

*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)

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

*Annual Report  
2017*





## 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 ISO9001:2015 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 400 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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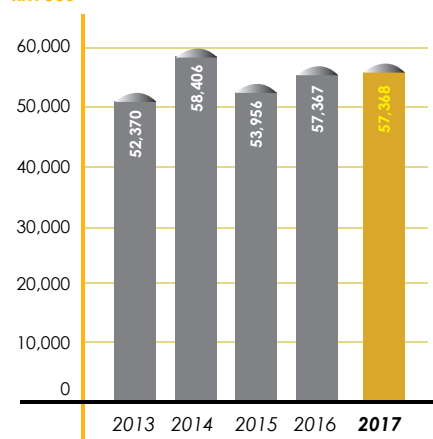
# Financial Highlights

	2017	2016	2015	2014	2013
1 Revenue (RM'000)	57,368	57,367	53,956	58,406	52,370
2 Profit Before Tax (RM'000)	16,221	17,477	15,344	13,344	12,091
3 Profit After Tax (RM'000)	12,291	13,284	11,490	10,116	9,134
4 Net Cash (RM'000)	14,190	23,915	21,386	16,524	16,206
5 Return on Equity (%)	12.75	13.80	11.80	10.60	9.60
6 Net Asset Per Ordinary Share (sen)	80.0	79.8	80.8	79.2	78.9
7 Net Earnings Per Share (sen)	10.20	11.02	9.54	8.40	7.58
8 Net Dividend Per Share (sen)	10.00	11.00	10.00	8.00	8.00
9 Dividend Payout Ratio (%) *	98.0	99.8	104.9	95.3	105.5
10 Net Dividend Yield (%)#	6.1	6.1	8.3	6.7	7.3

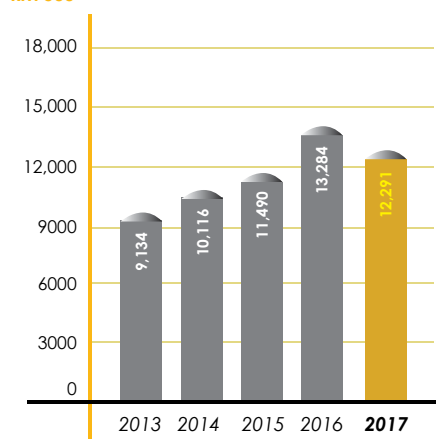
\* The Group's Dividend Policy is to distribute 50% of the Group net profit after tax attributable to shareholders.

# The Net Dividend Yield was calculated based on the share price as at the last trading day of the financial year.

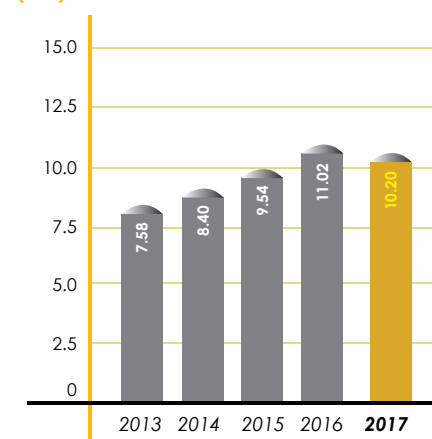
**REVENUE**  
RM'000



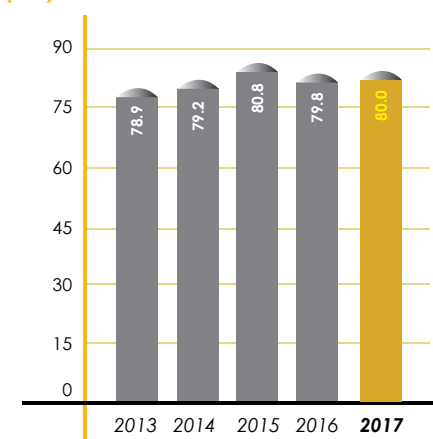
**PROFIT AFTER TAX**  
RM'000



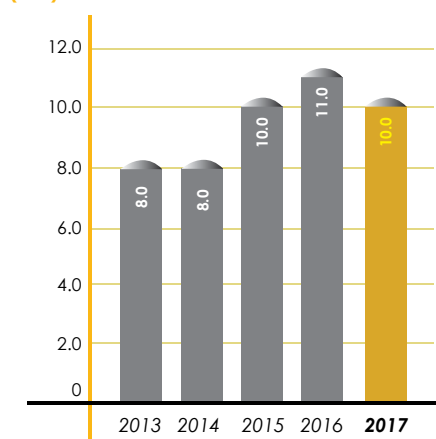
**NET EARNINGS PER SHARE**  
(SEN)



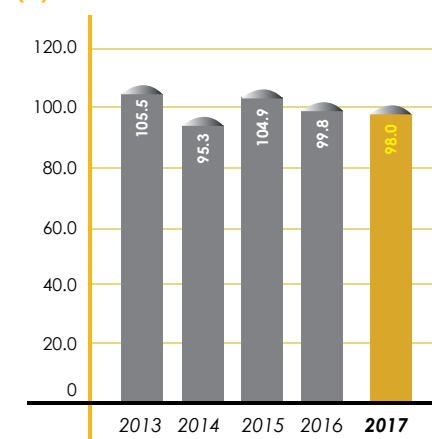
**NET ASSET PER ORDINARY SHARE**  
(SEN)



**NET DIVIDEND PER SHARE**  
(SEN)



**DIVIDEND PAYOUT RATIO**  
(%)



# 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

# 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**  
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  
(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  
(Independent Non-Executive Director)

### REMUNERATION COMMITTEE

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

**Chow Chooi Yoong**  
Member  
(Independent Non-Executive Director)

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

### 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 : cscenic@classicscenic.com  
Website : www.classicscenic.com

### REGISTERED OFFICE

Level 2, Tower 1  
Avenue 5, Bangsar South City  
59200 Kuala Lumpur  
Tel. : 603 – 2241 5800  
Fax : 603 – 2282 5022

### 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

## Profile of Board of Directors

### LIM CHEE KEONG

Malaysian, aged 62, Male  
Executive Chairman

**Lim Chee Keong** was appointed as the Chairman of CSCENIC on 3 August 2004. He is also the Chairman of the Executive and Risk Management Committee. He is the main founder of the Group and has accumulated more than 40 years of experience in the timber-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 54, Male  
Managing Director

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

### LIM CHEE HWA

Malaysian, aged 59, Male  
Executive Director

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

### AU THIN AN @ LOW TEEN ANN

Malaysian, aged 74, Male  
Independent Non-Executive Director

**Au Thin An @ Low Teen Ann** was appointed to the Board as Independent Non-Executive Director on 2 January 2008. He is the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration 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 and Remuneration Committees of Lee Swee Kiat Group Berhad. He is also a member of its Audit Committee.

# Profile of Board of Directors

(cont'd)

## LEE KONG WENG

Malaysian, aged 46, 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 Monteiro Heng, an independent member firm of Baker Tilly International.

## CHOW CHOOI YOONG

Malaysian, aged 58, Female  
Independent Non-Executive Director

**Chow Chooi Yoong** was appointed to the Board as Non-Independent Non-Executive Director on 1 April 2016 and was re-designated to Independent Non-Executive Director on 24 July 2017. 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 T&S, 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 except Lim Chee Tak. 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 five (5) years.



## Key Senior Management

### LIM KIM LEE

Malaysian, aged 40, Female  
Chief Financial Officer

**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 the 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 establishment, 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 58, 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 40, Male  
Senior Production Manager

**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 the 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.

## Chairman's Messages and Management Discussion & Analysis

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 2017.



In 2017, upbeat economic data of our main export market, North America, has been noted, such as the unemployment rates reducing to pre-crisis level, robust consumer spending and a strengthening of housing market. In response to these favorable market conditions, the USA economy's upward momentum was accelerated. Additionally, the Federal Reserve has also been gradually lifting interest rates, signaling the recovery of USA economy is on the right track. North America contributes about 70% to the Group's revenue, and with the improved USA economy and market demand, these have positively impact CSCENIC 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 had regained some strength against US Dollar in second half of 2017 along with better economic data and stronger crude oil prices. Despite the average exchange rate level of above MYR4 against US Dollar in the financial year 2017, the Group was still able to achieve a resilient performance.

Input costs posed a pressure to the Group for the year 2017. The Group's gross profit margin had declined to 38% compared to 43% in the preceding financial year 2016, mainly attributed to increases in labour cost and imported raw materials. In second half of year 2016, the workers' wages were adjusted upward in order to comply with the Minimum Wages Act 2012 (2016) and the effect of the increased wages is fully reflected in the reduced profit margin for year 2017. Additionally, imported raw materials, such as paints and lacquers, were more expensive compared to the preceding year as a result of the strengthening of Euro Dollar. Fortunately, the Group's major raw material, timbers, are mainly sourced locally and the timber price was relatively stable in 2017. 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 continued to pose a challenge to the Group, as up to 60% of our workforce comprised of 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 skilled workers, and increase the local workforce to fulfill the increased customer orders on time. As at 31 December 2017, the Group had a mix of foreign and local employees at 60% and 40% respectively.

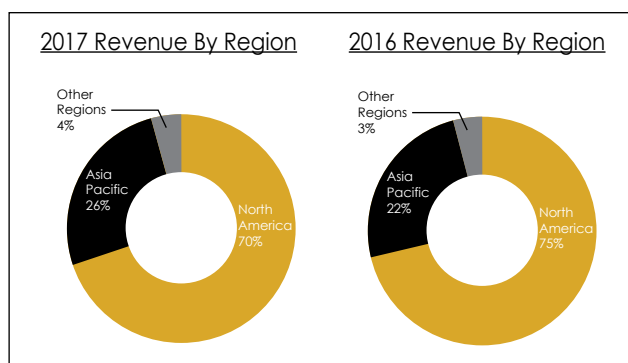
# Chairman's Messages and Management Discussion & Analysis (cont'd)

With our solid and strong business fundamentals, prudent strategies and our commitment to the maintenance of a resilient cost structure, the Group delivered another commendable performance in 2017, with revenue of RM57.4 million and a pre-tax profit of RM16.2 million.

## Financial Performance Review

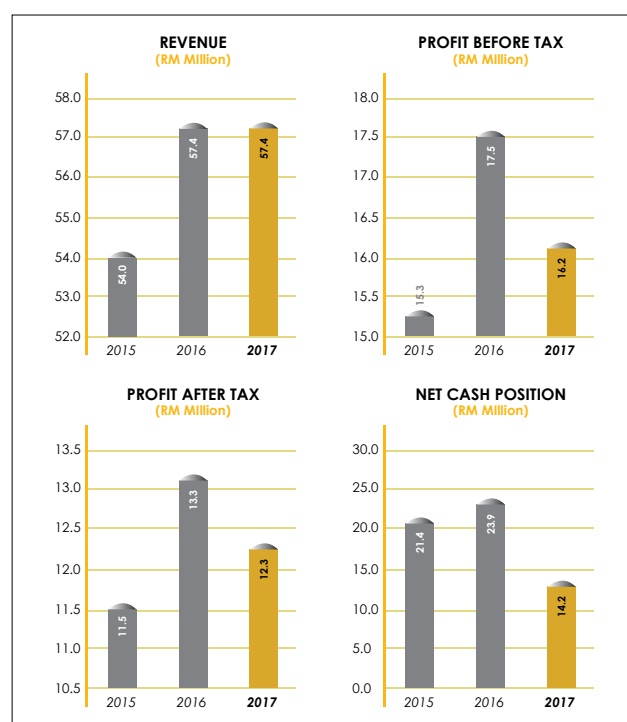
Overall, the Group achieved a satisfactory performance with revenue recorded at RM57.4 million for the financial year ended 31 December 2017, which was similar to that of the preceding financial year 2016. Nevertheless, the increase in labour cost and price hike in imported raw materials had eroded the Group's gross profit margin to 38% compared to 43% in the preceding financial year 2016. With the pressure posed by input cost, the Group ended with profit after tax of RM12.3 million for the financial year ended 31 December 2017, a decline of RM1.0 million or 7.5% as compared to the preceding financial year.

Export of wooden picture frame mouldings contributed approximately 89% of the Group's revenue and the local sales of wooden pallets accounted for the remaining 11%. The revenue of the Group by region is depicted as below:-



The Group's export proceeds are predominantly denominated in US Dollar and thus, foreign currency risk is one of the principal risks of the Group. To mitigate the risk, 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 2017, 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 RM13.8 million, and its unrealised fair value gain of RM0.7 million has been recognised in the financial statements.

During the year 2017, the Group invested RM4.5 million in acquiring plant and equipment to improve the efficiency of production operation and its logistics, and to pursue the Group's target of moving towards production automation and mitigation on the reliance of labour. As at 31 December 2017, the Group posted a net cash position of RM14.2 million and maintained a healthy balance sheet. The shareholders' equity was RM96.4 million and net asset per share stood at RM0.80 as at 31 December 2017.



The Group remains focused on its time-validated organic growth strategies and its core business of manufacturing wooden picture frame mouldings and wooden pallets. We will concentrate on further strengthening the relationship with major customers by studying changes in consumer tastes and understanding their preferences, whilst continuously enhancing the development and introduction of innovative and affordable products of high quality. To facilitate these, an annual Customers Satisfaction Survey is conducted to assess customers' satisfaction level and to ascertain the Group's competitive position against other competitors.

The Group is mindful of the on-going challenges and is committed to continually put more emphasis on the development of new products, productivity improvement, procurement optimisation and operational efficiency to drive business growth and to sustain or enhance profitability.



# Chairman's Messages and Management Discussion & Analysis

(cont'd)

## 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 23 February 2018, 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 2017. The dividend will be payable on 21 May 2018 to depositors registered in the Record of Depositors on 8 May 2018. The Board does not propose any final dividend for the financial year ended 31 December 2017.

A first interim single tier dividend of 5.0 sen per ordinary share totaling RM6.0 million in respect of the financial year ended 31 December 2017 was declared on 22 August 2017 and paid on 17 November 2017. Therefore, the total net dividend paid, or to be paid, to shareholders for the financial year ended 31 December 2017, would amount to RM12.0 million or 10.0 sen per ordinary share. The dividend payout ratio for the financial year ended 31 December 2017 was 98%.

## Outlook

God's promises, *"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"*, have been our guiding light. With our steadfast belief in God and the Group's strong business fundamentals, prudent strategies and the unwavering commitment from our team, we have been able to weather the challenges and ride on the opportunities to achieve satisfactory results.

With the backdrop of strong global growth, improving employment and rising asset prices, the growth of the USA economy and consumers' consumption are expected to be stronger in year 2018 that are vital to the growth of the Group's business.

The Group will tap the growth opportunities by capitalising on its strong market presence and continuously stay alert, agile and adaptive in the market place, and be more aggressive and proactive in developing and introducing innovative, competitively-priced products of high quality.

Going forward, challenges in the form of rising costs in labour and raw materials shall be among the primary concerns of the Group. Nevertheless, we shall continue to focus on maintaining a resilient cost structure by implementing various strategies including automation of production processes, productivity improvement, procurement optimisation and improving operational efficiency. Counting on our team's unfaltering commitment and performance driven measures, the Group is optimistic of performing favourably in 2018.

## 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

# Sustainability Statement

At CScenic, we recognise the importance of sustainability, which is to create shared social, environmental and economic value for all stakeholders. Simply put, CScenic would be very glad to have triple wins for People, Planet and Performance, and in this context, CScenic is committed to initiatives on material sustainability across the three key areas of Economics, Environment and Social (EES).

This is the Group's first general sustainability statement guided by Bursa Malaysia's Sustainability Reporting Guide and moving forward, the Group expects to learn and improve on how it can enhance its business operation to further add value to the stakeholders and manage the risks as well as opportunities related to the key aspects of EES. The Group has categorised and summarised its material sustainability matters into 4 key themes as follow:-

## Responsible Business

- Customer satisfaction
- Product safety responsibility
- Procurement practice

## Conduct and Compliance

- Compliance
- Anti-fraud

## Environmental Sustainability

- Environmental monitoring
  - scheduled waste
  - gas emission
  - waste water

## People, Community and Society

- Efficient use of energy
- Employment benefits
- Training and development
- Diversity
- Safety and health
- Community

### I. Responsible Business

Good and timely responses, trust building, honesty and integrity are all pre-requisites to business sustainability. Thus, the Group places utmost priority on ethical business conduct in dealing with stakeholders, as well as emphasising on its core strengths in product safety and responsibility, and prudent procurement practice to deliver all-round customer satisfaction.

### Customer Satisfaction

Listening to customers has been one of the critical success factors of CScenic. The Group has established and implemented the ISO 9001:2015 Quality Management System to ensure consistent improvement on the quality of products and services delivered to customers. The effective execution of the Quality Management System is evidenced by the good scoring achieved in the annual Customers Satisfaction Survey. The Group has been able to maintain a high rating of 4 (out of full score of 5 Excellent) for the customer satisfaction for the past 5 years.

### Product Safety Responsibility

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 procedure 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 elements are 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.

### Procurement Practice

Our main subsidiary, Finesse Moulding (M) Sdn Bhd, has long established policy in buying legally verified timber and has obtained its certification of timber chain-of-custody management system from an internationally recognised certification body since 2009. The Group is committed to making every effort in ensuring all timbers are obtained from legal and traceable sources.

The Group has incorporated sustainability-related criteria, such as compliance of relevant policies, laws, rules and regulations in assessing the major suppliers' business practices annually. Going forward, the Group will continue to collaborate with its major suppliers to work towards enhancing sustainability practices with respect to EES matters.

# Sustainability Statement

(cont'd)

## II. Conduct and Compliance

Adherence to compliance standards set by regulators and authorities is crucial to the Group's business sustainability and growth. Any breach of laws, regulations, rules, related standards and code of conducts could have significant adverse impact on the business sustainability and interest of stakeholders. Thus, the Group takes compliance matters seriously and has zero tolerance towards non-compliance.

### **Compliance**

The Group has been practicing good corporate governance to safeguard stakeholders interest, as disclosed in Corporate Governance Report. Corporate governance practices and procedures are periodically reviewed and enhanced by the Group to protect the interest of the stakeholders. 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 the Audit Committee.

### **Anti-Fraud**

Code of Business Conducts and Ethics and Anti-fraud and Whistleblowing Policy were established and adopted to instill ethical values into employees. The Code of Business Conducts and Ethics, and Anti-fraud and Whistleblowing policy clearly defined the Group's stand on integrity, honesty and ethical behavior as well as tolerance towards unethical business conduct. These policies formed part of risk management to promote and cultivate an honest and transparent business environment.

These policies also enhance its employees' awareness of the Group's stand on illegal, unethical and dishonest acts, the consequences of such acts and their roles, rights and responsibilities pertaining to illegal, unethical and dishonest acts. The strict enforcement of the Anti-fraud and Whistleblowing Policy would reduce the risk of fraudulent acts from tainting the Group's reputation and protect the stakeholders' interest. These policies can be downloaded from the Group's website at <http://www.classicscenic.com>.

## III. Environmental Sustainability

Timber, electricity and water, are the main inputs in our production processes. The Group endeavors to use them as efficiently as possible.

### **Environmental Monitoring**

Wood wastes, such as short woods, wood chips and saw dust, are generated during the production processes. However, wood wastes has been considerably cut down as the short woods are jointed into long timber for the production of premium finished products, whereas for the wood chips and saw dust, they are used to produce steam and generate energy. Besides these, the saw dust is also being compressed into wood briquette and used to generate heat energy.

The Group's manufacturing facilities, such as hot water boiler, compressors and timber impregnation plant, are in compliance with the rules and regulations stipulated by the Department of Occupational Safety and Health ("DOSH") Malaysia.

A trained and qualified personnel is assigned to closely monitor all emissions such as air and water discharged. Scheduled waste, e.g. paint sludge, is being handled and disposed in accordance to the rules and regulations stipulated by the Department of Environment ("DOE") Malaysia. Internal training on Scheduled Waste Management is conducted periodically to ensure the scheduled waste is handled by a competent team.

### **Efficient Use of Energy**

The Group is committed in taking initiatives to implement certain modifications and reconfigurations of critical utilities to enhance energy efficiency. Energy efficient LED lighting, such as T8 fluorescent tubes, had already been installed across most of the production floor areas.

The Group also invested in advance wood-working machinery and upgraded some existing equipment parts with newer energy-efficient parts, which allow simultaneous improvements in production output and changeover time as well as provide energy savings.



# Sustainability Statement

## (cont'd)

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

#### IV. People, Community and Society

CScenic recognises people, community and society as social capital, which is essential to the long term business sustainability of the Group. Employees' development is always one of the Group's priorities as skilled human capital is crucial for an organisation's long term sustainable growth. As at 31 December 2017, there is approximately 400 dedicated men and women who are part of CScenic's team.

##### **Employment Benefits**

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

##### **Training & Development**

Yearly structured human capital development training is continuously provided to employees to hone their skills and competencies as part of their long term career planning, of which not only benefits the employees personally, but also strengthens the capability of the entire organisation and facilitates the achievement of the Group's objectives and goals. Opportunities for career advancement are performance-driven and non-discriminatory.

##### **Diversity**

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

In connection with this policy, a female Director had been appointed as Independent Non-Executive Director, which constituted 17% women diversity in Board.

As at 31 December 2017, women who held top management positions accounted for one-third (1/3) of top management.

##### **Safety and Health**

CScenic is committed to providing a safe and healthy environment for its employees and the Group has implemented various initiatives focusing on this matter. A Safety and Health Committee is established and meetings are conducted periodically to review safety and health matters. Policies were also set to ensure all employees are aware of their roles and responsibilities in the aspect of safety and health.

Periodic in-house safety and health audits are conducted to ensure that the Group's safety and health policies are enforced and complied. To inculcate a safety and health mindset amongst our employees, series of safety and health trainings, such as Safety Awareness, First Aid and CPR, Fire Prevention, Chemical Hazards etc, have been additionally conducted periodically. Annual health medical check-up is a compulsory for employees who work in high risk areas, such as long exposure to chemical and noise.

The management adopts an open door policy where staff can easily discuss with the management on their problems and difficulties. Employees are the Groups' valuable assets and their feedbacks and opinions are very crucial and must be accorded due recognition. The Group remains committed in conducting periodic Employee Job Satisfaction Survey to give opportunity to employees to voice out any grievance and dissatisfaction with the current work conditions, and thereafter the management will consider the next course of action for further improvement.

##### **Community**

As a socially responsible company, the Group participated in a food distribution event hosted by the Malaysia Timber Industry Club for the benefit of underprivileged senior citizens in the Kepong area.

A yearly blood donation campaign is co-organised with the National Blood Centre of Malaysia in contributing to the national blood bank, with well over 70 participants supporting the blood donation activity.

# Corporate Governance Overview Statement

The Board of Directors of Classic Scenic Berhad ("CSCENIC") recognises the importance of good corporate governance in ensuring that the interest of the Group, shareholders and other stakeholders are protected.

The Board is fully dedicated to continuously evaluate the Group's corporate governance practices and procedures with a view to ensure that the principles and practices of corporate governance as provided in the Malaysian Code on Corporate Governance ("MCCG") issued by the Securities Commission in April 2017 are applied in safeguarding shareholders' investments and to protect the interests of all stakeholders.

This Corporate Governance Overview Statement, which is to be read together with the CG Report 2017 of the Company ("CG Report 2017"), is to provide shareholders and investors with an overview of the corporate governance practices of the Company during the financial year ended 31 December 2017.

The CG Report 2017 details on how the Group has applied each Practice of the MCCG, except where stated otherwise, and it is available on the Company's website : <http://www.classicscenic.com>

The Board wishes to report that an analysis of the gap between the corporate governance practices in the Group and the practices as set out in MCCG together with the Group's actions plan in strengthening the Group's corporate governance ("Gap Analysis") were considered and approved by the Board on 22 August 2017.

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

### I. Board Responsibilities

The Board is always mindful of its responsibility to serve the interest of the shareholders. To this end, the Board sets policies for corporate governance; establishes goals, strategies and direction; reviews the Group's performance and critical business issues in order to ultimately enhance the long term shareholders' value.

In order to assist the Board in discharging its duties and responsibilities, the Board has established a Board Charter (available at the Company's website : [www.classicscenic.com](http://www.classicscenic.com)) which, inter alia, sets a list of specific functions that are reserved for the Board, Chairman and Managing Director; and the authorisation limit which defines relevant matters and applicable limits reserved for Chairman/Managing Director/Executive Director that are further cascaded to senior management team within the Company.

The Board has also established and entrusted Board Committees with specific responsibilities to oversee the Group's affairs in accordance with their respective Terms of Reference. The key issues and decisions made by each Board Committee are required to be reported to the Board.

In line with the adoption of the Gap Analysis, the Board has reviewed and approved the amendments to the Board Charter, Term of Reference of the Audit Committee and Remuneration Committee and the Anti-Fraud and Whistle Blowing Policy ("AWP") for its Directors and employees.

The Board has previously adopted the Code of Business Conducts and Ethics for the Directors and employees within the Group.

The Group aims to ensure a balance of power and authority between the Chairman and Managing Director ("MD") with a clear division of responsibility between the running of the Board and the Company's business respectively. The Group also emphasises and practices a division of responsibility between the Executive and Non-Executive Directors.

The positions of Chairman and MD are separated and clearly defined in the Board Charter.

The Chairman leads the Board in setting the values and standards of the Company to ensure the integrity and effectiveness of the governance process within the Group, while the MD has the overall responsibility for the day-to-day management of the business and implementation of the Board's policies and decisions.

# Corporate Governance Overview Statement

(cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### I. Board Responsibilities (cont'd)

The Board has 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. As a practicing company secretary, she has also attended continuous professional development programmes as required by MAICSA.

All Directors have the rights to access all information pertaining to the business and affairs of the Group and unhindered access to the advice and services of the Company Secretary and senior management, and are also empowered to seek independent professional advice at the Company's expense should they consider it necessary in the furtherance of their duties.

### II. Board Composition

The Board recognises the benefits of diversity. The Group has established a gender diversity policy for all positions to ensure an appropriate focus on diversity as the Board firmly believes that recruiting a diverse pool of candidates with the appropriate mix and profiles in terms of age, gender and ethnicity, provides the necessary mix of skills, perspective, experience and expertise required to achieve effective stewardship and management that will lead to the achievement of corporate goals.

In connection with this policy, as at 31 December 2017, the Group has a lady Director on the Board and women who held top management positions accounted for one-third (1/3) of top management.

Furthermore, the Board, through the Nomination Committee ("NC"), has used Board Matrix, questionnaires and other evaluation forms annually to assess the size, composition, mix of skills, experience and competencies of the existing Board and the individual Directors, the independence and tenure of the Independent Directors, and the effectiveness of the Board and the Board Committees in order to identify gaps in the Board composition and the need to appoint new member to the Board or Board Committees.

The Board had upon the recommendation of the NC, agreed 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 Board Committees, except for the Remuneration Committee ("RC"), the composition of which was changed on 16 March 2018, in line with the principles of the MCCG.

### III Remuneration

The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors and Senior Management needed to run the Company successfully, taking into consideration all relevant factors including the function, workloads and responsibilities involved, and after giving due consideration to the Group's performance.

The RC reviews the performance of the Executive Chairman, Managing Director, Executive Director and Senior Management annually and submits recommendation to the Board on specific adjustment to the remuneration that reflect their contributions for the year, which are competitive and in tandem with the Company's objectives. The annual review during the financial year ended 31 December 2017 was conducted by the RC on 27 November 2017.

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

### I. Audit Committee

The Board is assisted by the Audit Committee ("AC"), which comprised of 3 Independent Non-Executive Directors, to oversee the Group's financial reporting process. In line with the principles of the MCCG, the Terms of Reference of the AC was amended to include a policy that requires a former key audit partner who was part of the engagement team of the External Auditors to observe a cooling-off period of at least 2 years before being appointed as a member of the AC.



# Corporate Governance Overview Statement

(cont'd)

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

### I. Audit Committee (cont'd)

The composition of the AC is reviewed annually with the objective to maintain an independent and effective AC. In line with the principles of the MCCG, all members of the AC have continuously improved their financial literacy by attending trainings on the developments and changes in the Malaysian Financial Reporting Standards in order for them to discharge their duties effectively.

The independence, suitability and appointment/re-appointment of the External Auditors is reviewed by the AC annually based on the External Auditor Appointment and Independence Policy established by the Company.

### II Risk Management and Internal Control Framework

The Board is responsible for the adequacy and effectiveness of the Group's risk management and internal control system. The Board with the assistance of the Executive and Risk Management Committee ("ERMC") and the AC, which oversees 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 Malaysia Securities Berhad ("Bursa Securities").

The Statement on Risk Management and Internal Control furnished on pages 22 to 25 of this Annual Report provides an overview on the state of risk management and internal controls within the Group.

## PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### I. Communication with Stakeholders

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. In pursuance of this, 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 and is also electronically published at the Bursa Securities' and the Company's websites at <http://www.bursamalaysia.com> and <http://www.classicscenic.com> respectively and it is accessible by public.

The Board had 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 gives 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.

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 whilst always being mindful of the sensitive information concerning share prices and the fair distribution of information to shareholders and investors.

### II Conduct of General Meetings

The Annual General Meeting ("AGM") represents the principal forum for dialogue and interaction with shareholders. At each AGM, the Board provides ample opportunity for shareholders to raise questions pertaining to the business activities of the Company. All the Directors and key management personnel are available to provide responses to questions raised by the shareholders during the AGM.

In line with the MCCG, the Notice of the Fifteenth (15th) AGM and Annual Report 2017 of the Company are sent 28 days prior to the AGM, so as to provide sufficient time for shareholders to read through the Annual Report and make the necessary attendance and voting arrangements.

# Corporate Governance Overview Statement

(cont'd)

## PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

### II. Conduct of General Meetings (cont'd)

In compliance with Bursa Securities' Listing Requirements, voting for all resolutions set out in the Notice of the Fifteenth (15th) AGM shall be conducted by poll as it fairly reflects shareholders' views by ensuring that every vote is recognised, in accordance with the "one share one vote" principle which enforces greater shareholders' rights.

This Corporate Governance Overview Statement was approved by the Board of Directors on 28 March 2018.

### 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 2017, the Directors have:

- adopted the appropriate accounting policies and applied them consistently;
- ensured compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016;
- made estimates and judgements which are reasonable and prudent; and
- ensured 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 28 March 2018.

# Audit Committee Report

## COMPOSITION

The Audit Committee ("AC") of Classic Scenic Berhad ("CSCENIC") comprises exclusively of Independent Non-Executive Directors of no fewer than three members with at least one member who complies with Paragraph 15.09(1)(c)(i) of Bursa Securities' Listing Requirements. Mr Lee Kong Weng, the AC Chairman, is a member of the Malaysian Institute of Accountants ("MIA").

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

## MEMBERSHIP AND MEETINGS

Name	Designation	Attendance at AC Meetings
Mr Lee Kong Weng	<b>Chairman</b> , Independent Non-Executive Director	5/5
Mr Au Thin An @ Low Teen Ann	<b>Member</b> , Independent Non-Executive Director	5/5
Ms Chow Chooi Yoong (Re-designated as Independent Non-Executive Director on 24/07/2017)	<b>Member</b> , Independent Non-Executive Director	5/5

Whilst the AC's TOR requires the AC to meet at least four (4) times in each financial year, the AC met five (5) times during the financial year ended 31 December 2017. The Company Secretary was in attendance during the meetings and the Chief Financial Officer ("CFO"), Internal Auditors, External Auditors and other Key Senior Personnel, if necessary, were invited to the meetings to deliberate on matters within their purview.

Minutes of each AC meeting were recorded and tabled for confirmation at the following AC meeting. After each AC meeting, the AC Chairman reported on matters deliberated to the Board for their notation including matters of significant concern as and when raised by the External Auditors or Internal Auditors. Matters reserved for Board approvals were tabled at Board meetings, and decisions by the Board and actions required were forwarded to the management for their actions.

The Board reviewed 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 was satisfied that AC and its members discharged their duties and responsibilities in accordance with the AC's TOR. Subsequent to the release of the Malaysian Code on Corporate Governance ("MCCG") in April 2017, the AC's TOR was reviewed and amended to include a policy requiring a former key audit partner who was part of the engagement team of the External Auditors to observe a cooling-off period of at least 2 years before he or she is being appointed as a member of the AC as well as expanding the functions of the AC.

## SUMMARY OF ACTIVITIES OF THE AC DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

During the financial year, the AC carried out the following activities:-

### 1. Financial Reporting

- (a) In overseeing the Company's financial reporting, the AC reviewed the quarterly financial results of the Group for the Fourth Quarter ended 31 December 2016 at its meeting held on 24 February 2017; whilst the quarterly financial results of the Group for the First Quarter ended 31 March 2017, Second Quarter ended 30 June 2017 and Third Quarter ended 30 September 2017, were reviewed during the AC Meetings held on 29 May 2017, 22 August 2017 and 27 November 2017, respectively.

The AC's recommendations were presented for approvals at the subsequent Board Meetings.

# Audit Committee Report

(cont'd)

## 1. Financial Reporting (cont'd)

- (b) The final draft annual audited financial statements for the year ended 31 December 2016 were reviewed by the AC on 5 April 2017 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 2016, the Main Market Listing Requirements ("MMLR"), and applicable accounting standards in Malaysia.

- (c) The AC obtained confirmations from the CFO that (i) adequate processes and controls were in place for effective and efficient financial reporting and that reasonable estimates have 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 2017 that there were no unusual transactions including related party transactions.
- (d) The AC 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 24 February 2017, the AC deliberated on the status of the audit in respect of the financial year ended 31 December 2016 as presented by Messrs KPMG PLT, including its findings and resolution. The External Auditors had at the meeting, confirmed that they had been independent throughout the conduct of the audit engagement in accordance with all the relevant professional and regulatory requirements, including the By-Laws of the MIA.

The External Auditors highlighted that the valuation of sawn timber inventory had been identified as a key audit matter ("KAM") in their auditors' report. In the deliberation on KAM, the AC was satisfied with the processes in place in mitigating the risk of physical deterioration of sawn timber inventory.

The AC also held 2 private meetings with the External Auditors, Messrs KPMG PLT on 24 February 2017 and 27 November 2017 without the presence of the Executive Board and management.

- (b) The AC had on 5 April 2017, deliberated on Messrs KPMG PLT'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 financial year ended 31 December 2016.

The AC also reviewed the recurring non-audit services in respect of the review of the SORMIC and the supplementary financial information on the breakdown of realised and unrealised retained earnings for the financial year ended 31 December 2016. 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 PLT's confirmation of independence throughout the audit engagement and Messrs KPMG PLT'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 2016.

On 5 April 2017, the AC also undertook an annual assessment and evaluation of the independence, and performance of Messrs KPMG PLT whereby evaluation questionnaires were used as a tool for evaluating the independence, competency, reliability and compliance of Messrs KPMG PLT. The AC also reviewed Messrs KPMG PLT's proposed audit fees for the financial year ended 31 December 2016. The AC having reviewed the independence and performance of Messrs KPMG PLT, was satisfied that Messrs KPMG PLT have the competency to continue as the Group's External Auditors and recommended their re-appointment and remuneration to the Board. The Board at the meeting held on 5 April 2017, approved the AC's recommendation to re-appoint Messrs KPMG PLT, subject to shareholders' approval at the 2017 AGM.

On 27 November 2017, the AC reviewed the Audit Plan for the financial year ended 31 December 2017 presented by Messrs KPMG PLT.

# Audit Committee Report

(cont'd)

## 2. External Audit (cont'd)

The audit and non-audit fees for the financial year ended 31 December 2017 were as follows :-

	2017		2016	
	Group	Company	Group	Company
Audit fees	140,000	50,000	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 realised & unrealised retained earnings	-	-	10,000	10,000
<b>Total</b>	<b>194,800</b>	<b>65,300</b>	<b>184,800</b>	<b>55,300</b>

## 3. Internal Audit

- (a) The Outsourced Internal Auditors ("Internal Auditors") conducted the audit work in accordance with the 2017 Audit Plan approved by the AC on 17 November 2016.

The Internal Auditors presented the Internal Audit Report comprising the 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' audit scope was developed based on risk-based audit methodology. The key audit areas that were identified and reported in 2017 were as follows :-

AC Meeting	Audit Areas
24 February 2017	Review of Information Technology General Control
29 May 2017	Review of Human Resources Function
22 August 2017	Review of Safety, Health and Environment
27 November 2017	Review of Quality Assurance & Quality Control Function

- (b) The Internal Auditors also updated the AC on the status of remedial actions taken by the management team in respect of issues raised at every AC meeting.
- (c) The AC approved the Audit Plan for 2018 and 2019 and obtained confirmation of independence and objectivity from the Internal Auditors that the audit personnel were free from any relationship or conflicts of interest with the Group during the audit for the year 2017.
- (d) The AC conducted an assessment and evaluation of the Internal Auditors on 23 February 2018, whereby evaluation questionnaires were used as a tool for evaluating the independence, objectivity, selection of scope of work and audit processes, competency and value added services of the Internal Auditors. The AC having reviewed the independence, objectivity and performance of the Internal Auditors, was satisfied with the competency of the Internal Auditors to continue as the Group's Internal Auditors for a period of 2 years and recommended their re-appointment to the Board.
- (e) The AC obtained confirmations from the Internal Auditors for the following information, which is required to be disclosed in accordance to the Practice 10.2 of the Malaysian Code of Corporate Governance:-
- The internal audit staff assigned by the Internal Auditors for each internal audit assignment had provided their written declaration that they do not have any relationship or conflict of interest with the Group, which could impair their objectivity and independence for those internal audit assignments performed during the financial year ended 31 December 2017.
  - The Internal Auditors is staffed by eighteen personnel of all levels, including the directors.
  - The Internal Auditors is headed by its director, who is a Certified Internal Auditor and a member with the Institute of Internal Auditors Malaysia and the Association of Chartered Certified Accountants (UK).



# Audit Committee Report

(cont'd)

### 3. Internal Audit (cont'd)

- iv. The Internal Auditors adopts a risk-based approach and prepares its audit strategy and audit plan based on the risk assessment of the business units of the Group. The Internal Auditors has performed its work in accordance with the International Professional Practices Framework for Internal Auditing from the Institute of Internal Auditors except for non-conformance with Standard 1312 – External Assessments.

### 4. Risk Management

- (a) Assisted the Board to oversee the implementation of the Group's risk management policy, the framework of which is based on ISO 31000:2009 Risk management – Principles and guidelines, by reviewing the adequacy and effectiveness of the Group's risk management process including the process in identifying, evaluating, approving and reporting risk and monitoring conflict of interest situations and transactions and the key consideration to be taken in reviewing the related party transactions or conflict of interest situation.
- (b) Reviewed operational and financial performance of the Group to ensure that appropriate measures were taken to address any significant risks highlighted by the Internal Auditors.
- (c) Reviewed and updated the Anti-Fraud and Whistleblowing 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 mitigate the reputational risk of the Group from fraudulent activities.

### 5. Annual Report

- (a) Reviewed the Audit Committee Report, Statement of Corporate Governance, Statement on Risk Management and Internal Control and recommended to the Board for inclusion in the Annual Report 2016.

### **INTERNAL AUDIT FUNCTION**

The Group has outsourced its internal audit function to a professional service firm whose primary responsibility is to independently assure the Board, through the AC, that the systems of internal control are functioning effectively and reliably. The Internal Auditors report directly to the AC to maintain its independence within the Group and regularly reviewed and appraised the Group's internal control systems based on the audit plan that is reviewed and approved by the AC.

The AC, in order to ensure that the responsibility of the Internal Auditors are fully discharged in accordance with the International Standards for the Professional Practice of Internal Auditing, reviewed the adequacy of the scope, function and resources of the Internal Auditors as well as the competency of the Internal Auditors.

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

The Internal Auditors also carried out follow-up reviews to monitor the implementation of the said actions plans and measures reported to the AC. In this respect, the Internal Auditors have assisted the Group 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 2017 amounted to RM40,000.

# Statement on Risk Management and Internal Control

## INTRODUCTION

The Board of Directors ("the Board") of Classic Scenic Berhad ("the Group") recognises that it is the Board's responsibility to review the adequacy and integrity of the Group's system of risk management and internal control. The Board is committed to maintain and ensure that a sound system of risk management and internal control exists and operates effectively across the Group and is pleased to provide this statement outlining the nature and scope of the risk management and internal control of the Group during the financial year under review pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Statement on Risk Management and Internal Control is prepared in accordance with Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

## 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, through the Executive and Risk Management Committee ("ERMC"), 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 risks 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 risk exposure faced by the Group.

The Board applied 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

The Group adopts ISO 31000:2009, Risk Management – Principles and guidelines, which provides principles, framework and a process for managing risk. The Board, with its ERMC and recommendations from 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:

- (a) conducting risk profiling and determining key risk areas and its impact;
- (b) developing annual internal audit plan; and
- (c) updating of the operational risk register and the system of internal controls to incorporate changes in business environment and regulatory guidelines.

These processes have been in place for the year under review and up to the date of approval of this statement for inclusion in the annual report.

The Group has established a risk management framework based on the guidelines in ISO 31000:2009 to manage risks affecting its business and operations, which includes the following features:

# Statement on Risk Management and Internal Control

(cont'd)

(a) Defined functional responsibilities and authorities for the management of risks

- (i) ERM is responsible for identifying, evaluating and managing the significant and emerging risks faced by the core business of the Group.

In broad terms, the ERM reviews the risks and opportunities associated with the Group's 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 encountered and potential rewards. Heads of department shall identify, evaluate and manage or report risks arising from the day-to-day management of the Group's activities to the ERM.

Annually, the ERM 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.

- (ii) Board of Directors, via the Audit Committee, is responsible for the following:

- oversee the establishment and implementation of the risk management system;
- review the adequacy and effectiveness of the risk management and internal control system annually to ensure their continued application and relevance.

The Board also reviews and approves the risk management policy, risk limits and risk tolerance and relies largely on the close involvement of the Executive Directors of the Group in its daily operations. There are 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 Group's risk management 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 utilises 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 Heads 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 Heads of Department and the ERM determine the risk treatment options, such as terminate risk, transfer risk, treat risk or tolerate risk.

# Statement on Risk Management and Internal Control

(cont'd)

## INTERNAL CONTROL

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

- Business plan including annual budget is prepared for the Group. The ERM 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 ERM meets monthly to review the operational and financial performance of the Group to ensure that they are in line with the corporate objectives, strategies and annual budget. The ERM also formulates strategies, policies and code of practices to address changes in the business environment and risks;
- Board Committees, namely the Audit Committee, ERM, Nomination Committee and Remuneration Committee, have been established with defined terms of reference;
- Management organisation structure with reporting lines of accountability and authority have been defined and documented;
- Operational review meetings were held monthly and attended by the Executive Directors and the Heads of Department to identify, discuss and resolve key operational issues, to further improve the effectiveness of the system of internal control;
- 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;
- 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 internally and also by an external 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, the Group's risk profile and internal control issues identified internally and by the Internal Auditors. The Audit Committee also monitors the implementation of the recommendations, if any, proposed by the Internal Auditors.

The Board engaged an outsourced internal audit service provider ("Outsourced IA") to provide independent internal audit services to the Group. The Outsourced IA 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 Outsourced IA presents to the Audit Committee's internal audit report which summarises audit findings and recommendations with respect to the system of internal control and control weaknesses; as well as the effectiveness of the implementation of these recommendations.

# Statement on Risk Management and Internal Control

(cont'd)

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

- Human Resources Function
- Safety, Health and Environment
- Quality Assurance and Quality Control Function
- Production management for Finesse Moulding (M) Sdn Bhd

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 material or significant losses and/or require further disclosure in this Statement.

## ANTI-FRAUD AND WHISTLE BLOWING POLICY

The Group adopts 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 Group's exposure to reputational risk arising from fraudulent activities.

## STATE OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board has reviewed the system of risk management and internal control in place for the financial year under review and up to the date of approval of this statement for inclusion in the annual report and is of the view that the system of risk management and internal control is adequate and effective 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 and up to the date of approval of this statement for inclusion in the annual report.

The Board recognises that the system of risk management and 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 risk management and internal control and risk management framework.

This statement was made in accordance with a resolution of the Board dated 28 March 2018.





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

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# Financial Statements

# Directors' Report

## For The Year Ended 31 December 2017

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 2017.

### 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	12,291,182	13,417,845

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

- i) In respect of the financial year ended 31 December 2016 as reported in the Directors' Report of that year, a second interim single tier dividend of 5.0 sen per ordinary share totalling RM6,024,987 declared on 24 February 2017 and paid on 16 May 2017.
- ii) In respect of the financial year ended 31 December 2017, a first interim single tier dividend of 5.0 sen per ordinary share totalling RM6,024,987 declared on 22 August 2017 and paid on 17 November 2017.

On 23 February 2018, the Directors declared a second interim single tier dividend of 5.0 sen per ordinary share totalling RM6,024,987 in respect of the financial year ended 31 December 2017 which will be payable on 21 May 2018. This dividend will be recognised in the subsequent financial period.

### 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 Choo Yoong

Lim Chee Keong, Lim Chee Beng and Lim Chee Hwa are also the Directors of the subsidiaries of the Group.

# Directors' Report

For The Year Ended 31 December 2017 (cont'd)

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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 1.1.2017	Bought	Sold	At 31.12.2017
<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*	500,000	-	-	500,000
Lim Chee Beng - others*	-	2,000,000	500,000	1,500,000
<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 1.1.2017	Bought	Sold	At 31.12.2017
<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 holding company, Lim Chee Keong, Lim Chee Hwa and Lim Chee Beng are also deemed interested in the shares of the Company and its subsidiaries during the financial year to the extent that the Company has an interest.

The other Director holding office at 31 December 2017 did not have any interest in the shares of the Company and of its related corporations during the financial year.

# Directors' Report

## For The Year Ended 31 December 2017 (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 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, the total amount of insurance coverage effected for Directors and officers of the Company is RM5,000,000 (2016: RM5,000,000).

### OTHER STATUTORY INFORMATION

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

- i) 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 2017 (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 2017 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, 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: 28 March 2018



# Statements of Financial Position

As At 31 December 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Assets</b>					
Property, plant and equipment	3	50,320,726	47,542,615	3,222	4,446
Intangible asset	4	878,181	878,181	-	-
Investment in subsidiaries	5	-	-	37,978,744	39,221,324
<b>Total non-current assets</b>		<b>51,198,907</b>	<b>48,420,796</b>	<b>37,981,966</b>	<b>39,225,770</b>
Inventories	6	26,780,925	24,332,037	-	-
Trade and other receivables	7	8,002,189	6,460,656	16,298,986	15,235,425
Prepayments	8	1,406,894	1,074,476	-	-
Current tax assets		59,004	105,715	-	-
Derivative financial assets	9	733,753	-	-	-
Cash and cash equivalents	10	14,190,056	23,914,862	8,417,107	6,849,587
<b>Total current assets</b>		<b>51,172,821</b>	<b>55,887,746</b>	<b>24,716,093</b>	<b>22,085,012</b>
<b>Total assets</b>		<b>102,371,728</b>	<b>104,308,542</b>	<b>62,698,059</b>	<b>61,310,782</b>
<b>Equity</b>					
Share capital		60,690,723	60,249,870	60,690,723	60,249,870
Share premium		-	440,853	-	440,853
Retained earnings		35,717,470	35,476,262	1,877,966	510,095
<b>Total equity attributable to owners of the Company</b>	11	<b>96,408,193</b>	<b>96,166,985</b>	<b>62,568,689</b>	<b>61,200,818</b>
Non-controlling interest		-	-	-	-
<b>Total equity</b>		<b>96,408,193</b>	<b>96,166,985</b>	<b>62,568,689</b>	<b>61,200,818</b>
<b>Liabilities</b>					
Deferred tax liabilities	12	3,154,564	2,569,864	-	-
<b>Total non-current liabilities</b>		<b>3,154,564</b>	<b>2,569,864</b>	<b>-</b>	<b>-</b>
Current tax liabilities		91,249	1,054,245	-	-
Trade and other payables	13	2,673,411	2,618,154	129,370	109,964
Prepayments received	14	44,311	157,095	-	-
Derivative financial liabilities	9	-	1,742,199	-	-
<b>Total current liabilities</b>		<b>2,808,971</b>	<b>5,571,693</b>	<b>129,370</b>	<b>109,964</b>
<b>Total liabilities</b>		<b>5,963,535</b>	<b>8,141,557</b>	<b>129,370</b>	<b>109,964</b>
<b>Total equity and liabilities</b>		<b>102,371,728</b>	<b>104,308,542</b>	<b>62,698,059</b>	<b>61,310,782</b>

The notes on pages 37 to 73 are an integral part of these financial statements.

# Statements of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Revenue</b>	15	57,367,950	57,366,702	13,500,000	14,800,000
Cost of sales		(35,346,935)	(32,752,158)	-	-
<b>Gross profit</b>		22,021,015	24,614,544	13,500,000	14,800,000
Other income		947,835	6,923	-	-
Distribution expenses		(1,338,125)	(1,376,477)	-	-
Administrative expenses		(3,429,284)	(3,609,158)	(245,827)	(216,363)
Other expenses		(2,522,400)	(2,715,497)	(132,910)	(122,301)
<b>Results from operating activities</b>		15,679,041	16,920,335	13,121,263	14,461,336
Finance income	16	542,470	557,117	296,582	237,472
<b>Profit before tax</b>		16,221,511	17,477,452	13,417,845	14,698,808
Income tax expense	17	(3,930,329)	(4,192,987)	-	-
<b>Profit and total comprehensive income for the year</b>	18	12,291,182	13,284,465	13,417,845	14,698,808
<b>Profit and total comprehensive income attributable to:</b>					
Owners of the Company		12,291,182	13,284,465	13,417,845	14,698,808
Non-controlling interest		-	-	-	-
		12,291,182	13,284,465	13,417,845	14,698,808
<b>Basic earnings per ordinary share (sen)</b>	19	10.20	11.02		

The notes on pages 37 to 73 are an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2017

Group	Note	← Attributable to owners of the Company →					Non-	Total equity RM
		Share capital RM	Share premium RM	Retained earnings RM	Total RM	controlling interest RM		
<b>At 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	20	-	-	(14,459,970)	(14,459,970)	-	(14,459,970)	
<b>At 31 December 2016/ 1 January 2017</b>		60,249,870	440,853	35,476,262	96,166,985	-	96,166,985	
<b>Profit and total comprehensive income for the year</b>		-	-	12,291,182	12,291,182	-	12,291,182	
<i>Distributions to owners of the Company</i>								
- Dividends	20	-	-	(12,049,974)	(12,049,974)	-	(12,049,974)	
Transfer in accordance with Section 618(2) of the Companies Act 2016		440,853	(440,853)	-	-	-	-	
<b>At 31 December 2017</b>		60,690,723	-	35,717,470	96,408,193	-	96,408,193	
			Note 11.1	Note 11.2				

The notes on pages 37 to 73 are an integral part of these financial statements.

# Statement of changes in equity

For The Year Ended 31 December 2017

Company	Note	← Attributable to owners of the Company →			Total equity RM
		Share capital RM	Share premium RM	Retained earnings RM	
<b>At 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	20	-	-	(14,459,970)	(14,459,970)
<b>At 31 December 2016/1 January 2017</b>		60,249,870	440,853	510,095	61,200,818
<b>Profit and total comprehensive income for the year</b>		-	-	13,417,845	13,417,845
<i>Distributions to owners of the Company</i>					
- Dividends	20	-	-	(12,049,974)	(12,049,974)
Transfer in accordance with Section 618(2) of the Companies Act 2016		440,853	(440,853)	-	-
<b>At 31 December 2017</b>		60,690,723	-	1,877,966	62,568,689
		Note 11.1	Note 11.2		

The notes on pages 37 to 73 are an integral part of these financial statements.

# Statements of Cash Flows

For The Year Ended 31 December 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Cash flows from operating activities</b>					
Profit before tax		16,221,511	17,477,452	13,417,845	14,698,808
Adjustments for:					
Depreciation of property, plant and equipment	3	1,684,413	1,677,719	1,224	1,224
Dividend income from subsidiaries	15	-	-	(13,500,000)	(14,800,000)
Finance income	16	(542,470)	(557,117)	(296,582)	(237,472)
(Gain)/Loss on disposal of property, plant and equipment	18	(49,624)	66,572	-	-
Impairment loss on trade receivables	18	-	54,565	-	-
Net unrealised foreign exchange (gain)/loss		(1,922,191)	868,554	-	-
<b>Operating profit/(loss) before changes in working capital</b>		15,391,639	19,587,745	(377,513)	(337,440)
Changes in working capital:					
Inventories		(2,448,888)	2,430,638	-	-
Trade and other payables and prepayments received		(307,766)	1,117,508	19,406	7,104
Trade and other receivables and prepayments		(2,177,473)	(286,234)	(1,063,561)	-
<b>Cash generated from/ (used in) operations</b>		10,457,512	22,849,657	(1,421,668)	(330,336)
Dividend received		-	-	13,500,000	14,800,000
Interest received		542,470	557,117	296,582	237,472
Net income tax paid		(4,261,914)	(4,681,085)	-	-
<b>Net cash from operating activities</b>		6,738,068	18,725,689	12,374,914	14,707,136
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	3	(4,495,052)	(1,874,522)	-	-
Net repayment of capital contributions		-	-	1,242,580	232,173
Proceeds from disposal of property, plant and equipment		82,152	137,934	-	-
<b>Net cash (used in)/from investing activities</b>		(4,412,900)	(1,736,588)	1,242,580	232,173
<b>Cash flows from financing activity</b>					
Dividends paid to owners of the Company	20	(12,049,974)	(14,459,970)	(12,049,974)	(14,459,970)
<b>Net cash used in financing activity</b>		(12,049,974)	(14,459,970)	(12,049,974)	(14,459,970)

The notes on pages 37 to 73 are an integral part of these financial statements.

# Statements of Cash Flows

For The Year Ended 31 December 2017

(cont'd)

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Net (decrease)/increase in cash and cash equivalents</b>		(9,724,806)	2,529,131	1,567,520	479,339
<b>Cash and cash equivalents at 1 January</b>		23,914,862	21,385,731	6,849,587	6,370,248
<b>Cash and cash equivalents at 31 December</b>	(i)	14,190,056	23,914,862	8,417,107	6,849,587

**(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	
		2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances		5,219,821	6,079,908	101,456	129,626
Highly liquid investments with non-bank financial institutions		8,970,235	17,834,954	8,315,651	6,719,961
	10	14,190,056	23,914,862	8,417,107	6,849,587

The notes on pages 37 to 73 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 2017 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 2017 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 28 March 2018.

## 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 2016 in Malaysia.

As of 1 January 2017, the Group and the Company had adopted MFRSs, interpretations and amendments that have been issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual periods beginning on or after 1 January 2017. The adoption of these MFRSs, interpretations and amendments did not have any material impact to the financial statements of the Group and the Company.

The following are MFRSs, interpretations and amendments that have been issued by the 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 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)*
- Amendments to MFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*

# Notes to the financial statements

(cont'd)

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

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

- 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*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021**

- MFRS 17, *Insurance Contracts*

#### **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, interpretations and amendments:

- from the annual period beginning on 1 January 2018 for those MFRSs, interpretations or amendments 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.

# Notes to the financial statements

(cont'd)

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

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

- from the annual period beginning on 1 January 2019 for those MFRSs, interpretations or amendments that are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 11, Amendments to MFRS 123 and Amendments to MFRS 128, which are not applicable to the Group and the Company.

The initial application of the applicable MFRSs, interpretations or amendments 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*.

In the implementation of MFRS 15, the Group has established a cross-functional team to manage the implementation of MFRS 15 and has consulted the Board of Directors on the impact on implementation.

Currently, the Group recognises revenue from contracts with customers on the basis that 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 as disclosed in Note 2(k).

Upon adoption of MFRS 15, the Group will assess contracts with customers and identify each promise of good or service to customers that is distinct as a performance obligation. The Group will recognise revenue from contracts with customers when the Group satisfies a performance obligation by transferring a promised good or service to a customer.

More specifically, revenue of the Group will be allocated to sales of goods and provision of freight services to customers, which are 2 distinct promises of goods and services in the contracts with customers. Revenue from sales of goods will be recognised at the point in time where control of the goods are transferred to the customers. Revenue from provision of freight services will be recognised over time as the shipment of goods are undertaken. The Group will apply MFRS 15 using the partial retrospective approach.

The Group has assessed and estimated that the financial impact to the financial statements of the Group on initial application of MFRS 15 is not expected to be material, other than extended disclosure requirements.

#### (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.

# Notes to the financial statements

(cont'd)

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

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

#### (ii) MFRS 9, *Financial Instruments* (Cont'd)

Currently, the Group classifies and measures financial assets and liabilities based on classification and measurement approach as disclosed in Note 2(c). Upon adoption of MFRS 9, the Group will classify and measure financial assets and liabilities based on the business model within which they are held and their contractual cash flow characteristics. The Group will apply MFRS 9 retrospectively.

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments. The Group will be applying the simplified approach whereby the loss allowance is equal to lifetime expected credit losses.

Based on the Group's assessment, the classification and measurement requirements of MFRS 9 is relatively consistent with the Group's current accounting policy, hence there is no impact to the financial statements. The implementation of ECL model for the impairment of financial asset is also not expected to have material financial impact to the financial statements because the Group has not incurred any significant credit loss in the past 5 years and financial assets of the Group has a turnover period of less than 1 year.

#### (iii) IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

IC Interpretation 22 applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Currently, the Group re-measures the advance considerations received based on the exchange rate on the date of revenue recognition. Upon the adoption of IC Interpretation 22, the exchange rate used to measure foreign currency advance considerations received will be used for revenue recognition.

Revenue is expected to increase or decrease if MYR exchange rate on date of revenue recognition has appreciated or depreciated from the date when advances were received. The corresponding adjustment will be made against foreign exchange gains or losses. The implementation of IC interpretation 22 is not expected to have material impact to the Group's profit before tax. The Group will apply IC Interpretation 22 prospectively.

### (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.

# Notes to the financial statements

(cont'd)

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

### (d) Use of estimates and judgements (Cont'd)

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 6 - 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.

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 is 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.

# Notes to the financial statements

(cont'd)

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

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

#### (ii) Business combinations (Cont'd)

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

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

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

#### (iii) Non-controlling interests

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

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### (iv) Transactions eliminated on consolidation

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

### (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.



# Notes to the financial statements

(cont'd)

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

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

#### (i) Initial recognition and measurement (Cont'd)

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

#### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

##### **Financial assets**

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives or financial assets that are specifically designated into this category upon initial recognition.

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

#### **(b) Loans and receivables**

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

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

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.

# Notes to the financial statements

(cont'd)

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

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

#### (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.

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.

# Notes to the financial statements

(cont'd)

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

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

#### (iii) Depreciation (Cont'd)

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
• machinery, forklifts, plant and equipment	5 - 10 years
• cabin, office equipment, furniture and fittings and renovation	5 - 12 years
• motor vehicles	10 years
• computer equipment	3 years

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

### (e) Goodwill

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

### (f) Inventories

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

The cost of inventories is measured based on first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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

### (g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, 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 and 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.

# Notes to the financial statements

(cont'd)

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

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

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

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

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

#### (ii) Other assets

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

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.

# Notes to the financial statements

(cont'd)

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

### (i) Equity instruments

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

Ordinary shares are classified as equity.

### (j) Employee benefits

#### (i) Short-term employee benefits

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

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

#### (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 assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (m) Earnings per ordinary share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

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

### (n) Operating segments

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

# Notes to the financial statements

(cont'd)

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

### (o) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (p) Fair value measurements

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		Factory buildings		Machinery, forklifts, plant and equipment		Cabin, office equipment, furniture and fittings and renovation		Motor vehicles		Computer equipment		Construction in-progress		Total	
		RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>Cost</b>																	
At 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/ 1 January 2017		24,336,938	25,501,592	21,804,187	2,498,091	2,712,712	1,377,570	434,901	78,665,991								
Additions		-	-	2,243,003	1,101,906	544,754	483,853	121,536	4,495,052								
Disposals		-	-	(361,501)	-	(159,417)	-	-	(520,918)								
At 31 December 2017		24,336,938	25,501,592	23,685,689	3,599,997	3,098,049	1,861,423	556,437	82,640,125								

# Notes to the financial statements

(cont'd)

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

Group	Note	Freehold land		Factory buildings	Machinery, forklifts, plant and equipment		Cabin, office equipment, furniture and fittings and renovation		Motor vehicles	Computer equipment	Construction in-progress	Total
		RM	RM		RM	RM	RM	RM				
<b>Depreciation</b>												
At 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/ 1 January 2017		-	7,228,715	19,660,664	2,161,014	937,919	1,135,064	-	31,123,376			
Depreciation for the year	18	-	529,953	578,857	154,932	217,580	203,091	-	1,684,413			
Disposals		-	-	(349,673)	-	(138,717)	-	-	(488,390)			
At 31 December 2017		-	7,758,668	19,889,848	2,315,946	1,016,782	1,338,155	-	32,319,399			
<b>Carrying amounts</b>												
At 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/ 1 January 2017		24,336,938	18,272,877	2,143,523	337,077	1,774,793	242,506	434,901	47,542,615			
At 31 December 2017		24,336,938	17,742,924	3,795,841	1,284,051	2,081,267	523,268	556,437	50,320,726			

# 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 2016/31 December 2016/ 1 January 2017/31 December 2017		15,300
<b>Depreciation</b>		
At 1 January 2016		9,630
Depreciation for the year	18	1,224
At 31 December 2016/1 January 2017		10,854
Depreciation for the year	18	1,224
At 31 December 2017		12,078
<b>Carrying amounts</b>		
At 1 January 2016		5,670
At 31 December 2016/1 January 2017		4,446
At 31 December 2017		3,222

### 3.1 Factory buildings

Included in factory buildings of the Group is a warehouse building with carrying amount of RM801,553 (2016: RM823,074) situated on a piece of land owned by the local authority. The Group occupied the said land through Temporary Occupation License ("TOL") and the TOL is renewable annually.

The TOL for the said land has expired since 2014 and the Group is still seeking renewal approval from local authorities.

## 4. Intangible asset

Group	Goodwill	
	2017 RM	2016 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 moulding 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 (2016: 5-year) projection.
- Revenue was projected based on historical sales growth, adjusted for forward looking market conditions and internal sales strategies.
- A pre-tax discount rate of 8.35% (2016: 8.10%) was applied in determining the recoverable amount of the division. The discount rate was estimated based on the industry 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% (2016: 1%) in the discount rate;
- A 10% (2016: 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 2016/31 December 2016/1 January 2017	41,557,970	13,221,658	54,779,628
Net repayment of capital contributions	-	(1,242,580)	(1,242,580)
At 31 December 2017	41,557,970	11,979,078	53,537,048
<b>Impairment losses</b>			
At 1 January 2016/31 December 2016/1 January 2017/ 31 December 2017	15,034,946	523,358	15,558,304
<b>Carrying amounts</b>			
At 1 January 2016/31 December 2016/1 January 2017	26,523,024	12,698,300	39,221,324
At 31 December 2017	26,523,024	11,455,720	37,978,744
	Note 5.1	Note 5.2	

5.1 Details of the subsidiaries are as follows:

Name of entity	Principal activities	Country of incorporation	Effective ownership and voting interest	
			2017 %	2016 %
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

# Notes to the financial statements

(cont'd)

## 5. Investment in subsidiaries (Cont'd)

5.1 Details of the subsidiaries are as follows: (Cont'd)

Name of entity	Principal activities	Country of incorporation	Effective ownership and voting interest	
			2017 %	2016 %
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 is 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. Inventories

Group	2017 RM	2016 RM
Raw materials and consumables	18,272,593	17,648,422
Work-in-progress	6,151,740	5,258,999
Finished goods	2,356,592	1,424,616
	<u>26,780,925</u>	<u>24,332,037</u>

Inventories recognised as cost of sales in profit or loss during the financial year amounted to RM35,346,935 (2016: RM32,752,158).

Included in raw materials and consumables of the Group are sawn timber inventories amounting to RM10,146,216 (2016: RM12,481,491). The determination of allowance for sawn timber inventories write down involves judgement made by the Directors in predicting the amount of future demand from customers. In mitigating the risk of physical deterioration that may affect the valuation of sawn timber inventories, all sawn timber inventories of the Group are subjected to the following processes before they are stored in the warehouse:

- (a) chemical pressure treatment of sawn timber to infuse an acceptable level of chemical preservatives into the timbers; and
- (b) kiln-drying of sawn timber to a permissible moisture content level.

# Notes to the financial statements

(cont'd)

## 7. Trade and other receivables

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Trade</b>					
Trade receivables	22.4	6,754,149	5,181,905	-	-
<b>Non-trade</b>					
Amount due from a subsidiary	7.1	-	-	16,293,776	15,231,265
Other receivables and deposits	7.2	1,248,040	1,278,751	5,210	4,160
		1,248,040	1,278,751	16,298,986	15,235,425
		8,002,189	6,460,656	16,298,986	15,235,425

7.1 The amount due from a subsidiary is unsecured, interest free, repayable on demand and is expected to be settled in cash.

7.2 Included in other receivables and deposits of the Group are Goods and Services Tax refundable of RM600,170 (2016: RM386,396).

## 8. Prepayments

Prepayments paid mainly relate to advance payments made to suppliers.

## 9. Derivative financial assets/(liabilities)

Group	2017		2016	
	Nominal value RM	Assets RM	Nominal value RM	Liabilities RM
Derivatives held for trading at fair value through profit or loss				
- Forward exchange contracts	13,755,030	733,753	22,535,201	(1,742,199)

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.

## 10. Cash and cash equivalents

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	5,219,821	6,079,908	101,456	129,626
Highly liquid investments with non-bank financial institutions	8,970,235	17,834,954	8,315,651	6,719,961
	14,190,056	23,914,862	8,417,107	6,849,587

The Directors regard the highly liquid investments with non-bank financial institutions as cash and cash equivalents in view of their high liquidity and insignificant risk of changes in fair value.

# Notes to the financial statements

(cont'd)

## 11. Capital and reserve

### 11.1 Share capital

Group and Company	Amount 2017 RM	Number of ordinary shares 2017	Amount 2016 RM	Number of ordinary shares 2016
<b>Ordinary shares, Issued and fully paid</b>				
At 1 January	60,249,870	120,499,740	60,249,870	120,499,740
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note a)	440,853	-	-	-
At 31 December	60,690,723	120,499,740	60,249,870	120,499,740

Note b

#### Note a

In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of the Companies Act 2016 on 31 January 2017 to utilise the credit.

#### Note b

Included in share capital is share premium amounting to RM440,853 that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of the Companies Act 2016).

### 11.2 Share premium

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

In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of the Companies Act 2016 on 31 January 2017 to utilise the credit.



# Notes to the financial statements

(cont'd)

## 12. 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	
	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM
Property, plant and equipment	-	-	2,941,207	2,778,317	2,941,207	2,778,317
Other temporary differences	-	(208,453)	213,357	-	213,357	(208,453)
Tax (assets)/liabilities	-	(208,453)	3,154,564	2,778,317	3,154,564	2,569,864
Set off	-	208,453	-	(208,453)	-	-
Net tax liabilities	-	-	3,154,564	2,569,864	3,154,564	2,569,864

### Movement in temporary differences during the year

Group	Note	Property, plant and equipment RM	Other temporary differences RM	Total RM
At 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 2016/1 January 2017		2,778,317	(208,453)	2,569,864
Recognised in profit or loss	17	162,890	421,810	584,700
At 31 December 2017		2,941,207	213,357	3,154,564

## 13. Trade and other payables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Trade</b>				
Trade payables	853,133	788,274	-	-
<b>Non-trade</b>				
Other payables and accruals	1,820,278	1,829,880	129,370	109,964
	2,673,411	2,618,154	129,370	109,964

## 14. Prepayments received

Prepayments received relate to advance payments from customers.

# Notes to the financial statements

(cont'd)

## 15. Revenue

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Sales of goods	57,367,950	57,366,702	-	-
Dividend income from subsidiaries	-	-	13,500,000	14,800,000
	57,367,950	57,366,702	13,500,000	14,800,000

## 16. Finance income

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest income of loans and receivables	542,470	557,117	296,582	237,472

## 17. Income tax expense

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Recognised in profit or loss</b>				
<b>Current tax expense</b>				
Malaysian - current year	3,403,676	4,848,312	-	-
- over provision in prior year	(58,047)	(73,496)	-	-
Total current tax recognised in profit or loss	3,345,629	4,774,816	-	-
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	599,694	(586,926)	-	-
(Over)/Under provision in prior year	(14,994)	5,097	-	-
Total deferred tax recognised in profit or loss (Note 12)	584,700	(581,829)	-	-
Total income tax expense	3,930,329	4,192,987	-	-
<b>Reconciliation of income tax expense</b>				
Profit before tax	16,221,511	17,477,452	13,417,845	14,698,808
Income tax calculated using Malaysian tax rate at 24%	3,893,163	4,194,588	3,220,283	3,527,714
Non-deductible expenses	238,865	198,264	90,897	81,279
Tax exempt income	(128,658)	(131,466)	(3,311,180)	(3,608,993)
	4,003,370	4,261,386	-	-
Over provision in prior year	(73,041)	(68,399)	-	-
Total income tax expense	3,930,329	4,192,987	-	-

# Notes to the financial statements

(cont'd)

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

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Profit and total comprehensive income for the year is arrived at after charging:</b>					
Auditors' remuneration:					
- audit fees					
- KPMG Malaysia		140,000	120,000	50,000	30,000
- non-audit fees					
- KPMG Malaysia		54,800	64,800	15,300	25,300
Depreciation of property, plant and equipment	3	1,684,413	1,677,719	1,224	1,224
Impairment loss on trade receivables	22.4	-	54,565	-	-
Net loss on foreign exchange:					
- unrealised		-	868,554	-	-
- realised		1,044,945	-	-	-
Loss on disposal of property, plant and equipment		-	66,572	-	-
Personnel expenses (including key management personnel):					
- contributions to state plan		761,590	597,632	-	-
- wages, salaries and others		13,408,314	12,294,392	-	-
<b>and after crediting:</b>					
Dividend income from subsidiaries	15	-	-	13,500,000	14,800,000
Gain on disposal of property, plant and equipment		49,624	-	-	-
Net gain on foreign exchange:					
- realised		-	459,849	-	-
- unrealised		1,922,191	-	-	-

## 19. Earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2017 was based on the profit attributable to owners of the Company and a weighted average number of ordinary shares outstanding, calculated as follows:

Group	2017 RM	2016 RM
Profit for the year attributable to owners of the Company	12,291,182	13,284,465
Group	2017	2016
Weighted average number of ordinary shares at 31 December	120,499,740	120,499,740
Group	2017 Sen	2016 Sen
Basic earnings per ordinary share	10.20	11.02

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

# Notes to the financial statements

(cont'd)

## 20. Dividends

Dividends recognised by the Company:

	Sen per ordinary share	Total amount RM
<b>2017</b>		
Second interim 2016 ordinary - single tier	5.0	6,024,987
First interim 2017 ordinary - single tier	5.0	6,024,987
Total amount		<u>12,049,974</u>
<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		<u>14,459,970</u>

After the end of the reporting period, the following interim dividend was declared by the Directors. This dividend will be recognised in the subsequent financial period.

	Sen per ordinary share	Total amount RM
Second interim 2017 ordinary - single tier	5.0	<u>6,024,987</u>

## 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:

Reportable segment	Principal business activities
North America	Sales of wooden picture frame
Australia	Sales of wooden picture frame
Malaysia	Manufacturing and sales 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.

# Notes to the financial statements

(cont'd)

## 21. Operating segments (Cont'd)

### 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 segments and not included in the internal management reports that are reviewed by the Group's 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 segments. The trade receivables relating to the respective segments are included in the internal management reports to the Group's 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 segments and not included in the internal management reports that are reviewed by the Group's 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	
	2017	2016	2017	2016	2017	2016	2017	2016
	RM	RM	RM	RM	RM	RM	RM	RM
Segment revenue *	40,212,432	42,808,572	5,940,697	4,771,627	6,518,085	5,193,933	52,671,214	52,774,132
Included in measurement of segment revenue are:								
Revenue from external customers	40,212,432	42,808,572	5,940,697	4,771,627	6,518,085	5,193,933	52,671,214	52,774,132
Segment trade receivables #								
(Note 22.4)	5,209,684	4,412,287	-	15,895	1,184,318	603,033	6,394,002	5,031,215

\* Segment profit is not disclosed as it is not used to measure the performance of the respective segments and not included in the internal management reports that are reviewed by the Group's 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 segments and not included in the internal management reports that are reviewed by the Group's 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, trade receivables and other material items

Group	Segment revenue RM	Segment trade receivables RM
<b>2017</b>		
Total reportable segments	52,671,214	6,394,002
Other non-reportable segments	4,696,736	360,147
Consolidated total	57,367,950	6,754,149
<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

### Major customers

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

Group	Revenue		Segment
	2017 RM	2016 RM	
Customer A	10,607,515	10,289,507	North America
Customer B	8,187,319	9,924,955	North America
Customer C	5,032,947	5,673,555	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)

2017	Carrying amount RM	L&R RM	FVTPL - HFT RM	FL RM
<b>Financial assets</b>				
<b>Group</b>				
Trade and other receivables	7,402,019	7,402,019	-	-
Cash and cash equivalents	14,190,056	5,219,821	8,970,235	-
Derivative financial assets	733,753	-	733,753	-
	22,325,828	12,621,840	9,703,988	-
<b>Company</b>				
Trade and other receivables	16,298,986	16,298,986	-	-
Cash and cash equivalents	8,417,107	101,456	8,315,651	-
	24,716,093	16,400,442	8,315,651	-
<b>Financial liabilities</b>				
<b>Group</b>				
Trade and other payables	2,673,411	-	-	2,673,411
<b>Company</b>				
Trade and other payables	129,370	-	-	129,370
<b>2016</b>				
<b>Financial assets</b>				
<b>Group</b>				
Trade and other receivables	6,074,260	6,074,260	-	-
Cash and cash equivalents	23,914,862	6,079,908	17,834,954	-
	29,989,122	12,154,168	17,834,954	-
<b>Company</b>				
Trade and other receivables	15,235,425	15,235,425	-	-
Cash and cash equivalents	6,849,587	129,626	6,719,961	-
	22,085,012	15,365,051	6,719,961	-
<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



# Notes to the financial statements

(cont'd)

## 22. Financial instruments (Cont'd)

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Net (losses)/gains on:				
Loans and receivables	(304,842)	678,220	296,582	237,472
Fair value through profit or loss - Held for trading	1,724,558	(584,373)	-	-
	1,419,716	93,847	296,582	237,472

### 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.

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

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

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the 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 (2016: 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.

# Notes to the financial statements

(cont'd)

## 22. Financial instruments (Cont'd)

### 22.4 Credit risk (Cont'd)

#### Trade receivables (Cont'd)

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

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

Group	Note	2017 RM	2016 RM
North America	21	5,209,684	4,412,287
Australia	21	-	15,895
Malaysia	21	1,184,318	603,033
Others		360,147	150,690
		<u>6,754,149</u>	<u>5,181,905</u>

At the reporting date, approximately 43% (2016: 51%) of the Group's trade receivables were due from 3 (2016: 3) major customers located in North America.

#### Impairment losses

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

Group	Note	Gross RM	Individual impairment RM	Net RM
<b>2017</b>				
Not past due		5,662,374	-	5,662,374
Past due less than 30 days		512,760	-	512,760
Past due 31-120 days		28,514	-	28,514
Past due more than 120 days		1,053,622	(503,121)	550,501
	7	<u>7,257,270</u>	<u>(503,121)</u>	<u>6,754,149</u>
<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
	7	<u>5,962,013</u>	<u>(780,108)</u>	<u>5,181,905</u>

# Notes to the financial statements

(cont'd)

## 22. Financial instruments (Cont'd)

### 22.4 Credit risk (Cont'd)

#### Trade receivables (Cont'd)

#### Impairment losses (Cont'd)

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

Group	Note	2017 RM	2016 RM
At 1 January		780,108	725,543
Impairment loss recognised	18	-	54,565
Impairment loss written off		(276,987)	-
At 31 December		503,121	780,108

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.

##### *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 and are 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 unsecured.

##### *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.

# Notes to the financial statements

(cont'd)

## 22. Financial instruments (Cont'd)

### 22.4 Credit risk (Cont'd)

#### *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	2017 RM	2016 RM
Amount due from a subsidiary	16,293,776	15,231,265

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

### 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>2017</b>				
Trade and other payables	2,673,411	-	2,673,411	2,673,411
Derivative financial assets				
Forward exchange contracts (gross settled):				
Inflow	(733,753)	-	(13,755,030)	(13,755,030)
Outflow	-		13,021,277	13,021,277
	1,939,658		1,939,658	1,939,658

# Notes to the financial statements

(cont'd)

## 22. Financial instruments (Cont'd)

### 22.5 Liquidity risk (Cont'd)

#### Maturity analysis

	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
Derivative financial liabilities				
Forward exchange contracts (gross settled):				
Inflow	-	-	(22,535,201)	(22,535,201)
Outflow	1,742,199	-	24,277,400	24,277,400
	<u>4,360,353</u>		<u>4,360,353</u>	<u>4,360,353</u>
<b>Company</b>				
<b>2017</b>				
Other payables	129,370	-	129,370	129,370
<b>2016</b>				
Other payables	109,964	-	109,964	109,964

### 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.

#### 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.

# Notes to the financial statements

(cont'd)

## 22. Financial instruments (Cont'd)

### 22.6 Market risk (Cont'd)

#### Exposure to foreign currency risk

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

Group	2017			2016		
	Denominated in			Denominated in		
	USD RM	EUR RM	YEN RM	USD RM	EUR RM	YEN RM
<b>Balances recognised in the statement of financial position</b>						
Trade receivables	5,362,012	118,604	89,220	4,429,966	144,364	4,546
Cash and cash equivalents	2,472,496	206,702	434,607	4,166,490	4,850	371,127
Forward foreign exchange contracts	733,753	-	-	(1,742,199)	-	-
<b>Net exposure</b>	<b>8,568,261</b>	<b>325,306</b>	<b>523,827</b>	<b>6,854,257</b>	<b>149,214</b>	<b>375,673</b>

#### Currency risk sensitivity analysis

A 5% (2016: 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.

Group	Profit or loss	
	2017 RM	2016 RM
USD	325,594	260,462
EUR	12,362	5,670
YEN	19,905	14,276

A 5% (2016: 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 bank balances, short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The Group and the Company do not have financial instruments not carried at fair value for which fair value is required to be disclosed.

# Notes to the financial statements

(cont'd)

## 22. Financial instruments (Cont'd)

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

The table below analyses financial instruments carried at fair value together with their carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value			Total RM
	Level 1 RM	Level 2 RM	Level 3 RM	
<b>Group</b>				
<b>2017</b>				
Highly liquid investments with non-bank financial institutions	-	8,970,235	-	8,970,235
Forward exchange contracts	-	733,753	-	733,753
	-	9,703,988	-	9,703,988
<b>2016</b>				
Highly liquid investments with non-bank financial institutions	-	17,834,954	-	17,834,954
Forward exchange contracts	-	(1,742,199)	-	(1,742,199)
	-	16,092,755	-	16,092,755
<b>Company</b>				
<b>2017</b>				
Highly liquid investments with non-bank financial institutions	-	8,315,651	-	8,315,651
<b>2016</b>				
Highly liquid investments with non-bank financial institutions	-	6,719,961	-	6,719,961

#### 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

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).

Fair value of highly liquid investments with non-bank financial institutions is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

#### 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 (2016: no transfer in either direction).

# Notes to the financial statements

(cont'd)

## 23. Capital commitments

Group	2017 RM	2016 RM
<b>Capital expenditure commitments</b>		
Property, plant and equipment contracted but not provided for in the financial statements	568,565	516,877

## 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	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Directors</b>				
Fees	60,000	58,500	60,000	58,500
Remuneration	1,071,000	1,006,740	-	-
Other short-term employee benefits	7,500	8,125	7,500	8,125
	1,138,500	1,073,365	67,500	66,625
<b>Other key management personnel</b>				
Remuneration	329,146	300,198	-	-
	1,467,646	1,373,563	67,500	66,625

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 RM65,300 (2016: RM30,813).



# Notes to the financial statements

(cont'd)

## 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, 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 7.

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>A. Holding company</b>				
Dividend paid	5,944,421	7,133,305	5,944,421	7,133,305
<b>B. Subsidiaries</b>				
Management fees paid	-	-	25,000	25,000
Dividend income	-	-	(13,500,000)	(14,800,000)

## 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 31 to 73 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017 and of their financial performance and cash flows for the financial year then ended.

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: 28 March 2018

## Statutory declaration

Pursuant to Section 251(1)(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 31 to 73 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 28 March 2018.

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

Before me:

# 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 2017 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 31 to 73.

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 2017, 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 2016 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 6 - 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 RM10,146,216.

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 allowance involves predicting the amount of future demand from customers and the sawn timber inventories are also subject to risk of physical deterioration.

# 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 have tested the valuation of sawn timber by comparing the cost of finished goods, which includes sawn timber cost used in the production, against the net realisable value of finished goods, to identify any indicator if sawn timber cost is above its net realisable value.

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 evaluating their action plan to realise the slow-moving sawn timber inventories and comparing the carrying amounts recorded in the financial statements against their respective net realisable value or replacement costs.

### Key audit matters for the Company

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 of 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 2016 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.

# 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.

### 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: 03175/04/2019 J  
Chartered Accountant

Petaling Jaya

Date: 28 March 2018

# Analysis of Shareholdings

As At 26 March 2018

## ISSUED SHARES OF THE COMPANY

Total Number of Issued Shares & Class of Shares	:	120,499,740 Ordinary Shares
Number of Shareholders	:	2,867
Voting Rights	:	One vote per Ordinary Share

## ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
Less than 100	25	0.87	629	0.00
100 - 1,000	551	19.22	284,521	0.24
1,001 - 10,000	1,618	56.44	7,949,030	6.60
10,001 - 100,000	613	21.38	17,989,800	14.93
100,001 to less than 5% of issued shares	58	2.02	28,802,555	23.90
5% and above of issued shares	2	0.07	65,473,205	54.33
<b>Total</b>	<b>2,867</b>	<b>100.00</b>	<b>120,499,740</b>	<b>100.00</b>

## LIST OF THIRTY LARGEST SHAREHOLDERS

Name	No. of Shares Held	%
1. Lim Ket Leng Holding Sdn. Bhd.	59,444,205	49.33
2. UOB Kay Hian Nominees (Asing) Sdn. Bhd. <i>Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)</i>	6,029,000	5.00
3. Ting Be Be	4,910,024	4.07
4. Lim Chee Khoo	3,867,600	3.21
5. Ang Toon Chew & Sons (Malaysia) Sendirian Berhad	2,400,000	1.99
6. Chung Sook Cheng	1,500,000	1.24
7. Ong Ken Sim	1,130,000	0.94
8. Ng Chin Peng	1,126,431	0.93
9. Shoptra Jaya (M) Sdn. Bhd.	882,800	0.73
10. Yap Teong Peng	872,000	0.72
11. Lim Soong Hwatt	660,000	0.55
12. Moh Woon Chiow	598,900	0.50
13. Yap Yee Loong	554,000	0.46
14. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Hong Leong Consumer Products Sector Fund</i>	543,600	0.45
15. Lim Jeng Dong	500,000	0.41
16. Ong Yik Gee	450,000	0.37
17. HSBC Nominees (Asing) Sdn. Bhd. <i>Exempt An for Bank Julius Baer &amp; Co. Ltd. (Singapore BCH)</i>	407,600	0.34
18. Adviable Ventures Sdn. Bhd.	400,000	0.33
19. Tay Cheng Weng	350,000	0.29
20. HLB Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Patrick Tan Lee Fong</i>	340,100	0.28
21. CIMSEC Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lee Khee Lin (Penang-CL)</i>	325,000	0.27
22. Malacca Equity Nominees (Tempatan) Sdn. Bhd. <i>Exempt An for Phillip Capital Management Sdn. Bhd. (EPF)</i>	323,900	0.27
23. Koh Kok Choon	318,700	0.26
24. Citigroup Nominees (Asing) Sdn. Bhd. <i>Exempt An for OCBC Securities Private Limited (Client A/C-NR)</i>	316,800	0.26
25. Lau Kon Hing	300,000	0.25

# Analysis of Shareholdings

As At 26 March 2018 (cont'd)

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

Name	No. of Shares Held	%
26. Ming Yau Chuan	273,700	0.23
27. Ong Hab Tong @ Ong Hup Thong	264,000	0.22
28. Loke Khoo Mung @ Loke Khoo Ming	235,700	0.20
29. Kua Beng Chuan	225,500	0.19
30. Goh Tian Hock	219,400	0.18
Total	89,768,960	74.47

## 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	-	-	*60,144,205	49.91
Lim Chee Hwa	-	-	#59,444,205	49.33
Lim Chee Beng	-	-	*60,944,205	50.58
Lim Chee Tak	4,200	^0.00	#59,444,205	49.33
UOB Kay Hian Nominees (Asing) Sdn. Bhd <i>Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)</i>	6,029,000	5.00	-	-

# 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 and/or children's interest by virtue of Section 59(11)(c) of the Companies Act, 2016.

^ Negligible

## STATEMENT OF DIRECTORS' SHAREHOLDINGS

Directors' Name	Direct	No. of Ordinary Shares		%
		%	Indirect	
Lim Chee Keong	-	-	*60,144,205	49.91
Lim Chee Hwa	-	-	#59,444,205	49.33
Lim Chee Beng	-	-	*60,944,205	50.58
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 and/or children'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 2017 (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 / 23 years	76,209 / 69,369	5,108,436	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 / 20 years	76,058 / 65,383	5,338,749	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 / 13 years	94,422 / 70,347	6,506,638	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 / 16 years	98,631 / 106,692	8,429,815	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 / 17 years	76,478 / 60,500	5,463,423	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 2017 (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 / 10 year	79,739 / 74,261	6,155,787	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	In progress of seeking Temporary Occupation License renewal (expired since 2014) / 14 years	23,400 / 22,435	801,555	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.	Warehouse building construction in-progress	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. Attendance at the Boards and Board Committee Meetings held during the financial year ended 31 December 2017 is as reflected below :-

	Board	Attendance At Meetings of		RC
		AC	NC	
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 Au Thin An @ Low Teen Ann	5/5	5/5	1/1	N/A
Mr Lee Kong Weng	5/5	5/5	1/1	1/1
Ms Chow Chooi Yoong	5/5	5/5	1/1	1/1

2. The Directors have attended the following training programmes, seminar and/or conferences during the financial year ended 31 December 2017 :-

Director	List of Training Programmes/ Seminars/Conferences Attended	Date
Lim Chee Keong	Series 2 : Seminar on Practical Legal Issues Facing SMEs	7 July 2017
Lim Chee Beng	FMM SME Conference 2017 – Developing Productive and Innovative SMEs Towards Internationalisation and Industry 4.0	31 October 2017
Lim Chee Hwa	1. Companies Act 2016 – Key Revamp Updates with Integrated Tax Planning Opportunity 2. Security & Cyber Risks Seminar	11 April 2017 18 July 2017
Au Thin An @ Low Teen Ann	1. The Velocity of Global Change & Sustainability – The New Business Model 2. Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World 3. 13th Tricor Tax Corporate Seminar 4. Securities Commission Malaysia's Conversation with Audit Committee 5. MFRS 15 – Revenue from Contracts with Customers and MFRS 16 – Leases	10 January 2017 13 October 2017 8 November 2017 14 November 2017 30 November 2017
Lee Kong Weng	1. Implementation of IFRS 9 for Entities Other Than Financial Services 2. CG Breakfast Series : Integrating An Innovation Mindset with Effective Governance 3. 2017 Business and Tax Seminar 4. MIA-SC Workshop on Malaysian Code on Corporate Governance	8 & 9 May 2017 7 November 2017 9 November 2017 17 November 2017
Chow Chooi Yoong	1. Rethinking - Independent Directors : A New Frontier" 2. MFRS 15 – Revenue from Contracts with Customers and MFRS 16 – Leases	16 October 2017 30 November 2017

## Additional Compliance Information Disclosures

(cont'd)

### 3. Utilisation of Proceeds

The Company did not undertake any corporate proposal to raise proceeds during the financial year ended 31 December 2017.

### 4. 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 2017 or entered into since the end of the previous financial year.

### 5. Related Party Transaction

The Group has in place Standard Operating Procedures ("SOPs") to ensure all transactions including related party transactions ("RPTs"), if any, are monitored and conducted in a manner that is fair and at arm's length basis, with the terms not more favourable to the related parties than to the public, not detrimental to the minority shareholders and in the best interest of the Company.

A Director who has an interest in a transaction with the Company must abstain from deliberation and voting on the relevant resolution in respect of such transaction at Board Meetings and/or other meetings of the Company.

For the financial year ended 31 December 2017, there was no significant related party transaction.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Fifteenth (15th) 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, 23 May 2018 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 2017 together with the Reports of the Directors and the Auditors thereon.  | <b>[Please refer to Explanatory Note 7(a)]</b> |
| 2. To approve the payment of Directors' fees and benefits amounting to RM67,500/- in respect of the financial year ended 31 December 2017.   | <b>Resolution 1</b>                            |
| 3. To approve the payment of Directors' fees and benefits payable to the Non-Executive Directors up to an amount of RM120,000/-, from 1 January 2018 until the next Annual General Meeting of the Company. | <b>Resolution 2</b>                            |
| 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 Lee Kong Weng   | <b>Resolution 3</b>                            |
| (b) Ms Chow Chooi Yoong  | <b>Resolution 4</b>                            |
| 5. To re-appoint Messrs KPMG PLT as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Directors to fix their remuneration.                                       | <b>Resolution 5</b>                            |

### Special Business

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

- |   |                     |
|---|---------------------|
| 6. <b>Authority to Issue Shares</b>   |                     |
| "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 76 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 number of the issued shares 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." | <b>Resolution 6</b> |
| 7. <b>Continuing in Office as Independent Non-Executive Director</b>  |                     |
| "THAT pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance, approval be and is hereby given for 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, to continue to serve as an Independent Non-Executive Director of the Company."  | <b>Resolution 7</b> |

# Notice of Annual General Meeting

(cont'd)

8. 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

24 April 2018

**Notes:**

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint up to two proxies to attend and vote instead of him/her. There shall be no restriction as to the qualification of proxy.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
3. Where a member of the Company is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.
4. In the case of a corporate 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 Fifteenth (15th) 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 16 May 2018. Only a depositor whose name appears on the Record of Depositors as at 16 May 2018 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.

# Notice of Annual General Meeting

(cont'd)

## Notes (cont'd)

### (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 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 number of issued shares 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.

### (c) Resolution 7 - Continuing in Office as Independent Non-Executive Director

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 serve 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 Fifteenth (15th) Annual General Meeting**

The Directors who are standing for re-election as Directors or continuing in office as Independent Non-Executive Director at the Fifteenth (15th) AGM of the Company are:-

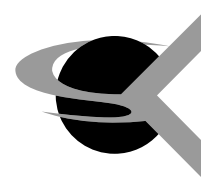
- (a) Mr Lee Kong Weng (Article 92)
- (b) Ms Chow Chooi Yoong (Article 92)
- (c) Mr Au Thin An @ Low Teen Ann

Details of the above Directors seeking re-election as Directors or continuing in office as Independent Non-Executive Director are set out in the Profile of Board of Directors as disclosed on pages 5 and 6 of this Annual Report.

Mr Lee Kong Weng's and Mr Au Thin An @ Low Teen Ann's interests in the securities of the Company and/or its subsidiaries are set out in the Statement of Directors' Shareholdings on page 80 of this Annual Report, whilst Ms Chow Chooi Yoong does not have any interest in the securities of the Company and/or its subsidiaries.



# PROXY FORM



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

I/We \_\_\_\_\_ NRIC No. \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

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

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

\_\_\_\_\_ NRIC No. \_\_\_\_\_  
(FULL NAME)

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

or failing him/her, \_\_\_\_\_ NRIC No. \_\_\_\_\_  
(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 FIFTEENTH (15TH) 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, 23 May 2018 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 and benefits amounting to RM67,500/- in respect of the financial year ended 31 December 2017		
2.	Approval of Directors' fees and benefits to the Non-Executive Directors up to an amount of RM120,000/-, from 1 January 2018 until the next Annual General Meeting		
3.	Re-election of Mr Lee Kong Weng as Director		
4.	Re-election of Ms Chow Chooi Yoong as Director		
5.	Re-appointment of Messrs KPMG PLT as Auditors		
6.	Authority to Issue Shares		
7.	Approval for Mr Au Thin An @ Low Teen Ann to continue in office 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 \_\_\_\_\_ 2018

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 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 Fifteenth (15th) AGM, the Company shall be requesting 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 16 May 2018. Only a depositor whose name appears on the Record of Depositors as at 16 May 2018 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.

fold here



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

Lot 12, Jalan RP3, Taman Rawang Perdana  
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