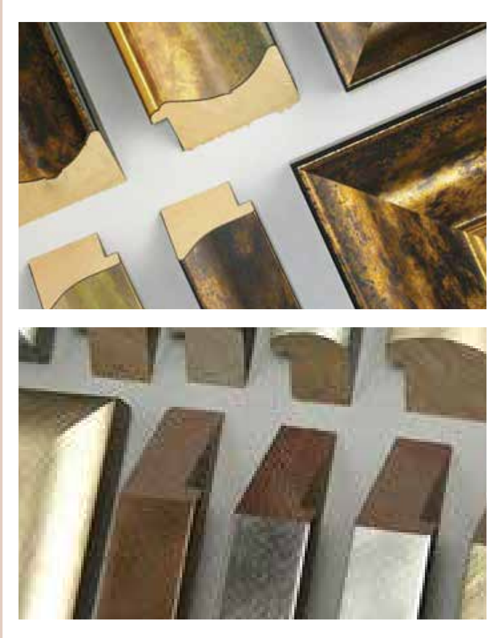
CLASSIC SCENIC BERHAD
(633887-M)

*Scenic in Name Beauty in Frame*™

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.

# ANNUAL REPORT 2012

# Vision & Mission



## Our Vision

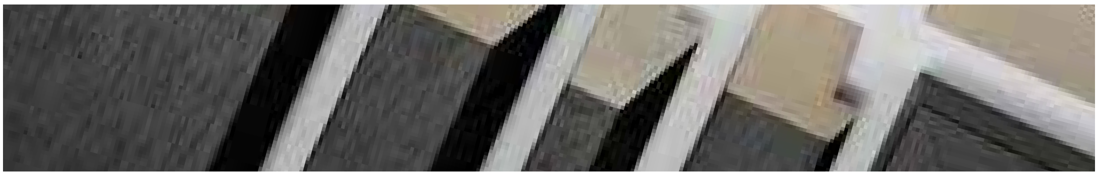
We wish to see our wooden picture frame mouldings pleasingly adorn walls and shelves on all corners of the world, invoking smiles and nurturing pride.

## Our Mission

To be a world-class designer-manufacturer of wooden picture frame mouldings, encompassing the highest standards in areas of aesthetic and elegance, at competitive costs, and with full cognizance of long term environmental sustainability.

## Our Past and Present

Classic Scenic Berhad ("CSCENIC") was incorporated on 10 November 2003, and listed on the Second Board of the Bursa Malaysia Securities Berhad ("Bursa Securities") on 4 November 2004. Subsequently on 6 June 2006, it was transferred to the Main Board (Main Board and Second Board merged and now known as Main Market) of the Bursa Securities. CSCENIC is an investment holding company, with subsidiaries principally engaged in the manufacturing of wooden picture frame mouldings, and wooden pallets. For the former, it is primarily undertaken by wholly-owned subsidiary, Finesse Moulding (M) Sdn. Bhd., of which full certifications for ISO 9001:2008 and Forest Stewardship Council (FSC) Chain-of-Custody (CoC) have been duly obtained.
The first mouldings were made in 1994, and in recent years, we have emerged to be one of the largest wooden picture frame manufacturer and exporter in Malaysia, and one of the biggest operations in the region as well. Current manufacturing facility comprises of 6 factories spread over an area of 500,000 sq. ft., and a 420 strong workforce. There is still a long road ahead, the Group will continuously focus on strengthening its overall management vis-à-vis a continuous improvement strategy in all aspects of the business and move on to greater heights on our road to success.

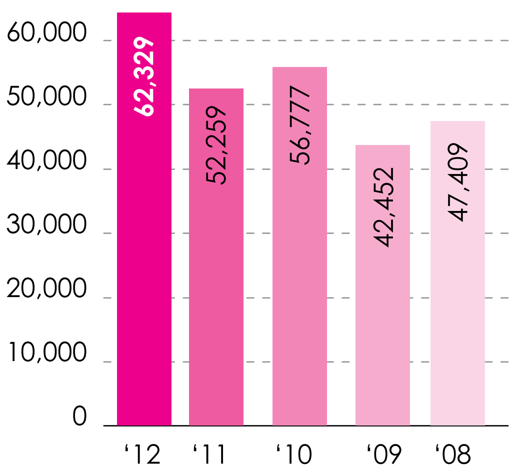


# CONTENT

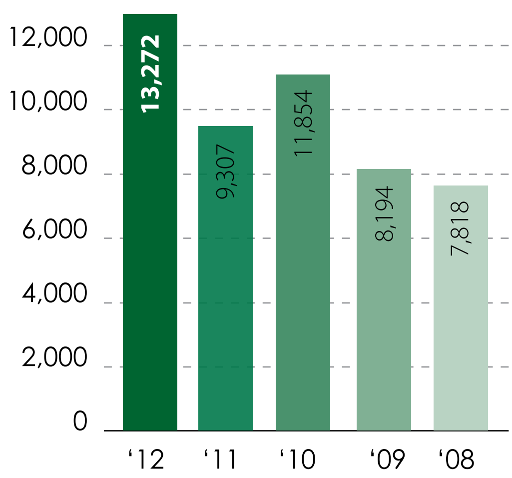
# Financial Highlights

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Revenue (RM'000) | **62,329** | 52,259 | 56,777 | 42,452 | 47,409 |
| Profit Before Tax (RM'000) | **17,100** | 11,907 | 13,064 | 8,901 | 8,213 |
| Profit After Tax (RM'000) | **13,272** | 9,307 | 11,854 | 8,194 | 7,818 |
| Net Earnings Per Share (sen) | **11.04** | 7.76 | 9.88 | 6.83 | 6.50 |
| Net Dividend Per Share (sen) | **10.50** | 8.25 | 9.00 | 7.00 | 3.00 |
| Dividend Payout Ratio (%) | **95.3** | 106.4 | 91.1 | 102.5 | 46.1 |
| Net Asset Per Ordinary Share (sen) | **81.3** | 78.6 | 77.0 | 78.1 | 74.3 |

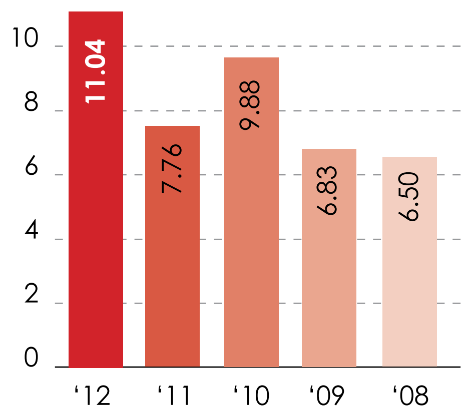
**REVENUE (RM'000)**



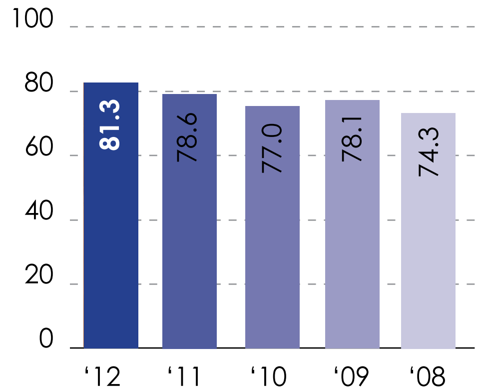

**PROFIT AFTER TAX (RM'000)**




**NET EARNINGS PER SHARE (SEN)**




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



# Corporate Structure

CLASSIC SCENIC BERHAD
(633887-M)

| | | |
|---|---|---|
| 100% | **Finesse Moulding (M) Sdn. Bhd.** | Manufacture of wooden picture frame moulding |
| 100% | **Lim Ket Leng Timber Sdn. Bhd.** | Manufacture of timber products |
| 100% | **Lim Ket Leng Marketing Sdn. Bhd.** | Marketing of timber-related products |
| 100% | **Lim Ket Leng Realty Sdn. Bhd.** | Property holding and rental of properties |
| 100% | **Scenic Moulding (M) Sdn. Bhd.** | Property holding and rental of properties |
| 100% | **Classic Frame Moulding (M) Sdn. Bhd.** | Dormant |
| 76% | **Cscenic Agro Marketing Sdn. Bhd.** | Dormant |

# Message from The Chairman

Classic Scenic Berhad Chairman

*"On behalf of the Board of Directors of Classic Scenic Berhad ("CScenic"), I am pleased to present the Annual Report and the Audited Financial Statements of CSCENIC for the financial year ended 31 December 2012."*

With our steadfast belief in God's words ***"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"***, coupled with our passion and the Group's strong foundation, we were able to achieve continued resilient results in year 2012, and all this amidst a global economy hit by uncertainty and volatility as a result of the deeply-rooted issues in Europe and United States!

2012 began positively enough but never really ballooned due to the aforementioned market uncertainty and volatility in Europe and United States ("US"), and compounded by the ongoing unresolved sovereign debts crisis in the Greece and Spain.

In first quarter 2012, global growth picked up moderately following various policy actions taken by the European Union ("EU") leaders. In the same breath, the US economy also improved, led by private domestic spending. However, the growth momentum was unable to be sustained in the remaining three quarters. Despite the ongoing challenges, our team managed to weather unfavorable business climate and in fact capitalize on the situation to seize market opportunities.

The challenging and dynamic external environment, such as the unresolved sovereign debt problem in EU, has resulted in an escalation of financial stress among manufacturers in the wooden picture frame moulding industry. Manufacturers that are newer and less-established are less resilient to volatile environment, and have been compelled to cease operations entirely in recent years. Additionally, these circumstances have also created a higher entry barrier for new players and positively positioned the Group in a favorable situation to gain more market share.

The Malaysian Ringgit has appreciated against the USD brought about by a resilient growth rate, and supported by strong fundamentals such as sustained private consumption, moderate inflation, stable employment condition, high reserves, and accommodating fiscal and monetary policies. The appreciation of home currency has continued to exert pressure on exporters in terms of lower export proceeds in Ringgit Malaysia. However, the Group managed to mitigate the adverse impact by continuously hedging most of the export proceeds to judiciously manage the risk of foreign currency exchange loss.

Despite the unfavorable and challenging external environment, with prudent growth strategies in place, the Group was able to deliver another set of resilient results, a historical high of total revenue of RM62.3million and an improved net profit margin of 21% compared to the past 5 years.

### Financial Performance Review

The Group remained focused on its core business of manufacturing of wooden picture frame moulding and wooden products and with its proven business model and organic growth strategies. The Group recorded a total revenue of RM62.3 million for the financial year ended 31 Dec 2012, the highest achievement in revenue since it was listed on the Bursa Malaysia Securities Berhad. As compared to the financial year ended 2011, the revenue increased by RM10.0 million or 19.1% as a result of higher sale revenue from the export of wooden picture frame moulding and the sale from wooden products.

With the surge in sales revenue and savings derived from sourcing less expensive alternative raw materials and efficient use of materials, the Group's after tax profit amounted to RM13.3 million, an increase of RM4.0 million or 43.0%, compared to RM9.3 million in the preceding financial year 2011. The Group's net profit margin was not narrowed but has improved to 21% (2011: 18%) despite the more challenging environment and this great achievement was attributable to the unwavering commitment and efforts of our team.

The Group will continue to focus on its core business and pursue its proven business model and organic growth strategies and endeavor to strengthen relationship with the major customers by keeping abreast of the changes in their consumer trends and tastes, pursue a continuous improvement practice by developing and introducing innovative & highly marketable products with consistently high quality at a competitive price, and last but not least improve total productivity, procurement optimization and operational efficiency to enhance the group profitability and business sustainability well into the future.

## Dividend

The Board proposed a second interim dividend comprising franked dividend of 14.4% or 7.2 sen, less 25% tax per ordinary share and tax exempt dividend of 1.2% or 0.6 sen per ordinary share totalling RM7.2 million in respect of the financial year ended 31 December 2012. The dividend will be payable on 22 May 2013 to depositors registered in the Record of Depositors on 10 May 2013. The Board does not propose final dividend for the financial year ended 31 December 2012.

On 29 October 2012, an interim tax-exempt dividend of 9% or 4.5 sen per ordinary share totalling RM5.4 million in respect of the financial year ended 31 December 2012 was paid. Therefore, the total net dividend paid or to be paid to shareholders for the financial year ended 31 December 2012 would amount to RM 12.7 million or 10.5 sen per ordinary share.

Enriching shareholder value remains a high priority for the Group and therefore a dividend policy was officially adopted and announced on 21 May 2012 that 50% of the Group net profit after tax attributable to shareholders is to be distributed annually to the Company's shareholders with effect from the financial year ended 31 December 2012. The dividend payout ratio for the financial year ended 31 December 2012 was 95%, which was aligned to the Group's dividend policy.

## Corporate Responsibility

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

*Market place*

Product – Product safety is one of the top priorities in our quality policy and the Group's technical team remains fully committed in carrying out various studies and tests in accordance to the standard procedures to ensure the safety level of raw materials are in compliance with safety & health standards. In line with this, raw materials and finished products undergo regular lab tests to ensure their safety compliances, for instance, Lead and Formaldehyde tests in order to ensure they conform to permissible safety levels which comply with Code of Federal Regulations, Chapter II – Consumer Products Safety Commission of U.S.A. and USA Environmental Protection Agency Air Resources Board - Airborne Toxic Control Measure (ATCM).

Shareholders – The Group has been practicing Good Corporate Governance, as disclosed in Statement on Corporate Governance. The Corporate Governance is periodically reviewed & enhanced by the Group to protect the interest of shareholders. The Group has recently recomposed the Executive Committee to

Employee award is extended to employees to recognize their unwavering commitment and efforts.

Fire-fighting training & fire drill are held periodically as CSCENIC is committed to provide a safe & healthy environment for its employees.

A series of safety and health trainings had been conducted periodically to improve the employees' health and safety awareness.

# Message from The Chairman
(Cont'd)

Executive and Risk Management Committee to assist the board of directors in risk management which includes overseeing the development and effectiveness of risk management policies and processes, reviewing risk exposure and portfolio, ensuring that internal control systems is put in place for effective risk management activities, and reporting to the board of directors via audit committee.

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

CScenic endeavors to make prompt payments to all its suppliers and service providers. To achieve this and in support of a green environment, the Group, via electronic credit payment system, makes payments directly to the vendors and service providers bank accounts. The electronic credit payment system has eliminated the risk of lost or stolen cheques and the delivery or waiting time for cheques to be cleared.

*Environment*

We have been awarded with the Forest Stewardship Council (FSC) Chain-of-Custody (COC) certification since January 2009, a clear reflection of our commitment to responsible management of the world's forests. This certification is also an affirmation of our long established policy of procuring legal, traceable and verified lumber, as the FSC COC lumber are derived from well managed forested areas which practice responsible and sustainable forest management. The Group will also remain committed in using more plantation wood, than from natural forest wood.

"Plant Tree, Plant Legacy" tree planting campaign was launched in year 2012 to promote and create awareness of sustainable forest and environment conservation, which is aligned to our Group's mission and FSC COC Policy. During the year, in collaboration with Forest Research Institute Malaysia ("FRIM"), the team of CScenic has planted 60 trees at the tree planting project site Bukit Hari Forest Plantation Plots within FRIM Ground.

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

An Environmental Green Fund Scheme has been established to create the awareness of energy conservation in CScenic's business and operational activities. A 3Rs concept which is Reduce, Reuse and Recycle has been rolled out to the entire organization to conserve resources and minimize waste. The savings derived were thereafter rewarded to be shared among all employees, including a portion especially to provide aid to less privileged employees.

*Workplace*

A Code of Business Conduct and and Anti-Fraud Policy were established and implemented to instill ethical values into employees. Both of these and an additional Whistle Blowing Policy clearly defined the Group's stand on integrity, honesty and ethical behavior, and clearly demonstrates the Group's zero tolerance for any kind of unethical business practices.

During the year, CScenic has adopted a Gender Diversity Policy and is committed to increase gender diversity especially for the Board and Senior Executive positions, in order to establish a diverse and skilled workforce, leading to continuous improvement in achievement of corporate goals. As at the end of 2012, the proportion of women in the top management of the Group was 31%.

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

Human Capital Development – Yearly structured training is continuously provided to employees to sharpen their skills & competencies and to prepare them for career path progression. The structured training will not only benefit the employees personally, but also strengthen the capability of the entire organization whilst facilitating the achievement of the Group's objectives and goals. Opportunities for career advancement are performance driven and non-discriminatory.

CScenic is committed to provide a Safe & healthy environment for its employees and the Group has implemented various initiatives to effectively drive this important agenda. A Safety and Health Committee was established and meetings are conducted periodically to review safety & health, and related matters. Policies were also set to ensure all employees are aware of their roles & responsibilities in the aspect of safety & health. Periodic in-house safety and health audits are conducted to ensure that the Group's safety rules & regulations are enforced and complied with. A series of safety and health trainings, such as First Aid and CPR, sexual harassment, TB and Aids, Chemical Hazards etc, had been conducted periodically to improve the employees' health and safety awareness.

The management adopts an open door policy where staff can easily have access to management to air problems and offer feedback. Employees are the Groups' valuable assets and their opinions are valued and duly accorded recognition. The Group remains committed in conducting a yearly Employee Job Satisfaction Survey to give employees opportunities to voice out any grievances and dissatisfaction with current work conditions, after which the management will look for mutually beneficial solutions.

*Community :*

As a socially responsible company and part of its Corporate Responsibility (CR) programme, the Group continues in participating in an Ang Pow distribution event for the lesser privileged, hosted by a district association and donated to support a group of underprivileged senior citizen.

In the area of Education, the Group has also donated to schools as a fund-raising project to improve the various school facilities.

During the year, the Group has again organized its 2nd year blood donation drive with the National Blood Centre of Malaysia at its corporate office and contributed to the national blood bank and the community.

To promote a healthy lifestyle and fulfill our CR, CScenic also participated in and sponsored the charity forestry run, which was organized by Malaysia Timber Industry Club.

**Outlook and Prospects 2013**

The improving housing market in US, as reflected in increasing home sales as well as rising home prices, is expected to bode well on the economy by generating employment and creating the necessary wealth-multiplier effect to boost spending that is crucial in a consumption-driven economy.

However the continued policy uncertainties in several advanced economies, especially in Euro zone on issues of fiscal consolidation and key reforms to address structural weakness, will have a dampening effect on hinder economic recovery, and place constraints on consumer sentiment and global economic activity.

Moreover, with the coming into effect of the minimum wage policy at the beginning of 2013, the Group's labor costs will undergo a major increase and we expect sustaining the Group's performance in the year ahead to be a real challenge.

Nevertheless, counting on our performance driven measures, tight costs control, and dedicated and committed people that make the total CScenic Team, barring any unforeseen circumstances, the Group is optimistic to deliver a continued favorable performance for the financial year ending 31 December 2013.

**Appreciation to stakeholders**

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

Lim Chee Keong
Executive Chairman


"Plant Tree, Plant Legacy" tree planting campaign was launched during the year to create awareness of sustainable forest and environment conservation.


CSCENIC Team participated in the charity run which was organized by Malaysia Timber Industries Club.

# Corporate Information

## BOARD OF DIRECTORS

**LIM CHEE KEONG**
(Executive Chairman)

**LIM CHEE BENG**
(Managing Director)

**LIM CHEE KHOON**
(Executive Director)

**LIM CHEE HWA**
(Executive Director)

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

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

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

**AUDIT COMMITTEE**

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

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

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

**NOMINATION COMMITTEE**

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

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

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

**REMUNERATION COMMITTEE**

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

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

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

**COMPANY SECRETARY**

**Chow Chooi Yoong**
(MAICSA 0772574 )

**HEAD OFFICE**

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

**REGISTERED OFFICE**

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

**AUDITORS**

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

**PRINCIPAL BANKERS**

Citibank Berhad
Hong Leong Bank Berhad

**SHARE REGISTRAR**

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

**STOCK EXCHANGE LISTING**

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

## LIM CHEE KEONG
Malaysian, aged 57

Executive Chairman

**Lim Chee Keong** was appointed as the Chairman of CSCENIC on 3 August 2004. He is also the chairman of the Executive and Risk Management Committee and a member of the Remuneration Committee. He is the Honorary Treasurer for Selangor and Federal Territory Timber Traders' Association. He is the main founder of the Group and has accumulated more than 35 years of experience in the wood-based industry. His career started in 1974, when he took over the family business, which was in the manufacturing of wooden crates and was responsible for the overall operations. The business expanded into manufacturing of wooden pallets in 1988 and in 1994, he was instrumental in diversifying the Group's business operation into manufacturing of wooden picture frame moulding.

## LIM CHEE BENG
Malaysian, aged 49

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.

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

## LIM CHEE KHOON
Malaysian, aged 56

Executive Director

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

## LIM CHEE HWA
Malaysian, aged 54

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.

# Profile of Board of Directors
(Cont'd)

### YEH SAU TOU
Malaysian, aged 44

Independent Non-Executive Director

**Yeh Sau Tou** was appointed to the Board as independent non-executive director on 2 July 2007. He is the Chairman of the Audit, Remuneration and Nomination Committees. He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom and also a member of Malaysian Institute of Accountants. He started his audit and business assurance career with PricewaterhouseCoopers in 1995. He joined the audit division of a medium-size audit firm in 1999 and subsequently he started his own public accounting firm, Messrs Yeh & Co., in year 2000.

### AU THIN AN @ LOW TEEN ANN
Malaysian, aged 69

Independent Non-Executive Director

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

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

### LEE KONG WENG
Malaysian, aged 41

Independent Non-Executive Director

Lee Kong Weng was appointed to the Board as non-independent non-executive director on 29 December 2011 and was re-designated to Independent non-executive director on 1 September 2012. He is a member of the Audit , Remuneration and Nomination Committees. He graduated with a Bachelor in Accounting (Honours Class 1) from University of Malaya in 1996. He is also a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He started his audit career with Arthur Anderson & Co. (now merged with Ernst & Young) in 1996. In 2000, he joined Classic Scenic Berhad group as Finance Manager responsible for the treasury and finance function of the group. In 2002, he was promoted to the position of Group Financial Controller of which he was instrumental in the Initial Public Offering process of Classic Scenic Berhad on the Second Board of Bursa Malaysia Securities Berhad and, subsequently, to the Main Board. In 2007, he left Classic Scenic Berhad group and joined a local accounting firm, Lee & Associates.

Currently, he is a partner of Baker Tilly AC, a member of an international accounting network firm.

### OTHER INFORMATION ON DIRECTORS

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

The Board of Directors of Classic Scenic Berhad ("CSCENIC") is committed to ensure that the high standards of corporate governance are practiced throughout the Group. In line with this commitment, the Board has taken and is continuously reviewing, where appropriate, the necessary steps to comply with the principles and recommendations of corporate governance as set out in the Malaysian Code on Corporate Governance 2012 ("the 2012 Code") in the business of the Group.

In this annual Corporate Governance Statement, the Board is pleased to report its state of corporate governance in CSCENIC for the current financial year.

## 1. Establish Clear Roles and Responsibilities

### 1.1 Clear Functions of the Board and Management

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

To ensure the effective discharge of its function and responsibilities, the Board maintains specific Board Committees namely the Executive and Risk Management Committee, Audit Committee, Nomination Committee and Remuneration Committee to allow greater attention, expertise, experience and objectivity to be provided by the relevant Board members to the specific Board agenda. However, in order to ensure the direction and control of the Group is firmly within the Board, the Board has defined the terms of reference for each Committee. The ultimate decisions on all matters deliberated in these Committees are required to be reported to the Board.

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

### 1.2 Clear Roles and Responsibilities

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

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

The Executive Committee which was established in 2005 and later renamed as Executive and Risk Management Committee ("ERMC") in February 2013, comprises all Executive Directors and selected senior management staff. This Committee meets at least once a month, and additional meetings will be held as and when required by the Chairman of the ERMC. The ERMC assists the Board in the following:

I. Manage overall operations of the Group;

II. Implement strategic business plan and policy approved by the Board;

III. Establish an adequately resourced risk management framework;

IV. Review risks and opportunities associated with business strategies and operating processes;

V. Formulate corporate policies; and

VI. Promote awareness of the importance of good corporate practices.

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

### 1.3 Formalised Ethical Standards through Code of Ethics

The Company is committed to the highest standards of ethical business conduct. In keeping with this commitment, the Board has adopted the Code of Business Conducts and Ethics ("Code") to assist the Directors, officers and employees of the Group in complying with both the Company's corporate policies and governmental laws. In addition, the Company's Anti-Fraud and Whistle Blowing Policy ("AWP") was established to provide a framework for direction and a procedure to deal with fraud and related matters including theft and corruption and further defines the rights of the informants and the protection accorded to them. The Code and AWP brings the Group to a higher level of transparency and corporate responsibility.

### 1.4 Strategies Promoting Sustainability

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

### 1.5 Access to Information and Advice

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

Every Director has unhindered access to the advice and services of the Company Secretary and senior management. The Directors, whether as a full board or in their individual capacity, in the furtherance of their duties, may seek independent professional advice at the Company's expense.

### 1.6 Qualified and Competent Company Secretary

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

### 1.7 Board Charter

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

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

## 2. Strengthen Composition

### 2.1 Nomination Committee

The Nomination Committee ("NC") was established on 19 October 2004. The objective of this NC is to ensure that there is a formal and transparent procedure for the appointment of new Directors to the Board and for the performance appraisal of Directors. Meetings of the NC are held as and when necessary, and at least once a year.

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

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

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

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

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

a. To consider, evaluate and recommend to the Board any new Board appointments;

b. To recommend to the Board, Directors to fill the seats on Board Committees;

c. To review annually and recommend to the Board with regard to the structure, size, balance and composition of the Board and Committees including the required mix of skills and experience, core competencies which non-executive directors should bring to the Board and other qualities to function effectively and efficiently;

d. To evaluate on an annual basis, the effectiveness of the Board as a whole, the Board Committees and each Director's ability to contribute to the effectiveness of the Board and the relevant Board Committees;

e. To recommend to the Board whether Directors who are retiring by rotation should be put forward for re-election/re-appointment at annual general meetings;

f. To review the Board's succession plans;

g. To review and recommend training to new Directors as well as continuous training for all Directors during the year; and

h. To consider other matters as referred to the Committee by the Board.

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

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

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

i. Size, composition, mix of skills, experience, competencies and other qualities of the existing Board, level of commitment, resources and time that the recommended candidate can contribute to the existing Board and Group;

ii. The candidate's skills, knowledge, expertise and experience, professionalism, integrity and, in the case of a candidate for the position of Independent Non-Executive Director, the independence criteria as set out in paragraph 1.01 of the Main Market Listing Requirements as well as the necessary skill and experience to bring an independent and objective judgment on issues considered by the Board and the ability to discharge such responsibilities as expected from Independent Non-Executive Directors; and

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

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

**(b) Gender Diversity Policy**

The Board has approved the establishment of a gender diversity policy and has set the target to have at least one female Director by 2015.

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

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

Any Director appointed during the year is required under the Company's Articles to retire and seek re-election by shareholders at the following AGM immediately after his appointment. In addition, Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

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

**(d) Annual Assessment**

During the financial year, the NC conducted a meeting in November 2012 to carry out its annual appraisal on the effectiveness of the Board, its Committees and the contribution of each director. This meeting was attended by all members of the NC. The NC, upon the review carried out, is satisfied that the size of the Board is optimum and that there is an appropriate mix of experience and expertise in the composition of the Board and its Committees.

### 2.3 Directors' Remuneration

The Remuneration Committee ("RC") was established on 19 October 2004. The objective of this RC is to recommend to the Board the remuneration of Executive Directors in all its forms.

To this end, the RC adopts the principles recommended by the 2012 Code, whereby, the Executive Directors' remuneration is designed to link rewards to the Group's performance whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience and the level of responsibilities assumed.

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

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

Member: Lim Chee Keong
(Executive Chairman)

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

The duties and responsibilities of the RC are as follows:

I. To recommend to the Board the remuneration of the Executive Chairman, Managing Director and Executive Directors;

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

III. To conduct continued assessment of individual Executive Directors to ensure that their remuneration is directly related to corporate and individual performance;

IV. To obtain the advice and information from external source, if necessary, to compare the remuneration currently earned by the Executive Directors and those paid to Executive Directors of other companies of similar size in a comparable industry sector; and

V. To ensure that the base salary element is competitive but fair and to provide objective and independent assessment of the benefits granted to Executive Directors.

Meetings of the RC are held as and when necessary, and at least once a year. The RC had held one (1) meeting during the financial year ended 31 December 2012 and this meeting was attended by all the members.

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

| Remuneration Bands | Executive Directors | Non-Executive Directors |
|---|---|---|
| RM50,000 and below | – | 3 |
| RM350,001- RM400,000 | 4 | – |

The aggregated annual remuneration paid or payable to all Directors by the Group are further categorised into the following components:

| | Fees* (RM) | Salaries (including bonuses & EPF) (RM) | Benefits-in-kind (RM) | Allowances (RM) | Total (RM) |
|---|---|---|---|---|---|
| Executive Director | – | 1,394,960 | 81,741 | – | 1,476,701 |
| Non-Executive Directors | 45,000 | – | – | 7,500 | 52,500 |

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

## 3. Reinforce Independence

### 3.1 Annual Assessment of Independence

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

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

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

### 3.2 Tenure of Independent Directors

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

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

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

### 3.4 Composition of the Board

With the re-designation of Mr. Lee Kong Weng from Non-Independent Non-Executive Director to Independent Non-Executive Director effective on 3 December 2012, the Board now has seven (7) members comprising an Executive Chairman, a Managing Director, two (2) Executive Directors and three (3) Independent Non-Executive Directors.

The composition of the Board is well balanced and complies with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") which requires at least two (2) or one third, whichever is higher, of the total number of Directors to be independent.

Recommendation 3.5 of the 2012 Code states that the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director. The Company's Chairman is not an Independent Director. However, the Board maintains that the presence of the three (3) Independent Non-Executive Directors would fulfill a pivotal role in corporate governance accountability, providing unbiased and independent views, advice and evaluation of the strategies proposed by the executive members of the Board and would be sufficient to maintain a balance of power and authority on the Board.

Members of the Board comprise professionals from diverse backgrounds, bringing with them depth and diversity of expertise, with a wide range of experience and perspective in discharging their responsibilities and duties and in managing the business of the Group. The profile of each Director is presented on pages 9 to 10 of this Annual Report.

## 4. Foster Commitment

### 4.1 Time Commitment

The Directors' commitment in carrying out their duties and responsibilities is affirmed by their full attendance at the Board and Board Committee Meetings held during the financial year ended 31 December 2012, as reflected below:-

| | Attendance At Meetings of | | | |
|---|---|---|---|---|
| | Board | Audit Committee | NC | RC |
| Lim Chee Keong | 5/*5 | N/A | N/A | 1/*1 |
| Lim Chee Beng | 5/*5 | N/A | N/A | N/A |
| Lim Chee Khoon | 5/*5 | N/A | N/A | N/A |
| Lim Chee Hwa | 5/*5 | N/A | N/A | N/A |
| Yeh Sau Tou | 5/*5 | 5/*5 | 1/*1 | 1/*1 |
| Au Thin An @ Low Teen Ann | 5/*5 | 5/*5 | 1/*1 | N/A |
| Lee Kong Weng | 5/*5 | 5/*5 | 1/*1 | 1/*1 |

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

### 4.2 Directors' Training

The Board views continuous learning and training as an integral part of directors' development. All Board members have completed the Mandatory Accreditation Programme in accordance with the Listing Requirements. In addition, members of the Board are informed of various directors' development programmes and encouraged to attend these programmes to keep abreast with the development in the industry and relevant regulatory requirements in furtherance of their duties. Updates on companies and securities legislations, rules and regulations such as amendments to Companies Act 1965, Listing Requirements of Bursa Securities and Corporate Governance was provided to the Board, together with Board papers, to acquaint them with the latest developments in these areas.

During the financial year ended 31 December 2012, the Directors have attended the following training programmes:-

| Course Title | Date |
|---|---|
| Updates of the 2012 IFRS-Compliant MFRSs - Preparing for Convergence to IFRSs | 19 and 20/3/2012 |
| Role of the Audit Committee in Assuring Audit Quality | 22/05/2012 |
| Limited Liability Partnership | 25/05/2012 |
| National Tax Conference 2012 | 17 and 18/07/2012 |
| Detecting Financial Statement Fraud - W3: Evolution of Corporate Fraud | 03/09/2012 |
| 2012 National Roadshow by Taiwan Overseas Compatriot Affairs Commission | 20/09/2012 |
| The key components of establishing and maintaining world – class audit, committee reporting capabilities | 01/10/2012 |

| Course Title | Date |
|---|---|
| International Conference on Market Requirements for Timber and Timber Products | 03/10/2012 |
| 8th Tricor Tax & Corporate Seminar | 09/10/2012 |
| Malaysia Budget 2013 – Tax Changes and The Impact on Businesses | 10/10/2012 |
| Malaysia Budget 2013 – Highlights on Tax Changes and its implications on Business | 15/10/2012 |

## 5. Uphold Integrity in Financial Reporting

### 5.1 Compliance with Applicable Financial Reporting Standards

The Board is committed to present a balanced and understandable assessment of the Group's financial position and prospects in the public release of financial results. These results are contained in the quarterly financial results, audited financial statements and Annual Reports.

Quarterly financial results and annual financial statements are reviewed and deliberated upon by the Audit Committee to ensure the quality and adequacy of such information, prior to submission the Board for its approval. The Audit Committee also reviews the appropriateness of the Company's accounting policies and the changes to these policies.

The Directors are responsible for the preparation and fair presentation of the financial statements for each financial year in accordance with applicable Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The Statement of Directors' Responsibility in relation to the financial statements is presented on the appropriate section of this Annual Report.

### 5.2 Assessment of Suitability and Independence of External Auditors

To maintain a transparent and formal relationship with the Company's external auditors, the Audit Committee reviews the appointment, performance, independence and remuneration of the external auditors. Twice a year, the Audit Committee will convene meetings with the external auditors without the presence of executive members of the Board. The Audit Committee Report covering its terms of reference, composition, activities and attendance of the members are reported separately on pages 20 to 22.

## 6. Recognise and Manage Risks

### 6.1 Sound Framework to Manage Risks

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

### 6.2 Internal Audit Function

The internal audit function was established in June 2005 and is outsourced to an external consultant. The Audit Committee reviews and approves the internal audit plan, which is developed based on the key risk areas and major operating units of the Group. Audit reviews were carried out on quarterly basis and audit findings were reported to the Audit Committee. Further details of the activities of the internal audit function are set out in the Audit Committee Report on page 22 of this Annual Report.

The Statement of Risk Management and Internal Control furnished on pages 23 to 24 of this Annual Report provides an overview on the state of internal controls within the Group.

## 7. Ensure Timely and High Quality Disclosure

### 7.1 Corporate Disclosure Policy

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

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

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

## 8. Strengthen Relationship between Company and Shareholders

### 8.1 Encourage Shareholder Participation at General Meetings

The Board regards the Annual General Meeting ("AGM") and other general meetings as an opportunity to communicate directly with shareholders and encourages attendance and participation in dialogue.

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

Each shareholder can vote in person or by appointing a proxy to attend and vote on his behalf. Separate issues are tabled in separate resolutions at general meetings, voting is carried out systematically and resolutions are properly recorded.

### 8.2 Poll Voting

In line with Recommendation 8.2 of the 2012 Code, the Board would encourage and facilitate poll voting at general meetings in the case of substantive resolutions which require shareholders' approval. At the last AGM of the Company held on 7 June 2012, there were no substantive resolutions put forth for shareholders' approval. As such, the resolutions at the last AGM were voted by a show of hands instead of a poll.

**8.3 Effective Communication and Proactive Engagement**

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

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

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

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

The Directors are responsible for ensuring that the annual audited financial statements of the Group and of the Company are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 and the Main Market Listing Requirements of the Bursa Securities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year ended on that date.

In preparing the annual audited financial statements, the Directors have:

- applied appropriate and relevant accounting policies consistently;
- complied with all applicable approved accounting standards; and
- prepared the financial statements on a going concern basis.

The Directors are also responsible for ensuring that proper accounting and other records are kept which enable the preparation of the financial statements with reasonable accuracy and taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This statement was made in accordance with a resolution of the Board dated 17 April 2013.

# Audit Committee Report

## COMPOSITION

The Audit Committee of Classic Scenic Berhad ("CSCENIC") was established on 4 August 2004. The members of the Committee for the financial year ended 31 December 2012 comprises the following directors:

Chairman : Yeh Sau Tou (Independent Non-Executive Director)
Members : Au Thin An @ Low Teen Ann (Independent Non-Executive Director)
Lee Kong Weng (Independent Non-Executive Director)

## SUMMARY OF THE TERMS OF REFERENCE

### (1) MEMBERSHIP

(a) The Committee shall be appointed by the Board from amongst the Directors and shall be composed exclusively of Non-Executive Directors of no fewer than three members, of whom the majority shall be independent.

(b) The Committee shall include at least one person who is a member of the Malaysian Institute of Accountants or alternatively a person who must have at least 3 years' working experience and have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967 or is a member of one of the associations of accountants specified in Part II of the said Schedule or alternatively a person who has fulfill such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

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

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

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

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

### (2) AUTHORITY

The Committee is authorised by the Board, in accordance with the procedures to be determined by the Board (if any) and at the cost of the Company, to:

(a) investigate any activity within the Committee's terms of reference;

(b) have resources which are reasonably required to enable it to perform its duties;

(c) have full and unrestricted access to any information pertaining to the Company or Group;

(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);

(e) obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and

(f) convene meetings with the external auditors, internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

### (3) FUNCTIONS AND RESPONSIBILITIES

(3.1) The functions of the Committee shall be, amongst others, to review the following and report the same to the Board:-

(a) with the external auditors, the scope of the audit and the audit plan;

(b) with the external auditors, their evaluation of the system of internal controls;

(c) with the external auditors, their management letter and the management's response;

(d) with the external auditors, their audit report;

(e) the assistance given by the employees to the external auditors;

(f) the nomination or re-appointment of the external auditors and their audit fees as well as matters pertaining to resignation or change of the external auditors;

(g) the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;

(h) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

(i) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-

(i) any changes in or implementation of major accounting policy changes;

(ii) significant adjustments arising from the audit;

(iii) significant and unusual events;

(iv) the going concern assumption; and

(v) compliance with accounting standards and other legal requirements;

(j) any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity; and

(k) any other matters as directed by the Board.

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

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

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

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

(3.6) The Committee shall prepare an annual report to the Board that provides a summary of the activities of the Committee for inclusion in the Company's annual report.

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

## (4) QUORUM, ATTENDANCE AND FREQUENCY OF MEETINGS

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

(b) The Head of Finance, the Head of Internal Audit and a representative of the External Auditors shall normally attend meetings. Other Board members and employees may attend any particular meeting only at the Audit Committee's invitation, specific to the relevant meeting. However, at least twice a year the Committee shall meet with the External Auditors without executive Board members present.

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

## AUDIT COMMITTEE MEETINGS

The Audit Committee met five (5) times during the financial year ended 31 December 2012. The details of Audit Committee's meetings held and attended by the Committee during the financial year are as follows:-

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

## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

During the financial year ended 31 December 2012, the activities of the Audit Committee included the following:-

(a) Reviewed the unaudited quarterly financial results and announcements of the Company and the Group prior to submission to the Board of Directors for consideration and approval;

(b) Reviewed the audited financial statements for the financial year ended 31 December 2011;

(c) Reviewed the external auditors' reports for the financial year ended 31 December 2011 in relation to audit and accounting issues arising from the audit;

(d) Reviewed the assistance given by the employees to the external auditors in respect of the audit for the financial year ended 31 December 2011;

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

(f) Reviewed the external auditors' audit plan and scope of audit for the financial year ended 31 December 2012;

(g) Reviewed Internal Audit Plan for 2013/2014 of the Company, the scope and focus of the internal audit programmes;

(h) Reviewed the internal audit reports of the Group;

(i) Reviewed the disclosure statements on compliance of the Malaysian Code of Corporate Governance, Audit Committee Report and the Statement of Internal Control for the financial year ended 31 December 2011 and recommended their adoption to the Board; and

(j) Met with the External Auditors twice during the financial year ended 31 December 2012 in the absence of the executive Board members.

## INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to an external consultant and the selected team is independent of the activities audited by them and the External Auditors. The internal audit function is performed impartially, proficiently and with due professional care. The Internal Auditor reports to the Audit Committee and regularly reviews and appraises the Group's internal control systems based on the audit plan that is reviewed and approved by the Audit Committee.

During the financial year ended 31 December 2012, the activities of the internal audit function included the following areas; procurement of timber and non timber products, local sales and policies and procedures adopted by the Group to address the adequacy of its Enterprise Wide Risk Management. These reviews include reviewing and appraising the adequacy, effectiveness and integrity of the internal control systems, policies, procedures and information technology functions of the Group's significant entities. The cost incurred for the internal audit function in respect of the financial year ended 31 December 2012 was RM30,000.

# 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 Listing Requirements of Bursa Malaysia Securities Berhad and Statement on Risk Management and Internal Control and compliance with Section 167A of the Companies Act, 1965.

## BOARD RESPONSIBILITIES

The Board acknowledges its responsibilities and reaffirms its commitment to recognise the importance of having an effective and appropriate system of risk management and internal control to enhance good corporate governance. In this respect, the Board is responsible for identifying principal risks, ensuring the implementation of appropriate systems to manage these risks and reviewing the adequacy and integrity of the Group's system of risk management and internal control. The system of risk management and internal control covers inter alia, governance, financial organisation, operational and compliance control. However, the Board recognises that this system is designed to manage and control risk appropriately rather than eliminate the risks of failure to achieve the Group's business objectives. Accordingly, this system can only provide reasonable, but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board also acknowledges the recent guidelines on the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) which further emphasises the need for maintaining a sound system of risk management and internal control.

The Board is of the view that the system of risk management and internal controls in place for the year under review and up to the date of issuance of the financial statements is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets. In line with the Guidelines, the Group Managing Director and Group Financial Controller have provided assurance to the Board stating that the Group's risk management and internal control system have operated adequately and effectively, in all material aspects, to meet the Group's objective during the financial year under review.

The Management also assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the Group, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

## RISK MANAGEMENT

Risk management is embedded in the Group's management system. The Board with the assistance of the outsourced internal audit function have established an ongoing processes for identifying, evaluating and managing the significant risks faced by the core business of the Group i.e. manufacturing of wooden picture frame moulding and this process includes conducting risk profiling and determining key risk areas and its impact including developing annual internal audit plan, updating of the operational risk register and the system of internal controls when there are changes to business environment or regulatory guidelines. This process has been in place for the year under review and up to the date of issuance of the annual report and financial statement. In February 2013, the Group has renamed the Executive Committee to Executive and Risk Management Committee to provide clarity on its roles and responsibility in respect of risk management.

The Board also relies largely on the close involvement of the Executive Directors of the Group in its daily operations. There are periodic reviews of operational and financial performance at Management, Audit Committee and Board Meetings at least on a quarterly basis. The Board and Management ensure that appropriate measures are taken to address any significant risks.

## KEY INTERNAL CONTROL PROCESSES

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

- Business plan including annual budget is prepared for the Group. The Executive Committee, comprising Executive Directors and senior managers, and the Board of Directors review and approve the annual budget;
- Management accounts/reports are prepared and the actual performance compared with the budget is reviewed on a monthly basis with explanation of any major variances;
- The Executive Committee, meets monthly to review

the operational and financial performance of the Group to ensure that they are in line with the corporate objectives, strategies and annual budget. This Committee also formulates strategies, policies and code of practices to address changes in the business environment and risks;

- Board Committees, namely the Audit Committee, Executive and Risk Management Committee, Nomination Committee and Remuneration Committee have been established with defined terms of reference;
- Management organisation structure with reporting lines of accountability and authority have been defined and documented;
- Operational review meetings were held and attended by the Executive Directors and the departmental heads to identify, discuss and resolve key operational issues, to further improve its effectiveness;
- Code of Conduct and Standard Operating Procedures which include the ISO 9001:2008 Quality Management System for the core business of the Group are documented;
- There are proper procedures within the Group for hiring and termination of staff, formal training programmes for staff, annual performance appraisals and other relevant procedures in place to ensure that staff are competent and adequately trained in carrying out their responsibilities;
- ISO 9001:2008 Quality Management System has been implemented for the Group's core business. Internal quality audits and annual surveillance audit are carried out by the management and a certification body respectively. These audits are conducted annually to provide assurance of compliance with the ISO 9001:2008 Quality Management System;
- The Audit Committee reviews the quarterly financial results, annual report, audited financial statements, Group's risk profile and internal control issues identified by the Internal Auditors and the Management. The Audit Committee also monitors the implementation of the recommendations, if any, proposed by the Internal Auditors and External Auditors. The internal audit function reviews the adequacy and integrity of the system of internal controls and reports its findings to the Audit Committee on a quarterly basis. During the financial year, some areas of improvement to internal controls were identified and addressed accordingly. Nevertheless, the identified weaknesses in the internal controls have not resulted in any losses and/or require further disclosure in this Statement.

The Board is of the view that the risk management and internal control system are satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report, to improve the Group's risk management and internal control system in meeting the Group's strategic objectives.

## ANTI-FRAUD AND WHISTLE BLOWING POLICY

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

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

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

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

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

This statement was made in accordance with a resolution of the Board dated 17 April 2013.

## UTILISATION OF PROCEEDS

The Company did not make any corporate proposal to raise proceed during the financial year ended 31 December 2012.

## SHARE BUY-BACKS

The Company did not buy back its Company's shares during the financial year ended 31 December 2012.

## OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year ended 31 December 2012, there were no options, warrants or convertibles securities issued.

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

During the financial year ended 31 December 2012, the Company did not sponsor any ADR or GDR programmes.

## IMPOSITION OF SANCTIONS/PENALTIES

There were no sanctions/penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31December 2012.

## NON-AUDIT FEES

Non-audit fees payable to external auditors for the financial year ended 31 December 2012 amounted to RM20,000.

## VARIATION IN RESULTS

There were no material variance between the audited results for the financial year ended 31 December 2012 and the unaudited results previously announced.

## PROFIT GUARANTEE

The Company did not issue any profit guarantee during the financial year ended 31 December 2012.

## MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiary companies which involved directors' and major shareholders' interests either still subsisting at the end of the financial year ended 31 December 2012 or entered into since the end of the previous financial year.

## REVALUATION POLICY

The Group has no revaluation policy on landed properties.

# FINANCIAL STATEMENTS

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 2012.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of its subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

## RESULTS

| | Group RM | Company RM |
|---|---|---|
| Profit for the year attributable to: | | |
| Owners of the Company | 13,272,192 | 9,982,858 |

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review.

## DIVIDENDS

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

i) a second interim ordinary dividend of 6% (3 sen) per ordinary share less 25% tax totalling RM2,700,016 and tax exempt dividend of 4% (2 sen) per ordinary share totalling RM2,400,016 in respect of the financial year ended 31 December 2011 on 22 May 2012.

ii) a first interim tax exempt dividend of 9% (4.5 sen) per ordinary share totalling RM5,422,488 in respect of the financial year ended 31 December 2012 on 29 October 2012.

On 27 February 2013, the Directors declared a second interim ordinary dividend in respect of the financial year ended 31 December 2012 of 14.4% (7.2 sen) per ordinary share less 25% tax totalling RM6,506,986 and tax exempt dividend of 0.6 sen per ordinary share totalling RM722,998 and will be payable on 22 May 2013.

## DIRECTORS OF THE COMPANY

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

Lim Chee Keong
Lim Chee Khoon
Lim Chee Beng
Lim Chee Hwa
Yeh Sau Tou
Au Thin An @ Low Teen Ann
Lee Kong Weng

## DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouse or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

| | Number of ordinary shares of RM1.00 each | | | |
|---|---|---|---|---|
| | At 1.1.2012 | Bought | Sold | At 31.12.2012 |
| **Interest in the holding company** | | | | |
| **Lim Ket Leng Holding Sdn. Bhd.** | | | | |
| Lim Chee Keong | 24 | - | - | 24 |
| Lim Chee Khoon | 22 | - | - | 22 |
| Lim Chee Beng | 11 | - | - | 11 |
| Lim Chee Hwa | 11 | - | - | 11 |

| | Number of ordinary shares of RM0.50 each | | | |
|---|---|---|---|---|
| | At 1.1.2012 | Bought | Sold | At 31.12.2012 |
| **Interest in the Company** | | | | |
| Au Thin An @ Low Teen Ann | | | | |
| - own | 48,000 | - | - | 48,000 |
| - others* | 36,000 | - | - | 36,000 |
| Lee Kong Weng | | | | |
| - own | 20,800 | - | - | 20,800 |
| - other* | 4,800 | - | - | 4,800 |
| Lim Chee Beng | | | | |
| - own | 3,163,360 | - | - | 3,163,360 |
| - other* | 2,000,000 | - | - | 2,000,000 |
| Lim Chee Keong | | | | |
| - others* | 2,486,571 | - | - | 2,486,571 |
| Lim Chee Khoon | | | | |
| - other* | 64,800 | 3,826,880 | (2,745,840) | 1,145,840 |
| Yeh Sau Tou | 74,400 | - | - | 74,400 |
| **Deemed interest in the Company** | | | | |
| Lim Chee Keong @ | 75,701,929 | - | - | 75,701,929 |
| Lim Chee Khoon @ | 75,701,929 | - | - | 75,701,929 |

* Shares held through spouse and/or children.

@ Deemed interest by virtue of the Directors' interests in Lim Ket Leng Holding Sdn. Bhd. By virtue of their interests in the shares of the Company, the above Directors are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Classic Scenic Berhad has an interest.

### Directors' 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 salaries of full time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a 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.

### Ultimate Holding Company

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

### Issue Of Shares And Debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

### Treasury Shares

During the financial year, the Company resold 499,000 treasury shares held at the carrying amount of RM311,438 in the open market for a total consideration of RM449,697. The average resale price of the treasury shares was RM0.90 per share. The proceeds from the resale were utilised as working capital for the Group.

### Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

### Other Statutory Information

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

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

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

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

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

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

## Other Statutory Information (Cont'd)

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## Auditors

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

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

..................................................................
Lim Chee Keong

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

Petaling Jaya,

Date: 17 April 2013

# Statements of Financial Position
## At 31 December 2012

| | Note | Group 31.12.2012 RM | Group 31.12.2011 RM | Group 1.1.2011 RM | Company 31.12.2012 RM | Company 31.12.2011 RM | Company 1.1.2011 RM |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Property, plant and equipment | 3 | 52,634,558 | 49,387,546 | 50,568,476 | 9,342 | 10,566 | 11,790 |
| Intangible asset | 4 | 878,181 | 878,181 | 878,181 | - | - | - |
| Investment in subsidiaries | 5 | - | - | - | 41,668,827 | 44,934,800 | 48,527,786 |
| **Total non-current assets** | | 53,512,739 | 50,265,727 | 51,446,657 | 41,678,169 | 44,945,366 | 48,539,576 |
| Trade and other receivables | 6 | 4,933,019 | 5,078,669 | 7,162,450 | 14,583,275 | 9,931,198 | 13,940,927 |
| Prepayments paid | 7 | 940,721 | 1,031,926 | 1,248,030 | - | - | - |
| Inventories | 8 | 25,156,102 | 26,125,892 | 24,036,269 | - | - | - |
| Current tax assets | | 40,004 | 71,436 | - | 32,746 | 26,536 | - |
| Cash and cash equivalents | 9 | 21,723,975 | 19,127,459 | 20,503,690 | 9,359,117 | 10,824,122 | 6,923,830 |
| **Total current assets** | | 52,793,821 | 51,435,382 | 52,950,439 | 23,975,138 | 20,781,856 | 20,864,757 |
| **Total assets** | | 106,306,560 | 101,701,109 | 104,397,096 | 65,653,307 | 65,727,222 | 69,404,333 |
| **Equity** | | | | | | | |
| Share capital | | 60,249,870 | 60,249,870 | 60,249,870 | 60,249,870 | 60,249,870 | 60,249,870 |
| Share premium | | 440,853 | 302,594 | 302,594 | 440,853 | 302,594 | 302,594 |
| Treasury shares | | - | (311,438) | (311,438) | - | (311,438) | (311,438) |
| Retained earnings | | 37,241,290 | 34,491,618 | 35,984,229 | 4,856,334 | 5,395,996 | 9,073,007 |
| **Total equity attributable to owners of the Company** | 10 | 97,932,013 | 94,732,644 | 96,225,255 | 65,547,057 | 65,637,022 | 69,314,033 |
| Non-controlling interest | | - | - | - | - | - | - |
| **Total equity** | | 97,932,013 | 94,732,644 | 96,225,255 | 65,547,057 | 65,637,022 | 69,314,033 |
| **Liabilities** | | | | | | | |
| Deferred tax liabilities | 11 | 3,276,783 | 3,488,848 | 3,684,364 | - | - | - |
| **Total non-current liabilities** | | 3,276,783 | 3,488,848 | 3,684,364 | - | - | - |
| Current tax liabilities | | 781,958 | 411,727 | 230,882 | - | - | - |
| Trade and other payables | 12 | 4,002,281 | 2,898,649 | 4,007,362 | 106,250 | 90,200 | 90,300 |
| Prepayments received | 13 | 313,525 | 169,241 | 249,233 | - | - | - |
| **Total current liabilities** | | 5,097,764 | 3,479,617 | 4,487,477 | 106,250 | 90,200 | 90,300 |
| **Total liabilities** | | 8,374,547 | 6,968,465 | 8,171,841 | 106,250 | 90,200 | 90,300 |
| **Total equity and liabilities** | | 106,306,560 | 101,701,109 | 104,397,096 | 65,653,307 | 65,727,222 | 69,404,333 |

The notes on pages 37 to 81 are an integral part of these financial statements.

# Statement of Profit or Loss and other Comprehensive Income For The Year Ended 31 December 2012

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| **Revenue** | 14 | 62,329,190 | 52,259,291 | 15,300,000 | 11,400,000 |
| Cost of sales | | (38,977,102) | (34,933,315) | - | - |
| **Gross profit** | | 23,352,088 | 17,325,976 | 15,300,000 | 11,400,000 |
| Other income | | 118,908 | 650,604 | - | - |
| Distribution expenses | | (1,356,456) | (1,094,412) | - | - |
| Administrative expenses | | (3,335,507) | (3,399,327) | (167,437) | (151,265) |
| Other expenses | | (2,109,044) | (2,010,203) | (3,358,780) | (3,652,841) |
| **Results from operating activities** | | 16,669,989 | 11,472,638 | 11,773,783 | 7,595,894 |
| Finance income | | 430,447 | 434,650 | 202,865 | 150,625 |
| **Profit before tax** | | 17,100,436 | 11,907,288 | 11,976,648 | 7,746,519 |
| Income tax expense | 15 | (3,828,244) | (2,599,833) | (1,993,790) | (623,464) |
| **Profit and total comprehensive income for the year** | 16 | 13,272,192 | 9,307,455 | 9,982,858 | 7,123,055 |
| **Attributable to:** | | | | | |
| Owners of the Company | | 13,272,192 | 9,307,455 | 9,982,858 | 7,123,055 |
| Non-controlling interest | | - | - | - | - |
| | | 13,272,192 | 9,307,455 | 9,982,858 | 7,123,055 |
| **Basic earnings per ordinary share (sen)** | 17 | 11.04 | 7.76 | | |

The notes on pages 37 to 81 are an integral part of these financial statements.

# Consolidated Statement of Changes in Equity
## For The Year Ended 31 December 2012

| Group | Note | Share capital RM | Share premium RM | Treasury shares RM | Retained earnings RM | Total RM | Non-controlling interest RM | Total equity RM |
|---|---|---|---|---|---|---|---|---|
| | | ← Attributable to owners of the Company → | | | | | | |
| | | ← Non-distributable → | | | Distributable | | | |
| **At 1 January 2011** | | 60,249,870 | 302,594 | (311,438) | 35,984,229 | 96,225,255 | - | 96,225,255 |
| Dividends to owners of the Company | 18 | - | - | - | (10,800,066) | (10,800,066) | - | (10,800,066) |
| Total comprehensive income for the year | | - | - | - | 9,307,455 | 9,307,455 | - | 9,307,455 |
| **At 31 December 2011/ 1 January 2012** | | 60,249,870 | 302,594 | (311,438) | 34,491,618 | 94,732,644 | - | 94,732,644 |
| Own shares sold | 10.3 | - | 138,259 | 311,438 | - | 449,697 | - | 449,697 |
| Dividends to owners of the Company | 18 | - | - | - | (10,522,520) | (10,522,520) | - | (10,522,520) |
| Total comprehensive income for the year | | - | - | - | 13,272,192 | 13,272,192 | - | 13,272,192 |
| **At 31 December 2012** | | 60,249,870 | 440,853 | - | 37,241,290 | 97,932,013 | - | 97,932,013 |
| | | Note 10.1 | Note 10.2 | Note 10.3 | Note 10.4 | | | |

# Statement of Changes in Equity
## For The Year Ended 31 December 2012

| Company | Note | Share capital RM | Share premium RM | Treasury shares RM | Retained earnings RM | Total equity RM |
|---|---|---|---|---|---|---|
| | | Attributable to owners of the Company | | | | |
| | | Non-distributable | | | Distributable | |
| **At 1 January 2011** | | 60,249,870 | 302,594 | (311,438) | 9,073,007 | 69,314,033 |
| Dividends to owners of the Company | 18 | - | - | - | (10,800,066) | (10,800,066) |
| Total comprehensive income for the year | | - | - | - | 7,123,055 | 7,123,055 |
| **At 31 December 2011/ 1 January 2012** | | 60,249,870 | 302,594 | (311,438) | 5,395,996 | 65,637,022 |
| Own shares sold | 10.3 | - | 138,259 | 311,438 | - | 449,697 |
| Dividends to owners of the Company | 18 | - | - | - | (10,522,520) | (10,522,520) |
| Total comprehensive income for the year | | - | - | - | 9,982,858 | 9,982,858 |
| **At 31 December 2012** | | 60,249,870 | 440,853 | - | 4,856,334 | 65,547,057 |
| | | Note 10.1 | Note 10.2 | Note 10.3 | Note 10.4 | |

The notes on pages 37 to 81 are an integral part of these financial statements.

# Statements of Cash Flows
## For The Year Ended 31 December 2012

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit before tax | | 17,100,436 | 11,907,288 | 11,976,648 | 7,746,519 |
| Adjustments for: | | | | | |
| Depreciation of property, plant and equipment | | 2,660,192 | 2,769,904 | 1,224 | 1,224 |
| Dividend income | | – | – | (15,300,000) | (11,400,000) |
| Finance income | | (430,447) | (434,650) | (202,865) | (150,625) |
| Gain on disposal of property, plant and equipment | | (50,385) | (3,266) | – | – |
| Impairment loss on investment in subsidiaries | | – | – | 3,265,973 | 3,592,986 |
| Unrealised foreign exchange loss | | 160,375 | 271,542 | – | – |
| **Operating profit/(loss) before changes in working capital** | | 19,440,171 | 14,510,818 | (259,020) | (209,896) |
| Changes in working capital: | | | | | |
| Inventories | | 969,790 | (1,873,519) | – | – |
| Trade and other payables | | 1,568,201 | (1,108,713) | 16,050 | (100) |
| Trade and other receivables | | (243,805) | 1,732,247 | 1,000 | – |
| Cash generated from/(used in) operations | | 21,734,357 | 13,260,833 | (241,970) | (209,996) |
| Income tax paid | | (3,638,646) | (2,685,940) | (2,000,000) | (650,000) |
| Dividend received | | – | – | 15,300,000 | 11,400,000 |
| Interest received | | 430,447 | 434,650 | 202,865 | 150,625 |
| **Net cash from operating activities** | | 18,526,158 | 11,009,543 | 13,260,895 | 10,690,629 |
| **Cash flows from investing activities** | | | | | |
| Acquisition of property, plant and equipment | | (5,982,819) | (1,599,708) | – | – |
| Proceeds from disposal of property, plant and equipment | | 126,000 | 14,000 | – | – |
| (Advance to)/Repayment from subsidiaries | | – | – | (4,653,077) | 4,009,729 |
| **Net cash (used in)/from investing activities** | | (5,856,819) | (1,585,708) | (4,653,077) | 4,009,729 |

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| **Cash flows from financing activities** | | | | | |
| Dividends paid to owners of the Company | | (10,522,520) | (10,800,066) | (10,522,520) | (10,800,066) |
| Proceeds from sale of treasury shares | | 449,697 | – | 449,697 | – |
| **Net cash used in financing activities** | | (10,072,823) | (10,800,066) | (10,072,823) | (10,800,066) |
| **Net increase/(decrease) in cash and cash equivalents** | | 2,596,516 | (1,376,231) | (1,465,005) | 3,900,292 |
| **Cash and cash equivalents at 1 January** | | 19,127,459 | 20,503,690 | 10,824,122 | 6,923,830 |
| **Cash and cash equivalents at 31 December** | *(i)* | 21,723,975 | 19,127,459 | 9,359,117 | 10,824,122 |

**Notes to statements of cash flows**

***(i) Cash and cash equivalents***

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

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Cash and bank balances | | 10,424,820 | 4,449,023 | 54,047 | 397 |
| Highly liquid investments with non-bank financial institution | | 11,299,155 | 14,678,436 | 9,305,070 | 10,823,725 |
| | 9 | 21,723,975 | 19,127,459 | 9,359,117 | 10,824,122 |

The notes on pages 37 to 81 are an integral part of these financial statements.

# Notes To The Financial Statements

Classic Scenic Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business of the Company are as follows:

**Registered office**
Lot 4.100 4th Floor
Wisma Central
Jalan Ampang
50450 Kuala Lumpur

**Principal place of business**
Lot 9,10,11,12 & 13, Jalan RP3
Rawang Industrial Estate
Taman Rawang Perdana
48000 Rawang
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as "the Group" and individually referred to as "group entities"). The financial statements of the Company as at and for the year ended 31 December 2012 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 immediate holding and ultimate holding company during the financial year is Lim Ket Leng Holding Sdn. Bhd., a company incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors on 17 April 2013.

## 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 Companies Act, 1965 in Malaysia. These are the Group's and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous financial years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ("FRSs"). The financial impacts of transition to MFRS are disclosed in Note 24 to the financial statements.

The Group and the Company have early adopted the amendments to MFRS 101, Presentation of Financial Statements which are effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statement of profit or loss and other comprehensive income.

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

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

- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits (2011)
- MFRS 127, Separate Financial Statements (2011)
- MFRS 128, Investments in Associates and Joint Ventures (2011)

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

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

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013 (Cont'd)***

- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
- Amendments to MFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 101, Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 132, Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 10, Consolidated Financial Statements: Transition Guidance
- Amendments to MFRS 11, Joint Arrangements: Transition Guidance
- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Transition Guidance

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

- Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities
- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities
- Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities
- Amendments to MFRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

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

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

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

- from the annual period beginning on 1 January 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2012 and 1 January 2013, except for MFRS 11, MFRS 128, IC Interpretation 20, Amendments to MFRS 1 and Amendments to MFRS 11, which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014,

- from the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

The initial application of the other standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior periods financial statements of the Group and the Company upon their first adoption.

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

### (b) Basis of measurement

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

### (c) Functional and presentation currency

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

### (d) Use of estimates and judgements

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

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

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

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

### (a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated 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. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

(ii) Business combination

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

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

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

(ii) Business combination (Cont'd)

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.

*Acquisitions on or after 1 January 2011*

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

*Acquisitions before 1 January 2011*

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

(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.

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

### (b) Foreign currency

**Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of group entities at exchange rates at the dates of the transactions.

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss.

### (c) Financial instruments

#### (i) Initial recognition and measurement

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

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

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

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

The Group and the Company categorise financial instruments as follows:

***Financial assets***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### (iii) Derecognition

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

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

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

### (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.

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. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| • factory buildings | 50 years |
| • machineries, forklifts, plant and equipment | 5 - 10 years |
| • cabin, office equipment, furniture and fittings and renovation | 5 - 12 years |
| • motor vehicles | 10 years |
| • computer equipment | 3 years |

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

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

### (e) Intangible asset

**Goodwill**

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

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

### (f) Inventories

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

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

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

### (g) Prepayments paid/received

Prepayments paid and received are stated at cost.

### (h) Cash and cash equivalents

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

### (i) Impairment

#### (i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

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

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

#### (ii) Other assets

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

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

### (i) Impairment (Cont'd)

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating 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.

#### (j) Equity instruments

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

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

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

### (j) Equity instruments (Cont'd)

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

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

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

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

### (k) 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. Once the contributions have been paid, the Group has no further payment obligations.

### (l) Contingent liabilities

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

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

### (m) 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, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Rental income

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

(iii) Dividend income

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

(iv) Finance income

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

### (n) Income tax

Income tax expense comprises current and deferred tax. Current 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 statements 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.

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

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

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

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

### (o) Earnings per ordinary share

The Group presents basic 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.

### (p) Operating segments

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

## 3. Property, plant and equipment

| Group | Freehold land RM | Factory buildings RM | Machineries, forklifts, plant and equipment RM | Cabin, office equipment, furniture and fittings and renovation RM | Motor vehicles RM | Computer equipment RM | Construction in progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| **At 1 January 2011** | 20,061,479 | 25,128,492 | 18,857,243 | 2,084,670 | 2,199,744 | 702,911 | - | 69,034,539 |
| Additions | - | 12,000 | 1,413,783 | 49,143 | - | 124,782 | - | 1,599,708 |
| Disposals | - | - | (28,000) | - | - | - | - | (28,000) |
| Write off | - | - | - | (19,000) | - | - | - | (19,000) |
| **At 31 December 2011/ 1 January 2012** | 20,061,479 | 25,140,492 | 20,243,026 | 2,114,813 | 2,199,744 | 827,693 | - | 70,587,247 |
| Additions | 4,275,459 | 213,500 | 850,097 | 115,224 | 506,330 | 17,709 | 4,500 | 5,982,819 |
| Disposals | - | - | (110,492) | - | (83,269) | - | - | (193,761) |
| **At 31 December 2012** | 24,336,938 | 25,353,992 | 20,982,631 | 2,230,037 | 2,622,805 | 845,402 | 4,500 | 76,376,305 |

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

| Group | Freehold land RM | Factory buildings RM | Machineries, forklifts, plant and equipment RM | Cabin, office equipment, furniture and fittings and renovation RM | Motor vehicles RM | Computer equipment RM | Construction in progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Depreciation** | | | | | | | | |
| At 1 January 2011 | - | 4,067,095 | 11,990,842 | 1,192,044 | 625,765 | 590,317 | - | 18,466,063 |
| Depreciation for the year | - | 522,632 | 1,845,435 | 198,620 | 125,324 | 77,893 | - | 2,769,904 |
| Disposals | - | - | (17,266) | - | - | - | - | (17,266) |
| Write off | - | - | - | (19,000) | - | - | - | (19,000) |
| At 31 December 2011/ 1 January 2012 | - | 4,589,727 | 13,819,011 | 1,371,664 | 751,089 | 668,210 | - | 21,199,701 |
| Depreciation for the year | - | 523,626 | 1,690,275 | 203,084 | 164,854 | 78,353 | - | 2,660,192 |
| Disposals | - | - | (104,372) | - | (13,774) | - | - | (118,146) |
| At 31 December 2012 | - | 5,113,353 | 15,404,914 | 1,574,748 | 902,169 | 746,563 | - | 23,741,747 |
| **Carrying amounts** | | | | | | | | |
| At 1 January 2011 | 20,061,479 | 21,061,397 | 6,866,401 | 892,626 | 1,573,979 | 112,594 | - | 50,568,476 |
| At 31 December 2011/ 1 January 2012 | 20,061,479 | 20,550,765 | 6,424,015 | 743,149 | 1,448,655 | 159,483 | - | 49,387,546 |
| At 31 December 2012 | 24,336,938 | 20,240,639 | 5,577,717 | 655,289 | 1,720,636 | 98,839 | 4,500 | 52,634,558 |
| | | Note 3.1 | | | | | | |

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

| Company | Office equipment RM |
|---|---|
| **Cost** | |
| At 1 January 2011 | 34,300 |
| Write off | (19,000) |
| At 31 December 2011/1 January 2012/ 31 December 2012 | 15,300 |
| **Depreciation** | |
| At 1 January 2011 | 22,510 |
| Depreciation for the year | 1,224 |
| Write off | (19,000) |
| At 31 December 2011/1 January 2012 | 4,734 |
| Depreciation for the year | 1,224 |
| At 31 December 2012 | 5,958 |
| **Carrying amount** | |
| At 1 January 2011 | 11,790 |
| At 31 December 2011/1 January 2012 | 10,566 |
| At 31 December 2012 | 9,342 |

### *3.1 Factory building*

Included in factory building of the Group is a warehouse building with carrying amount of RM901,876 (2011: RM923,257) situated on Temporary Occupation Land ("TOL") and the licence for the TOL is renewable yearly.

## 4. Intangible asset

| Group | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
|---|---|---|---|
| **Goodwill** | | | |
| **Cost** | | | |
| At 1 January/31December | 878,181 | 878,181 | 878,181 |
| **Carrying amount** | | | |
| At 31 December | 878,181 | 878,181 | 878,181 |

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

For the purpose of impairment testing, goodwill is allocated to the Group's manufacturing division which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The carrying amount of goodwill is allocated to the wooden picture frame manufacturing division.

The recoverable amount for the above was based on its value in use and was determined by discounting the future cash flows generated from the continuing use of those units and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and a 5-year (2011: 5-year) projection.
- Revenue was projected to be similar with the revenue for year 2012 for the first year and at an anticipated annual growth of 5% per annum for the remaining 4 years (2011: 10% per annum for the first 2 years and 5% per annum for the remaining 3 years).
- Effective tax rates were projected to be 25% (2011: 25%).
- A discount rate of 7.85% (2011: 7.85%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the Group's existing rate of borrowings.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data).

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

- An increase of 1% (2011: 1%) in the discount rate;
- A 10% (2011: 10%) decrease in future projected revenue.

## 5. Investment in subsidiaries

| Company | Note | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
|---|---|---|---|---|
| Unquoted shares, at cost | 5.1 | 41,557,970 | 41,557,970 | 41,557,970 |
| Less: Impairment loss | 5.2 | (10,087,443) | (6,821,470) | (3,228,484) |
| | | 31,470,527 | 34,736,500 | 38,329,486 |
| Amount due from subsidiaries | 5.3 | 10,721,658 | 10,721,658 | 10,721,658 |
| Less: Impairment loss | | (523,358) | (523,358) | (523,358) |
| | | 10,198,300 | 10,198,300 | 10,198,300 |
| | | 41,668,827 | 44,934,800 | 48,527,786 |

5.1 Details of the subsidiaries are as follows:

| Name of company | Principal activities | Country of incorporation | Effective ownership interest 31.12.2012 % | 31.12.2011 % | 1.1.2011 % |
|---|---|---|---|---|---|
| Finesse Moulding (M) Sdn. Bhd. | Manufacture of wooden picture frame moulding | Malaysia | 100 | 100 | 100 |
| Scenic Moulding (M) Sdn. Bhd. | Property holding and rental of properties | Malaysia | 100 | 100 | 100 |
| Classic Frame Moulding (M) Sdn. Bhd. | Dormant | Malaysia | 100 | 100 | 100 |
| Lim Ket Leng Realty Sdn. Bhd. | Property holding and rental of properties | Malaysia | 100 | 100 | 100 |
| Lim Ket Leng Timber Sdn. Bhd. | Manufacture of timber products | Malaysia | 100 | 100 | 100 |
| Lim Ket Leng Marketing Sdn. Bhd. | Marketing of timber-related products | Malaysia | 100 | 100 | 100 |
| CScenic Agro Marketing Sdn. Bhd. | Dormant | Malaysia | 76 | 76 | 76 |

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

5.2 The impairment loss for the year is mainly recognised in respect of the investment in Lim Ket Leng Timber Sdn. Bhd. and Scenic Moulding (M) Sdn. Bhd.

5.3 Amount due from subsidiaries represent additional capital contribution in the subsidiaries.

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

## 6. Trade and other receivables

| | Note | Group 31.12.2012 RM | Group 31.12.2011 RM | Group 1.1.2011 RM | Company 31.12.2012 RM | Company 31.12.2011 RM | Company 1.1.2011 RM |
|---|---|---|---|---|---|---|---|
| **Trade** | | | | | | | |
| Trade receivables | 20.4 | 4,570,750 | 4,771,449 | 6,372,794 | - | - | - |
| **Non-trade** | | | | | | | |
| Amount due from subsidiaries | 6.1, 20.4 | - | - | - | 14,580,275 | 9,927,198 | 13,936,927 |
| Other receivables and deposits | | 362,269 | 307,220 | 605,154 | 3,000 | 4,000 | 4,000 |
| Derivatives held for trading at fair value through profit or loss - Forward exchange contracts | 6.2 | - | - | 184,502 | - | - | - |
| | | 4,933,019 | 5,078,669 | 7,162,450 | 14,583,275 | 9,931,198 | 13,940,927 |

6.1 The amount due from subsidiaries is non-trade in nature, unsecured, interest free and repayable on demand.

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

## 7. Prepayments paid

Prepayments paid mainly relate to advance payments made to suppliers.

## 8. Inventories

| Group | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
|---|---|---|---|
| At cost: | | | |
| Raw materials | 18,513,759 | 19,452,536 | 16,606,790 |
| Work-in-progress | 4,834,981 | 4,714,179 | 5,437,950 |
| Finished goods | 1,807,362 | 1,959,177 | 1,991,529 |
| | 25,156,102 | 26,125,892 | 24,036,269 |

Inventories recognised as cost of sales in profit or loss during the year amounted to RM38,977,102 (2011: RM34,933,315).

## 9. Cash and cash equivalents

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
| Cash and bank balances | 10,424,820 | 4,449,023 | 4,147,459 | 54,047 | 397 | 654 |
| Highly liquid investments with non-bank financial institution | | | | | | |
| - redeemable at call | 1,198,878 | 2,189,280 | 3,027,656 | 58,344 | 1,998,346 | 43,861 |
| - redeemable upon 7 days notice | 10,100,277 | 12,489,156 | 13,328,575 | 9,246,726 | 8,825,379 | 6,879,315 |
| | 21,723,975 | 19,127,459 | 20,503,690 | 9,359,117 | 10,824,122 | 6,923,830 |

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

## 10. Capital and reserves

### 10.1 Share capital

| Group and Company | Amount 31.12.2012 RM | Number of shares 31.12.2012 | Amount 31.12.2011 RM | Number of shares 31.12.2011 | Amount 1.1.2012 RM | Number of shares 1.1.2011 |
|---|---|---|---|---|---|---|
| Authorised: | | | | | | |
| Ordinary shares of RM0.50 each | 100,000,000 | 200,000,000 | 100,000,000 | 200,000,000 | 100,000,000 | 200,000,000 |
| Issued and fully paid: | | | | | | |
| Ordinary shares of RM0.50 each | 60,249,870 | 120,499,740 | 60,249,870 | 120,499,740 | 60,249,870 | 120,499,740 |

## 10. Capital and reserves (continued)

### 10.2 Share premium

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

### 10.3 Treasury shares

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

For the financial year ended 31 December 2008, the Company repurchased 499,000 ordinary shares of its issued share capital from the open market at an average price of RM0.62 per ordinary share. The total consideration paid was RM311,438. The repurchase transactions were financed by internally generated funds. The shares repurchased are retained as treasury shares.

During the financial year, the Company resold the 499,000 treasury shares in the open market. The average resale price of the treasury shares was RM0.90 per share. The proceeds from the resale were utilised as working capital for the Group.

Details of the resale of treasury shares were as follows:

| 2012 | Average resale price RM | Highest resale price RM | Lowest resale price RM | Number of treasury shares resold | Total consideration received RM |
|---|---|---|---|---|---|
| June | 0.90 | 0.95 | 0.87 | 499,000 | 449,697 |

At 31 December 2012, the Group did not hold any shares of the Company (31.12.2011: 499,000).

### 10.4 Retained earnings (Distributable)

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank approximately RM8,212,000 of its distributable retained earnings at 31 December 2012 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

## 11. Deferred tax assets and liabilities

**Recognised deferred tax assets and liabilities**

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

| Group | Assets | | | Liabilities | | | Net | | |
|---|---|---|---|---|---|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
| Property, plant and equipment | – | – | – | 3,368,683 | 3,652,848 | 3,114,924 | 3,368,683 | 3,652,848 | 3,114,924 |
| Property, plant and equipment | (91,900) | (164,000) | (230,687) | – | – | 800,127 | (91,900) | (164,000) | 569,440 |
| Tax (assets)/ liabilities | (91,900) | (164,000) | (230,687) | 3,368,683 | 3,652,848 | 3,915,051 | 3,276,783 | 3,488,848 | 3,684,364 |
| Set off of tax | 91,900 | 164,000 | 230,687 | (91,900) | (164,000) | (230,687) | – | – | – |
| Net tax liabilities | – | – | – | 3,276,783 | 3,488,848 | 3,684,364 | 3,276,783 | 3,488,848 | 3,684,364 |

## 11. Deferred tax assets and liabilities (cont'd)

Movement in taxable/(deductible) temporary differences during the year is as follow:

| Group | Note | Property, plant and equipment RM | Other temporary differences RM | Total RM |
|---|---|---|---|---|
| At 1 January 2011 | | 3,114,924 | 569,440 | 3,684,364 |
| Recognised in profit or loss | 15 | 537,924 | (733,440) | (195,516) |
| At 31 December 2011/1 January 2012 | | 3,652,848 | (164,000) | 3,488,848 |
| Recognised in profit or loss | 15 | (284,165) | 72,100 | (212,065) |
| At 31 December 2012 | | 3,368,683 | (91,900) | 3,276,783 |

## 12. Trade and other payables

| | Note | Group 31.12.2012 RM | Group 31.12.2011 RM | Group 1.1.2011 RM | Company 31.12.2012 RM | Company 31.12.2011 RM | Company 1.1.2011 RM |
|---|---|---|---|---|---|---|---|
| **Trade** | | | | | | | |
| Trade payables | | 1,911,984 | 986,431 | 2,109,207 | – | – | – |
| **Non-trade** | | | | | | | |
| Other payables and accruals | | 2,090,297 | 1,872,717 | 1,898,155 | 106,250 | 90,200 | 90,300 |
| Fair value through profit or loss financial liabilities | 6.2 | – | 39,501 | – | – | – | – |
| | | 4,002,281 | 2,898,649 | 4,007,362 | 106,250 | 90,200 | 90,300 |

## 13. Prepayments received

Prepayments received relate to advance payments from customers.

## 14. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Sales of goods | 62,329,190 | 52,259,291 | – | – |
| Dividend income | – | – | 15,300,000 | 11,400,000 |
| | 62,329,190 | 52,259,291 | 15,300,000 | 11,400,000 |

## 15. Income tax expense

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| **Current tax expense** | | | | | |
| Malaysian - current year | | 4,330,211 | 2,833,992 | 2,000,000 | 650,000 |
| - prior year | | (289,902) | (38,643) | (6,210) | (26,536) |
| | | 4,040,309 | 2,795,349 | 1,993,790 | 623,464 |
| **Deferred tax expense** | | | | | |
| Origination and reversal of temporary differences | | (178,729) | (124,863) | – | – |
| Over provision in prior year | | (33,336) | (70,653) | – | – |
| | 11 | (212,065) | (195,516) | – | – |
| | | 3,828,244 | 2,599,833 | 1,993,790 | 623,464 |
| ***Reconciliation of income tax expense*** | | | | | |
| Profit before tax | | 17,100,436 | 11,907,288 | 11,976,648 | 7,746,519 |
| Tax at 25% | | 4,275,109 | 2,976,822 | 2,994,162 | 1,936,630 |
| Non-deductible expenses | | 176,693 | 170,257 | 881,554 | 951,026 |
| Tax exempt income | | (106,136) | (294,950) | (1,875,716) | (2,237,656) |
| Tax incentives | | (184,309) | (143,000) | – | – |
| Non-taxable income | | (9,875) | – | – | – |
| | | 4,151,482 | 2,709,129 | 2,000,000 | 650,000 |
| Over provision in prior year | | (323,238) | (109,296) | (6,210) | (26,536) |
| | | 3,828,244 | 2,599,833 | 1,993,790 | 623,464 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| **Profit and total comprehensive income for the year is arrived at after charging:** | | | | |
| Audit fees | 102,000 | 82,000 | 35,000 | 20,000 |
| Non-audit fees | 20,000 | 15,000 | 20,000 | 15,000 |
| Depreciation of property, plant and equipment | 2,660,192 | 2,769,904 | 1,224 | 1,224 |
| Impairment loss on investment in subsidiaries | – | – | 3,265,973 | 3,592,986 |
| Loss on foreign exchange: | | | | |
| - realised | 833,561 | 508,354 | – | – |
| - unrealised | 480,660 | 540,463 | – | – |
| Personnel expenses (including key management personnel): | | | | |
| - contribution to Employees Provident Fund | 731,336 | 675,852 | – | – |
| - wages, salaries and others | 12,637,685 | 11,387,819 | – | – |
| **and after crediting:** | | | | |
| Dividend income from subsidiaries | – | – | 15,300,000 | 11,400,000 |
| Gain on disposal of property, plant and equipment | 50,385 | 3,266 | – | – |
| Gain on foreign exchange: | | | | |
| - realised | 1,004,464 | 1,353,733 | – | – |
| - unrealised | 320,285 | 268,921 | – | – |
| Interest income of financial assets that are not at fair value through profit or loss | 430,447 | 434,650 | 202,865 | 150,625 |
| Rental income from investment property | – | 16,000 | – | – |

## 17. Earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2012 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

| | Group | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| Profit for the year attributable to owners | 13,272,192 | 9,307,455 |

**Weighted average number of ordinary shares**

| | Group | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| Issued ordinary shares at 1 January | 120,499,740 | 120,499,740 |
| Effect of treasury shares held | (232,833) | (499,000) |
| Weighted average number of ordinary shares at 31 December | 120,266,907 | 120,000,740 |

| | Group | |
|---|---|---|
| | **2012 sen** | **2011 sen** |
| Basic earnings per ordinary share | 11.04 | 7.76 |

## 18. Dividends

Dividends recognised by the Company:

| | Sen per ordinary share (net of tax/ tax exempt) | Total amount RM | Date of payment |
|---|---|---|---|
| **2012** | | | |
| Second interim 2011 ordinary | | | |
| - net of tax | 2.25 | 2,700,016 | 22 May 2012 |
| - tax exempt | 2.00 | 2,400,016 | 22 May 2012 |
| First interim 2012 ordinary - tax exempt | 4.50 | 5,422,488 | 29 October 2012 |
| | | 10,522,520 | |
| **2011** | | | |
| Second interim 2010 ordinary | | | |
| - net of tax | 3.75 | 4,500,028 | 19 May 2011 |
| - tax exempt | 1.25 | 1,500,009 | 19 May 2011 |
| First interim 2012 ordinary - tax exempt | 4.00 | 4,800,029 | 15 November 2011 |
| | | 10,800,066 | |

On 27 February 2013, the following dividends were declared by the Directors. These dividends will be recognised in the subsequent financial period.

| | Sen per ordinary share (net of tax/ tax exempt) | Total amount RM |
|---|---|---|
| Second interim 2011 ordinary | | |
| - net of tax | 5.40 | 6,506,986 |
| - tax exempt | 0.60 | 722,998 |
| | | 7,229,984 |

## 19. Operating segments

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

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

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

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

**Segment revenue**

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

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

**Segment trade receivables**

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

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

## 19. Operating segments (Cont'd)

| | North America | | Australia | | Malaysia | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | RM | RM | RM | RM | RM | RM | RM | RM |
| Segment revenue * | 48,190,062 | 38,765,828 | 4,505,903 | 4,814,589 | 4,265,195 | 3,136,328 | 56,961,160 | 46,716,745 |
| Included in measurement of segment revenue are: | | | | | | | | |
| Revenue from external customers | 48,190,062 | 38,765,828 | 4,505,903 | 4,814,589 | 4,265,195 | 3,136,328 | 56,961,160 | 46,716,745 |
| Segment trade receivables # | 2,766,767 | 3,292,271 | 472,155 | 313,630 | 813,158 | 692,344 | 4,052,080 | 4,298,245 |

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

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

## 19. Operating segments (Cont'd)

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

| 2012 | External revenue RM | Depreciation RM | Finance income RM | Gain on disposal of non-current assets other than financial instruments RM | Segment trade receivables RM |
|---|---|---|---|---|---|
| Total reportable segment | 56,961,160 | (2,660,192) | 430,447 | 50,385 | 4,052,080 |
| Other non-reportable segment | 5,368,030 | - | - | - | 518,670 |
| Consolidated total | 62,329,190 | (2,660,192) | 430,447 | 50,385 | 4,570,750 |
| **2011** | | | | | |
| Total reportable segment | 46,716,745 | (2,769,904) | 434,650 | 3,266 | 4,298,245 |
| Other non-reportable segment | 5,542,546 | - | - | - | 473,204 |
| Consolidated total | 52,259,291 | (2,769,904) | 434,650 | 3,266 | 4,771,449 |

## 19. Operating segments (Cont'd)

### Major customers

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

| | Revenue | | |
|---|---|---|---|
| | 2012 RM | 2011 RM | Segment |
| Customer A | 11,135,005 | 7,046,933 | North America |
| Customer B | 9,444,800 | 7,600,212 | North America |
| Customer C | 9,036,426 | 9,613,118 | North America |

## 20. Financial instruments

### 20.1 Categories of financial instruments

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

| | Carrying amounts | | |
|---|---|---|---|
| **Group** | **31.12.2012 RM** | **31.12.2011 RM** | **1.1.2011 RM** |
| **Financial assets** | | | |
| Trade and other receivables | 4,933,019 | 5,078,669 | 7,162,450 |
| Cash and cash equivalents | 21,723,975 | 19,127,459 | 20,503,690 |
| | 26,656,994 | 24,206,128 | 27,666,140 |
| **Financial liabilities** | | | |
| Trade and other payables | 4,002,281 | 2,898,649 | 4,007,362 |
| **Company** | | | |
| **Financial assets** | | | |
| Trade and other receivables | 14,583,275 | 9,931,198 | 13,940,927 |
| Cash and cash equivalents | 9,359,117 | 10,824,122 | 6,923,830 |
| | 23,942,392 | 20,755,320 | 20,864,757 |
| **Financial liabilities** | | | |
| Trade and other payables | 106,250 | 90,200 | 90,300 |

## 20. Financial instruments (Cont'd)

### 20.1 Categories of financial instruments (cont'd)

All financial assets are categorised as loans and receivables, except for other receivables amounting to RM184,502 at 1 January 2011, which were categorised as derivative held for trading at fair value through profit or loss. All financial liabilities are categorised as financial liabilities measured at amortised cost except for other payables amounting to RM39,501 at 31 December 2011, which were categorised as derivative held for trading at fair value through profit or loss.

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

| | 2012<br>RM | 2011<br>RM |
|---|---|---|
| Net gains on: | | |
| Loans and receivables | (109,150) | 519,671 |
| Fair value through profit or loss | | |
| - Held for trading | 550,125 | 488,816 |

### 20.3 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

### 20.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and highly liquid investments with non-bank financial institution. In addition, the Company is also exposed to credit risk in respect of non-trade amounts owing from subsidiaries.

## 20. Financial instruments (Cont'd)

### 20.4 Credit risk (cont'd)

**Trade receivables**

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

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

***Exposure to credit risk, credit quality and collaterals***

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

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable value. A significant portion of these trade receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis and past payment trend analysis to monitor the credit quality of the trade receivables. Any trade receivables having significant balances due more than 30 days (2011: 30 days) and have exceeded their usual payment trend, are deemed to have higher credit risk and will be monitored individually.

The trade receivables of the Group are unsecured.

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

| | 31.12.2012<br>RM | 31.12.2011<br>RM | 1.1.2011<br>RM |
|---|---:|---:|---:|
| North America | 2,766,767 | 3,292,271 | 4,268,692 |
| Australia | 472,155 | 313,630 | 493,275 |
| Japan | 238,547 | 219,735 | 421,594 |
| Europe | 263,625 | 253,469 | 267,999 |
| Malaysia | 813,158 | 692,344 | 911,566 |
| Others | 16,498 | - | 9,668 |
| | 4,570,750 | 4,771,449 | 6,372,794 |

At the reporting date, approximately 50% (31.12.2011: 38%; 1.1.2011: 40%) of the Group's trade receivables were due from 3 (31.12.2011: 3; 1.1.2011: 3) major customers located in North America.

## 20. Financial instruments (Cont'd)

### 20.4 Credit risk (cont'd)

**Trade receivables (cont'd)**

***Impairment losses***

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

| Group | Note | Gross<br>RM | Individual impairment<br>RM | Net<br>RM |
|---|---|---|---|---|
| **31 December 2012** | | | | |
| Not past due | | 2,299,150 | - | 2,299,150 |
| Past due less than 30 days | | 1,907,539 | - | 1,907,539 |
| Past due 31-120 days | | 364,061 | - | 364,061 |
| Past due more than 120 days | | 591,329 | (591,329) | - |
| | 6 | 5,162,079 | (591,329) | 4,570,750 |
| **31 December 2011** | | | | |
| Not past due | | 2,767,309 | - | 2,767,309 |
| Past due less than 30 days | | 1,547,943 | - | 1,547,943 |
| Past due 31-120 days | | 456,197 | - | 456,197 |
| Past due more than 120 days | | 591,329 | (591,329) | - |
| | 6 | 5,362,778 | (591,329) | 4,771,449 |
| **1 January 2011** | | | | |
| Not past due | | 3,383,609 | - | 3,383,609 |
| Past due less than 30 days | | 2,247,273 | - | 2,247,273 |
| Past due 31-120 days | | 701,044 | - | 701,044 |
| Past due more than 120 days | | 632,197 | (591,329) | 40,868 |
| | 6 | 6,964,123 | (591,329) | 6,372,794 |

## 20. Financial instruments (Cont'd)

### 20.4 Credit risk (cont'd)

**Trade receivables (cont'd)**

***Impairment losses (cont'd)***

There were no movements in the allowance for impairment losses of trade receivables of the Group during the financial year.

No impairment loss was recognised for trade receivables past due equal or more than 30 days (2011: 30 days) as subsequent payments have been fully received as of the date of this report.

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

**Highly liquid investments with non-bank financial institution**

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

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

***Exposure to credit risk, credit quality and collaterals***

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

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

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

***Impairment losses***

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

## 20. Financial instruments (Cont'd)

### 20.4 Credit risk (cont'd)

**Inter-company balances**

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

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

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

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

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

***Impairment losses***

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

| | 31.12.2012 | 31.12.2011 | 1.1.2011 |
|---|---|---|---|
| **Company** | **RM** | **RM** | **RM** |
| Amount due from subsidiaries | 14,580,275 | 9,927,198 | 13,936,927 |

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

## 20. Financial instruments (Cont'd)

### 20.4 Credit risk (cont'd)

**Inter-company balances**

**Impairment losses (cont'd)**

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

### 20.5 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 trade and other payables.

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

*Maturity analysis*

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

### 20.6 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 Dollar ("EUR") and Japanese Yen ("YEN").

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

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

## 20. Financial instruments (Cont'd)

### 20.6 Market risk

**Currency risk (Cont'd)**

***Exposure to foreign currency risk***

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

| Group | 31.12.2012 | | | 31.12.2011 | | | 1.1.2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Denominated in | | | Denominated in | | | Denominated in | | |
| | USD | EUR | YEN | USD | EUR | YEN | USD | EUR | YEN |
| *In RM* | | | | | | | | | |
| Trade receivables | 3,242,193 | 263,623 | 238,547 | 3,605,901 | 253,469 | 219,735 | 4,761,967 | 267,999 | 421,594 |
| Cash and cash equivalents | 6,075,635 | 206,593 | 100,152 | 2,131,809 | 770,031 | 233,904 | 2,874,145 | 460,909 | 19,338 |
| Trade payables | (50,871) | - | - | (234,148) | (94,339) | - | (208,074) | (39,159) | - |
| Forward foreign exchange contracts | - | - | - | (37,935) | - | (1,566) | 192,759 | (11,612) | 3,355 |
| **Net exposure** | 9,266,957 | 470,216 | 338,699 | 5,465,627 | 929,161 | 452,073 | 7,620,797 | 678,137 | 444,287 |

## 20. Financial instruments (Cont'd)

### 20.6 Market risk (cont'd)

***Currency risk sensitivity analysis***

A 5 percent strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have decreased post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | Profit or loss | |
|---|---|---|
| | **2012** | **2011** |
| | **RM** | **RM** |
| USD | 347,511 | 206,384 |
| EUR | 17,633 | 34,844 |
| YEN | 12,701 | 17,012 |

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

### 20.7 Fair values of financial instruments

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

### 20.8 Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

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

The Group does not have any financial instruments carried at fair value as at 31 December 2012, 31 December 2011 and 1 January 2011 other than derivatives held for trading at fair value through profit or loss relating to forward foreign exchange contracts as at 31 December 2011 and 1 January 2011. The derivatives held for trading at fair value through profit or loss relating to forward foreign exchange contracts are categorised as Level 2 fair value measurement financial instruments.

## 21. Capital commitments

| Group | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
|---|---|---|---|
| **Capital expenditure commitments** | | | |
| Property, plant and equipment contracted but not provided for in the financial statements | - | 21,992 | 562,038 |

## 22. Capital management

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

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

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

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

## 23. Related parties

### Identity of related parties

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

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

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

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2012 | 2011 | 2012 | 2011 |
| | | RM | RM | RM | RM |
| **A.** | **Subsidiaries** | | | | |
| | Management fees paid to a subsidiary | - | - | 25,000 | 25,000 |
| | Dividend income received from a subsidiary | - | - | (15,300,000) | (11,400,000) |
| **B.** | **Holding company** | | | | |
| | Dividend paid | 6,623,919 | 6,813,174 | 6,623,919 | 6,813,174 |

## 23. Related parties (Cont'd)

### Identity of related parties (cont'd)

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| **C. Key management personnel** | | | | |
| ***Directors*** | | | | |
| Fees - Company Directors | 45,000 | 36,000 | 45,000 | 36,000 |
| Remuneration | 1,394,960 | 1,342,356 | - | - |
| Other short-term employee benefits (including estimated monetary value of benefits-in-kind) | 89,241 | 91,500 | 7,500 | 19,500 |
| | 1,529,201 | 1,469,856 | 52,500 | 55,500 |
| ***Other key management personnel*** | | | | |
| Remuneration | 728,706 | 762,768 | - | - |
| Other short term employee benefits (including estimated monetary value of benefits-in-kind) | 90,547 | 71,168 | - | - |
| | 819,253 | 833,936 | - | - |
| | 2,348,454 | 2,303,792 | 52,500 | 55,500 |

Other key management personnel comprise persons other than the Directors of group entities, having authority and responsibility for planning, directing and controlling the activities of the group entities either directly or indirectly.

The estimated monetary value of Directors' benefit-in-kind is RM81,741 (2011: RM72,000).

## 24. Explanation of transition to MFRSs

As stated in Note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the year ended 31 December 2012, the comparative information presented in these financial statements for the year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the Group's date of transition to MFRSs).

In preparing the opening consolidated statement of financial position at 1 January 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position, financial performance and cash flows is set out as follows:

## 24. Explanation of transition to MFRSs (Cont'd)

### 24.1 Reconciliation of financial position

| Group | Note | 1.1.2011 | | | 31.12.2011 | | |
|---|---|---|---|---|---|---|---|
| | | FRSs | Effect of transition to MFRSs | MFRSs | FRSs | Effect of transition to MFRSs | MFRSs |
| | | RM | RM | RM | RM | RM | RM |
| **Assets** | | | | | | | |
| Property, plant and equipment | a | 46,717,619 | 3,850,857 | 50,568,476 | 45,536,689 | 3,850,857 | 49,387,546 |
| Intangible assets | | 878,181 | - | 878,181 | 878,181 | - | 878,181 |
| **Total non-current assets** | | 47,595,800 | 3,850,857 | 51,446,657 | 46,414,870 | 3,850,857 | 50,265,727 |
| Inventories | | 24,036,269 | - | 24,036,269 | 26,125,892 | - | 26,125,892 |
| Current tax assets | | - | - | - | 71,436 | - | 71,436 |
| Trade and other receivables | | 7,162,450 | - | 7,162,450 | 5,078,669 | - | 5,078,669 |
| Prepayments paid | | 1,248,030 | - | 1,248,030 | 1,031,926 | - | 1,031,926 |
| Cash and cash equivalents | | 20,503,690 | - | 20,503,690 | 19,127,459 | - | 19,127,459 |
| **Total current assets** | | 52,950,439 | - | 52,950,439 | 51,435,382 | - | 51,435,382 |
| **Total assets** | | 100,546,239 | 3,850,857 | 104,397,096 | 97,850,252 | 3,850,857 | 101,701,109 |

## 24. Explanation of transition to MFRSs (Cont'd)

### 24.1 Reconciliation of financial position (cont'd)

| Group | Note | 1.1.2011 | | | 31.12.2011 | | |
|---|---|---|---|---|---|---|---|
| | | FRSs | Effect of transition to MFRSs | MFRSs | FRSs | Effect of transition to MFRSs | MFRSs |
| | | RM | RM | RM | RM | RM | RM |
| **Equity** | | | | | | | |
| Share capital | | 60,249,870 | - | 60,249,870 | 60,249,870 | - | 60,249,870 |
| Share premium | | 302,594 | - | 302,594 | 302,594 | - | 302,594 |
| Treasury shares | | (311,438) | - | (311,438) | (311,438) | - | (311,438) |
| Retained earnings | a | 32,133,372 | 3,850,857 | 35,984,229 | 30,640,761 | 3,850,857 | 34,491,618 |
| **Total equity** | | 92,374,398 | 3,850,8587 | 96,225,255 | 90,881,787 | 3,850,857 | 94,732,644 |
| **Liabilities** | | | | | | | |
| Deferred tax liabilities | | 3,684,364 | - | 3,684,364 | 3,488,848 | - | 3,488,848 |
| **Total non-current liabilities** | | 3,684,364 | - | 3,684,364 | 3,488,848 | - | 3,488,848 |

## 24. Explanation of transition to MFRSs (Cont'd)

### 24.1 Reconciliation of financial position (cont'd)

| Group | Note | 1.1.2011 | | | 31.12.2011 | | |
|---|---|---|---|---|---|---|---|
| | | FRSs | Effect of transition to MFRSs | MFRSs | FRSs | Effect of transition to MFRSs | MFRSs |
| | | RM | RM | RM | RM | RM | RM |
| Current tax liabilities | | 230,882 | - | 230,882 | 411,727 | - | 411,727 |
| Trade and other payables | | 4,007,362 | - | 4,007,362 | 2,898,649 | - | 2,898,649 |
| Prepayment received | | 249,233 | - | 249,233 | 169,241 | - | 169,241 |
| **Total current liabilities** | | 4,487,477 | - | 4,487,477 | 3,479,617 | - | 3,479,617 |
| **Total liabilities** | | 8,171,841 | - | 8,171,841 | 6,968,465 | - | 6,968,465 |
| **Total equity and liabilities** | | 100,546,239 | 3,850,857 | 104,397,096 | 97,850,252 | 3,850,857 | 101,701,109 |

## 24. Explanation of transition to MFRSs (Cont'd)

### 24.2 Reconciliation of profit or loss and other comprehensive income for the year ended 31 December 2011

There are no material differences between the statement of profit or loss and other comprehensive income presented under MFRSs and the statement of profit or loss and other comprehensive income presented under FRSs for the Group and the Company.

### 24.3 Material adjustments to the statements of cash flows for 2011

There are no material differences between the statement of cash flows presented under MFRSs and the statement of cash flows presented under FRSs for the Group and the Company.

### 24.4 Notes to reconciliations

**(a) Property, plant and equipment – Deemed cost exemption – fair value**

The Group elected to apply the optional exemption to measure certain property, plant and equipment at fair value at the date of transition to MFRSs and use that fair value as deemed cost under MFRSs.

The aggregate fair value of these property, plant and equipment at 1 January 2011 was determined to be RM20,061,480 compared to the then carrying amount of RM16,210,623 under FRSs.

The impact arising from the change is summarised as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 1.1.2011 | 31.12.2011 | 1.1.2011 | 31.12.2011 |
| | RM | RM | RM | RM |
| **Consolidated statement of financial position** | | | | |
| Property, plant and equipment | 3,850,857 | 3,850,857 | - | - |
| **Adjustment to retained earnings** | 3,850,857 | 3,850,857 | - | - |

## 25. Supplementary information on the breakdown of realised and unrealised profits or losses

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

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM | RM | RM | RM |
| Total retained earnings of the Company and its subsidiaries | | | | |
| - Realised | 53,491,910 | 53,969,465 | 4,856,334 | 5,395,996 |
| - Unrealised | 8,773,733 | 8,957,136 | - | - |
| | 62,265,643 | 62,926,601 | 4,856,334 | 5,395,996 |
| Less: Consolidation adjustments | (25,024,353) | (28,434,983) | - | - |
| Total retained earnings | 37,241,290 | 34,491,618 | 4,856,334 | 5,395,996 |

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

# Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 31 to 80 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 25 on page 81 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

...............................................................

Lim Chee Keong

...............................................................

Lim Chee Hwa

Petaling Jaya,

Date: 17 April 2013

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

I, **Lim Chee Hwa**, the Director primarily responsible for the financial management of Classic Scenic Berhad, do solemnly and sincerely declare that the financial statements set out on pages 31 to 81 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 17 April 2013.

...............................................................

**Lim Chee Hwa**

Before me:

**Lee Chin Hin** (No. W493)
Commissioner for Oaths
Kuala Lumpur

**Report on the Financial Statements**

We have audited the financial statements of Classic Scenic Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 31 to 80.

*Directors' Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Report on Other Legal and Regulatory Requirements**

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

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

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

b. We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

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

### Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 25 on page 81 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

### Other Matters

As stated in Note 1(a) to the financial statements, the Company adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

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

**KPMG**
Firm Number: AF 0758
Chartered Accountants

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

Petaling Jaya,

Date: 17 April 2013

### SHARE CAPITAL

| | | |
|---|---|---|
| Authorised Share Capital | : | RM100,000,000/- |
| Issued and fully paid-up capital | : | RM60,249,870/- |
| Class of Shares | : | Ordinary shares of RM0.50 each |
| No. of Shareholders | : | 1,867 |
| Voting rights | : | 1 vote per ordinary share |

### ANALYSIS BY SIZE OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % | No. of Share Held | % |
|---|---|---|---|---|
| Less than 100 shares | 15 | 0.80 | 840 | 0.00 |
| 100 - 1,000 shares | 303 | 16.23 | 117,160 | 0.10 |
| 1,001 - 10,000 | 1,014 | 54.31 | 4,890,740 | 4.06 |
| 10,001 - 100,000 | 475 | 25.44 | 14,860,580 | 12.33 |
| 100,001 to less than 5% of issued shares | 58 | 3.11 | 29,728,491 | 24.67 |
| 5% and above of issued shares | 2 | 0.11 | 70,901,929 | 58.84 |
| Total | 1,867 | 100.00 | 120,499,740 | 100.00 |

### LIST OF THIRTY LARGEST SHAREHOLDERS

| | Name | No. of Shares Held | % |
|---|---|---|---|
| 1. | Lim Ket Leng Holding Sdn. Bhd. | 59,399,929 | 49.29 |
| 2. | Lim Ket Leng Holding Sdn. Bhd. | 11,502,000 | 9.55 |
| 3. | Lim Ket Leng Holding Sdn. Bhd. | 4,800,000 | 3.98 |
| 4. | Lim Chee Beng | 3,163,360 | 2.63 |
| 5. | Ang Toon Chew & Sons (Malaysia) Sendirian Berhad | 2,400,000 | 1.99 |
| 6. | Chung Sook Cheng | 2,000,000 | 1.66 |
| 7. | Lim Jeng Dong | 1,374,091 | 1.14 |
| 8. | Ong Ken Sim | 1,130,000 | 0.94 |
| 9. | Ng Chin Peng | 909,860 | 0.76 |
| 10. | Yap Teong Peng | 872,000 | 0.72 |
| 11. | Chung Sook Lai | 824,500 | 0.68 |
| 12. | Moh Woon Chiow | 743,900 | 0.62 |
| 13. | Shoptra Jaya (M) Sdn. Bhd. | 710,000 | 0.59 |
| 14. | Lim Soong Hwatt | 660,000 | 0.55 |
| 15. | Heng Gek Imm | 567,200 | 0.47 |
| 16. | Loh Yuet Mui | 527,500 | 0.44 |
| 17. | Lim Jeng Liang | 524,080 | 0.43 |
| 18. | Lee Chee Kok | 460,000 | 0.38 |
| 19. | Citigroup Nominees (Asing) Sdn. Bhd.<br>Exempt An for Merrill Lynch Pierce Fenner & Smith Incorporated (Foreign) | 407,600 | 0.34 |
| 20. | Gan Cheng Khuan | 379,200 | 0.31 |
| 21. | Tay Cheng Weng | 350,000 | 0.29 |
| 22. | Ong Hab Tong @ Ong Hup Thong | 300,000 | 0.25 |
| 23. | Ng Chin Peng | 300,000 | 0.25 |
| 24. | Chong Man Kiyau | 298,400 | 0.25 |
| 25. | Chong Man Kiyau | 290,000 | 0.24 |
| 26. | Ming Yau Chuan | 263,000 | 0.22 |
| 27. | Lim Kwee Huay | 251,040 | 0.21 |
| 28. | Espoir Investment Pte Ltd | 240,000 | 0.20 |
| 29. | Cho Cheng Geok | 233,400 | 0.19 |
| 30. | Yee Soh Chun | 231,500 | 0.19 |
| | | 96,112,560 | 79.76 |

# Analysis of Shareholdings (Cont'd)
## As At 23 April 2013

### SUBSTANTIAL SHAREHOLDERS
(As shown in the Register of Substantial Shareholders)

| | No. of ordinary Shares of RM0.50 Each | | | |
|---|---|---|---|---|
| **Name of Substantial Shareholders** | **Direct** | **%** | **Indirect** | **%** |
| Lim Ket Leng Holding Sdn. Bhd. | 75,701,929 | 62.82 | - | - |
| Lim Chee Keong | - | - | *78,188,500 | 64.89 |
| Lim Chee Khoon | - | - | *76,001,969 | 63.07 |

* Deemed interested by virtue of his shareholdings in Lim Ket Leng Holding Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965 and his spouse's and/or children's interest by virtue of Section 134(12)(c) of the Companies Act, 1965.

### STATEMENT OF DIRECTORS' SHAREHOLDINGS

| | No. of ordinary Shares of RM0.50 Each | | | |
|---|---|---|---|---|
| **Directors' Name** | **Direct** | **%** | **Indirect** | **%** |
| Lim Chee Keong | - | - | *78,188,500 | 64.89 |
| Lim Chee Khoon | - | - | *76,001,969 | 63.07 |
| Lim Chee Hwa | - | - | - | - |
| Lim Chee Beng | 3,163,360 | 2.63 | #2,000,000 | 1.66 |
| Yeh Sau Tou | 74,400 | 0.06 | - | - |
| Au Thin Ann @ Low Teen Ann | 48,000 | 0.04 | #36,000 | 0.03 |
| Lee Kong Weng | 20,800 | 0.02 | #4,800 | 0.00 |

* Deemed interested by virtue of his shareholdings in Lim Ket Leng Holding Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965 and his spouse's and/or children's interest by virtue of Section 134(12)(c) of the Companies Act, 1965.

# Deemed interested by virtue of his spouse's and/or children's interest by virtue of Section 134(12)(c) of the Companies Act, 1965.

# List of Properties

| No. | Title and Location | Description and Existing Use | Tenure / Approx. Age of Buildings | Land Area / Built-up Area (Square feet) | Net Book Value as at 31December 2012 (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 / 18 years | 76,209 / 69,369 | 5,474,580 | 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 / 15 years | 76,058 / 65,383 | 5,733,473 | 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 / 8 years | 94,422 / 70,347 | 6,830,339 | 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 / 11 years | 98,631 / 106,692 | 9,073,350 | 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 / 12 years | 76,478 / 60,500 | 5,773,478 | 08.01.1999 (acquisition) 01.01.2011 (R) |
| 6. | Lot 41, Jalan RP, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan held under title GRN 86350, Lot 204 Seksyen 19 (formerly under HSD 28293 PT 10365, Mukim of Rawang), Bandar Rawang, District of Gombak, Selangor Darul Ehsan. | Factory complex and warehouse premises for the manufacturing of wooden picture frame moulding | Freehold / 5 year | 79,739 / 74,261 | 6,515,023 | 25.01.2006 (acquisition) 01.01.2011 (R) |
| 7. | Lot 2375, Jalan RP3, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan. | Factory complex and warehouse for storing of wooden picture frame moulding | Temporary Occupation License Yearly renewal / 9 years | 23,400 / 22,435 | 901,876 | 24.9.2002 (approval) |
| 8. | GM 4833, Lot 1371, Mukim Ulu Yam, Tempat Ulu Kg. Tembayan, Daerah Hulu Selangor, Selangor Darul Ehsan. | Vacant land | Freehold / N/A | 125,238 / N/A | 1,630,910 | 11.05.2012 (acquisition) |
| 9. | GM6281 (formerly known as EMR3236), Lot 1832, Mukim Ulu Yam, Daerah Hulu Selangor, Selangor Darul Ehsan. | Vacant land | Freehold / N/A | 78,953 / N/A | 593,694 | 22.06.2012 (acquisition) |
| 10. | GM4848 (formerly known as EMR3181), Lot 1833, Mukim Ulu Yam, Daerah Hulu Selangor, Selangor Darul Ehsan. | Vacant land | Freehold / N/A | 95,282 / N/A | 717,182 | 22.06.2012 (acquisition) |
| 11. | Lot 569, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan held under title GRN 86843, Lot 569 Seksyen 19 (formerly under HSD 28340 PT 10412, Mukim of Rawang), Bandar Rawang, District of Gombak, Selangor Darul Ehsan. | Vacant land | Freehold / N/A | 39,148 / N/A | 1,333,673 | 26.09.2012 (acquisition) |

Note:

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

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Tenth Annual General Meeting of the Company will be held at the Kiara Room, Sri Damansara Club Berhad, Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur on Wednesday, 5 June 2013, at 10.00 a.m. for the transaction of the following businesses:-

1. To receive the Audited Financial Statements for the year ended 31 December 2012 together with the Reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To approve the Directors' fees of RM45,000 (2011: RM36,000/-) in respect of the year ended 31 December 2012. **(Resolution 2)**

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

| | | | |
|---|---|---|---|
| (a) | Mr. Au Thin An @ Low Teen Ann | Article 92 | **(Resolution 3)** |
| (b) | Mr. Lim Chee Keong | Article 92 | **(Resolution 4)** |

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

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

   Authority to issue shares pursuant to Section 132D of the Companies Act, 1965 **(Resolution 6)**

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

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

**BY ORDER OF THE BOARD,**

**CHOW CHOOI YOONG**
**(MAICSA 0772574)**
Company Secretary

Kuala Lumpur
14 May 2013

**Notes:**

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint up to two proxies to attend and vote instead of him/her. There shall be no restriction as to the qualification of proxy.

2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.

3. Where a member of the Company is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.

4. In the case of a corporate body, the proxy appointed must be in accordance with the Memorandum and Articles of Association, and the instrument appointing a proxy shall be given under the Company's Common Seal or under the hand of an officer or attorney duly authorised.

5. The Form of Proxy must be deposited at the Company's Registered Office at Lot 4.100, Tingkat 4, Wisma Central, Jalan Ampang, 50450 Kuala Lumpur not less than 48 hours before the time set for the meeting or any adjournment thereof.

6. **General Meeting Record of Depositors**
   For purposes of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 47(C) of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Securities, a Record of Depositors as at 30 May 2013 and a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his stead.

7. **Explanatory Notes on Special Business**

   **Resolution pursuant to Section 132D of the Companies Act, 1965**
   Resolution No. 6 proposed under item 5 is to seek a renewal of the general mandate for the issue of new ordinary shares pursuant to Section 132D of the Companies Act, 1965 which was approved by shareholders at the last year's AGM. There was no issuance of new shares during the year.

   The proposed Resolution No. 6, if passed, will empower the Directors of the Company to issue and allot new shares in the Company at any time and for such purposes as the Directors considered would be in the interests of the Company up to an aggregate not exceeding 10% of the issued share capital of the Company without convening a general meeting. This authority unless revoked or varied at a general meeting will expire at the next AGM.

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

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# Proxy Form

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

I/We ____________________________________________
(FULL NAME IN BLOCK LETTERS)

of ____________________________________________
(ADDRESS)

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

____________________________________________
(FULL NAME)

of ____________________________________________
(ADDRESS)

or failing him/her, ____________________________________________
(FULL NAME)

of ____________________________________________
(ADDRESS)

or failing him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the TENTH 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, 5 June 2013, at 10.00 a.m. and at any adjournment thereof.
(* strike out whichever is not desired)

My/Our proxy is to vote as indicated below:

| NO | RESOLUTIONS | FOR | AGAINTS |
|---|---|---|---|
| 1. | To receive the Audited Financial Statements and Reports | | |
| 2. | Approval of Directors' fees | | |
| 3. | Re-election of Mr. Au Thin An @ Low Teen Ann as director | | |
| 4. | Re-election of Mr. Lim Chee Keong as director | | |
| 5. | Re-appointment of Messrs. KPMG as Auditors | | |
| 6. | Ordinary Resolution<br>Authority to issue shares pursuant to Section 132D of the Companies Act, 1965 | | |

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

Dated this ______________ day of ________________ 2013

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

____________________
Signature

**Notes:**

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint up to two proxies to attend and vote instead of him/her. There shall be no restriction as to the qualification of proxy.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
3. Where a member of the Company is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.
4. In the case of a corporate body, the proxy appointed must be in accordance with the Memorandum and Articles of Association, and the instrument appointing a proxy shall be given under the Company's Common Seal or under the hand of an officer or attorney duly authorised.
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fold here

Affix
Stamp

**THE COMPANY SECRETARY**

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

fold here

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