually lifting the interest rate from a record low of 0% to 0.25% since the 2008 financial crisis. All these economic indicators show that the worst effects of the 2008 recession are fading, and the overall USA economy is on the path of recovery. Coupled with the stronger US Dollar (more than 90% of the Group's export were traded in US Dollar), these had put us (as an export oriented manufacturer), in a favorable position to ride on the opportunities and reap the harvest that we had sowed in the past with our diligence and perseverance.

Back home, the Malaysian Ringgit depreciated against most major currencies in 2016 primarily due to external factors such as volatile crude oil prices and the renewed concerns over the US Federal Reserve policies which are exacerbated by the impending uncertainties of both economic and political policies

in the USA. The weakening Malaysian Ringgit had exerted some mild impacts on our input costs, as it increased the input cost of some imported materials and overheads. Nevertheless, the Group was rather unfazed by the weakening of Malaysian Ringgit as our major raw material, timbers, are mainly locally sourced and the timber price was relatively stable in 2016. In the event of a surge in timber price, the Group is still cushioned by our results-proven strategy of having high sawn timber inventory level which lowers the average timber input cost.

Our government's tightening of rules and regulations in recruiting migrant workers also posed a challenge to the Group during the financial year as up to 70% of our workforce were migrant workers. The delay in bringing in the workers rendered meeting on-time delivery of surging customer orders a challenge to the Group. Nonetheless, with our prudent talent management strategies, we managed to retain our skillful workers, and increase the local workforce to fulfill the increased customer orders on-time. As at 31 December 2016, the Group had a balance mix of foreign and local employees at approximately 50% each.

With our solid and strong business fundamentals, prudent strategies in place, and our commitment to the maintenance of a resilient cost structure of expenditure discipline, the Group delivered another commendable performance in 2016, with revenue of

# Chairman's Messages and Management Discussion & Analysis

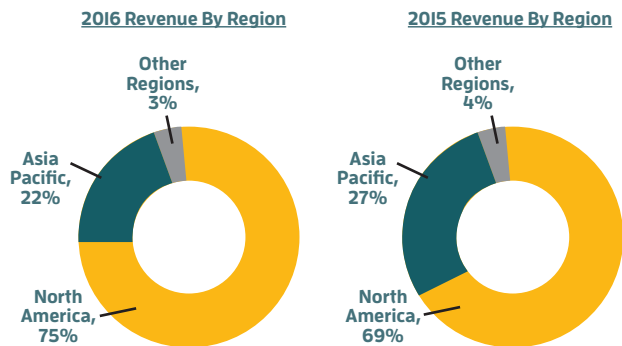
(cont'd)

RM57.4 million and a pre-tax profit of RM17.5 million.

## Financial Performance Review

Amidst challenging market conditions and a competitive global landscape, the Group recorded higher revenue at RM57.4 million for the financial year ended 31 December 2016. Compared to the preceding financial year 2015 of RM54.0 million, the Group's revenue had surged by RM3.4 million, or 6.3%, which was mainly attributed to higher export volumes of wooden picture frame mouldings to our main market of North America. The higher export volume and the weakening of the Malaysian Ringgit had also boosted the Group's gross margin to 43%.

Export of wooden picture frame mouldings contributed approximately 90% of the Group's revenue and the local sales of wooden pallets accounted for the remaining 10%. The revenue of the Group by region is depicted below:-

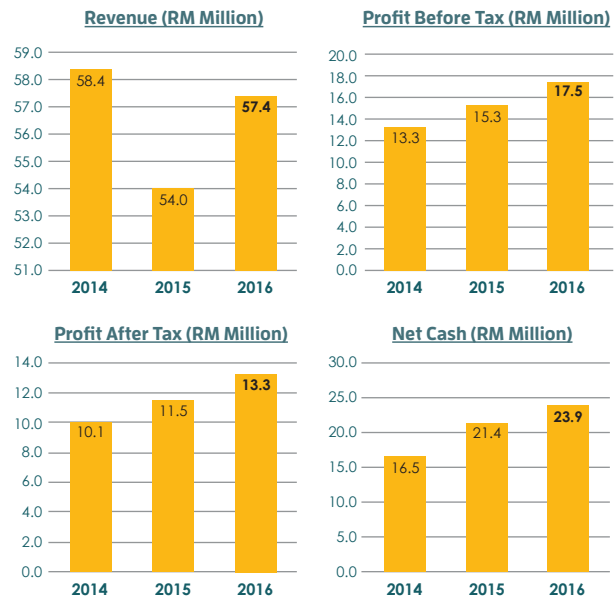


The Group's export proceeds are predominantly denominated in US Dollar and the management performs ongoing review over its exposure to foreign currency risk and manages the risk by hedging. Forward foreign currency contracts with maturity of less than one year are used by the Group to hedge its foreign currency risk. As at 31 December 2016, the foreign currency forward contracts in-hand, which were used to hedge against the Group's trade receivables and forecasted sales over the next six months, amounted to RM22.5 million, and its unrealized fair value loss of RM1.7 million has been recognized in the financial statements.

Despite the recognition of high unrealized fair value loss of RM1.7 million against the Group's earnings for the financial year ended 31 December 2016, it did not hinder the Group in achieving a record-high Profit before Tax of RM17.5 million. Thereafter, the Group was happy to announce a Profit after Tax of RM13.3 million for the financial year ended 31 December 2016, an increase of RM1.8 million or 15.7% compared to the preceding financial year 2015.

The Group maintained a healthy balance sheet and

also posted a strong net cash position of RM23.9 million as at the financial year ended 31 December 2016. The Shareholders Equity was RM96.2 million and net asset per share stood at RM0.80 as at 31 December 2016.



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 mouldings and wooden products. An annual Customers Satisfaction Survey is conducted to assess customers' satisfaction level and to ascertain the Group's competitive position against other competitors. 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 continually 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, which falls in line with the Group's dividend policy of distributing 50% of the net profit after tax attributable to shareholders, as enriching shareholder value remains a high priority for the Group. On 22 February 2017, the Board declared a second interim single tier dividend of 5.0 sen per ordinary share totaling RM6.0 million in respect of the financial year ended 31 December 2016. The dividend will be payable on 16 May 2017 to depositors registered in the Record of Depositors on 27 April 2017. The Board

## Chairman's Messages and Management Discussion & Analysis

(cont'd)

does not propose final dividend for the financial year ended 31 December 2016.

A first interim single tier dividend of 6.0 sen per ordinary share totaling RM7.2 million in respect of the financial year ended 31 December 2016 was paid on 16 November 2016. Therefore, the total net dividend paid, or to be paid, to shareholders for the financial year ended 31 December 2016, would amount to RM13.2 million or 11.0 sen per ordinary share. The dividend payout ratio for the financial year ended 31 December 2016 was 100%.

### Sustainability

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 the Statement on Corporate Governance. The Corporate Governance is periodically reviewed and 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 Business Conducts and Ethics ("Code") and Anti-Fraud and Whistle Blowing Policy ("AWP") which form part of risk management, have been adopted to inculcate ethical values among all at CScenic, and to promote and cultivate an honest and transparent environment. These policies

enhance the awareness of the Group's stand on illegal, unethical and dishonest acts and the consequences of such acts to its employees; and to create employees' awareness of their roles, rights and responsibilities pertaining to illegal, unethical and dishonest acts. The strict enforcement of the anti-fraud policy would reduce the risk to the Group's reputation from fraudulent acts and protect the shareholders interest.

CScenic 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 long established policy in buying legally verified timber. The Group is committed to making every effort in ensuring all timbers are from legal and traceable sources. The Group also supports and promotes forest sustainability through practising good forestry practices 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 cut down 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 distributed to and shared among all employees and also partly used to aid a group of underprivileged employees.

### Workplace

The Code and AWP were established and adopted to instill ethical values into employees. The Code and AWP 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



## Chairman's Messages and Management Discussion & Analysis

(cont'd)

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 labour market and the employees are equitably remunerated based on their contributions. Various emoluments, benefits and incentives are provided to lower income level staff such as transport allowances. Long service awards are also extended to employees as a gesture of appreciation from the Group.

Human Capital Development – Yearly structured training is continuously provided to employees to sharpen their skills and competencies as part of their career planning, which not only benefits the employees personally, but also strengthens the capability of the entire organization and facilitates the achievement of the Group's objectives and goals. Opportunities for career advancement are performance-driven and non-discriminatory.

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 safety and health related 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 with due recognition. The Group remains committed in conducting a periodic Employee Job Satisfaction Survey to give employees opportunity to voice out any grievances and dissatisfaction with the current work conditions, and thereafter the management will consider next course of action to improve further.

### Community

As a socially responsible company, the Group actively 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.

A yearly blood donation campaign 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

The growth of the USA economy is expected to be stronger in year 2017. Driven by improving job market, rising wage rate, strengthening housing market and together with better business sentiment, they are expected to boost consumers consumption or spending in generating more economic activities that are vital to the growth of the Group's business.

Going forward, the Group will 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. Our commitment to the maintenance of a resilient cost structure of expenditure remains one of our top operational agenda, which consist of automation of production processes, productivity improvement, procurement optimization and operational efficiency.

With our faith in God's words "*Those who hope in the Lord 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 team's unfaltering commitment and performance driven measures, the Group is optimistic of performing favourably in 2017.

### 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.

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

#### 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

#### Lee Kong Weng

Chairman

(Independent Non-Executive Director)

#### Au Thin An @ Low Teen Ann

Member

(Independent Non-Executive Director)

#### Chow Chooi Yoong

Member

(Non-Independent Non-Executive Director)

### NOMINATION COMMITTEE

#### Au Thin An @ Low Teen Ann

Chairman

(Independent Non-Executive Director)

#### Lee Kong Weng

Member

(Independent Non-Executive Director)

#### Chow Chooi Yoong

Member

(Non-Independent Non-Executive Director)

### REMUNERATION COMMITTEE

#### Lee Kong Weng

Chairman

(Independent Non-Executive Director)

#### Chow Chooi Yoong

Member

(Non-Independent Non-Executive Director)

#### Lim Chee Keong

Member

(Executive Chairman)

### COMPANY SECRETARY

#### Wong Youn Kim

(MAICSA 7018778)

### 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

Level 2, Tower 1 Avenue 5,  
Bangsar South City  
59200 Kuala Lumpur

Tel. : 603 – 22415800

Fax : 603 – 22825022

### AUDITORS

KPMG PLT

(LLP0010081-LCA & 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

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## Profile of Board of Directors

### LIM CHEE KEONG

Malaysian, aged 61, Male

*Executive Chairman*

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**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 BENG

Malaysian, aged 53, Male

*Managing Director*

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**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.

### LIM CHEE HWA

Malaysian, aged 58, Male

*Executive Director*

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**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.

### AU THIN AN @ LOW TEEN ANN

Malaysian, aged 73, Male

*Independent Non-Executive Director*

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**Au Thin An @ Low Teen Ann** was appointed to the Board as independent non-executive director on 2 January 2008. He is the Chairman of the Nomination Committee and a member of the Audit Committee. 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.



## Profile of Board of Directors

(cont'd)

### LEE KONG WENG

Malaysian, aged 45, Male

*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 the Chairman of the Audit and Remuneration Committees and a member of the Nomination Committee. 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.

### CHOW CHOOI YOONG

Malaysian, aged 57, Female

*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 a member of the Audit, Nomination and Remuneration Committees. 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.

## 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.

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## Key Senior Management

### LIM KIM LEE

Malaysian, aged 39, Female

*Chief Financial Officer*

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**Lim Kim Lee** is the Chief Financial Officer of the Group and she is also a member of the Group's Executive and Risk Management Committee. She graduated with a Bachelor of Commerce from the University of Otago New Zealand, majoring in Accounting, in 1999. She is a member of the Malaysian Institute of Accountants and an associate member of the Chartered Institute of Management Accountants. She started her career as an account/audit assistant for about 3 years before joining Classic Scenic Group as a finance officer in year 2003. In year 2004, she assisted the Group's financial controller in the Initial Public Offering exercise of Classic Scenic Berhad on the Second Board of Bursa Malaysia Securities Berhad and, subsequently, to the Main Board. Subsequently in 2007, she was promoted to the position of Group Finance Manager of which she is responsible for the treasury and finance function of the Group, and also in establishing, implementation and maintenance of quality management system. In 2012, she was promoted to the position of Group Financial Controller of which her responsibilities include setting strategic direction of finance, human resources and information technology to support the goals of the Group, and maintaining an adequate and effective risk management and internal control system. She was appointed as the Group's Chief Financial Officer in December 2016.

### LIM KWEE HUAY

Malaysian, aged 57, Female

*Senior Marketing Manager*

---

**Lim Kwee Huay** is the Senior Marketing Manager of the Group and she is also a member of the Group's Executive and Risk Management Committee. She is responsible for the Group's Export Marketing development functions. She graduated from the University of Newcastle with a Bachelor of Commerce in 1985. Her career started when she joined the Group in 1989 as the Administration Manager whereby she was responsible for overseeing the administrative aspects of the operations. She was then promoted to Senior Marketing Manager in 1995 to oversee the Group's Export Sales and Marketing. She is the sister of Lim Chee Keong, Lim Chee Beng and Lim Chee Hwa.

### NG CHIN PENG

Malaysian, aged 39, Male

*Senior Production Manager*

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**Ng Chin Peng** is the Senior Production Manager of the Group and he is also a member of the Group's Executive and Risk Management Committee. He is responsible for the Group's production, process engineering, quality management and maintenance functions. He obtained his Bachelor of Science Degree (Honours), majoring in Mechanical and Manufacturing Engineering, from the University of Lincolnshire and Humberside, UK in 2002. He started with Intercos Cosmetics (SuZhou) Co. Ltd. ("Intercos"), an Italy colour cosmetic company, as an industrialization engineer in 2004. He was then promoted to senior industrialization engineer and industrialization manager in 2005 and 2009 respectively. He left Intercos in 2012 and joined Classic Scenic Group as process engineering manager in 2013. Subsequently, he was transferred to production management department and promoted to senior production manager. He is the son-in-law of Lim Chee Keong.

## Statement On Corporate Governance

The Board of Directors of Classic Scenic Berhad ("CSCENIC") recognizes 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 in safeguarding shareholders' investments and to 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 Group.

The Managing Director acts as the conduit between the Board and the management in ensuring the success of the Group'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.



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## 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 Group'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 Group'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 members of senior management in the Group. 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. Annually, 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 Group'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 Group shall make efforts to ensure all material information of the Group is made as freely and widely available to the public, and encourage an exchange of opinion between the Company and the substantial stakeholders.

The Group 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 Group 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 Group and for the stakeholders to register their interest in information about the Group.

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

The Board is ultimately responsible for the adequacy and integrity of the Group's internal control system. Details pertaining to the Group'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 who are persons of calibre and credibility, 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 process.

### 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 Group. 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; safety and health; 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 Group 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 Group conducts its business. Report on activities pertaining to its corporate responsibilities is set out on pages 6 to 7 of this Annual Report.

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## 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 Group'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 Group'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 Chartered Secretaries and Administrators ("MAICSA") and is qualified to act as Company Secretary under the Companies Act 2016. The Company Secretary constantly keep herself abreast of the regulatory changes and development in corporate governance through attendance at relevant conferences and training programmes. As a practicing company secretary, she has also attended continuous professional development programmes as required by MAICSA.

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 the registered office for the purposes of meeting statutory obligations, as well as obligations arising from the Main Market Listing Requirements of Bursa Malaysia Securities Berhad or other regulatory requirements.

### 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 all Board members acting on behalf of the Group 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 Group and to comply with new regulations that may have an impact on the discharge of the Board's responsibilities.

The Board Charter is available at the Group's website at [www.classicscenic.com](http://www.classicscenic.com).



## 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. During the financial year ended 31 December 2016, two (2) NC meetings were held.

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

Chairman	: Mr Au Thin An @ Low Teen Ann (appointed as NC Chairman on 30/6/2016)	<i>(Independent Non-Executive Director)</i>
	Mr Yeh Sau Tou (resigned as NC Chairman on 30/6/2016)	<i>(Independent Non-Executive Director)</i>
Member	: Mr Lee Kong Weng Ms Chow Chooi Yoong (appointed as NC Member on 30/6/2016)	<i>(Independent Non-Executive Director)</i> <i>(Non-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 and/or to fill the seats on Board Committees;
- (b) 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;
- (c) 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;
- (d) 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;
- (e) To review the Board's succession plans;
- (f) To review and recommend training to new Directors as well as continuous training for all Directors during the year; and
- (g) To consider other matters as referred to the Committee by the Board.

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## Statement On Corporate Governance

(cont'd)

### 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.

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.

In connection with this policy, upon the recommendation of the NC who met on 1 April 2016, the Board had on 1 April 2016, appointed a lady Director, Ms Chow Chooi Yoong as Non-Independent Non-Executive Director.

As at 31 December 2016, women who held top management positions accounted for one-third (1/3) of top management.

(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 under the Companies Act, 1965. 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 Group in decision making.

## Statement On Corporate Governance

(cont'd)

### 2.2. Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors (cont'd)

#### (c) Re-election and Re-appointment of Directors (cont'd)

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/her appointment.

The Board approved the recommendation of the NC who met on 17 November 2016, that the Directors who are due to retire by rotation pursuant to Article 92 of the Company's Articles of Association at the forthcoming AGM, namely Mr Lim Chee Beng and Mr Lim Chee Hwa, be eligible to stand for re-election. Both Mr Lim Chee Beng and Mr Lim Chee Hwa had expressed their intention to seek re-election at the forthcoming AGM.

The NC has also at the same meeting assessed and recommended that Mr Au Thin An @ Low Teen Ann who has served as Independent Non-Executive Director for a cumulative of nine (9) years since his appointment on 2 January 2008, and who has offered to continue to serve as Independent Non-Executive Director, be retained based on the justification as stated in the Explanatory Notes on Special Business in the Notice of the Fourteenth (14th) AGM.

The Board after due deliberation and upon the recommendation of the NC, approved that Mr Au Thin An @ Low Teen Ann be retained as Independent Non-Executive Director, subject to shareholders' approval at the forthcoming AGM.

Information of each Director standing for re-election covering their personal profile, meeting attendance, directorships in other public companies and shareholdings in the Group is furnished in the Annual Report.

#### (d) Annual Assessment

On 17 November 2016, the NC carried out its annual appraisal on the effectiveness of the Board, its Committees, 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.

## Statement On Corporate Governance

(cont'd)

### 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 Group 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 Group'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	: Mr Lee Kong Weng (appointed as RC Chairman on 30/6/2016)	<i>(Independent Non-Executive Director)</i>
	Mr Yeh Sau Tou (resigned as RC Chairman on 30/6/2016)	<i>(Independent Non-Executive Director)</i>
Member	: Mr Lim Chee Keong Ms Chow Chooi Yoong (appointed as RC Member on 30/6/2016)	<i>(Executive Chairman)</i> <i>(Non-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 2016 and this meeting was attended by all the members.

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

Remuneration Bands	Executive Directors	Non-Executive Directors
RM50,000 and below	-	3
RM300,001-RM350,000	2	-
RM350,001-RM400,000	1	-



## Statement On Corporate Governance

(cont;d)

### 2.3 Directors' Remuneration (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)	Allowances (RM)	Total (RM)
<b>Executive Directors:</b>					
Received from Classic Scenic Berhad	-	-	-	-	-
Received from subsidiaries of the Group	-	1,006,740	30,813	-	1,037,553
<b>Non-Executive Directors:</b>					
Received from Classic Scenic Berhad	58,500	-	-	8,125	66,625
Received from subsidiaries of the Group	-	-	-	-	-

\*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 Group'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.

On 17 November 2016, 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 the two (2) 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, the two (2) Independent Non-Executive Directors have each 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-year 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 Independent Non-Executive Director based on, amongst others, the criteria on independence.

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## Statement On Corporate Governance

(cont'd)

### 3. Reinforce Independence (cont'd)

#### 3.2 Tenure of Independent Directors (cont'd)

As at the date of this statement, Mr Au Thin An @ Low Teen Ann has served as Independent Non-Executive Director of the Company for a cumulative of nine (9) years.

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

The roles and responsibilities of the Executive Chairman and Managing Director are separated to ensure balance of authority. The Chairman is responsible for the orderly conduct and working of the Board. The Managing Director is responsible for the running of the Group's operation and execution of the Board's overall direction and strategy.

#### 3.4 Composition of the Board

At the end of the financial year ended 31 December 2016, the Board has six (6) members comprising an Executive Chairman, a Managing Director, one (1) Executive Director, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

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 Group's Executive Chairman is the 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 of 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 Group 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 Group's Chairman is not an Independent Director, the presence of the two (2) 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 two (2) Independent Non-Executive Directors are below the majority number of Board members suggested by MCCG 2012, this number of Independent Non-Executive Directors represents one third (1/3) of the composition of the Board which satisfies Bursa Securities' requirement. Therefore, the Board is of the view that its current composition is sufficient.

## Statement On Corporate Governance

(cont'd)

### 4. Foster Commitment

#### 4.1 Time Commitment

To facilitate the Directors' time planning, an annual 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 Group'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.

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 2016, as reflected below:-

	Attendance At Meetings of			
	Board	Audit Committee	NC	RC
Mr Lim Chee Keong	5/*5	N/A	N/A	1/*1
Mr Lim Chee Beng	5/*5	N/A	N/A	N/A
Mr Lim Chee Hwa	5/*5	N/A	N/A	N/A
Mr Yeh Sau Tou #	2/*3	2/*3	1/*1	N/A
Mr Au Thin An @ Low Teen Ann	5/*5	5/*5	2/*2	N/A
Mr Lee Kong Weng	5/*5	5/*5	2/*2	1/*1
Mr Chow Chooi Yoong ^	3/*3	2/*2	1/*1	1/*1

Note :

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

# Resigned as Independent Non-Executive Director, Chairman & Member of AC, NC & RC on 30/6/2016

^ Appointed as Non-Independent Non-Executive Director on 1/4/2016 and Member of AC, NC & RC on 30/6/2016

#### 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 Main Market Listing Requirements.

The Group 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 2016:-

Director	List of Training Programmes/Seminars/Conferences Attended	Date
Lim Chee Keong	SERC Global Economic Conference 2016 "Geopolitic, Economy, Technology – The New Normal"	30 May 2016

## Statement On Corporate Governance (cont'd)

### 4. Foster Commitment (cont'd)

#### 4.2 Directors' Training (cont'd)

Director	List of Training Programmes/Seminars/Conferences Attended	Date
Lim Chee Beng	FMM SME Conference 2016 "Beyond Economic Growth : SMEs Meeting Global Challenges"	16 November 2016
Lim Chee Hwa	Corporate Governance Breakfast Series - Thought Leadership Session for Directors "The Cybersecurity Threat and How Boards Should Mitigate the Risks"	18 November 2016
Au Thin An @ Low Teen Ann	1. Audit Oversight Board New Auditors Report - Sharing the UK Experience 2. Analysis of Corporate Governance Disclosure in Annual Report 3. Future of Auditor Reporting - The Game Changer for Boardroom 4. Risk Management Programme for Audit and Risk Committee entitled "I am Ready To Manage Risks"	13 January 2016 3 March 2016 9 March 2016 20 October 2016
Lee Kong Weng	1. Shares with No Par Value, Share Buybacks and Redeemable Preference Share - Proposed Companies Bill 2015 2. Risk Management Programme for Audit and Risk Committee entitled "I am Ready To Manage Risks" 3. 2016 Business and Tax Seminar 4. MIA International Accountants Conference 2016	27 June 2016 20 October 2016 2 November 2016 15 & 16 November 2016
Chow Chooi Yoong	1. Mandatory Accreditation Programme 2. Risk Management Programme for Audit and Risk Committee entitled "I am Ready To Manage Risks"	4 & 5 May 2016 20 October 2016

### 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 in line with appropriate accounting policies and in accordance with the provisions of the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 and that the annual financial statements did not contain material misstatement so as to give a true and fair view of the financial position of the Group and of the Company. The accounting policies, once adopted, are consistently applied and supported by reasonable judgements and estimates.

In addition, the internal audit function of the Group which reports directly to the Audit Committee undertook an independent assessment on the internal control system on a quarterly basis and assured the Audit Committee that no material issue or major deficiency had been noted which would pose a high risk to the overall system of internal control under review.

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.



## Statement On Corporate Governance

(cont'd)

### 5. Uphold Integrity in Financial Reporting (cont'd)

#### 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 Group's and the Company's financial statements. During the financial year under review, one (1) private meeting was held without the presence of executive Board members and management of the Group. 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 Group.

#### *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 auditors; process for appointment/re-appointment of external auditors; and assessment of independence. Such policy requires the lead partner and the 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 5 April 2017, deliberated on the re-appointment of Messrs KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016) 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 PLT have been the External Auditor of the Group since 2004.

The Audit Committee was satisfied with the suitability of Messrs KPMG PLT based on the quality of services and sufficiency of resources provided to the Group, in terms of the firm and the professional staff assigned to the audit. The Audit Committee was also satisfied that the provision of non-audit services to the Group which amounted to RM64,800 by Messrs KPMG PLT for the financial year ended 31 December 2016 did not impair their independence as External Auditors.

Having regards to the above, the Board had, at its meeting held on 5 April 2017, approved the Audit Committee's recommendation that shareholders' approval be sought at the forthcoming AGM for the re-appointment of Messrs KPMG PLT as its External Auditor for the financial year ending 31 December 2017.

### 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 ERMC 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.

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## Statement On Corporate Governance

(cont'd)

### 6. Recognise and Manage Risks (cont'd)

#### 6.1 Risk Management and Internal Control (cont'd)

The Statement of Risk Management and Internal Control furnished on pages 31 to 34 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 who reports directly to the Audit Committee. 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 a quarterly basis and audit findings were reported to the Audit Committee. Further details of the activities of the internal audit function are set out in the Audit Committee Report on pages 27 to 30 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 Group's websites at <http://www.bursamalaysia.com> and <http://www.classicscenic.com> respectively and it is accessible by public.

### 8. Strengthen Relationship between Company and Shareholders

#### 8.1 Encourage Shareholder Participation at General Meetings

The AGM represents the principal forum for dialogue and interaction with shareholders. At each AGM, the Board presents the performance and progress of the Group and provides ample opportunity for shareholders to raise questions pertaining to the business activities of the Group. 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 at least 21 days prior to the meeting as prescribed by Bursa Securities, so as to provide sufficient time for shareholders to read through the Annual Report and make the necessary attendance and voting arrangements.

## Statement On Corporate Governance

(cont'd)

### 8. Strengthen Relationship between Company and Shareholders (cont'd)

#### 8.2 Poll Voting

In compliance with Bursa Securities' Listing Requirements, voting for all resolutions set out in the Notice of the Fourteenth (14th) AGM shall be conducted by poll instead of voting by show of hands as practised previously. Poll voting more accurately and fairly reflects shareholders' views by ensuring that every vote is recognized, in accordance with the "one share one vote" principle which enforces greater shareholders' rights.

Symphony Corporatehouse Sdn Bhd has been appointed as the Independent Scrutineer to verify the poll results of all resolutions to be tabled at the forthcoming AGM.

#### 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 Group'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 Group.

The Board has also designated Mr. Lee Kong Weng as the Senior Independent Director to whom shareholders can voice their view and concerns by email at [andy lee@classicscenic.com](mailto:andy lee@classicscenic.com) as an alternative channel of communication with shareholders.

Where practicable, the Board is prepared to enter into a dialogue with shareholders and analysts. The Managing Director and/or key management personnel also hold briefings with the press and analysts, when necessary, to provide information on the Group's strategy and performance. Nevertheless, in conducting briefing and dialogue, the Board and the management are mindful of the share price sensitive information and the fair opportunity of information to shareholders and investors.

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

The Board is satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2016, 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 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 5 April 2017.

## Audit Committee Report

### COMPOSITION

The Audit Committee ("AC") of Classic Scenic Berhad ("CSCENIC"), which was established on 4 August 2004, comprises exclusively of Non-Executive Directors of no fewer than three members, the majority of whom must be independent with at least one member who complies with Paragraph 15.09(1)(c)(i) of Bursa Securities' Listing Requirements.

The AC is guided by its Terms of Reference ("TOR") which can be viewed on the Group's Investor Relation website at <http://www.classicscenic.com>.

### MEMBERSHIP AND MEETINGS

Name	Designation	Attendance at AC Meetings
Mr Lee Kong Weng (appointed as Chairman on 30/6/2016)	<b>Chairman</b> , Independent Non-Executive Director	5/5
Mr Yeh Sau Tou (resigned as Chairman on 30/6/2016)	<b>Chairman</b> , Independent Non-Executive Director	2/3
Mr Au Thin An @ Low Teen Ann	<b>Member</b> , Independent Non-Executive Director	5/5
Ms Chow Chooi Yoong (appointed as Member on 30/6/2016)	<b>Member</b> , Non-Independent Non-Executive Director	2/2

Whilst the AC's TOR requires the AC to meet at least four (4) times in each financial year end, the AC met five (5) times during the financial year ended 31 December 2016. The Company Secretary was in attendance during the meetings and the Chief Financial Officer ("CFO"), Internal Auditors and External Auditors, if necessary, were invited to the meetings to deliberate on matters within their purview.

After each meeting, the AC Chairman reports on matters deliberated to the Board for their notation. Matters reserved for Board approvals are tabled at Board meetings, and decisions by the Board and actions required are forwarded to the management for their action.

The Board review the term of office of the AC members and assessed the performance of the AC and its members through an annual Board Committee effectiveness evaluation. The Board is satisfied that AC and its members discharged their duties and responsibilities in accordance with the AC's TOR.

### SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

#### 1. Financial Reporting

- (a) In overseeing the Group's financial reporting, the AC reviewed the quarterly financial results of the Company and the Group for the Fourth Quarter ended 31 December 2015 at its meeting held on 26 February 2016; whilst the quarterly financial results of the Company and the Group for the First Quarter ended 31 March 2016, Second Quarter ended 30 June 2016 and Third Quarter ended 30 September 2016, were reviewed during the AC Meetings held on 25 May 2016, 17 August 2016 and 17 November 2016, respectively.
- (b) The final draft annual audited financial statements for the year ended 31 December 2015 were reviewed by the AC on 1 April 2016 together 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 Companies Act, 1965; the Main Market Listing Requirements ("MMLR"); and applicable accounting standards in Malaysia.



## Audit Committee Report

(cont'd)

### 1. Financial Reporting (cont'd)

- (c) Obtained confirmations from the CFO that (i) adequate processes and controls were in place for effective and efficient financial reporting and that reasonable estimates had been made in accordance with the requirements set out in the Malaysian Financial Reporting Standards ("MFRSs"); and (ii) at every AC meeting held during the financial year ended 31 December 2016 that there were no unusual transactions including related party transactions.
- (d) Reviewed and deliberated on 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.

### 2. External Audit

- (a) On 26 February 2016, the AC deliberated on and was briefed by Messrs KPMG on the status of the audit in respect of the financial year ended 31 December 2015, its findings and resolution of the findings.

The AC also held a private meeting with the External Auditors, Messrs KPMG on 26 February 2016 without the presence of the Executive Board and management.

- (b) The AC had on 1 April 2016, deliberated on Messrs KPMG's Report with regard to the relevant disclosures in the annual audited financial statements and the Statement on Risk Management and Internal Control ("SORMIC") for the year ended 31 December 2015.

The AC also reviewed the recurring non-audit services in respect of the review of the Statement on Risk Management and Internal Control and review of the supplementary financial information on the breakdown of realised and unrealized retained earnings for the 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 their independence and also obtained Messrs KPMG's confirmation of independence throughout the audit engagement and Messrs KPMG's satisfaction on the level of co-operation and assistance rendered by the management and staff in the course of their audit for the financial year ended 31 December 2015.

On 1 April 2016, the AC also undertook an annual assessment and evaluation of the performance of Messrs KPMG whereas evaluation questionnaires were used as a tool for evaluating the competency and performance of Messrs KPMG. The AC also reviewed Messrs KPMG's proposed audit fees for the financial year ended 31 December 2015. The AC having reviewed the performance of Messrs KPMG, was satisfied that Messrs KPMG have the competency to continue as the Group's External Auditors and recommended to the Board their re-appointment and remuneration. The Board at the meeting held on 1 April 2016, approved the AC's recommendation to re-appoint Messrs KPMG, subject to shareholders' approval at the 2016 AGM.

On 17 November 2016, the AC reviewed with Messrs KPMG their Audit Plan for the financial year ended 31 December 2016.

## Audit Committee Report (cont'd)

### 2. External Audit (cont'd)

The audit and non-audit fees for the financial year ended 31 December 2016 were as follows :-

	2016		2015	
	Group	Company	Group	Company
Audit fees	120,000	35,000	120,000	30,000
Non-audit fees:				
(a) Tax Compliance	44,800	5,300	44,800	5,300
(b) SORMIC	10,000	10,000	10,000	10,000
(c) Review of realized & unrealized retained earnings	10,000	10,000	10,000	10,000
<b>Total</b>	<b>184,800</b>	<b>60,300</b>	<b>184,800</b>	<b>55,300</b>

### 3. Internal Audit

- (a) The Internal Auditors conducted the audit work in accordance with the 2016 Audit Plan approved by the AC on 26 February 2016. The Internal Auditors presented the Internal Audit Report, audit findings and recommendations with respect to system and control weaknesses; and the management response to these recommendations at each of the AC meetings during the year.

The Internal Auditors' scope of audit engagement was developed based on risk based audit methodology. The key audit areas that were identified and reported in 2016 were as follows :-

AC Meeting	Audit Areas
26 February 2016	Finance and Accounting for the year 2016
1 April 2016	Gap Review-Corporate Governance Disclosure in Annual Report
17 August 2016	Review of Finance – GST Accounting
17 November 2016	Review of Inventory Management

- (b) The Internal Auditors also updated the AC on the status of compliance by the management team of the issues raised at every AC meeting.

### 4. Risk management

- (a) Assisted the Board to oversee the implementation of risk management system and reviewed the adequacy and effectiveness of the Group's risk management and its policy to ensure its continued application and relevance.
- (b) Reviewed and updated the Anti-Fraud and Whistle Blowing Policy to ensure that the policy remain relevant and appropriate in providing the required direction and guidance to deal with fraud and related matters including theft and corruption as a mean to reduce the risk to the Group's reputation from fraudulent activities.

### 5. Annual Report

- (a) Reviewed the Audit Committee Report and Statement of Corporate Governance, Statement of Risk Management and Internal Control and recommended to the Board for inclusion in the Annual Report 2015.

## **Audit Committee Report**

(cont'd)

### **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 Auditors report 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.

The AC, in order to ensure that the responsibility of the Internal Auditors are fully discharged, reviews the adequacy of the scope, function, resources of the Internal Auditors as well as the competency of the Internal Auditors.

On a quarterly basis, the Internal Auditors present their audit reports which include their findings and recommendations for improvements to the AC for its review and deliberation. The AC appraised the adequacy of the responses, actions and measure taken/to be taken by the management within the required timeframe in resolving the audit issues reported and recommended for further improvement.

The Internal Auditors also carried out follow-up reviews to monitor the implementation of the said actions plans and measures for reporting to the AC. In this respect, the Internal Auditors have added value by enhancing the governance, risk management and control processes within the Group.

The total cost incurred in maintaining the outsourced Internal Audit function for the financial year ended 31 December 2016 amounted to RM40,000.

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# 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 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 controls. 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 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 these processes include 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 and especially when there are changes to business environment or regulatory guidelines. These processes have been in place for the year under review and up to the date of issuance of the annual report and financial statements.

The Group has established a risk management framework for managing risks affecting its business and operations, 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 and emerging risks faced by the core business of the Group.

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 of the day-to-day management of the Group's activities to the ERMC.

Annually, 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 Chief Financial Officer 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 reviews the adequacy and effectiveness of the risk management and its policy and internal control system annually 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 a 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 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 determine the risk treatment options, such as 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 Executive and Risk Management Committee, comprising Executive Directors and senior managers, and the Board of Directors review and approve the annual budget;
- Management accounts/reports are prepared and the actual performance compared with the budgets are reviewed on a monthly basis with explanation of any major variances;
- The Executive and Risk Management Committee, meets monthly to review the operational and financial performance of the Group to ensure that they are in line with the corporate objectives, strategies and annual budget. This Committee also formulates strategies, policies and code of practices to address changes in the business environment and risks;
- Board Committees, namely the Audit Committee, Executive and Risk Management Committee, Nomination Committee and Remuneration Committee have been established with defined terms of reference;
- Management organisation structure with reporting lines of accountability and authority have been defined and documented;
- Operational review meetings were held monthly 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 9001:2015 Quality Management System for the core business of the Group are documented;



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## Statement On Risk Management and Internal Control

(cont'd)

- There are 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 trained in carrying out their responsibilities;
- ISO 9001:2015 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 9001:2015 Quality Management System;
- The Audit Committee reviews the quarterly financial results, annual report, audited financial statements, Group's risk profile and internal control issues identified by the Internal Auditors and the Management. The Audit Committee also monitors the implementation of the recommendations, if any, proposed by the Internal Auditors and External Auditors.

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:

- Finance and Accounting for the year 2016
- Gap Review – Corporate Governance Disclosure in Annual Report
- Review of Finance - GST Accounting
- Review of 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 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 Chief Financial Officer 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 5 April 2017.



CLASSIC SCENIC BERHAD  
(633887-M)

# Financial Statements

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## Directors' Report

For The Year Ended 31 December 2016

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 2016.

### 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.

### ULTIMATE HOLDING COMPANY

The Company is a subsidiary of Lim Ket Leng Holding Sdn. Bhd., of which is incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

### SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

### RESULTS

	Group RM	Company RM
Profit for the year attributable to: Owners of the Company	13,284,465	14,698,808

### 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 amount of dividends paid by the Company were as follows:

- i) In respect of the financial year ended 31 December 2015 as reported in the Directors' Report of that year, a second interim single tier dividend of 6.0 sen per ordinary share totalling RM7,229,985 declared on 26 February 2016 and paid on 18 May 2016.
- ii) In respect of the financial year ended 31 December 2016, a first interim single tier dividend of 6.0 sen per ordinary share totalling RM7,229,985 declared on 17 August 2016 and paid on 16 November 2016.

On 24 February 2017, the Directors declared a second interim single tier dividend in respect of the financial year ended 31 December 2016 of 5.0 sen per ordinary share totalling RM6,024,987 which will be payable on 16 May 2017.

### DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Lim Chee Keong  
Lim Chee Beng  
Lim Chee Hwa  
Au Thin An @ Low Teen Ann  
Lee Kong Weng  
Chow Chooi Yoong (Appointed on 1.4.2016)  
Yeh Sau Tou (Resigned on 30.6.2016)

## Directors' Report

For The Year Ended 31 December 2016  
(cont'd)

### 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 spouses 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			At 31.12.2016
	At 1.1.2016	Bought	Sold	
<b>Interest in the Company</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	1,636,560	3,623,131	500,000
<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			At 31.12.2016
	At 1.1.2016	Bought	Sold	
<b>Interest in the holding company.</b>				
<b>Lim Ket Leng Holding Sdn. Bhd.</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**

For The Year Ended 31 December 2016  
(cont'd)

### **DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by 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.

### **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.

### **INDEMNITY AND INSURANCE COSTS**

During the financial year, there were no indemnity given to or insurance effected for Directors, officers or auditors of the Company.

### **QUALIFICATION OF SUBSIDIARIES' FINANCIAL STATEMENTS**

The auditors' reports on the audit of the financial statements of the Company's subsidiaries are not qualified.

### **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**For The Year Ended 31 December 2016  
(cont'd)**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 2016 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 PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 18 to the financial statements.

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

.....  
**LIM CHEE KEONG**

Director

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

Director

Petaling Jaya

Date: 5 April 2017

## Statements of Financial Position

As At 31 December 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Assets</b>					
Property, plant and equipment	3	47,542,615	47,550,318	4,446	5,670
Intangible asset	4	878,181	878,181	-	-
Investment in subsidiaries	5	-	-	39,221,324	39,221,324
<b>Total non-current assets</b>		<b>48,420,796</b>	<b>48,428,499</b>	<b>39,225,770</b>	<b>39,226,994</b>
Trade and other receivables	6	6,460,656	6,643,394	15,235,425	15,467,598
Prepayments	7	1,074,476	1,485,314	-	-
Inventories	8	24,332,037	26,762,675	-	-
Current tax assets		105,715	21,230	-	-
Cash and cash equivalents	9	23,914,862	21,385,731	6,849,587	6,370,248
<b>Total current assets</b>		<b>55,887,746</b>	<b>56,298,344</b>	<b>22,085,012</b>	<b>21,837,846</b>
<b>Total assets</b>		<b>104,308,542</b>	<b>104,726,843</b>	<b>61,310,782</b>	<b>61,064,840</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		35,476,262	36,651,767	510,095	271,257
<b>Total equity attributable to owners of the Company</b>	10	<b>96,166,985</b>	<b>97,342,490</b>	<b>61,200,818</b>	<b>60,961,980</b>
Non-controlling interest		-	-	-	-
<b>Total equity</b>		<b>96,166,985</b>	<b>97,342,490</b>	<b>61,200,818</b>	<b>60,961,980</b>
<b>Liabilities</b>					
Deferred tax liabilities	11	2,569,864	3,151,693	-	-
<b>Total non-current liabilities</b>		<b>2,569,864</b>	<b>3,151,693</b>	<b>-</b>	<b>-</b>
Current tax liabilities		1,054,245	876,029	-	-
Trade and other payables	12	2,618,154	2,511,242	109,964	102,860
Prepayments received	13	157,095	136,389	-	-
Derivative financial liabilities	14	1,742,199	709,000	-	-
<b>Total current liabilities</b>		<b>5,571,693</b>	<b>4,232,660</b>	<b>109,964</b>	<b>102,860</b>
<b>Total liabilities</b>		<b>8,141,557</b>	<b>7,384,353</b>	<b>109,964</b>	<b>102,860</b>
<b>Total equity and liabilities</b>		<b>104,308,542</b>	<b>104,726,843</b>	<b>61,310,782</b>	<b>61,064,840</b>

The notes on pages 46 to 82 are an integral part of these financial statements.

## Statements of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Revenue</b>	15	57,366,702	53,955,681	14,800,000	9,500,000
Cost of sales		(32,752,158)	(31,609,658)	-	-
<b>Gross profit</b>		24,614,544	22,346,023	14,800,000	9,500,000
Other income		6,923	12,181	-	-
Distribution expenses		(1,376,477)	(1,085,667)	-	-
Administrative expenses		(3,609,158)	(3,224,460)	(216,363)	(198,260)
Other expenses		(2,715,497)	(3,050,209)	(122,301)	(111,310)
<b>Results from operating activities</b>		16,920,335	14,997,868	14,461,336	9,190,430
Finance income	16	557,117	346,312	237,472	141,603
<b>Profit before tax</b>		17,477,452	15,344,180	14,698,808	9,332,033
Income tax expense	17	(4,192,987)	(3,853,939)	-	-
<b>Profit and total comprehensive income for the year</b>	18	13,284,465	11,490,241	14,698,808	9,332,033
<b>Profit and total comprehensive income attributable to:</b>					
Owners of the Company		13,284,465	11,490,241	14,698,808	9,332,033
Non-controlling interest		-	-	-	-
		13,284,465	11,490,241	14,698,808	9,332,033
<b>Basic earnings per ordinary share (sen)</b>	19	11.02	9.54		

The notes on pages 46 to 82 are an integral part of these financial statements.

## Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2016

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 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 2015/1 January 2016</b>		60,249,870	440,853	36,651,767	97,342,490	-	97,342,490
<b>Profit and total comprehensive income for the year</b>		-	-	13,284,465	13,284,465	-	13,284,465
<i>Distributions to owners of the Company</i>							
- Dividends to owners of the Company	20	-	-	(14,459,970)	(14,459,970)	-	(14,459,970)
<b>Total transactions with owners of the Company</b>		-	-	(14,459,970)	(14,459,970)	-	(14,459,970)
<b>At 31 December 2016</b>		60,249,870	440,853	35,476,262	96,166,985	-	96,166,985

Note 10.1    Note 10.2



## Statement of Changes in Equity

For The Year Ended 31 December 2016

Company	Note	← Attributable to owners of the Company →			
		← Non-distributable →		Distributable	
		Share capital RM	Share premium RM	Retained earnings RM	Total equity RM
<b>At 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 2015/1 January 2016</b>		60,249,870	440,853	271,257	60,961,980
<b>Profit and total comprehensive income for the year</b>		-	-	14,698,808	14,698,808
<i>Distributions to owners of the Company</i>					
- Dividends to owners of the Company	20	-	-	(14,459,970)	(14,459,970)
<b>Total transactions with owners of the Company</b>		-	-	(14,459,970)	(14,459,970)
<b>At 31 December 2016</b>		60,249,870	440,853	510,095	61,200,818

Note 10.1    Note 10.2

The notes on pages 46 to 82 are an integral part of these financial statements.

## Statements of Cash Flows

For The Year Ended 31 December 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Cash flows from operating activities</b>					
Profit before tax		17,477,452	15,344,180	14,698,808	9,332,033
Adjustments for:					
Depreciation of property, plant and equipment	3	1,677,719	1,846,065	1,224	1,224
Dividend income from subsidiaries	15	-	-	(14,800,000)	(9,500,000)
Finance income	16	(557,117)	(346,312)	(237,472)	(141,603)
Loss on disposal of property, plant and equipment	18	66,572	12,000	-	-
Impairment loss/(Reversal of impairment loss) on trade receivables	18	54,565	(2,500)	-	-
Net unrealised foreign exchange loss/(gain)		868,554	(1,675,181)	-	-
<b>Operating profit/(loss) before changes in working capital</b>		19,587,745	15,178,252	(337,440)	(308,346)
Changes in working capital:					
Inventories		2,430,638	2,255,476	-	-
Trade and other payables and prepayments received		1,117,508	1,029,778	7,104	16,810
Trade and other receivables and prepayments		(286,234)	(670,607)	-	-
<b>Cash generated from/(used in) operations</b>		22,849,657	17,792,899	(330,336)	(291,536)
Dividend received		-	-	14,800,000	9,500,000
Interest received		557,117	346,312	237,472	141,603
Net income tax paid		(4,681,085)	(3,171,432)	-	-
<b>Net cash from operating activities</b>		18,725,689	14,967,779	14,707,136	9,350,067
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	3	(1,874,522)	(573,952)	-	-
Net repayment from a subsidiary		-	-	-	5,301,803
Repayment of capital contribution		-	-	232,173	500,000
Proceeds from disposal of property, plant and equipment		137,934	108,000	-	-
<b>Net cash (used in)/from investing activities</b>		(1,736,588)	(465,952)	232,173	5,801,803
<b>Cash flows from financing activity</b>					
Dividends paid to owners of the Company	20	(14,459,970)	(9,639,980)	(14,459,970)	(9,639,980)
<b>Net cash used in financing activity</b>		(14,459,970)	(9,639,980)	(14,459,970)	(9,639,980)

## Statements of Cash Flows

For The Year Ended 31 December 2016  
(cont'd)

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Net increase in cash and cash equivalents</b>		2,529,131	4,861,847	479,339	5,511,890
<b>Cash and cash equivalents at 1 January</b>	(i)	21,385,731	16,523,884	6,370,248	858,358
<b>Cash and cash equivalents at 31 December</b>	(i)	23,914,862	21,385,731	6,849,587	6,370,248

**(i) Cash and cash equivalents**

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

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances		6,079,908	8,761,071	129,626	157,039
Highly liquid investments with non-bank financial institutions		17,834,954	12,624,660	6,719,961	6,213,209
	9	23,914,862	21,385,731	6,849,587	6,370,248

The notes on pages 46 to 82 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**

Level 2, Tower 1, Avenue 5  
Bangsar South City  
59200 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 2016 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 2016 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 was Lim Ket Leng Holding Sdn. Bhd., a company incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 5 April 2017.

### 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 2017***

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities*
- Amendments to MFRS 107, *Statement of Cash Flows - Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

#### ***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*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

## Notes to the Financial Statements

(cont'd)

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

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

##### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018 (Cont'd)**

- Amendments to MFRS 2, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendment to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendment to MFRS 140, *Investment Property - Transfers of Investment Property*

##### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019**

- MFRS 16, *Leases*

##### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 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 2017 for those MFRSs, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those MFRSs, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4, Amendments to MFRS 128 and Amendments to MFRS 140, which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2019 for the MFRS that is effective for annual periods beginning on or after 1 January 2019.

The initial application of the applicable 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 8 - valuation of sawn timber inventories

## 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.

Amounts due from subsidiaries of which the settlement are neither planned nor likely to occur in the foreseeable future are in substance, a part of the Company's net investment in the subsidiaries and are accounted for as investments in subsidiaries and are measured at cost less any accumulated impairment losses.

##### (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

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 a 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 and bank balances and highly liquid investments with non-bank financial institutions 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, investment in subsidiaries) are assessed at each reporting date to determine 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 reporting 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 as interest income 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.

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## 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 and renovation RM	Motor vehicles RM	Computer equipment RM	Construction in-progress RM	Total RM
<b>Cost</b>									
At 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/ 1 January 2016		24,336,938	25,501,592	21,558,459	2,437,253	2,004,756	1,215,899	281,378	77,336,275
Additions		-	-	259,728	60,838	1,238,762	161,671	153,523	1,874,522
Disposals		-	-	(14,000)	-	(530,806)	-	-	(544,806)
At 31 December 2016		24,336,938	25,501,592	21,804,187	2,498,091	2,712,712	1,377,570	434,901	78,665,991

## Notes to the Financial Statements

(cont'd)

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

Group	Note	Freehold land RM	Factory buildings RM	Machineries, plant and equipment RM	Cabin, office equipment, furniture and fittings RM	Motor vehicles RM	Computer equipment RM	Construction in-progress RM	Total RM
<b>Depreciation</b>									
At 1 January 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/ 1 January 2016		-	6,698,761	19,023,434	2,055,030	1,023,318	985,414	-	29,785,957
Depreciation for the year	18	-	529,954	651,229	105,984	240,902	149,650	-	1,677,719
Disposals		-	-	(13,999)	-	(326,301)	-	-	(340,300)
At 31 December 2016		-	7,228,715	19,660,664	2,161,014	937,919	1,135,064	-	31,123,376
<b>Carrying amounts</b>									
At 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/ 1 January 2016		24,336,938	18,802,831	2,535,025	382,223	981,438	230,485	281,378	47,550,318
At 31 December 2016		24,336,938	18,272,877	2,143,523	337,077	1,774,793	242,506	434,901	47,542,615



## 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 2015/31 December 2015/ 1 January 2016/31 December 2016		15,300
<b>Depreciation</b>		
At 1 January 2015		8,406
Depreciation for the year	18	1,224
At 31 December 2015/1 January 2016		9,630
Depreciation for the year	18	1,224
At 31 December 2016		10,854
<b>Carrying amounts</b>		
At 1 January 2015		6,894
At 31 December 2015/1 January 2016		5,670
At 31 December 2016		4,446

#### 3.1 Factory buildings

Included in factory buildings of the Group is a warehouse building with carrying amount of RM823,074 (2015: RM844,594) situated on a piece of Temporary Occupation Land ("TOL") and the licence for the TOL is renewable annually.

### 4. Intangible asset

Group	Goodwill	
	2016 RM	2015 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 division and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and a 5-year (2015: 5-year) projection.
- Revenue was projected at anticipated annual growth of 13% per annum for the first year and 5% per annum for the remaining 4 years (2015: 6% per annum for the first year and 5% per annum for the remaining 4 years).
- A pre-tax discount rate of 8.10% (2015: 8.10%) was applied in determining the recoverable amount of the division. The discount rate was estimated based on the industry average weighted average cost of capital.

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% (2015: 1%) in the discount rate;
- A 10% (2015: 10%) decrease in future projected revenue.

### 5. Investment in subsidiaries

Company	Cost of investment RM	Capital contributions RM	Total RM
<b>Cost</b>			
At 1 January 2015/31 December 2015/ 1 January 2016/31 December 2016	41,557,970	13,221,658	54,779,628
<b>Impairment losses</b>			
At 1 January 2015/31 December 2015/ 1 January 2016/31 December 2016	15,034,946	523,358	15,558,304
<b>Carrying amounts</b>			
At 1 January 2015/31 December 2015/ 1 January 2016/December 2016	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	
			2016 %	2015 %
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 contributions 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	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Trade</b>					
Trade receivables	22.4	5,181,905	5,662,941	-	-
<b>Non-trade</b>					
Amount due from a subsidiary	6.1	-	-	15,231,265	15,463,438
Other receivables and deposits	6.2	1,278,751	980,453	4,160	4,160
		1,278,751	980,453	15,235,425	15,467,598
		6,460,656	6,643,394	15,235,425	15,467,598

6.1 The amount due from a subsidiary is unsecured, interest free and repayable on demand.

6.2 Included in other receivables and deposits of the Group are Goods and Services Tax refundable of RM386,396 (2015: RM345,197).

## Notes to the Financial Statements

(cont'd)

### 7. Prepayments

Prepayments paid mainly relate to advance payments made to suppliers.

### 8. Inventories

Group	2016 RM	2015 RM
Raw materials and consumables	17,648,422	20,118,859
Work-in-progress	5,258,999	4,522,342
Finished goods	1,424,616	2,121,474
	<u>24,332,037</u>	<u>26,762,675</u>

Inventories recognised as cost of sales in profit or loss during the year amounted to RM32,752,158 (2015: RM31,609,658).

Included in raw materials and consumables of the Group are sawn timber amounting to RM12,481,491 (2015: RM14,175,950). The determination of inventory provision for valuation of sawn timber inventories involves judgement made by the Directors in predicting the amount of future demand from customers. In mitigation the risk of physical deterioration that may affect the valuation of sawn timber inventories, all sawn timber inventories of the Group are subjected to chemical pressure treatment and kiln-drying process to a permissible moisture content level to preserve its good condition before it is stored in the warehouse.

### 9. Cash and cash equivalents

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances	6,079,908	8,761,071	129,626	157,039
Highly liquid investments with non-bank financial institution	17,834,954	12,624,660	6,719,961	6,213,209
	<u>23,914,862</u>	<u>21,385,731</u>	<u>6,849,587</u>	<u>6,370,248</u>

The Directors regard the highly liquid investments with non-bank financial institutions 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 2016 RM	Number of shares 2016	Amount 2015 RM	Number of shares 2015
<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	<u>60,249,870</u>	<u>120,499,740</u>	<u>60,249,870</u>	<u>120,499,740</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

## Notes to the Financial Statements

(cont'd)

### 10. Capital and reserves (cont'd)

#### 10.2 Share premium

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

### 11. Deferred tax liabilities

#### Recognised deferred tax assets and liabilities

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

Group	Assets		Liabilities		Net	
	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM
Property, plant and equipment	-	-	2,778,317	3,201,183	2,778,317	3,201,183
Other temporary differences	(208,453)	(49,490)	-	-	(208,453)	(49,490)
Tax (assets)/ liabilities	(208,453)	(49,490)	2,778,317	3,201,183	2,569,864	3,151,693
Set off	208,453	49,490	(208,453)	(49,490)	-	-
Net tax liabilities	-	-	2,569,864	3,151,693	2,569,864	3,151,693

#### Movement in temporary differences during the year

Group	Note	Property, plant and equipment RM	Other temporary differences RM	Total RM
At 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 2015/1 January 2016		3,201,183	(49,490)	3,151,693
Recognised in profit or loss	17	(422,866)	(158,963)	(581,829)
At 31 December 2016		2,778,317	(208,453)	2,569,864

### 12. Trade and other payables

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Trade</b>				
Trade payables	788,274	891,003	-	-
<b>Non-trade</b>				
Other payables and accruals	1,829,880	1,620,239	109,964	102,860
	2,618,154	2,511,242	109,964	102,860

## Notes to the Financial Statements

(cont'd)

### 13. Prepayments received

Prepayments received relate to advance payments from customers.

### 14. Derivative financial liabilities

Group	2016		2015	
	Nominal value RM	Liabilities RM	Nominal value RM	Liabilities RM
Derivatives held for trading at fair value through profit or loss				
- Forward exchange contracts	22,535,201	1,742,199	22,187,372	709,000

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 into 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Sales of goods	57,366,702	53,955,681	-	-
Dividend income from subsidiaries	-	-	14,800,000	9,500,000
	57,366,702	53,955,681	14,800,000	9,500,000

### 16. Finance income

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interest income of loans and receivables	557,117	346,312	237,472	141,603



## Notes to the Financial Statements

(cont'd)

### 17. Income tax expense

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Recognised in profit or loss</b>				
<b>Current tax expense</b>				
Malaysian - current year	4,848,312	3,442,324	-	-
- over provision in prior year	(73,496)	(36,129)	-	-
Total current tax recognised in profit or loss	4,774,816	3,406,195	-	-
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	(586,926)	572,691	-	-
Under/(Over) provision in prior year	5,097	(124,947)	-	-
Total deferred tax recognised in profit or loss (Note 11)	(581,829)	447,744	-	-
Total income tax expense	4,192,987	3,853,939	-	-
<b>Reconciliation of income tax expense</b>				
Profit before tax	17,477,452	15,344,180	14,698,808	9,332,033
Income tax calculated using Malaysian tax rate at 24% (2015: 25%)	4,194,588	3,836,045	3,527,714	2,333,008
Non-deductible expenses	198,264	538,904	81,279	77,393
Tax exempt income	(131,466)	(83,274)	(3,608,993)	(2,410,401)
Tax incentives	-	(133,587)	-	-
Non-taxable income	-	(143,073)	-	-
	4,261,386	4,015,015	-	-
Over provision in prior year	(68,399)	(161,076)	-	-
Total income tax expense	4,192,987	3,853,939	-	-

## Notes to the Financial Statements

(cont'd)

### 18. Profit and total comprehensive income for the year

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Profit and total comprehensive income for the year is arrived at after charging:</b>					
Auditors' remuneration:					
- audit fees					
		120,000	120,000	30,000	30,000
		-	-	-	-
- non-audit fees					
		64,800	64,800	25,300	25,300
Depreciation of property, plant and equipment					
	3	1,677,719	1,846,065	1,224	1,224
Impairment loss on trade receivables					
	22.4	54,565	-	-	-
Net loss on foreign exchange:					
- realised					
		-	2,788,212	-	-
- unrealised					
		868,554	-	-	-
Loss on disposal of property, plant and equipment					
		66,572	12,000	-	-
Personnel expenses (including key management personnel):					
- contributions to state plan					
		597,632	635,223	-	-
- wages, salaries and others					
		12,294,392	11,380,733	-	-
<b>and after crediting:</b>					
Dividend income from subsidiaries					
	15	-	-	114,800,000	9,500,000
Net gain on foreign exchange:					
- realised					
		459,849	-	-	-
- unrealised					
		-	1,675,181	-	-
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 2016 was based on the profit attributable to owners of the Company and a weighted average number of ordinary shares outstanding, calculated as follows:

Group	2016 RM	2015 RM
Profit for the year attributable to owners of the Company	13,284,465	11,490,241
Group	2016	2015
Weighted average number of ordinary shares at 31 December	120,499,740	120,499,740
Group	2016 Sen	2015 Sen
Basic earnings per ordinary share	11.02	9.54

There were no outstanding potential ordinary shares at the reporting date, hence diluted earnings per ordinary share was not disclosed.

### 20. Dividends

Dividends recognised by the Company:

	Sen per ordinary share	Total amount RM
<b>2016</b>		
Second interim 2015 ordinary - single tier	6.0	7,229,985
First interim 2016 ordinary - single tier	6.0	7,229,985
Total amount		14,459,970
<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

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

	Sen per ordinary share	Total amount RM
Second interim 2016 ordinary - single tier	5.0	6,024,987

## 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 ("EDs") (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 segments of the Group are 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 EDs. 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 EDs. 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 reports to the EDs. 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 EDs, 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)

Group	North America		Australia		Malaysia		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM	RM	RM	RM	RM	RM	RM	RM
Segment revenue *	42,808,572	36,922,205	4,771,627	6,368,059	5,193,933	6,162,232	52,774,132	49,452,496
Included in measurement of segment revenue are:								
Revenue from external customers	42,808,572	36,922,205	4,771,627	6,368,059	5,193,933	6,162,232	52,774,132	49,452,496
Segment trade receivables # (Note 22.4)	4,412,287	3,878,189	15,895	435,421	603,033	813,470	5,031,215	5,127,080

\* 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 EDs. 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 EDs 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	Segment trade receivables RM
<b>2016</b>		
Total reportable segments	52,774,132	5,031,215
Other non-reportable segments	4,592,570	150,690
Consolidated total	57,366,702	5,181,905
<b>2015</b>		
Total reportable segments	49,452,496	5,127,080
Other non-reportable segments	4,503,185	535,861
Consolidated total	53,955,681	5,662,941

#### Major customers

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

Group	Revenue		Segment
	2016 RM	2015 RM	
Customer A	10,289,507	7,717,453	North America
Customer B	9,924,955	6,804,750	North America
Customer C	5,673,555	4,757,191	North America

### 22. Financial instruments

#### 22.1 Categories of financial instruments

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

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



## Notes to the Financial Statements

(cont'd)

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

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

2016	Carrying amount RM	L&R RM	FVTPL - HFT RM	FL RM
<b>Financial assets</b>				
<b>Group</b>				
Trade and other receivables	6,074,260	6,074,260	-	-
Cash and cash equivalents	23,914,862	23,914,862	-	-
	29,989,122	29,989,122	-	-
<b>Company</b>				
Trade and other receivables	15,235,425	15,235,425	-	-
Cash and cash equivalents	6,849,587	6,849,587	-	-
	22,085,012	22,085,012	-	-
<b>Financial liabilities</b>				
<b>Group</b>				
Trade and other payables	2,618,154	-	-	2,618,154
Derivative financial liabilities	1,742,199	-	1,742,199	-
	4,360,353	-	1,742,199	2,618,154
<b>Company</b>				
Trade and other payables	109,964	-	-	109,964
<b>2015</b>				
<b>Financial assets</b>				
<b>Group</b>				
Trade and other receivables	6,298,197	6,298,197	-	-
Cash and cash equivalents	21,385,731	21,385,731	-	-
	27,683,928	27,683,928	-	-
<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	-	-

## 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	FL RM
<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

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Net gains/(losses) on:				
Loans and receivables	678,220	2,300,329	237,472	141,603
Fair value through profit or loss - Held for trading	(584,373)	(3,064,548)	-	-
	93,847	(764,219)	237,472	141,603

#### 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 institutions. In addition, the Company is also exposed to credit risk in respect of non-trade amount due from a subsidiary.

## 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 periodic review over the Group's exposure to credit risk in respect of trade receivables on a monthly basis.

##### *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 statements of financial position.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. 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 (2015: 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	2016 RM	2015 RM
North America	21	4,412,287	3,878,189
Australia	21	15,895	435,421
Malaysia	21	603,033	813,470
Others		150,690	535,861
		<u>5,181,905</u>	<u>5,662,941</u>

At the reporting date, approximately 51% (2015: 48%) of the Group's trade receivables were due from 3 (2015: 3) 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>2016</b>				
Not past due		4,527,634	-	4,527,634
Past due less than 30 days		417,177	-	417,177
Past due 31-120 days		226,400	-	226,400
Past due more than 120 days		790,802	(780,108)	10,694
	6	5,962,013	(780,108)	5,181,905
<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

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

Group	Note	2016 RM	2015 RM
At 1 January		725,543	728,043
Impairment loss recognised/(reversed)	18	54,565	(2,500)
At 31 December		780,108	725,543

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 institutions

##### *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 counterparties with sound credit rating, management does not expect the counterparties to fail to meet their obligations.

The highly liquid investments with non-bank financial institutions 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 institutions 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 amount due from a subsidiary. In view that the Company has the power to control the subsidiary, the Company does not have a formal policy in place to monitor the credit risk exposure arising from the non-trade amount due from a subsidiary.

##### *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.

Advances are only provided to the subsidiary to finance working capital and the acquisition of property, plant and equipment in the normal course of business.

##### *Impairment losses*

The Company does not specifically monitor the ageing of the non-trade amount due from a subsidiary as follows:

Company	2016 RM	2015 RM
Amount due from a subsidiary	15,231,265	15,463,438

No impairment loss has been recognised in respect of the amount due 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 cash flows.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

#### **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:

	Carrying amount RM	Contractual interest rate	Contractual cash flow RM	Under 1 year RM
<b>Group</b>				
<b>2016</b>				
Trade and other payables	2,618,154	-	2,618,154	2,618,154
<i>Derivative financial liabilities</i>				
Forward exchange contracts				
Outflow	1,742,199	-	1,742,199	1,742,199
	<u>4,360,353</u>		<u>4,360,353</u>	<u>4,360,353</u>
<b>2015</b>				
Trade and other payables	2,511,242	-	2,511,242	2,511,242
<i>Derivative financial liabilities</i>				
Forward exchange contracts				
Outflow	709,000	-	709,000	709,000
	<u>3,220,242</u>		<u>3,220,242</u>	<u>3,220,242</u>
<b>Company</b>				
<b>2016</b>				
Other payables	109,964	-	109,964	109,964
<b>2015</b>				
Other payables	102,860	-	102,860	102,860

#### 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	2016 Denominated in			2015 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	4,429,966	144,364	4,546	4,498,819	200,909	311,742
Cash and cash equivalents	4,166,490	4,850	371,127	2,410,466	578,687	1,118,239
Trade payables	-	-	-	(72,240)	(7,074)	-
Forward foreign exchange contracts	(1,742,199)	-	-	(709,000)	-	-
<b>Net exposure</b>	<b>6,854,257</b>	<b>149,214</b>	<b>375,673</b>	<b>6,128,045</b>	<b>772,522</b>	<b>1,429,981</b>

##### *Currency risk sensitivity analysis*

A 5% (2015: 5%) strengthening of 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 the 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	
	2016 RM	2015 RM
USD	260,462	229,802
EUR	5,670	28,970
YEN	14,276	53,624

A 5% (2015: 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>2016</b>				
Forward exchange contracts	-	(1,742,199)	-	(1,742,199)
<b>2015</b>				
Forward exchange contracts	-	(709,000)	-	(709,000)

##### 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 (2015: no transfer in either direction).

### 23. Capital commitments

Group	2016 RM	2015 RM
<b>Capital expenditure commitments</b>		
Property, plant and equipment contracted but not provided for in the financial statements	516,877	1,118,040

### 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 investors, creditors 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	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Directors</b>				
Fees	58,500	54,000	58,500	54,000
Remuneration	1,006,740	1,011,833	-	-
Other short-term employee benefits	8,125	7,500	8,125	7,500
	1,073,365	1,073,333	66,625	61,500
<b>Other key management personnel</b>				
Remuneration	300,198	414,936	-	-
	1,373,563	1,488,269	66,625	61,500

## Notes to the Financial Statements

(cont'd)

### 25. Key management personnel compensations (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 RM30,813 (2015: RM37,246).

### 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	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>A. Holding company</b>				
Dividend paid	7,133,305	4,755,536	7,133,305	4,755,536
<b>B. Subsidiaries</b>				
Management fees paid	-	-	25,000	25,000
Dividend income	-	-	(14,800,000)	(9,500,000)

## Notes to the Financial Statements

(cont'd)

### 27. Corporate guarantees

Company	2016 RM	2015 RM
Corporate guarantees issued to licensed banks in respect of banking facilities granted to a subsidiary	2,246,199	1,213,000

The corporate guarantees mature earliest in 2017 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained earnings of the Company and its subsidiaries				
- realised	48,002,047	47,649,958	510,095	271,257
- unrealised	7,460,237	8,888,486	-	-
	55,462,284	56,538,444	510,095	271,257
Less: Consolidation adjustments	(19,986,022)	(19,886,677)	-	-
Total retained earnings	35,476,262	36,651,767	510,095	271,257

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 251(2) of the Companies Act, 2016

In the opinion of the Directors, the financial statements set out on pages 40 to 82 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 2016 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 82 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**  
Director

Petaling Jaya,  
Date: 5 April 2017

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

## Statutory declaration pursuant to Section 251(I)(b) of the Companies Act, 2016

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 40 to 82 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Lim Chee Hwa, NRIC: 580714-10-5941, at Kuala Lumpur, in the Federal Territory on 5 April 2017.

.....  
**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 Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Classic Scenic Berhad and its subsidiaries (the Group), which comprise the statements of financial position as at 31 December 2016 of the Group and the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 40 to 82.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their 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.

#### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (On Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Valuation of sawn timber inventories

Refer to Note 2(f) - Significant accounting policy: Inventories and Note 8 - Inventories.

#### The key audit matter:

The Group kept a significant amount of raw material inventories. These raw material inventories comprise mainly sawn timber amounting to RM12,481,491.

The valuation of sawn timber inventories is identified as a key audit matter because of the judgement made by the Directors in determining an appropriate inventory provision involves predicting the amount of future demand from customers and the sawn timber inventories are also subject to risk of physical deterioration.

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## Independent Auditors' Report to the members of Classic Scenic Berhad (cont'd)

### How the matter was addressed in our audit:

We performed the following audit procedures, amongst others:

We evaluated the controls associated with monitoring, detecting and writing down/writing off of slow-moving or deteriorated sawn timber inventories by reading the minutes of executive committee meeting relating to the management of sawn timber inventories.

We observed the physical inventory count conducted by the management and have inspected the physical conditions of sawn timber inventories to identify instances of deteriorated sawn timber inventories that are not written down/written off by the management.

We evaluated the past trend of sawn timber inventories utilisation by sawn timber species based on sawn timber movement report of the Group, to identify sawn timber inventories having indicators that they were slow-moving.

For sawn timber inventories having indicators that they are slow-moving, we have enquired the management on their assessment of write down/write off and have challenged their assessment by comparing the carrying amounts recorded in the financial statements against their respective net realisable value or replacement costs.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

### Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the annual report, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.



# Independent Auditors' Report to the members of Classic Scenic Berhad

(cont'd)

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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# Independent Auditors' Report to the members of Classic Scenic Berhad

(cont'd)

## Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## Other Reporting Responsibilities

The supplementary information set out in Note 28 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG PLT**  
(LLP0010081-LCA & AF 0758)  
Chartered Accountants

**Chan Chee Keong**  
Approval Number: 3175/04/17(J)  
Chartered Accountant

5 April 2017  
Petaling Jaya

## Analysis of Shareholdings

As At 31 March 2017

### SHARE CAPITAL

Issued and fully paid-up capital	: RM60,249,870/-
No. of fully paid-up shares & Class of shares	: 120,499,740 Ordinary shares
No. of shareholders	: 2,885
Voting rights	: 1 vote per ordinary share

### ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
Less than 100 shares	24	0.83	709	0.00
100 - 1,000 shares	536	18.58	272,501	0.23
1,001 - 10,000	1,667	57.78	8,188,070	6.79
10,001 - 100,000	600	20.80	17,721,500	14.71
100,001 to less than 5% of issued shares	56	1.94	24,931,931	20.69
5% and above of issued shares	2	0.07	69,385,029	57.58
Total	2,885	100.00	120,499,740	100.00

### LIST OF THIRTY LARGEST SHAREHOLDERS

Name	No. of Shares Held	%
1. Lim Ket Leng Holding Sdn. Bhd.	59,444,205	49.33
2. Lim Chee Khoo	9,940,824	8.25
3. UOB Kay Hian Nominees (Asing) Sdn. Bhd. <i>Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)</i>	6,009,000	4.99
4. Ang Toon Chew & Sons (Malaysia) Sendirian Berhad	2,400,000	1.99
5. Chung Sook Cheng	2,000,000	1.66
6. Ong Ken Sim	1,130,000	0.94
7. Ng Chin Peng	1,126,431	0.93
8. Shoptra Jaya (M) Sdn. Bhd.	882,800	0.73
9. Yap Teong Peng	872,000	0.72
10. Lim Soong Hwatt	660,000	0.55
11. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Hong Leong Consumer Products Sector Fund</i>	543,600	0.45
12. Lim Jeng Dong	500,000	0.41
13. Ong Yik Gee	500,000	0.4
14. Malacca Equity Nominees (Tempatan) Sdn. Bhd. <i>Exempt An for Phillip Capital Management Sdn. Bhd. (EPF)</i>	428,000	0.36
15. HSBC Nominees (Asing) Sdn. Bhd. <i>Exempt An for Bank Julius Baer &amp; Co. Ltd. (Singapore BCH)</i>	407,600	0.34
16. Tay Cheng Weng	350,000	0.29
17. HLB Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Patrick Tan Lee Fong</i>	319,000	0.26
18. CIMSEC Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lee Khee Lin (Penang-CL)</i>	300,000	0.25
19. Ong Aik Khoo	288,400	0.24
20. Citigroup Nominees (Asing) Sdn. Bhd. <i>Exempt An for OCBC Securities Private Limited (Client A/C-NR)</i>	276,800	0.23

## Analysis of Shareholdings

As At 31 March 2017  
(cont'd)

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

Name	No. of Shares Held	%
21. Ming Yau Chuan	273,700	0.23
22. Ong Hab Tong @ Ong Hup Thong	264,000	0.22
23. Maybank Securities Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Chan Heng Sui (REM 110)</i>	253,600	0.21
24. Kua Beng Chuan	225,500	0.19
25. Lim Kong Choon	220,000	0.18
26. Goh Tian Hock	219,400	0.18
27. Diana Goh Hoon Suat	210,000	0.17
28. Jonathan Yue Kar Wai	210,000	0.17
29. Maybank Securities Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for GT Capital Inc</i>	200,000	0.17
30. Ng Inn Jwee	200,000	0.17
	90,655,660	75.23

### SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct	No. of Ordinary Shares		%
		%	Indirect	
Lim Ket Leng Holding Sdn. Bhd.	59,444,205	49.33	-	-
Lim Chee Keong	-	-	#59,444,205	49.33
Lim Chee Hwa	-	-	#59,444,205	49.33
Lim Chee Beng	-	-	*61,444,205	50.99
Lim Chee Tak	4,200	^0.00	#59,444,205	49.33
Lim Chee Khoon	9,940,824	8.25	-	-

# Deemed interested by virtue of his shareholdings in Lim Ket Leng Holding Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.

\* Deemed interested by virtue of his shareholdings in Lim Ket Leng Holding Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016 and his spouse's interest by virtue of Section 59(11)(c) of the Companies Act, 2016.

^ Negligible

### STATEMENT OF DIRECTORS' SHAREHOLDINGS

Director's Name	Direct	No. of Ordinary Shares		%
		%	Indirect	
Lim Chee Keong	-	-	#59,444,205	49.33
Lim Chee Hwa	-	-	#59,444,205	49.33
Lim Chee Beng	-	-	*61,444,205	50.99
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 8 of the Companies Act, 2016.

\* Deemed interested by virtue of his shareholdings in Lim Ket Leng Holding Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016 and his spouse's interest by virtue of Section 59(11)(c) of the Companies Act, 2016.

~ Deemed interested by virtue of his spouse's and/or children's interest by virtue of Section 59(11)(c) of the Companies Act, 2016.

^ Negligible

## 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 2016 (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 / 22 years	76,209 / 69,369	5,185,913	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 / 19 years	76,058 / 65,383	5,417,692	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 / 12 years	94,422 / 70,347	6,579,418	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 / 15 years	98,631 / 106,692	8,560,771	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 / 16 years	76,478 / 60,500	5,536,411	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 2016 (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 / 9 year	79,739 / 74,261	6,230,990	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 / 13 years	23,400 / 22,435	823,074	24.9.2002 (approval)
8	GM 4833, Lot 1371, Mukim Ulu Yam, Tempat Ulu Kg. Tembayan, Daerah Hulu Selangor, Selangor Darul Ehsan.	Vacant land	Freehold / N/A	125,238 / N/A	1,630,910	11.05.2012 (acquisition)
9	GM6281 (formerly known as EMR3236), Lot 1832, Mukim Ulu Yam, Daerah Hulu Selangor, Selangor Darul Ehsan.	Vacant land	Freehold / N/A	78,953 / N/A	593,694	22.06.2012 (acquisition)
10	GM4848 (formerly known as EMR3181), Lot 1833, Mukim Ulu Yam, Daerah Hulu Selangor, Selangor Darul Ehsan.	Vacant land	Freehold / N/A	95,282 / N/A	717,182	22.06.2012 (acquisition)
11	Lot 569, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan held under title GRN 86843, Lot 569 Seksyen 19 (formerly under HSD 28340 PT 10412, Mukim of Rawang), Bandar Rawang, District of Gombak, Selangor Darul Ehsan.	Vacant land	Freehold / N/A	39,148 / N/A	1,333,673	26.09.2012 (acquisition)

Note:

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

## **Additional Compliance Information Disclosures**

### **1. UTILISATION OF PROCEEDS**

The Company did not undertake any corporate proposal to raise proceeds during the financial year ended 31 December 2016.

### **2. MATERIAL CONTRACTS**

There were no material contracts entered into by the Group and its subsidiary companies involving the interests of the Directors and/or major shareholders, either still subsisting at the end of the financial year ended 31 December 2016 or entered into since the end of the previous financial year.



## Notice Of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Fourteenth (14th) Annual General Meeting ("AGM") 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 Wednesday, 17 May 2017 at 10.00 a.m. for the transaction of the following businesses:-

### AGENDA

#### Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Explanatory Note 7 (a))**
2. To approve the payment of Directors' fees amounting to RM58,500/- (2015: RM54,000/-) in respect of the financial year ended 31 December 2016. **(Resolution 1)**
3. To approve the increment of RM2,000 in Directors' fees for each of the Non-Executive Directors of the Company, from RM18,000 to RM20,000 each in respect of the financial year ending 31 December 2017. **(Resolution 2)**
4. To re-elect the following Directors who retire pursuant to Article 92 of the Company's Articles of Association and, being eligible, offer themselves for re-election:-
  - (a) Mr Lim Chee Beng **(Resolution 3)**
  - (b) Mr Lim Chee Hwa **(Resolution 4)**
5. To re-appoint Messrs KPMG PLT as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors to fix their remuneration. **(Resolution 5)**

#### Special Business

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

6. **Authority to Issue Shares**

"THAT subject always to the Companies Act, 2016 ("Act"), Articles of Association of the Company, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and approvals of the relevant governmental/regulatory bodies (if any), the Directors be and are hereby authorised and empowered pursuant to Section 75 of the Act to issue new shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued in any one financial year of the Company pursuant to this resolution does not exceed ten percentage (10%) of the total issued and paid-up share capital of the Company at the time of issue 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 Securities and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company." **(Resolution 6)**
7. **Re-appointment of Director**

"THAT Mr Au Thin An @ Low Teen Ann be and is hereby re-appointed as a Director of the Company." **(Resolution 7)**

## Notice Of Annual General Meeting

(cont'd)

### AGENDA (Cont'd)

#### Special Business (cont'd)

8. **Retention of Independent Non-Executive Director Pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012**

**(Resolution 8)**

"THAT subject to the passing of Ordinary Resolution No. 7 and pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, Mr Au Thin An @ Low Teen Ann who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be hereby retained as an Independent Non-Executive Director of the Company."

9. To transact any other business for which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Articles of Association.

#### BY ORDER OF THE BOARD,

**WONG YOUN KIM**  
**(MAICSA 7018778)**  
Company Secretary  
Kuala Lumpur  
25 April 2017

# 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 (2) 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 (1) 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 member, the instrument appointing the proxy shall be given under its Common Seal or under the hand of a duly authorised officer or attorney and supported by a notarially certified copy of that power or authority.
5. The Form of Proxy must be deposited at the Company's Registered Office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 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 Fourteenth (14th) AGM, 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 Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 11 May 2017. Only a depositor whose name appears on the Record of Depositors as at 11 May 2017 shall be entitled to attend this AGM or appoint proxy to attend and/or vote in his/her behalf.

7. **Explanatory Notes on Special Business**

- (a) **Item 1 of the Agenda**

The Audited Financial Statements are for discussion only as it does not require shareholders' approval under the provisions of Section 340(1)(a) of the Companies Act, 2016 and hence, will not be put for voting.

- (b) **Resolution 6 - Authority to Issue Shares**

The proposed Ordinary Resolution under item 6 is to seek a renewal of the general mandate for the issue of new ordinary shares that was approved by shareholders at the last year's AGM. As at the date of this Notice, no shares have been issued pursuant to this general mandate granted at the last AGM of the Company.

The proposed Ordinary Resolution, 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 total 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.

## Notice Of Annual General Meeting

(cont'd)

### Notes (cont'd):

#### 7. Explanatory Notes on Special Business (cont'd)

##### (c) Resolution 7 - Re-appointment of Director

The proposed Ordinary Resolution under item 7 is to seek shareholders' approval on the re-appointment of Mr Au Thin An @ Low Teen Ann, who had been re-appointed in the previous Annual General Meeting held on 13 May 2016 as a Director under Section 129 of the former Companies Act, 1965 which was then in force and whose term would expire at the conclusion of the Fourteenth (14th) AGM, as a Director of the Company. If passed, the proposed Resolution 7 will authorize the continuation of Mr Au Thin An @ Low Teen Ann in office from the date of the Fourteenth (14th) AGM onwards.

##### (d) Resolution 8 - Retention of Independent Non-Executive Director Pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012

The Nomination Committee has assessed the independence of Mr Au Thin An @ Low Teen Ann, who has served as an Independent Non-Executive Director for a term of more than nine (9) years and recommended him to continue to act as an Independent Non-Executive Director of the Company on the following justifications :-

- (i) Mr Au Thin An @ Low Teen Ann continues to fulfil the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and hence, he would continue to provide proper check and balance thus bringing an element of objectivity to the Board;
- (ii) his length of service on the Board of more than nine (9) years does not in any way interfere with the exercise of objective judgment or his ability to act in the best interest of the Company and the Group. In fact, Mr Au Thin An @ Low Teen Ann, having been with the Company for more than nine (9) years, is familiar with the Group's business operations and has always actively participated in Board and Board Committees discussions where he continuously demonstrated his ability to express and maintain unbiased views without any influence, thus, bringing independent judgment into the decision making of the Board; and
- (iii) he has the leadership, calibre, qualifications, relevant experience and personal qualities to consistently exercise due care during his tenure as Independent Non-Executive Director of the Company and has discharged his duties with competence.

### STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. The Fourteenth (14th) Annual General Meeting ("AGM") 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 Wednesday, 17 May 2017 at 10.00 a.m.
2. The Directors who are standing for re-election and/or re-appointment at the Fourteenth (14th) AGM of the Company are:-
  - (a) Mr Lim Chee Beng (Article 92)
  - (b) Mr Lim Chee Hwa (Article 92)
  - (c) Mr Au Thin An @ Low Teen Ann

The details of the above Directors seeking re-election and/or re-appointment are set out in the Profile of Board of Directors as disclosed on pages 9 and 10 of this Annual Report.

Mr Lim Chee Beng's, Mr Lim Chee Hwa's and Mr Au Thin An @ Low Teen Ann's interests in the securities of the Company and subsidiaries are set out in the Statement of Directors' Shareholdings on page 89 of this Annual Report.

# PROXY FORM



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

I/We \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(ADDRESS)

being a member(s) of CLASSIC SCENIC BERHAD hereby appoint \_\_\_\_\_  
(FULL NAME)

of \_\_\_\_\_  
(ADDRESS)

or failing him/her, \_\_\_\_\_  
(FULL NAME)

of \_\_\_\_\_  
(ADDRESS)

or failing him/her, the Chairman of the Meeting as \*my/our proxy to vote for \*me/us and on \*my/our behalf at the FOURTEENTH (14<sup>TH</sup>) 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 Wednesday, 17 May 2017 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 for financial year ended 31 December 2016		
2.	Approval of increment in Directors' Fees for each of the Non- Executive Directors in respect of the financial year ending 31 December 2017		
3.	Re-election of Mr Lim Chee Beng as Director		
4.	Re-election of Mr Lim Chee Hwa as Director		
5.	Re-appointment of Messrs KPMG PLT as Auditors		
6.	Authority to Issue Shares		
7.	Re-appointment of Mr Au Thin An @ Low Teen Ann as Director		
8.	Retention of Mr Au Thin An @ Low Teen Ann as Independent Non-Executive Director		

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 \_\_\_\_\_ 2017

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

\_\_\_\_\_  
Signature

#### Notes:

- A member of the Company entitled to attend and vote at this meeting is entitled to appoint up to two (2) proxies to attend and vote instead of him/her. There shall be no restriction as to the qualification of proxy.
- 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.
- 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 (1) 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.
- In the case of a corporate member, the instrument appointing the proxy shall be given under its Common Seal or under the hand of a duly authorised officer or attorney and supported by a notarially certified copy of that power or authority.
- The Form of Proxy must be deposited at the Company's Registered Office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than 48 hours before the time set for the meeting or any adjournment thereof.
- General Meeting Record of Depositors**  
For purposes of determining who shall be entitled to attend this Fourteenth (14th) AGM, 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 Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 11 May 2017. Only a depositor whose name appears on the Record of Depositors as at 11 May 2017 shall be entitled to attend this AGM or appoint proxy to attend and/or vote in his/her behalf.

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Affix  
Stamp

**THE COMPANY SECRETARY**  
**CLASSIC SCENIC BERHAD** (633887-M)  
Level 2, Tower 1, Avenue 5  
Bangsar South City,  
59200 Kuala Lumpur.

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