

Scenic in Name
Beauty in Frame™



CLASSIC SCENIC BERHAD
(633887-M)

Annual
Report
2018



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

CLASSIC SCENIC GROUP at a Glance

Classic Scenic Berhad ("CSCENIC") was incorporated on 10 November 2003, and listed on the Second Board of the Bursa Malaysia Securities Berhad ("Bursa Securities") on 4 November 2004. Subsequently on 6 June 2006, it was transferred to the Main Board (Main Board and Second Board merged and now known as Main Market) of the Bursa Securities. CSCENIC is an investment holding company, with subsidiaries principally engaged in the manufacturing of wooden picture frame mouldings, and wooden pallets. For the former, it is primarily undertaken by wholly-owned subsidiary, Finesse Moulding (M) Sdn. Bhd., of which full certification for ISO9001:2015 has been duly obtained.

The first mouldings were made in 1988, and we have emerged to be one of the largest wooden picture frame mouldings manufacturer and exporter in Malaysia, and one of the biggest operations in the region as well since 2000s. More than 90% of the Group's premium wooden picture frame mouldings are mainly exported to North America, Australia, Europe and Japan. Current manufacturing facility comprises of 6 factories centrally located in Rawang, Selangor spread over an area of 500,000 sq. ft., and a 350 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.



OUR VISION

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

OUR MISSION

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



CLASSIC SCENIC BERHAD
(633887-M)

C O N T E N T S



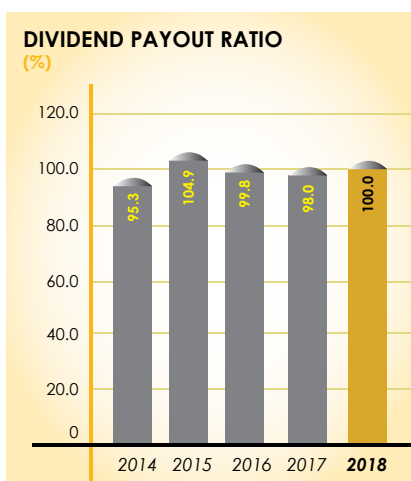
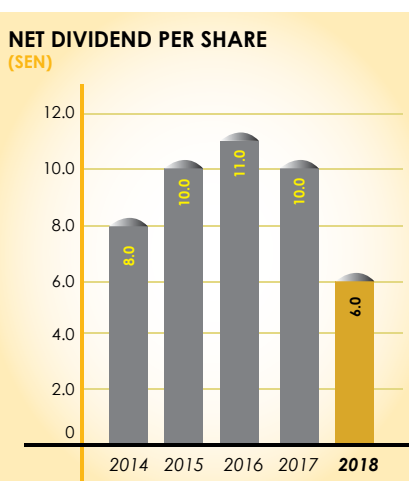
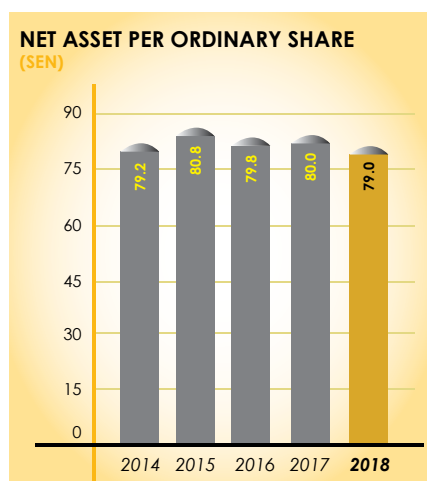
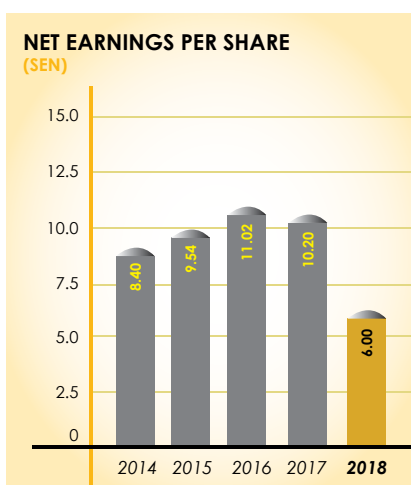
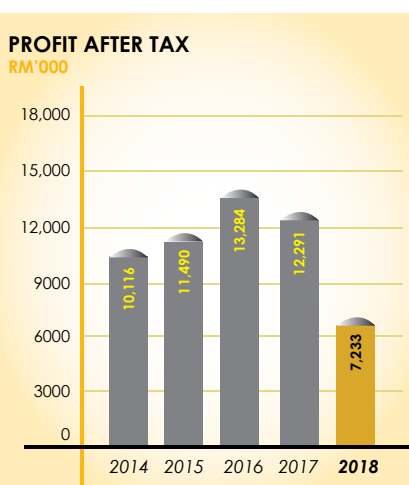
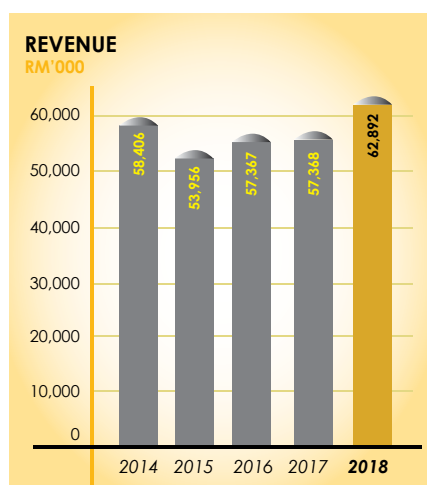
| | |
|--|----------|
| Financial Highlights | 2 |
| Chairman's Messages and Management Discussion & Analysis | 3 - 5 |
| Sustainability Statement | 6 - 10 |
| Corporate Structure | 11 |
| Corporate Information | 12 |
| Profile of Board of Directors | 13 - 14 |
| Key Senior Management | 15 |
| Corporate Governance Overview Statement | 16 - 18 |
| Audit Committee Report | 19 - 23 |
| Statement on Risk Management and Internal Control | 24 - 27 |
| Statement of Directors' Responsibility for Preparation of the Financial Statements | 28 |
| Financial Statements | 29 - 91 |
| Analysis of Shareholdings | 92 - 93 |
| List of Properties | 94 - 95 |
| Additional Compliance Information Disclosures | 96 - 97 |
| Notice of Annual General Meeting | 98 - 101 |
| Proxy Form | |

FINANCIAL HIGHLIGHTS

| Financial Year | 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------------------------------|--------|--------|--------|--------|--------|
| 1 Revenue (RM'000) | 62,892 | 57,368 | 57,367 | 53,956 | 58,406 |
| 2 Profit Before Tax (RM'000) | 8,703 | 16,221 | 17,477 | 15,344 | 13,344 |
| 3 Profit After Tax (RM'000) | 7,233 | 12,291 | 13,284 | 11,490 | 10,116 |
| 4 Net Cash (RM'000) | 14,907 | 14,190 | 23,915 | 21,386 | 16,524 |
| 5 Return on Equity (%) | 7.60 | 12.75 | 13.81 | 11.80 | 10.59 |
| 6 Net Asset Per Ordinary Share (sen) | 79.0 | 80.0 | 79.8 | 80.8 | 79.2 |
| 7 Net Earnings Per Share (sen) | 6.00 | 10.20 | 11.02 | 9.54 | 8.40 |
| 8 Net Dividend Per Share (sen) | 6.00 | 10.00 | 11.00 | 10.00 | 8.00 |
| 9 Dividend Payout Ratio (%) * | 100.00 | 98.0 | 99.8 | 104.9 | 95.3 |
| 10 Net Dividend Yield (%) # | 5.5 | 6.1 | 6.1 | 8.3 | 6.7 |

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

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



CHAIRMAN'S MESSAGES AND MANAGEMENT DISCUSSION & ANALYSIS



On behalf
of the Board
of Directors
of Classic
Scenic Berhad
("CScenic"),
I am pleased
to present the
Annual Report
and the Audited
Financial
Statements of
CSCENIC for
the financial
year ended 31
December 2018.

The operating landscape for year 2018 was indeed challenging with downside risks to global growth which was mainly attributable to key events such as trade tensions between the USA and China and the rising interest rate by the USA Federal Reserve, the Group achieved yet a record-high revenue of RM62.9 million for the financial year ended 31 December 2018. This achievement was attributed to the moderate growth in the economy of USA which was boosted by a relatively positive economic sentiment and rising household consumption as the labour market continued to strengthen with steady increase in wage growth. North America contributes about 70% to the Group's revenue, and with the improved USA economy and persistently strong job market, these had boded well for the Group's 2018 full year export revenue.

In year 2018, the Malaysian Ringgit had regained some strength against US Dollar along with stronger crude oil prices. The average exchange rate level for year 2018 was approximately MYR4 against US Dollar, an appreciation of 7% compared to year 2017. The appreciation of Malaysian Ringgit had partially negated the Group's revenue to RM62.9 million for the financial year ended 2018.

The group experienced input costs pressure resulting from escalating timber raw material prices and labour cost for the year 2018. The demand for timber remained high in year 2018 and the lower supply had significantly pushed-up the prices of timber material. The unfavourable weather was cited as a reason for the lower timber supply in the market. Additionally, imported raw materials, such as paints and lacquers, were marginally more expensive compared to the preceding year as a result of the stronger crude oil prices. Our prudent time-tested strategy of having high timber inventory level had partially helped to lessen the impact of the rising cost on the Group's bottom line.

Chairman's Messages and Management Discussion & Analysis

(cont'd)

The labour cost for 2018 was driven up by the levy payment for foreign workers. Commencing 1 January 2018, employers nationwide shall entirely bear the levy for foreign worker. As at 31 December 2018, the Group had a mix of foreign and local employees at 55% and 45% respectively. The higher timber price and the additional levy expenses borne by the Group coupled with the strengthening of Malaysian Ringgit had attributed to the dip of gross profit margin to 26% from 38% in the preceding financial year 2017.

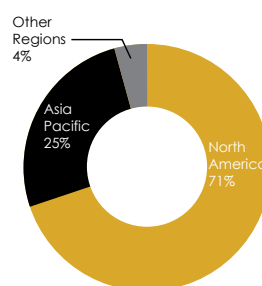
Against the backdrop of the challenging business environment, the Group yet delivered another satisfactory performance in 2018, with record-high revenue of RM62.9 million and a pre-tax profit of RM8.7 million thanks to our solid and strong business fundamentals, prudent strategies in place, and our unwavering commitment to the maintenance of a disciplined cost structure.

Financial Performance Review

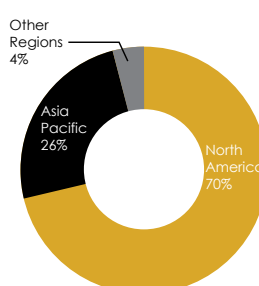
Amid the environment landscape marked by rising uncertainties, the Group was able to capitalise on its competitive edges to gain higher sales orders from its customers over the other market players and achieved a record-high revenue of RM62.9 million for the financial year ended 31 December 2018, an increase of RM5.5 million or 9.6% compared to the preceding financial year 2017. Nevertheless, the weakening of US Dollar against Malaysian Ringgit, the price hike in timber raw material and the increase in labour cost had eroded the Group's gross profit margin to 26% compared to 38% in the preceding financial year 2017. The Group ended with lower profit after tax of RM7.2 million for the financial year ended 31 December 2018, a decline of RM5.1 million or 41.5% as compared to the preceding financial year 2017 amidst the pressure posed by the input costs.

For the financial year ended 31 December 2018, export of wooden picture frame mouldings accounted approximately 87% of the Group's revenue, whereas the remaining 13% was contributed by the local sales of wooden pallets. The revenue of the Group by region is depicted as below:-

2018 Revenue By Region

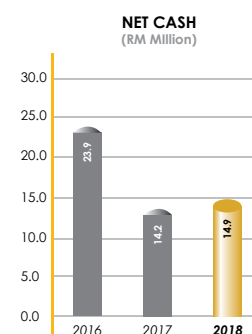
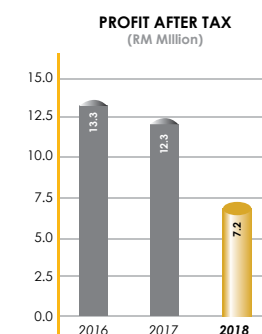
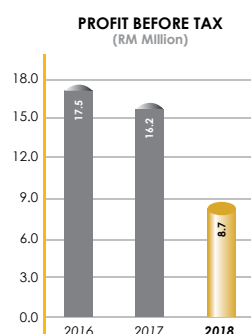
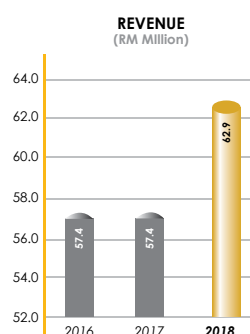


2017 Revenue By Region



The Group's export proceeds are predominantly denominated in US Dollar and thus, foreign currency risk is one of the principal risks of the Group. The management performs ongoing review over its exposure to foreign currency risk and manages the risk by hedging to mitigate the foreign currency risk. Forward foreign currency contracts with maturity of less than one year are used by the Group to hedge its foreign currency risk. As at 31 December 2018, the foreign currency forward contracts in-hand, which were used to hedge against the Group's trade receivables and forecasted sales over the next six months, amounted to RM16.9 million, and its unrealised fair value loss of RM0.1 million has been recognised in the financial statements.

The Group continued its journey of moving towards production automation in order to be less reliance on labour. For the financial year ended 31 December 2018, the Group invested RM1.8 million in acquiring plant and equipment to improve the efficiency of production operation during the year 2018. With the government's supportive policies in automation, Automation Capital Allowance incentives had been granted to the Group's subsidiaries under the Income Tax Automation Equipment Rules 2017 for the fully commissioned plant and machinery which were acquired in the year 2017.



Chairman's Messages and Management Discussion & Analysis

(cont'd)

As at 31 December 2018, the Group posted a net cash position of RM14.9 million and maintained a healthy balance sheet. The shareholders' equity was RM95.2 million and net asset per share stood at RM0.79 as at 31 December 2018.

The Group remains focused on its time-validated organic growth strategies and its core business of manufacturing wooden picture frame mouldings and timber products. We will strive to achieve stable and sustainable profitability by anchoring on the Group's time-tested business model and staying agile in its business strategies to navigate through the market uncertainties, challenges and intense competition. Close collaboration and strengthening the relationship with major customers in studying changes in consumer needs and understanding their preferences, and continuously enhancing the development and introduction of innovative and affordable products of high quality remained as key agenda of the Group. To facilitate these, an annual Customers Satisfaction Survey is conducted to monitor customers' satisfaction level and to ascertain the Group's competitive position against other competitors.

The Group is mindful of the on-going challenges posed by the input costs and is committed to continually put more emphasis on automation and productivity improvement, procurement optimisation and operational efficiency to sustain and enhance profitability.

Dividend

The Group endeavours to maintain consistent and sustainable dividend payments, which falls in line with the Group's dividend policy of distributing 50% of the net profit after tax attributable to shareholders, as enriching long term shareholder value remains a high priority for the Group. On 26 February 2019, the Board declared a second interim single tier dividend of 4.0 sen per ordinary share totaling RM4.8 million in respect of the financial year ended 31 December 2018. The dividend was paid on 18 April 2019 to depositors registered in the Record of Depositors on 3 April 2019. The Board does not propose final dividend for the financial year ended 31 December 2018.

A first interim single tier dividend of 2.0 sen per ordinary share totaling RM2.4 million in respect of the financial year ended 31 December 2018 was declared on 23 August 2018 and paid on 29 October 2018. Therefore, the total net dividend paid to shareholders for the financial year ended 31 December 2018, would amount to RM7.2 million or 6.0 sen per ordinary share.

The dividend payout ratio for the financial year ended 31 December 2018 was 100%.

Outlook

The USA consumption-driven economy is expected to be fueled by the persistently strong job market, wage growth and robust business sentiment in year 2019. Nevertheless, the trade tension between the USA and China continues to pose downside risk to the global economy and therefore affects the Group's export business.

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

Going forward, challenges in the form of escalating costs in raw materials and labour, shall be among the primary concerns of the Group. Nevertheless, we shall continue to focus on managing a disciplined and resilient cost structure by implementing various strategies including automation of production processes, productivity improvement, procurement optimisation and improving operational efficiency.

God's words "*Those who hope in the Lord will renew their strength. They will soar on wings like eagles; they will run and not grow weary, they will walk and not be faint*", is our solid rock where we build our hope on. It drives us to move forward and to thrive through all the uncertainties and challenges without weary and faint. With our steadfast belief in God and counting on our team's hard work and unfaltering dedication, we are in a position to weather the challenges and perform favourably in 2019.

Appreciation to stakeholders

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

God Bless you all.

Lim Chee Keong
Executive Chairman

SUSTAINABILITY STATEMENT

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

The Group's sustainability statement is guided by Bursa Malaysia's Sustainability Reporting Guide, in which the Group expects to learn and improve on how it can enhance its business operation to add further long term value to the stakeholders and to manage the risks as well as opportunities related to the key aspects of SEE.

Reporting Scope

The scope of this sustainability statement covers Classic Scenic Berhad and its subsidiaries for the financial year ended 31 December 2018 with its operations established in Malaysia.

Sustainability Governance

The Group's sustainability matters are overseen by the Executive and Risk Management Committee and endorsed by the Board of Directors via the recommendation from the Audit Committee.

CScenic Sustainability Governance Structure

| Governance Structure | Role |
|---|---|
| Board of Directors | <ul style="list-style-type: none"> Deliberate and approve the Group's strategies and all key sustainability related matters |
| Audit Committee | <ul style="list-style-type: none"> Review the overall Group Risk Management matters, including SEE issues and sustainability risks, and recommend to the Board of Directors for endorsement |
| Executive and Risk Management Committee | <ul style="list-style-type: none"> Oversee, establish and assess the effectiveness of the Group's risk management and sustainability framework Conduct materiality assessment, plan and embed sustainability initiatives into the Group's business strategies Report key sustainability matters to Audit Committee |
| Head of Department of various departments | <ul style="list-style-type: none"> Identify, plan and embed sustainability initiatives into respective business and operational areas, and provide and monitor the measurable indicators |

Material Sustainable Matters

The Group had conducted an assessment to identify material sustainability matters and issues that are relevant to its business and of concern to stakeholders. The material sustainability matters were categorised and summarised into the following 4 key themes:-

| Responsible Business | Conduct and Compliance | Environmental Sustainability | People, Community and Society |
|--|---|--|--|
| <ul style="list-style-type: none"> Customer satisfaction Product safety responsibility Procurement practice | <ul style="list-style-type: none"> Compliance Anti-fraud and anti-bribery | <ul style="list-style-type: none"> Environmental monitoring and compliance <ul style="list-style-type: none"> scheduled waste gas emission waste water Efficient use of energy | <ul style="list-style-type: none"> Employment benefits Training and development Diversity Safety and health Community |

Sustainability Statement

(cont'd)

I. RESPONSIBLE BUSINESS

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

Customer Satisfaction

With the dynamic and fast evolving macro environment, listening to customers has been one of the critical success factors of CScenic. The Group has established and implemented the ISO 9001:2015 Quality Management System to ensure consistently high quality of products and services are delivered to customers. The effective execution of the Quality Management System is evidenced by the good scoring achieved in the annual Customers Satisfaction Survey. The Group was able to maintain high rating of above 4 (out of full score of 5 Excellent) for the customer satisfaction for the past 5 years.

Product Safety Responsibility

Product safety is one of the top priorities in our quality policy, and the Group's technical team remains fully committed in carrying out various studies and tests in accordance with standard procedures, to ensure the safety level of raw materials comply with safety and health standards. For instances, finished products are sent to accredited labs periodically for hazardous substance tests in order to ensure the content of our products are well in compliance with the Restriction of Hazardous Substance Directive 2011/65/EU (RoHS), 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).

In 2018, our technical team sent the finished product samples to an accredited lab for hazardous substance testing and the test results showed all product samples complied with RoHS standards and specifications.

Procurement Practice

Our main subsidiary, Finesse Moulding (M) Sdn Bhd, has long established policy in buying legally verified timber, and has obtained its certification of timber chain-of-custody management system from an internationally recognised certification body since 2009.

In its sourcing practices, the Group's sourcing team carry out inspection and verification at timber sawmill plants to ensure the legality of timber logs sourced. The Group is committed to making every effort in ensuring all timbers are from legal and traceable sources.

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

II. CONDUCT AND COMPLIANCE

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

Sustainability Statement

(cont'd)

Compliance

The Group has been practicing good corporate governance to safeguard stakeholders interest, as disclosed in Corporate Governance Report. The Corporate Governance is periodically reviewed and enhanced by the Group to protect the interest of stakeholders. Executive and Risk Management Committee is in-place to assist the Board of Directors in risk management, which includes overseeing the development and effectiveness of risk management and sustainability policies and processes, reviewing risk exposure and portfolio, ensuring that internal control systems is put in place for effective risk management and sustainability activities, and reporting to the board of directors via audit committee.

Anti-Fraud and Anti-Bribery

Code of business conducts and ethics and Anti-fraud and whistleblowing policy were established and adopted to instill ethical values into employees. The Code of business conducts and ethics, and anti-fraud and whistleblowing policy clearly define the Group's stand on integrity, honesty and ethical behavior and a zero tolerance to unethical business conduct. These formed part of risk management, to promote and cultivate an honest and transparent environment.

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

III. ENVIRONMENTAL SUSTAINABILITY

The Group is mindful that to build a sustainable future, the Group endeavors to use the resources such as timber, electricity and water, in our production processes as efficiently as possible.

Environmental Monitoring and Compliance

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

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

Trained personnel is assigned to closely monitor all emissions such as air and water discharged. The paint waste generated from the production process is channeled into a waste water treatment plant and concentrated into paint sludge to minimise environmental pollution. In 2018, there was approximately 0.72 kg of paint sludge waste per thousand feet of wooden picture frame moulding generated from the production processes and we aim to maintain this waste level.

The scheduled waste, paint sludge, is being handled and disposed in accordance to the rules and regulations stipulated by the Department of Environment ("DOE") Malaysia. Internal training on Scheduled Waste Management is also conducted periodically to ensure the Scheduled Waste is handled by a competent team.

The Group engaged an external environmental consultant, who is certified by DOE, to conduct assessment on the air emission pollutant generated from the selected wood-working machines and equipment on rotational basis to ensure the compliance to Environmental Quality (Clean Air) Regulations 2014.

Sustainability Statement

(cont'd)



Annual assessment on the air emission pollutant is conducted by a DOE certified external environmental consultant.

Efficient Use of Energy

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

The Group continued to invest in advance wood-working machinery, and replaced and upgraded some existing equipment parts with newer energy-efficient parts, which allow simultaneous improvements in production output, changeover time, and also deliver energy savings.

An Environmental Green Fund Scheme has been established to create the awareness of the energy conservation in its business and operational activities. A 3Rs concept which is Reduce, Reuse and Recycle has also been rolled out to the entire organisation to conserve the resources. The savings derived from the scheme was RM18,000 as at 31 December 2018 and it will be shared among all employees and also partly be used to aid a group of underprivileged employees.

IV. PEOPLE, COMMUNITY AND SOCIETY

CScenic recognises people, community and society as social capital, which is essential to the long term business sustainability of the Group. Developing employees is always one of the Group's priorities as skilled human capital is crucial for an organisation's long term sustainable growth. As at 31 December 2018, there is approximately 350 dedicated men and women who are part of CScenic team.

Employment Benefits

Employees' emoluments and benefits are well taken care of. The remuneration package is reviewed and benchmarked against the marketplace periodically to ensure the package is competitive in the labor market, and the employees are equitably remunerated based on their contributions. Various emoluments, benefits and incentives are provided to lower income level staff such as transport allowances. Long service awards are also extended to employees as a gesture of appreciation from the Group. In year 2018, a total of 10 long service awards had been extended to employees who have been working in CScenic for 20 years and above.

Training and Development

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

Our employee turnover rate for 2018 was 14%, which is better than the manufacturing industry year 2017 average of 18%. We recognise that talents are one of the key drivers in growing the Group's business and will continue to strengthen the talent retention program to retain our employees.

Sustainability Statement

(cont'd)

Diversity

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

In connection with this policy, a female Director had been appointed as Independent Non-Executive Director, which constituted 17% women diversity in Board. As at 31 December 2018, women who held top management positions accounted for one-third (1/3) of top management.

Safety and Health

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

Periodic in-house safety and health audits are conducted to ensure that the Group's safety rules and regulations are enforced and complied with. There were a total 15 cases of accidents for the year 2018 with 0.13% lost time over the total working time, and this is an improvement compared to year 2017 of total 21 cases with 0.22% lost time over the total working time.

To inculcate a safety and health mindset amongst our employees, a series of safety and health trainings, such as Safety Awareness, First Aid and CPR, Fire Prevention and Chemical Hazards, had also additionally been conducted periodically to improve employees' health and safety. Annual health medical check-up is a compulsory for employees who work in high risk areas, such as long exposure to chemical and noise.

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

Community

As a socially responsible company, the Group participated in a forestry run event which was co-hosted by the Malaysia Timber Industry Club and the wooden industry market players, for the benefit of promoting a healthy lifestyle.

A yearly blood donation campaign is co-organised with the National Blood Centre of Malaysia in contributing to the national blood-bank, with well over 64 participants supporting the blood donation activity.



Our employees were having their annual health medical check-up in the mobile clinic



Employees learnt how to perform CPR in the First Aid and CPR training



Fire prevention training was given to the emergency response teams

CORPORATE STRUCTURE



100%

Finesse Moulding (M) Sdn. Bhd.

Manufacture of wooden picture frame moulding

100%

Lim Ket Leng Timber Sdn. Bhd.

Manufacture of timber products

100%

Scenic Moulding (M) Sdn. Bhd.

Property holding and rental of properties

100%

Lim Ket Leng Realty Sdn. Bhd.

Property holding and rental of properties

100%

Lim Ket Leng Marketing Sdn. Bhd.

Dormant

100%

Classic Frame Moulding (M) Sdn. Bhd.

Dormant

76%

Cscenic Agro Marketing Sdn. Bhd.

Dormant

CORPORATE INFORMATION

Board of Directors

LIM CHEE KEONG
(Executive Chairman)

LIM CHEE BENG
(Managing Director)

LIM CHEE HWA
(Executive Director)

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

LEE KONG WENG
(Independent Non-Executive Director)

CHOW CHOOI YOONG
(Independent Non-Executive Director)

AUDIT COMMITTEE

Lee Kong Weng
Chairman
(Independent Non-Executive Director)

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

Chow Chooi Yoong
Member
(Independent Non-Executive Director)

NOMINATION COMMITTEE

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

Lee Kong Weng
Member
(Independent Non-Executive Director)

Chow Chooi Yoong
Member
(Independent Non-Executive Director)

REMUNERATION COMMITTEE

Lee Kong Weng
Chairman
(Independent Non-Executive Director)

Chow Chooi Yoong
Member
(Independent Non-Executive Director)

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

COMPANY SECRETARY

Wong Youn Kim
(MAICSA 7018778)

HEAD OFFICE

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

REGISTERED OFFICE

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

AUDITORS

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel : 603 – 7721 3388
Fax : 603 – 7721 3399

PRINCIPAL BANKERS

Citibank Berhad
Hong Leong Bank Berhad

SHARE REGISTRAR

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

STOCK EXCHANGE LISTING

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

PROFILE OF BOARD OF DIRECTORS

LIM CHEE KEONG

Malaysian, aged 63, Male
Executive Chairman

Lim Chee Keong was appointed as the Chairman of CSCENIC on 3 August 2004. He is also the Chairman of the Executive and Risk Management Committee. He is the main founder of the Group and has accumulated more than 40 years of experience in the timber based industry. His career started in 1974, when he took over the family business, which was in the manufacturing of wooden crates and was responsible for the overall operations. The business expanded into manufacturing of wooden pallets in 1988 and in 1994, he was instrumental in diversifying the Group's business operation into manufacturing of wooden picture frame moulding.

LIM CHEE BENG

Malaysian, aged 55, Male
Managing Director

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

LIM CHEE HWA

Malaysian, aged 60, Male
Executive Director

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

AU THIN AN @ LOW TEEN ANN

Malaysian, aged 75, Male
Independent Non-Executive Director

Au Thin An @ Low Teen Ann

was appointed to the Board as Independent Non-Executive Director on 2 January 2008. He is the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee. He started his career in insurance 40 years ago with then Sime Insurance Services, an inhouse insurance division of Sime Darby Group. He was responsible for the Insurance Broking Companies in the Far East for Sime Darby and his last position before leaving the Group was Regional Division Director. He joined Kris Jardine Insurance Brokers Sdn Bhd as Advisor in 1999 and was responsible for re-structuring the Company, which is now known as Jardine Lloyd Thompson Sdn Bhd, a member of Jardine Matheson Group and the last position held until his retirement was as The Deputy Chairman. He was an Honorary Treasurer of Insurance Brokers Association of Malaysia.

Currently, he operates a risk management consultancy and is an insurance risk advisor to several major companies. He is an Independent Non-Executive Director and the Chairman of the Nomination and Remuneration Committees of Lee Swee Kiat Group Berhad. He is also a member of its Audit Committee.

Profile of Board of Directors

(cont'd)

LEE KONG WENG

Malaysian, aged 47, Male
Independent
Non-Executive Director

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

Currently, he is a partner of Baker Tilly Monteiro Heng PLT, an independent member firm of Baker Tilly International. He is currently a member of the MFRS Application and Implementation Committee (MAIC) which was set up by the Malaysian Accounting Standards Board.

CHOW CHOOI YOONG

Malaysian, aged 59, Female
Independent Non-Executive
Director

Chow Chooi Yoong was appointed to the Board as Non-Independent Non-Executive Director on 1 April 2016 and was re-designated to Independent Non-Executive Director on 24 July 2017. She is a member of the Audit, Nomination and Remuneration Committees. She is an associate member of the Institute of Chartered Secretaries and Administrators (UK). She graduated from Kolej Tunku Abdul Rahman with a Diploma in Business Studies in 1983 and commenced her career in secretarial practice in the same year with a management services company for about a year before she left to join T & S Management Sdn. Bhd. ("TS Management"), a medium sized service provider company offering corporate secretarial advisory services to a wide range of clients.

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

OTHER INFORMATION ON DIRECTORS

Save for Lim Chee Keong, Lim Chee Beng and Lim Chee Hwa who are brothers, none of the Directors are related to each other and/or any other substantial shareholders of CSCENIC except Lim Kwee Huay. In addition, all the above Directors have no conflict of interest with the Group and have had no conviction for any offences other than traffic offences, if any, in the last five (5) years.

KEY SENIOR MANAGEMENT

LIM KIM LEE

Malaysian, aged 41, Female
Chief Financial Officer

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

LIM KWEE HUAY

Malaysian, aged 59, Female
Senior Marketing Manager

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

NG CHIN PENG

Malaysian, aged 41, Male
Senior Production Manager

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

This Corporate Governance Overview Statement which is to be read together with the Corporate Governance Report 2018 of the Company ("CG Report 2018"), is to provide shareholders and investors with an overview of the corporate governance practices of the Company during the financial year ended 31 December 2018.

The CG Report 2018 details on how the Group has applied each Practice of the MCCG, except where stated otherwise, and is available on the Company's website : <http://www.classicscenic.com>.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

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

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

The Board has also established and entrusted Board Committees, including an Executive and Risk Management Committee ("ERMC"), with specific responsibilities to oversee the Group's affairs in accordance with their respective Terms of Reference. The key issues and decisions made by each Board Committee and the ERMC are required to be reported to the Board.

In order to ensure that good standards of behaviour permeate throughout all levels of the Group and to help prevent misconduct and unethical practices, the Board had in-placed the Anti-Fraud and Whistle Blowing Policy ("AWP") and Code of Business Conducts and Ethics for the Directors and employees within the Group.

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

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

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

The Board had appointed a qualified secretary who is a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and is qualified to act as Company Secretary under the Companies Act, 2016. As a practicing company secretary, she has also attended continuous professional development programmes as required by MAICSA.

Corporate Governance Overview Statement (cont'd)

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

I. Board Responsibilities (cont'd)

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

II. Board Composition

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

In connection with this policy, as at 31 December 2018, the Group has a lady Director on the Board and women who held top management positions accounted for one-third (1/3) of top management.

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

The Board had upon the recommendation of the NC, agreed that the size of the Board is optimum and that there is an appropriate mix of experience and expertise in the composition of the Board and its Board Committees. In line with the principles of the MCCG, the composition of the Remuneration Committee ("RC") was changed on 16 March 2018.

III Remuneration

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

The RC reviews the performance of the Executive Chairman, Managing Director, Executive Director and Senior Management annually and submits recommendation to the Board on specific adjustment to the remuneration that reflect their contributions for the year, which are competitive and in tandem with the Company's objectives. The annual review during the financial year ended 31 December 2018 was conducted by the RC on 28 November 2018.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

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

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

Corporate Governance Overview Statement (cont'd)

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

I. Audit Committee (cont'd)

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

II Risk Management and Internal Control Framework

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

The Statement on Risk Management and Internal Control furnished on pages 24 to 27 of this Annual Report provides an overview on the state of risk management and internal controls within the Group.

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

I. Communication with Stakeholders

The Board adheres strictly to the Bursa Securities' disclosure framework to provide investors and the public with accurate and complete information on a timely basis. In pursuance of this, the Board endeavours to provide timely and accurate disclosure of all material information of the Group to the shareholders and investors. Information is disseminated through various disclosures and announcements made to the Bursa Securities and is also electronically published at the Bursa Securities' and the Company's websites at <http://www.bursamalaysia.com> and <http://www.classicscenic.com> respectively and they are accessible by the public.

The Board had formalised and adopted the Investors Relations ("IR") Policy on 26 February 2014. The IR policy provides a structured framework for the Group's IR processes and procedures and give guidance to the Group on how it will meet its obligations to communicate information fairly and accurately to its shareholders, investors, financial community and stakeholders.

The Managing Director and/or key management personnel also hold briefings with the press and analysts, when necessary, to provide information on the Group's strategy and performance whilst always being mindful of the sensitive information concerning share prices and the fair distribution of information to shareholders and investors.

II Conduct of General Meetings

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

In line with the MCGG, the Notice of the Sixteenth (16th) AGM and Annual Report 2018 of the Company are sent 28 days prior to the AGM, so as to provide sufficient time for shareholders to read through the Annual Report and make the necessary attendance and voting arrangements.

In compliance with Bursa Securities' Listing Requirements, voting for all resolutions set out in the Notice of the Sixteenth (16th) AGM shall be conducted by poll as it fairly reflects shareholders' views by ensuring that every vote is recognized, in accordance with the "one share one vote" principle which enforces greater shareholders' rights.

AUDIT COMMITTEE REPORT

COMPOSITION

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

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

MEMBERSHIP AND MEETINGS

| Name | Designation | Attendance at AC Meetings |
|------------------------------|--|------------------------------|
| Mr Lee Kong Weng | Chairman , Independent Non-Executive Director | 5/5 |
| Mr Au Thin An @ Low Teen Ann | Member , Independent Non-Executive Director | 5/5 |
| Ms Chow Chooi Yoong | Member , Independent Non-Executive Director | 5/5 |

Whilst the AC's TOR requires the AC to meet at least four (4) times in each financial year end, the AC met five (5) times during the financial year ended 31 December 2018. The Company Secretary was in attendance during the meetings and the Chief Financial Officer ("CFO"), Internal Auditors, External Auditors and other Key Senior Personnel, if necessary, were invited to the meetings to deliberate on matters within their purview.

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

The Board reviewed the term of office of the AC members and assessed the performance of the AC and its members through an annual Board Committee effectiveness evaluation. The Board was satisfied that AC and its members discharged their duties and responsibilities in accordance with the AC's TOR. Subsequent to the release of the Malaysian Code on Corporate Governance ("MCCG"), the AC's TOR was reviewed and amended to include a policy that requires a former key audit partner who was part of the engagement team to observe a cooling-off period of at least 2 years before being appointed as a member of the AC as well as expanding the functions of the AC.

SUMMARY OF ACTIVITIES OF THE AC DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

1. Financial Reporting

- (a) In overseeing the Company's financial reporting, the AC reviewed the quarterly financial results of the Company and the Group for the Fourth Quarter ended 31 December 2017 at its meeting held on 23 February 2018; whilst the quarterly financial results of the Company and the Group for the First Quarter ended 31 March 2018, Second Quarter ended 30 June 2018 and Third Quarter ended 30 September 2018, were reviewed during the AC Meetings held on 25 May 2018, 23 August 2018 and 28 November 2018, respectively.

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

Audit Committee Report (cont'd)

1. Financial Reporting (cont'd)

- (b) The final draft annual audited financial statements for the year ended 31 December 2017 were reviewed by the AC on 28 March 2018 together with the management and External Auditors, prior to submission to the Board for consideration and approval.

The review was to ensure that the accounting treatments, financial reporting and disclosures are in compliance with the Companies Act, 2016, the Main Market Listing Requirements ("MMLR"), and applicable accounting standards in Malaysia.

- (c) The AC obtained (i) confirmations from the CFO that adequate processes and controls were in place for effective and efficient financial reporting and that reasonable estimates had been made in accordance with the requirements set out in the Malaysian Financial Reporting Standards ("MFRSs"), and that at every AC meeting held during the financial year ended 31 December 2018, unusual transactions including related party transactions, if any, had been reported to the AC; and (ii) declarations from the persons as defined in MFRS 124 as related parties, on transactions involving them and the Group/related corporations, if any.
- (d) Reviewed and deliberated on the impact of any changes to the accounting policies and adoption of new accounting standards such as MFRS 15-*Revenue from Contracts with Customers*, MFRS 9-*Financial Instruments*, MFRS 16-*Leases* and IC Interpretation 22-*Foreign Currency Transactions and Advance Consideration* as well as the accounting treatments used in the financial statements.

2. External Audit

- (a) On 23 February 2018, the AC deliberated on and was briefed by the External Auditors, Messrs KPMG PLT on the status of the audit in respect of the financial year ended 31 December 2017, its findings and resolution of the findings. The External Auditors had at the meeting, confirmed that they had been independent throughout the conduct of the audit engagement in accordance with all the relevant professional and regulatory requirements, including the By-laws of the MIA.

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

The AC held one (1) private meeting with the External Auditors on 23 February 2018 without the presence of the Executive Board and management.

- (b) The AC had on 28 March 2018, deliberated on Messrs KPMG PLT's Report with regard to the relevant disclosures in the annual audited financial statements and the Statement on Risk Management and Internal Control ("SORMIC") for the financial year ended 31 December 2017.

The AC also reviewed the recurring non-audit services in respect of the review of the SORMIC. In considering the nature and scope of non-audit fees, the AC was satisfied that they were not likely to impair their independence and also obtained Messrs KPMG PLT's confirmation of independence throughout the audit engagement and Messrs KPMG PLT's satisfaction on the level of co-operation and assistance rendered by the management and staff in the course of their audit for the financial year ended 31 December 2017.

On 28 March 2018, the AC also undertook an annual assessment and evaluation of the independence, and performance of Messrs KPMG PLT whereby evaluation questionnaires were used as a tool for evaluating the independence, competency, reliability and compliance of Messrs KPMG PLT. The AC having reviewed the independence and performance of Messrs KPMG PLT, was satisfied that Messrs KPMG PLT have the competency, capacity and objectivity to continue as the Group's External Auditors and recommended to the Board their re-appointment. The Board at the meeting held on 28 March 2018, approved the AC's recommendation to re-appoint Messrs KPMG PLT, subject to shareholders' approval at the 2018 AGM.

On 28 November 2018, the AC reviewed the Audit Plan for the financial year ended 31 December 2018 presented by Messrs KPMG PLT.

Audit Committee Report (cont'd)

2. External Audit (cont'd)

The audit and non-audit fees for the financial year ended 31 December 2018 were as follows :-

| | 2018 | | 2017 | |
|--------------------|---------|---------|---------|---------|
| | Group | Company | Group | Company |
| Audit fees | 145,000 | 50,000 | 140,000 | 50,000 |
| Non-audit fees : | | | | |
| (a) Tax compliance | 47,800 | 5,700 | 44,800 | 5,300 |
| (b) SORMIC | 10,000 | 10,000 | 10,000 | 10,000 |
| Total | 202,800 | 65,700 | 194,800 | 65,300 |

3. Internal Audit

- (a) The Internal Auditors conducted the audit work in accordance with the Audit Plan for 2018 and 2019 approved by the AC on 27 November 2017.

The Internal Auditors presented the Internal Audit Report, audit findings and recommendations with respect to system and control weaknesses and the management response to these recommendations at each of the AC meetings during the year.

The Internal Auditors' scope of audit engagement was developed based on risk based audit methodology. The key audit areas that were identified and reported in 2018 were as follows :-

| AC Meeting | Audit Areas |
|------------------|--|
| 23 February 2018 | Review of Production Management |
| 25 May 2018 | Review of Gap Analysis on Corporate Liability – Anti Bribery Management System |
| 23 August 2018 | Review of Supply Chain – Procurement and Inbound Logistic |
| 28 November 2018 | Review of Gap Analysis on Sustainability Statement |

- (b) The Internal Auditors also updated the AC on the status of remedial actions taken by the management team in respect of issues raised at the quarterly AC meeting.
- (c) The AC obtained confirmation of independence and objectivity from the Internal Auditors that the audit personnel were free from any relationship or conflicts of interest with the Group during the audit for the year 2018.
- (d) The AC conducted an assessment and evaluation of the Internal Auditors on 23 February 2018, whereby evaluation questionnaires were used as a tool for evaluating the independence, objectivity, selection of scope of work and audit processes, competency and value added services of the Internal Auditors. The AC having reviewed the independence, objectivity and performance of the Internal Auditors, was satisfied with the competency of the Internal Auditors to continue as the Group's Internal Auditors for a period of 2 years and recommended their re-appointment to the Board.
- (e) The AC reviewed the Internal Audit Charter which sets out the role and function of the Internal Auditors in assisting the Group in accomplishing its objectives by bringing a systematic and discipline approach to evaluate and improve the effectiveness of the organization's governance, risk management and internal control.
- (f) The AC held a private meeting with the Internal Auditors on 23 February 2018 without the presence of the Executive Board and management.

Audit Committee Report (cont'd)

3. Internal Audit (cont'd)

- (g) The AC obtained confirmations from the Internal Auditors for the following information, which is required to be disclosed in accordance to Practice 10.2 of the MCCG:-
- (i) The internal audit staff assigned by the Internal Auditors for each internal audit assignment had provided their written declaration that they do not have any relationship or conflict of interest with the Group, which could impair their objectivity and independence for those internal audit assignments performed during the financial year ended 31 December 2018.
 - (ii) The Internal Auditors are staffed by twenty-three personnel as at 31 December 2018 and 4 staff were assigned to provide internal audit services to the Group.
 - (iii) The Internal Auditors are headed by its director, who is a Certified Internal Auditor and a member of the Institute of Internal Auditors Malaysia and the Association of Chartered Certified Accountants (UK).
 - (iv) The Internal Auditors adopt a risk based approach and prepare its audit strategy and audit plan based on the risk assessment of the business units of the Group. The Internal Auditors have performed its works in accordance with the International Professional Practices Framework for Internal Auditing from the Institute of Internal Auditors except for non-conformance with Standard 1312-External Assessments.

4. Risk Management

- (a) Assisted the Board to oversee the implementation of the Group's risk management policy, the framework of which is based on ISO 31000:2009, Risk management – Principles and guidelines, by reviewing the adequacy and effectiveness of the Group's risk management process including the process in identifying, evaluating, approving and reporting risk and monitoring conflict of interest situations and transactions and the key consideration to be taken in reviewing the related party transactions or conflict of interest situation and the setting-up of Standard Operating Procedures for related party transactions or conflict of interest situation.
- (b) Reviewed the Gap Analysis conducted by the Internal Auditors on the Corporate Liability - Anti-Bribery Management System, which consist of benchmarking the Group's existing policies or governance mechanisms against the reference framework of ISO37001: Anti-Bribery Management System to identify and assess the adequacy of the Group's procedures in managing the corporate liability risk.
- (c) Reviewed operational and financial performance of the Group to ensure that appropriate measures were taken to address any significant risks highlighted by the Internal Auditors.

5. Annual Report

- (a) Reviewed the Audit Committee Report, Corporate Governance Overview Statement, Statement on Risk Management and Internal Control, Sustainability Statement and recommended to the Board for inclusion in the Annual Report 2017.

Audit Committee Report (cont'd)

INTERNAL AUDIT FUNCTION

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

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

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

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

The total cost incurred in maintaining the outsourced Internal Audit function for the financial year ended 31 December 2018 amounted to RM44,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

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

BOARD RESPONSIBILITIES

The Board acknowledges its responsibilities and reaffirms its commitment to recognise the importance of having an effective and appropriate system of risk management and internal control to enhance good corporate governance. In this respect, the Board, through the Executive and Risk Management Committee ("ERMC"), is responsible for identifying principal risks, ensuring the implementation of appropriate systems to manage these risks and reviewing the adequacy and integrity of the Group's system of risk management and internal control. The system of risk management and internal control covers inter alia, governance, financial organisation, operational and compliance controls. However, the Board recognises that this system is designed to manage and control risks rather than eliminate the risks of failure to achieve the Group's business objectives. Accordingly, this system can only provide reasonable, but not absolute assurance against risk exposure faced by the Group.

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

RISK MANAGEMENT

The Group adopts ISO 31000:2009, Risk Management – Principles and guidelines, which provides principles, framework and a process for managing risk. The Board, with its ERMC and recommendations from the outsourced internal audit function have established processes for identifying, evaluating and managing the significant risks faced by the core business of the Group, i.e. manufacturing of wooden picture frame moulding, and these processes include:

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

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

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

Statement on Risk Management and Internal Control (cont'd)

RISK MANAGEMENT (cont'd)

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

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

In broad terms, the ERM reviews the risks and opportunities associated with the Group's business strategies and its operating processes; sets the materiality limits for reporting and communication of performance and decides on the appropriate actions to balance the risks encountered and potential rewards. Heads of department shall identify, evaluate and manage or report risks arising from the day-to-day management of the Group's activities to the ERM.

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

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

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

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

(b) Risk management process

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

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

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

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

Risk treatment - the Heads of Department and the ERM determine the risk treatment options, such as terminate risk, transfer risk, treat risk or tolerate risk.

Statement on Risk Management and Internal Control (cont'd)

INTERNAL CONTROL

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

- Business plan including annual budget is prepared for the Group. The ERM and the Board of Directors review and approve the annual budget;
- Management accounts/reports are prepared and the actual performance compared with the budgets are reviewed on a monthly basis with explanation of any major variances;
- The ERM meets monthly to review the operational and financial performance of the Group to ensure that they are in line with the corporate objectives, strategies and annual budget. The ERM also formulates strategies, policies and code of practices to address changes in the business environment and risks;
- Board Committees, namely the Audit Committee, ERM, Nomination Committee and Remuneration Committee, have been established with defined terms of reference;
- Management organisation structure with reporting lines of accountability and authority have been defined and documented;
- Operational review meetings were held monthly and attended by the Executive Directors and the Heads of Department to identify, discuss and resolve key operational issues, to further improve the effectiveness of the system of internal control;
- Code of Conduct and Standard Operating Procedures which include the ISO 9001:2015 Quality Management System for the core business of the Group are documented;
- There are procedures within the Group for hiring and termination of staff, formal training programmes for staff, annual performance appraisals and other relevant procedures in place to ensure that staff are competent and trained in carrying out their responsibilities;
- ISO 9001:2015 Quality Management System has been implemented for the Group's core business. Internal quality audits and annual surveillance audit are carried out internally and also by an external certification body respectively. These audits are conducted annually to provide assurance of compliance with the ISO 9001:2015 Quality Management System;
- The Audit Committee reviews the quarterly financial results, annual report, audited financial statements, the Group's risk profile and internal control issues identified internally and by the Internal Auditors. The Audit Committee also monitors the implementation of the recommendations, if any, proposed by the Internal Auditors.

The Board engaged an outsourced internal audit service provider ("Outsourced IA") to provide independent internal audit services to the Group. The Outsourced IA adopts a risk-based approach and prepares its audit strategy and plan based on the risk assessment of the business units of the Group. Scheduled internal audits are carried out based on the audit plan approved by the Audit Committee. On a quarterly basis, the Outsourced IA presents to the Audit Committee's internal audit report which summarises audit findings and recommendations with respect to the system of internal control and control weaknesses; as well as the effectiveness of the implementation of these recommendations.

Statement on Risk Management and Internal Control (cont'd)

INTERNAL CONTROL (cont'd)

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

- Corporate Liability- Anti-Bribery Management System
- Supply Chain- Procurement and Inbound Logistic
- Sustainability Reporting
- Sales and Marketing

Some areas of improvement to internal controls were identified and addressed accordingly. Nevertheless, the identified weaknesses in the internal controls have not resulted in any material or significant losses and/or require further disclosure in this Statement.

ANTI-FRAUD AND WHISTLE BLOWING POLICY

The Group adopts a risk based approach to fraud; the Anti-Fraud and Whistle Blowing Policy is the main component that drives the anti-fraud work undertaken. This policy provides the required direction and guidance to deal with fraud and related matters including theft and corruption and further defines the rights of the informants and the protection accorded to them. The Group's formalised anti-fraud policy, includes the following objectives:

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

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

STATE OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board has reviewed the system of risk management and internal control in place for the financial year under review and up to the date of approval of this statement for inclusion in the annual report and is of the view that the system of risk management and internal control is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

The Board has received assurance from the Managing Director and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, to meet the Group's objective during the financial year under review and up to the date of approval of this statement for inclusion in the annual report.

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

This statement was made in accordance with a resolution of the Board dated 2 April 2019.

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARATION OF THE FINANCIAL STATEMENTS

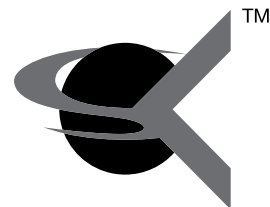
The Board is satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2018, the Directors have:

- adopted the appropriate accounting policies and applied them consistently;
- ensure compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016;
- made estimates and judgements which are reasonable and prudent; and
- ensure the financial statements have been prepared on a going concern basis.

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

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This Statement was made in accordance with a resolution of the Board dated 2 April 2019.



CLASSIC SCENIC BERHAD
(633887-M)

FINANCIAL STATEMENTS



| | |
|---|----|
| Directors' Report | 30 |
| Statements of Financial Position | 34 |
| Statements of Profit or Loss and Other Comprehensive Income | 35 |
| Consolidated Statement of Changes in Equity | 36 |
| Statement of Changes in Equity | 37 |
| Statements of Cash Flows | 38 |
| Notes to the Financial Statements | 40 |
| Statements by Directors | 87 |
| Statutory Declaration | 87 |
| Independent Auditors' Report | 88 |

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018.

PRINCIPAL ACTIVITIES

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

ULTIMATE HOLDING COMPANY

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

SUBSIDIARIES

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

RESULTS

| | Group RM | Company RM |
|--------------------------------------|-------------|---------------|
| Profit for the year attributable to: | | |
| Owners of the Company | 7,233,005 | 18,839,930 |

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the amounts of dividends paid by the Company were as follows:

- i) In respect of the financial year ended 31 December 2017 as reported in the Directors' Report of that year, a second interim single tier dividend of 5 sen per ordinary share totalling RM6,024,987 declared on 23 February 2018 and paid on 21 May 2018.
- ii) In respect of the financial year ended 31 December 2018, a first interim single tier dividend of 2 sen per ordinary share totalling RM2,409,995 declared on 23 August 2018 and paid on 29 October 2018.

On 26 February 2019, the Directors declared a second interim single tier dividend of 4.0 sen per ordinary share totalling RM4,819,990 in respect of the financial year ended 31 December 2018 which will be payable on 18 April 2019. This dividend will be recognised in the subsequent financial year.

Directors' Report

For The Year Ended 31 December 2018 (cont'd)

DIRECTORS OF THE COMPANY

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

Lim Chee Keong
 Lim Chee Beng
 Lim Chee Hwa
 Au Thin An @ Low Teen Ann
 Lee Kong Weng
 Chow Chooi Yoong

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

| | At 1.1.2018 | Number of ordinary shares | | At 31.12.2018 |
|---------------------------------------|----------------|---------------------------|-----------|------------------|
| | | Bought | Sold | |
| <u>Interest in the Company</u> | | | | |
| Direct | | | | |
| Au Thin An @ Low Teen Ann | | | | |
| - own | 48,000 | - | - | 48,000 |
| - others* | 218,300 | - | - | 218,300 |
| Lee Kong Weng | | | | |
| - own | 20,800 | - | - | 20,800 |
| - others* | 4,800 | - | - | 4,800 |
| Lim Chee Keong | | | | |
| - own | - | 1,333,073 | 1,333,073 | - |
| - others* | 500,000 | 1,533,073 | - | 2,033,073 |
| Lim Chee Beng - others* | 1,500,000 | - | - | 1,500,000 |
| Indirect | | | | |
| Lim Chee Keong - own | 59,444,205 | - | 9,511,073 | 49,933,132 |
| Lim Chee Hwa - own | 59,444,205 | - | 9,511,073 | 49,933,132 |
| Lim Chee Beng - own | 59,444,205 | - | 9,511,073 | 49,933,132 |

* Shares held through spouse and/or children.

| | At 1.1.2018 | Number of ordinary shares | | At 31.12.2018 |
|--|----------------|---------------------------|------|------------------|
| | | Bought | Sold | |
| <u>Interest in the holding company.</u> | | | | |
| <u>Lim Ket Leng Holding Sdn. Bhd.</u> | | | | |
| Direct | | | | |
| Lim Chee Keong - own | 3,370 | 642 | - | 4,012 |
| Lim Chee Hwa - own | 1,700 | 324 | - | 2,024 |
| Lim Chee Beng - own | 1,700 | 324 | - | 2,024 |

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

The other Director holding office at 31 December 2018 did not have any interest in the shares of the Company and of its related corporations during the financial year.

Directors' Report

For The Year Ended 31 December 2018 (cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

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

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of insurance coverage effected for Directors and officers of the Company is RM5,000,000 (2017: RM5,000,000).

OTHER STATUTORY INFORMATION

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

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

Directors' Report

For The Year Ended 31 December 2018 (cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

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

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

.....
Lim Chee Keong

Director

.....
Lim Chee Hwa

Director

Petaling Jaya

Date: 2 April 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

| | | Group | | Company | |
|---|------|--------------------|--------------------|-------------------|-------------------|
| | Note | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Assets | | | | | |
| Property, plant and equipment | 3 | 51,227,572 | 50,320,726 | 1,998 | 3,222 |
| Intangible asset | 4 | 878,181 | 878,181 | - | - |
| Investment in subsidiaries | 5 | - | - | 47,239,006 | 37,978,744 |
| Total non-current assets | | 52,105,753 | 51,198,907 | 47,241,004 | 37,981,966 |
| Inventories | 6 | 24,374,688 | 26,780,925 | - | - |
| Trade and other receivables | 7 | 7,318,038 | 7,402,019 | 17,628,620 | 16,298,986 |
| Prepayments and other assets | 8 | 1,861,304 | 2,007,064 | - | - |
| Current tax assets | | 1,064,644 | 59,004 | - | - |
| Derivative financial assets | 9 | - | 733,753 | - | - |
| Cash and cash equivalents | 10 | 14,906,691 | 14,190,056 | 8,192,513 | 8,417,107 |
| Total current assets | | 49,525,365 | 51,172,821 | 25,821,133 | 24,716,093 |
| Total assets | | 101,631,118 | 102,371,728 | 73,062,137 | 62,698,059 |
| Equity | | | | | |
| Share capital | | 60,690,723 | 60,690,723 | 60,690,723 | 60,690,723 |
| Share premium | | - | - | - | - |
| Retained earnings | | 34,515,493 | 35,717,470 | 12,282,914 | 1,877,966 |
| Total equity attributable to owners of the Company | 11 | 95,206,216 | 96,408,193 | 72,973,637 | 62,568,689 |
| Non-controlling interest | | - | - | - | - |
| Total equity | | 95,206,216 | 96,408,193 | 72,973,637 | 62,568,689 |
| Liabilities | | | | | |
| Deferred tax liabilities | 12 | 3,275,199 | 3,154,564 | - | - |
| Total non-current liabilities | | 3,275,199 | 3,154,564 | - | - |
| Current tax liabilities | | 42,797 | 91,249 | - | - |
| Trade and other payables | 13 | 2,956,077 | 2,673,411 | 88,500 | 129,370 |
| Contract liabilities | 14 | 28,970 | 44,311 | - | - |
| Derivative financial liabilities | 9 | 121,859 | - | - | - |
| Total current liabilities | | 3,149,703 | 2,808,971 | 88,500 | 129,370 |
| Total liabilities | | 6,424,902 | 5,963,535 | 88,500 | 129,370 |
| Total equity and liabilities | | 101,631,118 | 102,371,728 | 73,062,137 | 62,698,059 |

The notes on pages 40 to 86 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Note | Group | | Company | |
|---|------|--------------|--------------|------------|------------|
| | | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Revenue | 15 | 62,892,193 | 57,367,950 | 8,500,000 | 13,500,000 |
| Cost of sales | | (46,632,279) | (35,346,935) | - | - |
| Gross profit | | 16,259,914 | 22,021,015 | 8,500,000 | 13,500,000 |
| Other income | | 7,995 | 947,835 | 10,466,552 | - |
| Distribution expenses | | (1,206,409) | (1,338,125) | - | - |
| Administrative expenses | | (3,732,615) | (3,429,284) | (324,762) | (245,827) |
| Other expenses | | (2,960,284) | (2,522,400) | (44,797) | (132,910) |
| Results from operating activities | | 8,368,601 | 15,679,041 | 18,596,993 | 13,121,263 |
| Finance income | 16 | 334,814 | 542,470 | 242,937 | 296,582 |
| Profit before tax | | 8,703,415 | 16,221,511 | 18,839,930 | 13,417,845 |
| Income tax expense | 17 | (1,470,410) | (3,930,329) | - | - |
| Profit and total comprehensive income for the year | 18 | 7,233,005 | 12,291,182 | 18,839,930 | 13,417,845 |
| Profit and total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 7,233,005 | 12,291,182 | 18,839,930 | 13,417,845 |
| Non-controlling interest | | - | - | - | - |
| | | 7,233,005 | 12,291,182 | 18,839,930 | 13,417,845 |
| Basic earnings per ordinary share (sen) | 19 | 6.00 | 10.20 | | |

The notes on pages 40 to 86 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

| Group | Note | ← Attributable to owners of the Company → | | | Total RM | Non- controlling interest RM | Total equity RM |
|---|------|---|------------------------|----------------------------|--------------|---------------------------------------|-----------------------|
| | | Share capital RM | Share premium RM | Retained earnings RM | | | |
| At 1 January 2017 | | 60,249,870 | 440,853 | 35,476,262 | 96,166,985 | - | 96,166,985 |
| Profit and total comprehensive income for the year | | - | - | 12,291,182 | 12,291,182 | - | 12,291,182 |
| Distributions to owners of the Company - Dividends | 20 | - | - | (12,049,974) | (12,049,974) | | (12,049,974) |
| Transfer in accordance with Section 618(2) of the Companies Act 2016 | | 440,853 | (440,853) | - | - | - | - |
| At 31 December 2017/ 1 January 2018 | | 60,690,723 | - | 35,717,470 | 96,408,193 | - | 96,408,193 |
| Profit and total comprehensive income for the year | | - | - | 7,233,005 | 7,233,005 | - | 7,233,005 |
| Distributions to owners of the Company - Dividends | 20 | - | - | (8,434,982) | (8,434,982) | - | (8,434,982) |
| At 31 December 2018 | | 60,690,723 | - | 34,515,493 | 95,206,216 | - | 95,206,216 |
| | | Note 11.1 | Note 11.2 | | | | |

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

| Company | Note | Attributable to owners of the Company | | | Total equity RM |
|--|------|--|---------------------|--|--------------------|
| | | Non-distributable Share capital RM | Share premium RM | Distributable Retained earnings RM | |
| At 1 January 2017 | | 60,249,870 | 440,853 | 510,095 | 61,200,818 |
| Profit and total comprehensive income for the year | | - | - | 13,417,845 | 13,417,845 |
| Distributions to owners of the Company | | | | | |
| - Dividends | 20 | - | - | (12,049,974) | (12,049,974) |
| Transfer in accordance with Section 618(2) of the Companies Act 2016 | | 440,853 | (440,853) | - | - |
| At 31 December 2017/1 January 2018 | | 60,690,723 | - | 1,877,966 | 62,568,689 |
| Profit and total comprehensive income for the year | | - | - | 18,839,930 | 18,839,930 |
| Distributions to owners of the Company | | | | | |
| - Dividends | 20 | - | - | (8,434,982) | (8,434,982) |
| At 31 December 2018 | | 60,690,723 | - | 12,282,914 | 72,973,637 |
| | | Note 11.1 | Note 11.2 | | |

The notes on pages 40 to 86 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

| | | Group | Company | | |
|--|-------------|--------------|--------------|--------------|--------------|
| Note | 2018 RM | 2017 RM | 2018 RM | 2017 RM | |
| Cash flows from operating activities | | | | | |
| Profit before tax | 8,703,415 | 16,221,511 | 18,839,930 | 13,417,845 | |
| Adjustments for: | | | | | |
| Depreciation of property, plant and equipment | 3 | 2,062,367 | 1,684,413 | 1,224 | 1,224 |
| Dividend income from subsidiaries | 15 | - | - | (8,500,000) | (13,500,000) |
| Finance income | 16 | (334,814) | (542,470) | (242,937) | (296,582) |
| Loss/(Gain) on disposal of property, plant and equipment | 18 | 54,513 | (49,624) | - | - |
| Net (reversal of impairment loss)/impairment loss on: | | | | | |
| - investment in subsidiaries | 18 | - | - | (10,466,552) | - |
| - trade receivables | 18 | 16,112 | - | - | - |
| Net unrealised foreign exchange loss/(gain) | | 235,187 | (1,922,191) | - | - |
| Operating profit/(loss) before changes in working capital | | | | | |
| | 10,736,780 | 15,391,639 | (368,335) | (377,513) | |
| Changes in working capital: | | | | | |
| Inventories | 2,406,237 | (2,448,888) | - | - | |
| Trade and other payables | 483,877 | (194,982) | (40,870) | 19,406 | |
| Trade and other receivables, prepayments and other assets | 632,843 | (2,177,473) | (1,329,634) | (1,063,561) | |
| Contract liabilities | (15,341) | (112,784) | - | - | |
| Cash generated from/(used in) operations | | | | | |
| | 14,244,396 | 10,457,512 | (1,738,839) | (1,421,668) | |
| Dividend received | - | - | 8,500,000 | 13,500,000 | |
| Interest received | 334,814 | 542,470 | 242,937 | 296,582 | |
| Net income tax paid | (2,403,867) | (4,261,914) | - | - | |
| Net cash from operating activities | | | | | |
| | 12,175,343 | 6,738,068 | 7,004,098 | 12,374,914 | |
| Cash flows from investing activities | | | | | |
| Acquisition of property, plant and equipment | 3 | (3,053,726) | (4,495,052) | - | - |
| Net repayment of capital contributions by subsidiaries | 5 | - | - | 1,206,290 | 1,242,580 |
| Proceeds from disposal of property, plant and equipment | | 30,000 | 82,152 | - | - |
| Net cash (used in)/from investing activities | | | | | |
| | (3,023,726) | (4,412,900) | 1,206,290 | 1,242,580 | |
| Cash flows from financing activity | | | | | |
| Dividends paid to owners of the Company | 20 | (8,434,982) | (12,049,974) | (8,434,982) | (12,049,974) |
| Net cash used in financing activity | | | | | |
| | (8,434,982) | (12,049,974) | (8,434,982) | (12,049,974) | |

Statements of Cash Flows (cont'd)

For The Year Ended 31 December 2018

| | | Group | | Company | |
|--|------|------------|-------------|------------|------------|
| | Note | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Net increase/(decrease) in cash and cash equivalents | | 716,635 | (9,724,806) | (224,594) | 1,567,520 |
| Cash and cash equivalents at 1 January | | 14,190,056 | 23,914,862 | 8,417,107 | 6,849,587 |
| Cash and cash equivalents at 31 December | (i) | 14,906,691 | 14,190,056 | 8,192,513 | 8,417,107 |

(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 | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Cash and bank balances | | 6,243,653 | 5,219,821 | 237,443 | 101,456 |
| Highly liquid investments with non-bank financial institutions | | 8,663,038 | 8,970,235 | 7,955,070 | 8,315,651 |
| | 10 | 14,906,691 | 14,190,056 | 8,192,513 | 8,417,107 |

The notes on pages 40 to 86 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

Registered office

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

Principal place of business

Lot 9,10,11,12 & 13, Jalan RP3
Rawang Industrial Estate
Taman Rawang Perdana
48000 Rawang
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as "the Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2018 do not include other entities.

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 5.

The holding company during the financial year was Lim Ket Leng Holding Sdn. Bhd., a company incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 2 April 2019.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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 2019

- MFRS 16, Leases
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*

Notes to the financial statements (cont'd)

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations - Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- from the annual period beginning on 1 January 2019 for those MFRSs, interpretations or amendments that are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 11, Amendments to MFRS 123 and Amendments to MFRS 128, which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2020 for those MFRSs, interpretations or amendments that are effective for annual periods beginning on or after 1 January 2020.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the applicable accounting standards, interpretations and amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 4 - measurement of the recoverable amounts of cash-generating units
- Note 6 - valuation of sawn timber inventories

Notes to the financial statements (cont'd)

2. Significant accounting policies

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

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

- i) financial instruments;
- ii) revenue recognition; and
- iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 27.

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

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

(ii) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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.

Notes to the financial statements (cont'd)

2. Significant accounting policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(iii) Non-controlling interests

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

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

(iv) Transactions eliminated on consolidation

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

(b) Foreign currency transactions

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

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

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

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

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial 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.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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.

Notes to the financial statements (cont'd)

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

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

Previous financial year

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

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(i)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost as described above are measured at fair value through profit or loss. This includes derivative financial assets. On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

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

Notes to the financial statements (cont'd)

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

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

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

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

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

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

(b) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

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

Financial liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- (a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- (c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

Notes to the financial statements (cont'd)

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

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

Financial liabilities (Cont'd)

Current financial year (Cont'd)

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that were derivatives or financial liabilities that were specifically designated into this category upon initial recognition.

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

(iii) Derecognition

A financial asset or a part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

Notes to the financial statements (cont'd)

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 from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

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

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

Notes to the financial statements (cont'd)

2. Significant accounting policies (Cont'd)

(e) Goodwill

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

(f) Inventories

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

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

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

(g) Cash and cash equivalents

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

(h) Contract liability

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(i) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Notes to the financial statements (cont'd)

2. Significant accounting policies (Cont'd)

(i) Impairment (Cont'd)

(i) Financial assets (Cont'd)

Current financial year (Cont'd)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables individually using past payment trends and other external information available to the public.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

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

Notes to the financial statements (cont'd)

2. Significant accounting policies (Cont'd)

(i) Impairment (Cont'd)

(ii) Other assets

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

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

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

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

Notes to the financial statements (cont'd)

2. Significant accounting policies (Cont'd)

(j) Equity instruments

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

Ordinary shares are classified as equity.

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

(l) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Dividend income

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

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(iv) Income from highly liquid investments

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

Notes to the financial statements (cont'd)

2. Significant accounting policies (Cont'd)

(m) Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

(n) Earnings per ordinary share

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

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

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

(o) Operating segments

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

Notes to the financial statements (cont'd)

2. Significant accounting policies (Cont'd)

(p) 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.

(q) Fair value measurements

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

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

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

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

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

Notes to the financial statements (cont'd)

3. Property, plant and equipment

| Group | Note | Freehold land | | Factory buildings | | Machinery, plant and equipment | | Cabin, office equipment, furniture and fittings and renovation | | Motor vehicles | | Computer equipment | | Construction in-progress | | Total | |
|--|------|---------------|------------|-------------------|----|--------------------------------|----|--|----|----------------|----|--------------------|----|--------------------------|----|------------|--|
| | | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM | |
| Cost | | | | | | | | | | | | | | | | | |
| At 1 January 2017 | | 24,336,938 | 25,501,592 | | | 21,804,187 | | 2,498,091 | | 2,712,712 | | 1,377,570 | | 434,901 | | 78,665,991 | |
| Additions | | - | - | - | - | 2,243,003 | | 1,101,906 | | 544,754 | | 483,853 | | 121,536 | | 4,495,052 | |
| Disposals | | - | - | - | - | (361,501) | | - | | (159,417) | | - | | - | | (520,918) | |
| | | | | | | | | | | | | | | | | | |
| At 31 December 2017/ 1 January 2018 | | 24,336,938 | 25,501,592 | | | 23,685,689 | | 3,599,997 | | 3,098,049 | | 1,861,423 | | 556,437 | | 82,640,125 | |
| Additions | | - | - | - | - | 1,752,868 | | 7,995 | | 505,405 | | 91,804 | | 695,654 | | 3,053,726 | |
| Disposals | | - | - | - | - | - | | - | | (134,798) | | - | | - | | (134,798) | |
| | | | | | | | | | | | | | | | | | |
| At 31 December 2018 | | 24,336,938 | 25,501,592 | | | 25,438,557 | | 3,607,992 | | 3,468,656 | | 1,953,227 | | 1,252,091 | | 85,559,053 | |

Notes to the financial statements (cont'd)

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

| Group | Note | Freehold land | | Factory buildings | Machinery, forklifts, plant and equipment | | Cabin, office equipment, furniture and fittings and | | Motor vehicles | Computer equipment | Construction in-progress | Total |
|--|------|---------------|------------|-------------------|---|----|---|----|----------------|--------------------|--------------------------|------------|
| | | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| Depreciation | | | | | | | | | | | | |
| At 1 January 2017 | | - | 7,228,715 | | 19,660,664 | | 2,161,014 | | 937,919 | 1,135,064 | - | 31,123,376 |
| Depreciation for the year | 18 | - | 529,953 | | 578,857 | | 154,932 | | 217,580 | 203,091 | - | 1,684,413 |
| Disposals | | - | - | | (349,673) | | - | | (138,717) | - | - | (488,390) |
| | | | | | | | | | | | | |
| At 31 December 2017/ 1 January 2018 | | - | 7,758,668 | | 19,889,848 | | 2,315,946 | | 1,016,782 | 1,338,155 | - | 32,319,399 |
| Depreciation for the year | 18 | - | 529,952 | | 738,529 | | 188,476 | | 338,932 | 266,478 | - | 2,062,367 |
| Disposals | | - | - | | - | | - | | (50,285) | - | - | (50,285) |
| | | | | | | | | | | | | |
| At 31 December 2018 | | - | 8,288,620 | | 20,628,377 | | 2,504,422 | | 1,305,429 | 1,604,633 | - | 34,331,481 |
| Carrying amounts | | | | | | | | | | | | |
| At 1 January 2017 | | 24,336,938 | 18,272,877 | | 2,143,523 | | 337,077 | | 1,774,793 | 242,506 | 434,901 | 47,542,615 |
| | | | | | | | | | | | | |
| At 31 December 2017/ 1 January 2018 | | 24,336,938 | 17,742,924 | | 3,795,841 | | 1,284,051 | | 2,081,267 | 523,268 | 556,437 | 50,320,726 |
| | | | | | | | | | | | | |
| At 31 December 2018 | | 24,336,938 | 17,212,972 | | 4,810,180 | | 1,103,570 | | 2,163,227 | 348,594 | 1,252,091 | 51,227,572 |

Notes to the financial statements (cont'd)

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

| Company | Note | Office equipment RM |
|--|------|------------------------|
| At 1 January 2017/31 December 2017/1 January 2018/31 December 2018 | | 15,300 |
| Depreciation | | |
| At 1 January 2017 | | 10,854 |
| Depreciation for the year | 18 | 1,224 |
| At 31 December 2017/1 January 2018 | | 12,078 |
| Depreciation for the year | 18 | 1,224 |
| At 31 December 2018 | | 13,302 |
| Carrying amounts | | |
| At 1 January 2017 | | 4,446 |
| At 31 December 2017/1 January 2018 | | 3,222 |
| At 31 December 2018 | | 1,998 |

3.1 Factory buildings

Included in factory buildings of the Group is a warehouse building with carrying amount of RM780,033 (2017: RM801,553) situated on a piece of land owned by the state government. The Group occupied the said land through Temporary Occupation License ("TOL") in prior year and the TOL was renewable annually.

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

4. Intangible asset

| Group | 2018 RM | Goodwill 2017 RM |
|--------------------------|------------|------------------------|
| Cost | | |
| At 1 January/31 December | 878,181 | 878,181 |
| Carrying amount | | |
| At 1 January/31 December | 878,181 | 878,181 |

Notes to the financial statements (cont'd)

4. Intangible asset (Cont'd)

Impairment testing for cash-generating unit containing goodwill

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

The recoverable amount for the above was based on its value in use and was determined by discounting the future cash flows expected to be generated from the continuing use of the wooden picture frame mouldings division and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and a 5 year (2017: 5-year) projection.
- Revenue was projected based on historical sales growth, adjusted for forward looking market conditions and internal sales strategies.
- A pre-tax discount rate of 8.35% (2017: 8.35%) was applied in determining the recoverable amount of the division. The discount rate was estimated based on the industry weighted average cost of capital.

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

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

- An increase of 1% (2017: 1%) in the discount rate; and
- A 10% (2017: 10%) decrease in future projected revenue.

5. Investment in subsidiaries

| Company | Cost of investment RM | Capital contributions RM | Total RM |
|---|--------------------------|-----------------------------|--------------|
| Cost | | | |
| At 1 January 2017 | 41,557,970 | 13,221,658 | 54,779,628 |
| Net repayment of capital contributions | - | (1,242,580) | (1,242,580) |
| At 31 December 2017/1 January 2018 | 41,557,970 | 11,979,078 | 53,537,048 |
| Net repayment of capital contributions | - | (1,206,290) | (1,206,290) |
| At 31 December 2018 | 41,557,970 | 10,772,788 | 52,330,758 |
| Impairment losses | | | |
| At 1 January 2017/31 December 2017/1 January 2018 | 15,034,946 | 523,358 | 15,558,304 |
| Reversal of impairment losses | (10,466,552) | - | (10,466,552) |
| At 31 December 2018 | 4,568,394 | 523,358 | 5,091,752 |
| Carrying amounts | | | |
| At 1 January 2017 | 26,523,024 | 12,698,300 | 39,221,324 |
| At 31 December 2017 | 26,523,024 | 11,455,720 | 37,978,744 |
| At 31 December 2018 | 36,989,576 | 10,249,430 | 47,239,006 |
| | Note 5.1 | Note 5.2 | |

Notes to the financial statements (cont'd)

5. Investment in subsidiaries (Cont'd)

5.1 Details of the subsidiaries are as follows:

| Name of entity | Principal activities | Country of incorporation | Effective ownership and voting interest | |
|--------------------------------------|--|--------------------------|---|-----------|
| | | | 2018 % | 2017 % |
| Finesse Moulding (M) Sdn. Bhd. | Manufacture of wooden picture frame moulding | Malaysia | 100 | 100 |
| Scenic Moulding (M) Sdn. Bhd. | Property holding and rental of properties | Malaysia | 100 | 100 |
| Classic Frame Moulding (M) Sdn. Bhd. | Dormant | Malaysia | 100 | 100 |
| Lim Ket Leng Realty Sdn. Bhd. | Property holding and rental of properties | Malaysia | 100 | 100 |
| Lim Ket Leng Timber Sdn. Bhd. | Manufacture of timber products | Malaysia | 100 | 100 |
| Lim Ket Leng Marketing Sdn. Bhd. | Dormant | Malaysia | 100 | 100 |
| CScenic Agro Marketing Sdn. Bhd. | Dormant | Malaysia | 76 | 76 |

5.2 Capital contributions represent amounts due from subsidiaries which are non-trade in nature, unsecured, interest free and settlement of the amounts is neither planned nor likely to occur in the foreseeable future. As these amounts are, in substance, a part of the Company's net investment in the subsidiaries, it is stated at cost less accumulated impairment losses.

5.3 During the financial year, the Company reversed an impairment loss of RM10,466,552 in relation to the investment in subsidiaries on the basis that the recoverable amount exceeded its carrying amount.

Notes to the financial statements (cont'd)

6. Inventories

| Group | 2018 RM | 2017 RM |
|-------------------------------|-------------------|-------------------|
| Raw materials and consumables | 19,569,555 | 18,272,593 |
| Work-in-progress | 3,349,100 | 6,151,740 |
| Finished goods | 1,456,033 | 2,356,592 |
| | <u>24,374,688</u> | <u>26,780,925</u> |

Inventories recognised as cost of sales in profit or loss during the financial year amounted to RM46,632,279 (2017: RM35,346,935).

Included in raw materials and consumables of the Group are sawn timber inventories amounting to RM8,585,859 (2017: RM10,146,216). The determination of allowance for sawn timber inventories write down involves judgement made by the Directors in predicting the amount of future demand from customers. In mitigating the risk of physical deterioration that may affect the valuation of sawn timber inventories, all sawn timber inventories of the Group are subjected to the following processes before they are stored in the warehouse:

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

7. Trade and other receivables

| | Note | Group 2018 RM | Group 2017 RM | Company 2018 RM | Company 2017 RM |
|--|------|---------------------|---------------------|-----------------------|-----------------------|
| Trade | | | | | |
| Trade receivables from contract with customers | 22.4 | 6,460,999 | 6,754,149 | - | - |
| Non-trade | | | | | |
| Advance to a subsidiary | | - | - | 17,624,460 | 16,293,776 |
| Other receivables and deposits | | 857,039 | 647,870 | 4,160 | 5,210 |
| | | <u>857,039</u> | <u>647,870</u> | <u>17,628,620</u> | <u>16,298,986</u> |
| | | <u>7,318,038</u> | <u>7,402,019</u> | <u>17,628,620</u> | <u>16,298,986</u> |

The advances to a subsidiary is unsecured, interest free, repayable on demand and is expected to be settled in cash.

Notes to the financial statements (cont'd)

8. Prepayments and other assets

| Group | 2018 RM | 2017 RM |
|--------------|------------------|------------------|
| Prepayments | 1,266,299 | 1,406,894 |
| Other assets | 595,005 | 600,170 |
| | <u>1,861,304</u> | <u>2,007,064</u> |

Prepayments are advance payments made to suppliers.

Other assets are goods and services tax refundable.

9. Derivative financial (liabilities)/assets

| Group | 2018 Nominal value RM | 2018 Liabilities RM | 2017 Nominal value RM | 2017 Assets RM |
|---|--------------------------------|---------------------------|--------------------------------|----------------------|
| Derivatives held for trading at fair value through profit or loss | | | | |
| - Forward exchange contracts | 16,857,618 | (121,859) | 13,755,030 | 733,753 |

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

10. Cash and cash equivalents

| | Group | | Company | |
|--|-------------------|-------------------|------------------|------------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Cash and bank balances | 6,243,653 | 5,219,821 | 237,443 | 101,456 |
| Highly liquid investments with non-bank financial institutions | 8,663,038 | 8,970,235 | 7,955,070 | 8,315,651 |
| | <u>14,906,691</u> | <u>14,190,056</u> | <u>8,192,513</u> | <u>8,417,107</u> |

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

Notes to the financial statements (cont'd)

11. Capital and reserve

11.1 Share capital

| Group and Company | Amount 2018 RM | Number of ordinary shares 2018 | Amount 2017 RM | Number of ordinary shares 2017 |
|--|----------------------|---|----------------------|---|
| Ordinary shares, Issued and fully paid | | | | |
| At 1 January | 60,690,723 | 120,499,740 | 60,249,870 | 120,499,740 |
| Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note a) | - | - | 440,853 | - |
| At 31 December | 60,690,723 | 120,499,740 | 60,690,723 | 120,499,740 |

Note b

Note a

In the previous financial year, the credit standing in the share premium account was transferred to the share capital account pursuant to the Companies Act 2016, which came into effect on 31 January 2017.

Note b

Included in share capital is share premium amounting to RM440,853 that is available to be utilised in accordance with Section 618(3) of the Companies Act 2016 on or before 30 January 2019 (24 months from the commencement of the Companies Act 2016). As at the date of issuance of the financial statements, the Company did not utilise the share premium amounting to RM440,853.

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. Ordinary shares of the Company do not have any par value.

11.2 Share premium

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

In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has 24 months upon the commencement of the Companies Act 2016 on 31 January 2017 to utilise the credit.

Notes to the financial statements (cont'd)

12. Deferred tax liabilities

Recognised deferred tax (assets)/liabilities

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

| Group | Assets | | Liabilities | | Net | |
|-------------------------------|------------|------------|-------------|------------|------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Property, plant and equipment | - | - | 3,161,484 | 2,941,207 | 3,161,484 | 2,941,207 |
| Other temporary differences | - | - | 113,715 | 213,357 | 113,715 | 213,357 |
| Tax liabilities | - | - | 3,275,199 | 3,154,564 | 3,275,199 | 3,154,564 |
| Set off | - | - | - | - | - | - |
| Net tax liabilities | - | - | 3,275,199 | 3,154,564 | 3,275,199 | 3,154,564 |

Movement in temporary differences during the year

| Group | Note | Property, plant and equipment RM | Other temporary differences RM | Total RM |
|------------------------------------|------|---|---|-------------|
| At 1 January 2017 | | 2,778,317 | (208,453) | 2,569,864 |
| Recognised in profit or loss | 17 | 162,890 | 421,810 | 584,700 |
| At 31 December 2017/1 January 2018 | | 2,941,207 | 213,357 | 3,154,564 |
| Recognised in profit or loss | 17 | 220,277 | (99,642) | 120,635 |
| At 31 December 2018 | | 3,161,484 | 113,715 | 3,275,199 |

13. Trade and other payables

| | Group | | Company | |
|-----------------------------|------------|------------|------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Trade | | | | |
| Trade payables | 1,428,700 | 853,133 | - | - |
| Non-trade | | | | |
| Other payables and accruals | 1,527,377 | 1,820,278 | 88,500 | 129,370 |
| | 2,956,077 | 2,673,411 | 88,500 | 129,370 |

Notes to the financial statements (cont'd)

14. Contract liabilities

The contract liabilities primarily relate to the advance consideration received from contract customers for wooden picture frame mouldings to be exported. The contract liabilities are expected to be recognised as revenue over the next financial year.

Significant changes to contract liabilities balances during the year are as follows:

| Group | 2018 RM | 2017 RM |
|---|------------|------------|
| Contract liabilities at the beginning of the year recognised as revenue | 44,311 | 157,095 |

15. Revenue

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Revenue from contracts with customers | 62,892,193 | 57,367,950 | - | - |
| Other revenue | | | | |
| Dividend income from subsidiaries | - | - | 8,500,000 | 13,500,000 |
| | 62,892,193 | 57,367,950 | 8,500,000 | 13,500,000 |

15.1 Disaggregation of revenue

| Group Primary geographical markets | Wooden picture frame mouldings | | Reportable segments Other timber products | | Total | |
|---|-----------------------------------|------------|---|------------|------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| | | | | | | |
| North America | 44,799,951 | 40,212,432 | - | - | 44,799,951 | 40,212,432 |
| Australia | 5,555,673 | 5,940,697 | - | - | 5,555,673 | 5,940,697 |
| Malaysia | 309,295 | 421,793 | 7,656,984 | 6,096,292 | 7,966,279 | 6,518,085 |
| Other countries | 4,570,290 | 4,696,736 | - | - | 4,570,290 | 4,696,736 |
| | 55,235,209 | 51,271,658 | 7,656,984 | 6,096,292 | 62,892,193 | 57,367,950 |
| Major products | | | | | | |
| Wooden picture frame mouldings | 55,235,209 | 51,271,658 | - | - | 55,235,209 | 51,271,658 |
| Other timber products | - | - | 7,656,984 | 6,096,292 | 7,656,984 | 6,096,292 |
| | 55,235,209 | 51,271,658 | 7,656,984 | 6,096,292 | 62,892,193 | 57,367,950 |

All revenue from contracts with customers are recognised at a point in time.

Notes to the financial statements (cont'd)

15. Revenue (Cont'd)

15.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

| Nature of goods or services | Timing of recognition or method used to recognise revenue | Significant payment terms |
|--------------------------------|---|---|
| Wooden picture frame mouldings | Revenue is recognised when the goods are delivered on board of the export vessel (export sales) or delivered and accepted by the customers at their premises (local sales). | Credit period of 0-60 days from invoice date. |
| Other timber products | Revenue is recognised when the goods are delivered and accepted by the customers at their premises. | Credit period of 0-30 days from invoice date. |

There are no variable element in consideration, obligation for returns or refunds and warranty for any of the goods and services promised by the Group.

15.3 Transaction price allocated to the remaining performance obligations

There are no performance obligations that are unsatisfied for contracts that have a duration of more than one year at the reporting date.

15.4 Significant judgements and assumptions arising from revenue recognition

The Group did not apply significant judgements and assumptions that significantly affect the determination of the amount and timing of revenue recognised from contracts with customers:

16. Finance income

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Interest income of financial assets calculated using the effective interest method that are at amortised cost | 37,374 | 44,090 | - | - |
| Other finance income | 297,440 | 498,380 | 242,937 | 296,582 |
| | 334,814 | 542,470 | 242,937 | 296,582 |

Notes to the financial statements (cont'd)

17. Income tax expense

| | Group | | Company | |
|---|------------|------------|-------------|-------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Recognised in profit or loss | | | | |
| Current tax expense | | | | |
| Malaysian - current year | 1,312,196 | 3,403,676 | - | - |
| - under/(over) provision in prior year | 37,579 | (58,047) | - | - |
| Total current tax recognised in profit or loss | 1,349,775 | 3,345,629 | - | - |
| Deferred tax expense | | | | |
| Origination and reversal of temporary differences | 372,793 | 599,694 | - | - |
| Over provision in prior year | (252,158) | (14,994) | - | - |
| Total deferred tax recognised in profit or loss (Note 12) | 120,635 | 584,700 | - | - |
| Total income tax expense | 1,470,410 | 3,930,329 | - | - |
| Reconciliation of income tax expense | | | | |
| Profit before tax | 8,703,415 | 16,221,511 | 18,839,930 | 13,417,845 |
| Income tax calculated using Malaysian tax rate at 24% | 2,088,820 | 3,893,163 | 4,521,583 | 3,220,283 |
| Non-deductible expenses | 156,190 | 238,865 | 88,694 | 90,897 |
| Tax incentive | (490,222) | - | - | - |
| Tax exempt income | (69,799) | (128,658) | (4,610,277) | (3,311,180) |
| Over provision in prior year | 1,684,989 | 4,003,370 | - | - |
| | (214,579) | (73,041) | - | - |
| Total income tax expense | 1,470,410 | 3,930,329 | - | - |

Notes to the financial statements (cont'd)

18. Profit and total comprehensive income for the year

| | | Group | | Company | |
|---|------|------------|------------|------------|------------|
| | Note | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Profit and total comprehensive income for the year is arrived at after charging: | | | | | |
| Auditors' remuneration: | | | | | |
| - audit fees | | | | | |
| - KPMG Malaysia | | 145,000 | 140,000 | 50,000 | 50,000 |
| - non-audit fees | | | | | |
| - KPMG Malaysia | | 57,800 | 54,800 | 15,700 | 15,300 |
| Depreciation of property, plant and equipment | 3 | 2,062,367 | 1,684,413 | 1,224 | 1,224 |
| Net impairment loss on trade receivables | 22.4 | 16,112 | - | - | - |
| Net loss on foreign exchange: | | | | | |
| - unrealised | | 235,187 | - | - | - |
| - realised | | - | 1,044,945 | - | - |
| Loss on disposal of property, plant and equipment | | 54,513 | - | - | - |
| Personnel expenses (including key management personnel): | | | | | |
| - contributions to state plan | | 772,228 | 761,590 | - | - |
| - wages, salaries and others | | 14,194,604 | 13,408,314 | - | - |
| Rental of properties | | 16,500 | - | - | - |
| and after crediting: | | | | | |
| Dividend income from subsidiaries | 15 | - | - | 8,500,000 | 13,500,000 |
| Gain on disposal of property, plant and equipment | | - | 49,624 | - | - |
| Reversal of impairment loss on investment in subsidiaries | 5 | - | - | 10,466,552 | - |
| Net gain on foreign exchange: | | | | | |
| - unrealised | | - | 1,922,191 | - | - |
| - realised | | 50,539 | - | - | - |

19. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2018 was based on the profit attributable to owners of the Company and a weighted average number of ordinary shares outstanding, calculated as follows:

| Group | 2018 RM | 2017 RM |
|---|------------|------------|
| Profit for the year attributable to owners of the Company | 7,233,005 | 12,291,182 |

Notes to the financial statements (cont'd)

19. Earnings per ordinary share (Cont'd)

Basic earnings per ordinary share

| Group | 2018 | 2017 |
|---|-------------|-------------|
| Weighted average number of ordinary shares at 31 December | 120,499,740 | 120,499,740 |
| | | |
| Group | 2018 Sen | 2017 Sen |
| Basic earnings per ordinary share | 6.00 | 10.20 |

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

20. Dividends

Dividends recognised by the Company:

| | Sen per ordinary share | Total amount RM |
|--|------------------------------|-----------------------|
| 2018 | | |
| Second interim 2017 ordinary - single tier | 5.0 | 6,024,987 |
| First interim 2018 ordinary - single tier | 2.0 | 2,409,995 |
| Total amount | | 8,434,982 |
| 2017 | | |
| Second interim 2016 ordinary - single tier | 5.0 | 6,024,987 |
| First interim 2017 ordinary - single tier | 5.0 | 6,024,987 |
| Total amount | | 12,049,974 |

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

| | Sen per ordinary share | Total amount RM |
|--|------------------------------|-----------------------|
| Second interim 2018 ordinary - single tier | 4.0 | 4,819,990 |

Notes to the financial statements (cont'd)

21. Operating segments

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

| Reportable segment | Principal business activities |
|--------------------------------|---|
| Wooden picture frame mouldings | Manufacture and sales of wooden picture frame mouldings |
| Other timber products | Manufacture and sales of other timber products |
| Property holding | Holding and rental of properties |

Other non-reportable segments comprise operations related to investment holding. None of these segments met the quantitative thresholds for reporting segments in 2018 and 2017.

Performance is measured based on segment profit as included in the internal management reports that are reviewed by the EDs. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

Segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the EDs. Segment total assets is used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the EDs. Segment total liabilities is used to evaluate liquidity risk of each segment.

Notes to the financial statements (cont'd)

21. Operating segments (Cont'd)

| Group | Wooden picture frame mouldings | | Other timber products | | Property holding | | Total | |
|--|--------------------------------|-------------------|-----------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Segment profit | 5,456,134 | 10,496,226 | 914,346 | 994,323 | 1,117,777 | 1,014,798 | 7,488,257 | 12,505,347 |
| Included in the measure of segment profit are: | | | | | | | | |
| Revenue from external customers | 55,235,209 | 51,271,658 | 7,656,984 | 6,096,292 | - | - | 62,892,193 | 57,367,950 |
| Inter-segment revenue | - | - | - | - | 2,276,604 | 2,069,652 | 2,276,604 | 2,069,652 |
| Depreciation | 1,385,001 | 1,145,988 | 146,190 | 7,248 | 391,977 | 391,977 | 1,923,168 | 1,545,213 |
| Finance income | 73,096 | 229,188 | 2,416 | 2,087 | 6,809 | 6,095 | 82,321 | 237,370 |
| Tax expense | 974,304 | 3,340,607 | 153,230 | 295,385 | 381,510 | 332,967 | 1,509,044 | 3,968,959 |
| Segment assets | 43,573,274 | 45,884,015 | 5,678,750 | 3,873,506 | 40,861,270 | 41,708,187 | 90,113,294 | 91,465,708 |
| Included in the measure of segment assets are: | | | | | | | | |
| Additions to non-current assets other than financial instruments and deferred tax assets | 753,813 | 4,343,766 | 1,604,260 | 29,750 | 695,653 | 121,536 | 3,053,726 | 4,495,052 |

Notes to the financial statements (cont'd)

21. Operating segments (Cont'd)

Reconciliation of reportable segment revenue, profit or loss, assets and other material items

| | Segment profit RM | External revenue RM | Depreciation RM | Finance income RM | Tax expense RM | Segment assets RM |
|---|-------------------------|---------------------------|--------------------|-------------------------|----------------------|-------------------------|
| 2018 | | | | | | |
| Total reportable segments | 7,488,257 | 62,892,193 | 1,923,168 | 82,321 | 1,509,044 | 90,113,294 |
| Other non-reportable segments | 18,810,643 | - | 139,199 | 252,493 | - | 73,352,327 |
| Elimination of inter-segment transactions or balances | (19,065,895) | - | - | - | (38,634) | (61,834,503) |
| Consolidated total | 7,233,005 | 62,892,193 | 2,062,367 | 334,814 | 1,470,410 | 101,631,118 |
| 2017 | | | | | | |
| Total reportable segments | 12,505,347 | 57,367,950 | 1,545,213 | 237,370 | 3,968,959 | 91,465,708 |
| Other non-reportable segments | 13,385,178 | - | 139,200 | 305,100 | - | 62,994,039 |
| Elimination of inter-segment transactions or balances | (13,599,343) | - | - | - | (38,630) | (52,088,019) |
| Consolidated total | 12,292,182 | 57,367,950 | 1,684,413 | 542,470 | 3,930,329 | 102,371,728 |

Major customers

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

| Group | Revenue | | Segment |
|------------|------------|------------|--------------------------------|
| | 2018 RM | 2017 RM | |
| Customer A | 11,291,284 | 10,607,515 | Wooden picture frame mouldings |
| Customer B | 7,051,217 | 8,187,319 | Wooden picture frame mouldings |
| Customer C | 10,372,719 | 5,032,947 | Wooden picture frame mouldings |

22. Financial instruments

22.1 Categories of financial instruments

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

2018

- (a) Fair value through profit or loss ("FVTPL")
 - Mandatorily required by MFRS 9
- (b) Amortised cost ("AC")

2017

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

Notes to the financial statements (cont'd)

22. Financial instruments (Cont'd)

22.1 Categories of financial instruments (Cont'd)

| 2018 | Carrying amount RM | AC RM | Mandatorily at FVTPL RM |
|----------------------------------|-----------------------|------------|-------------------------------|
| Financial assets | | | |
| Group | | | |
| Trade and other receivables | 7,318,038 | 7,318,038 | - |
| Cash and cash equivalents | 14,906,691 | 6,243,653 | 8,663,038 |
| | 22,224,729 | 13,561,691 | 8,663,038 |
| Company | | | |
| Trade and other receivables | 17,628,620 | 17,628,620 | - |
| Cash and cash equivalents | 8,192,513 | 237,443 | 7,955,070 |
| | 25,821,133 | 17,866,063 | 7,955,070 |
| Financial liabilities | | | |
| Group | | | |
| Trade and other payables | 2,956,077 | 2,956,077 | - |
| Derivative financial liabilities | 121,859 | - | 121,859 |
| | 3,077,936 | 2,956,077 | 121,859 |
| Company | | | |
| Trade and other payables | 88,500 | 88,500 | - |

| 2017 | Carrying amount RM | L&R RM | FVTPL - HFT RM | FL RM |
|------------------------------|-----------------------|------------|----------------------|-----------|
| Financial assets | | | | |
| Group | | | | |
| Trade and other receivables | 7,402,019 | 7,402,019 | - | - |
| Cash and cash equivalents | 14,190,056 | 5,219,821 | 8,970,235 | - |
| Derivative financial assets | 733,753 | - | 733,753 | - |
| | 22,325,828 | 12,621,840 | 9,703,988 | - |
| Company | | | | |
| Trade and other receivables | 16,298,986 | 16,298,986 | - | - |
| Cash and cash equivalents | 8,417,107 | 101,456 | 8,315,651 | - |
| | 24,716,093 | 16,400,442 | 8,315,651 | - |
| Financial liabilities | | | | |
| Group | | | | |
| Trade and other payables | 2,673,411 | - | - | 2,673,411 |
| Company | | | | |
| Trade and other payables | 129,370 | - | - | 129,370 |

Notes to the financial statements (cont'd)

22. Financial instruments (Cont'd)

22.2 Net gains and losses arising from financial instruments

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Net (losses)/gains on: | | | | |
| Financial assets at amortised cost | (6,431) | - | - | - |
| Loans and receivables | - | (803,222) | - | - |
| Financial assets at fair value through profit or loss | | | | |
| - Held for trading | - | 2,222,938 | - | 296,582 |
| - Mandatorily required by MFRS 9 | 297,440 | - | 242,937 | - |
| Financial liabilities at fair value through profit or loss | | | | |
| - Mandatorily required by MFRS 9 | (156,955) | - | - | - |
| | 134,054 | 1,419,716 | 242,937 | 296,582 |

22.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

22.4 Credit risk

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

Trade receivables

Risk management objectives, policies and processes for managing the risk

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

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Notes to the financial statements (cont'd)

22. Financial instruments (Cont'd)

22.4 Credit risk (Cont'd)

Exposure to credit risk, credit quality and collateral

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

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these trade receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis and past payment trend analysis to monitor the credit quality of the trade receivables. Any trade receivables having significant balances past due more than 30 days (2017: 30 days) and have exceeded their individual historical collection period, which are deemed to have higher credit risk, are monitored individually.

The trade receivables of the Group are unsecured.

Concentration of credit risk

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

| Group | 2018 RM | 2017 RM |
|---------------|------------------|------------------|
| North America | 4,674,479 | 5,209,684 |
| Australia | 127,019 | - |
| Malaysia | 1,126,150 | 1,184,318 |
| Others | 533,351 | 360,147 |
| | <u>6,460,999</u> | <u>6,754,149</u> |

At the reporting date, approximately 54% (2017: 43%) of the Group's trade receivables were due from 3 (2017: 3) major customers located in North America.

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 90 days from invoice date. The Group's debt recovery process is as follows:

- a) Above 90 days from invoice date, the Group will start to initiate debt recovery process which is monitored by the sales management team; and
- b) When a customer defaults on debt recovery arrangements, the Group will commence legal proceedings against the customer.

Notes to the financial statements (cont'd)

22. Financial instruments (Cont'd)

22.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Recognition and measurement of impairment losses (Cont'd)

The Group measures ECL of trade receivables individually. Consistent with the debt recovery process, invoices of which customers have defaulted on debt recovery arrangements are generally considered as credit impaired.

Loss rates are determined for each individual customers using past payment trends and other external information relating to the customers that are publicly available. In determining the loss rates for each individual customers, the Group also considers actual credit loss experience over the past three years.

The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

| Group | 2018 | | |
|-----------------------------|-----------------------------|-----------------------|-------------------|
| | Gross carrying amount RM | Loss allowances RM | Net balance RM |
| Not past due | 5,974,765 | - | 5,974,765 |
| Past due less than 30 days | 373,604 | - | 373,604 |
| Past due 31-120 days | 104,700 | - | 104,700 |
| Past due more than 120 days | 7,930 | - | 7,930 |
| | 6,460,999 | - | 6,460,999 |
| Credit impaired | | | |
| Individually impaired | 506,315 | (506,315) | - |
| | 6,967,314 | (506,315) | 6,460,999 |

Trade receivables of the Group are not supported by any collateral.

Notes to the financial statements (cont'd)

22. Financial instruments (Cont'd)

22.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Recognition and measurement of impairment losses (Cont'd)

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

| Group | Trade receivables | | Total RM |
|--|-----------------------|--------------------------|-------------|
| | Lifetime ECL RM | Credit impaired RM | |
| Balance at 1 January as per MFRS 9 | - | 503,121 | 503,121 |
| Adjustments on initial application of MFRS 9 | - | - | - |
| Balance at 1 January as per MFRS 9 | - | 503,121 | 503,121 |
| Amounts written off | - | (12,918) | (12,918) |
| Net remeasurement of loss allowance | - | 16,112 | 16,112 |
| Balance at 31 December | - | 506,315 | 506,315 |

There were no significant changes in the gross carrying amounts of trade receivables contributed to the changes in the impairment loss allowance during 2018.

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The aging of trade receivables as at 31 December 2017 was as follows:

| Group | Gross RM | Individual impairment RM | Net RM |
|-----------------------------|-------------|--------------------------------|-----------|
| 2017 | | | |
| Not past due | 5,662,374 | - | 5,662,374 |
| Past due less than 30 days | 512,760 | - | 512,760 |
| Past due 31-120 days | 28,514 | - | 28,514 |
| Past due more than 120 days | 1,053,622 | (503,121) | 550,501 |
| | 7,257,270 | (503,121) | 6,754,149 |

Notes to the financial statements (cont'd)

22. Financial instruments (Cont'd)

22.4 Credit risk (Cont'd)

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement (Cont'd)

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

| Group | 2017 RM |
|-----------------------------|------------|
| At 1 January | 780,108 |
| Impairment loss written off | (276,987) |
| At 31 December | 503,121 |

Highly liquid investments with non-bank financial institutions

The highly liquid investments are held with local non-bank financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

The local non-bank financial institutions have low credit risk. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Inter-company advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to a subsidiary. The Company does not have a formal policy in place to monitor the credit risk exposure arising from advances to a subsidiary.

Exposure to credit risk, credit quality and collateral

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

Advances are only provided to the wholly owned subsidiary to finance working capital and the acquisition of property, plant and equipment in the normal course of business. The advances are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

Generally, the Company considers advances to the subsidiary to have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiary's advances when they are payable, the Company considers the advances to be in default when the subsidiary is not able to pay when demanded. The Company considers a subsidiary's advance to be credit impaired when:

- The subsidiary is unlikely to repay its advances to the Company in full;
- The subsidiary's advance is overdue for more than 1 year; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these advances individually using internal information available.

Notes to the financial statements (cont'd)

22. Financial instruments (Cont'd)

22.4 Credit risk (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

The following table provides information about the exposure to credit risk and ECLs for the subsidiary's advances as at 31 December 2018.

| Company | Gross carrying amount RM | Impairment loss allowances RM | Net balance RM |
|-------------------------------------|-----------------------------|----------------------------------|-------------------|
| 2018 | | | |
| Low credit risk | 17,624,460 | - | 17,624,460 |
| Significant increase in credit risk | - | - | - |
| Credit impaired | - | - | - |
| | 17,624,460 | - | 17,624,460 |

No impairment loss allowances were made in respect of advances to subsidiary.

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

No impairment loss allowances were made in respect of advances to subsidiary at 31 December 2017.

22.5 Liquidity risk

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

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

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

Notes to the financial statements (cont'd)

22. Financial instruments (Cont'd)

22.5 Liquidity risk (Cont'd)

Maturity analysis

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

| | Carrying amount RM | Contractual interest rate | Contractual cash flow RM | Under 1 year RM |
|--|--------------------------|------------------------------|--------------------------------|-----------------------|
| Group | | | | |
| 2018 | | | | |
| Trade and other payables | 2,956,077 | - | 2,956,077 | 2,956,077 |
| <i>Derivative financial liabilities</i> | | | | |
| Forward exchange contracts (gross settled): | | | | |
| - Inflow | - | - | (16,735,759) | (16,735,759) |
| - Outflow | 121,859 | - | 16,857,618 | 16,857,618 |
| | <u>3,077,936</u> | | <u>3,077,936</u> | <u>3,077,936</u> |
| 2017 | | | | |
| Trade and other payables | 2,673,411 | - | 2,673,411 | 2,673,411 |
| <i>Derivative financial assets</i> | | | | |
| Forward exchange contracts (gross settled): | | | | |
| - Inflow | (733,753) | - | (13,755,030) | (13,755,030) |
| - Outflow | - | - | 13,021,277 | 13,021,277 |
| | <u>1,939,658</u> | | <u>1,939,658</u> | <u>1,939,658</u> |
| Company | | | | |
| 2018 | | | | |
| Other payables and accruals | <u>88,500</u> | - | <u>88,500</u> | <u>88,500</u> |
| 2017 | | | | |
| Other payables and accruals | <u>129,370</u> | - | <u>129,370</u> | <u>129,370</u> |

22.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, that will affect the Group's financial position or cash flows.

Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Euro ("EUR") and Japanese Yen ("YEN").

Notes to the financial statements (cont'd)

22. Financial instruments (Cont'd)

22.6 Market risk (Cont'd)

Currency risk (Cont'd)

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

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

| Group Balances recognised in the statement of financial position | 2018 Denominated in | | | 2017 Denominated in | | |
|---|------------------------|------------------|----------------|------------------------|----------------|----------------|
| | USD RM | EUR RM | YEN RM | USD RM | EUR RM | YEN RM |
| Trade receivables | 4,797,395 | - | 537,453 | 5,362,012 | 118,604 | 89,220 |
| Cash and cash equivalents | 2,599,705 | 1,448,078 | 197,615 | 2,472,496 | 206,702 | 434,607 |
| Forward foreign exchange contracts | (121,859) | - | - | 733,753 | - | - |
| Trade payable | (24,384) | (3,202) | - | - | - | - |
| Net exposure | 7,250,857 | 1,444,876 | 735,068 | 8,568,261 | 325,306 | 523,827 |

Currency risk sensitivity analysis

A 5% (2017: 5%) strengthening of Ringgit Malaysia against the following currencies at the end of the reporting period would have decreased post-tax profit or loss by the amounts shown below. This analysis is based on the foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

| Group | Profit or loss | |
|-------|----------------|------------|
| | 2018 RM | 2017 RM |
| USD | 275,533 | 325,594 |
| EUR | 54,905 | 12,362 |
| YEN | 27,933 | 19,905 |

A 5% (2017: 5%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Notes to the financial statements (cont'd)

22. Financial instruments (Cont'd)

22.7 Fair value information

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

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

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

| | Fair value of financial instruments carried at fair value | | | Total RM |
|--|--|---------------|---------------|-------------|
| | Level 1 RM | Level 2 RM | Level 3 RM | |
| Group | | | | |
| 2018 | | | | |
| Highly liquid investments with non-bank financial institutions | - | 8,663,038 | - | 8,663,038 |
| Forward exchange contracts | - | (121,859) | - | (121,859) |
| | - | 8,541,179 | - | 8,541,179 |
| 2017 | | | | |
| Highly liquid investments with non-bank financial institutions | - | 8,970,235 | - | 8,970,235 |
| Forward exchange contracts | - | 733,753 | - | 733,753 |
| | - | 9,703,988 | - | 9,703,988 |
| Company | | | | |
| 2018 | | | | |
| Highly liquid investments with non-bank financial institutions | - | 7,955,070 | - | 7,955,070 |
| 2017 | | | | |
| Highly liquid investments with non-bank financial institutions | - | 8,315,651 | - | 8,315,651 |

Policy on transfer between levels

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

Notes to the financial statements (cont'd)

22. Financial instruments (Cont'd)

22.7 Fair value information (Cont'd)

Level 2 fair value

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

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

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2017: no transfer in either direction).

23. Capital commitments

| Group | 2018 RM | 2017 RM |
|---|------------|------------|
| Capital expenditure commitments | | |
| Property, plant and equipment contracted but not provided for in the financial statements | 421,320 | 568,565 |

24. Capital management

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

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

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

Notes to the financial statements (cont'd)

25. Key management personnel compensations

The key management personnel compensations are as follows:

| | Group | | Company | |
|---------------------------------------|------------|------------|------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Directors | | | | |
| Fees | 60,000 | 60,000 | 60,000 | 60,000 |
| Remuneration | 1,071,000 | 1,071,000 | - | - |
| Other short-term employee benefits | 9,000 | 7,500 | 9,000 | 7,500 |
| | 1,140,000 | 1,138,500 | 69,000 | 67,500 |
| Other key management personnel | | | | |
| Remuneration | 397,826 | 329,146 | - | - |
| | 1,537,826 | 1,467,646 | 69,000 | 67,500 |

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 RM65,300 (2017: RM65,300).

26. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

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

Notes to the financial statements (cont'd)

26. Related parties (Cont'd)

Significant related party transactions

Related party transactions have been entered into in the normal course of business. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Note 7.

| | Group | | Company | |
|------------------------------------|------------|------------|-------------|--------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| A. Holding company | | | | |
| Dividend paid | 3,970,873 | 5,944,421 | 3,970,873 | 5,944,421 |
| B. Subsidiaries | | | | |
| Management fees paid | - | - | 25,000 | 25,000 |
| Dividend income | - | - | (8,500,000) | (13,500,000) |
| C. Key management personnel | | | | |
| Directors | | | | |
| Sales of motor vehicles | 100,000 | - | - | - |

27. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

27.1 Impacts on financial statements

There is no material impact on the Group's and the Company's financial statements arising from the adoption of MFRS 15 and MFRS 9 other than changes in disclosures and classification of financial instruments as disclosed in Note 27.2(b).

27.2 Accounting for financial instruments

a. Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

- i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.

Notes to the financial statements (cont'd)

27. Significant changes in accounting policies (Cont'd)

27.2 Accounting for financial instruments (Cont'd)

a. Transition (Cont'd)

- ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:
 - the determination of the business model within which a financial asset is held; and
 - the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- iii) If an investment in a debt security had low credit risk at date of initial application of MFRS 9, the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.
- iv) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 January 2018:

| Group | | At 1 January 2018 | | |
|--|------------------|-------------------|---|----------------|
| | | | Reclassification to new MFRS 9 category | |
| Category under MFRS 139 | 31 December 2017 | Remeasure- | Amortised | Fair value |
| Financial assets | RM | ment | cost ("AC") | through |
| | | RM | RM | profit or loss |
| | | | | ("FVTPL") |
| | | | | RM |
| Loans and receivables | | | | |
| Trade and other receivables | 7,402,019 | - | 7,402,019 | - |
| Cash and bank balances | 5,219,821 | - | 5,219,821 | - |
| | 12,621,840 | - | 12,621,840 | - |
| Fair value through profit or loss | | | | |
| Highly liquid Investments with non-bank financial institutions | 8,970,235 | - | - | 8,970,235 |
| Derivative financial assets | 733,753 | - | - | 733,753 |
| | 9,703,988 | - | - | 9,703,988 |
| Financial liabilities | | | | |
| Other financial liabilities measured at amortised cost | | | | |
| Trade and other payables | 2,673,411 | - | 2,673,411 | - |

Notes to the financial statements (cont'd)

27. Significant changes in accounting policies (Cont'd)

27.2 Accounting for financial instruments (Cont'd)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (Cont'd)

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 January 2018:

| Company | | At 1 January 2018 | | |
|--|------------------|-------------------|---|----------------|
| | | | Reclassification to new MFRS 9 category | |
| Category under MFRS 139 | 31 December 2017 | Remeasure- | Amortised | Fair value |
| Financial assets | RM | ment | cost ("AC") | through |
| | | RM | RM | profit or loss |
| | | | | ("FVTPL") |
| | | | | RM |
| Loans and receivables | | | | |
| Trade and other receivables | 16,298,986 | - | 16,298,986 | - |
| Cash and bank balances | 101,456 | - | 101,456 | - |
| | 16,400,442 | - | 16,400,442 | - |
| Fair value through profit or loss | | | | |
| Highly liquid Investments with non-bank financial institutions | 8,315,651 | - | - | 8,315,651 |
| Financial liabilities | | | | |
| Other financial liabilities measured at amortised cost | | | | |
| Trade and other payables | 129,370 | - | 129,370 | - |

Notes to the financial statements (cont'd)

27. Significant changes in accounting policies (Cont'd)

27.2 Accounting for financial instruments (Cont'd)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (Cont'd)

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables and cash and bank balances that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost. There were no changes to the allowance for impairment on transition to MFRS 9.

(ii) Reclassification from FVTPL held for trading to mandatorily recognition FVTPL

There is no change in the carrying amount of derivative financial assets or liabilities and highly liquid investments with non-bank financial institutions that were classified as FVTPL held for trading under MFRS 139, as going forward these financial instruments are mandatorily recognised as FVTPL.

27.3 Accounting for revenue

The following are the changes in revenue recognition from the adoption of MFRS 15:

| Type of revenue | Previous year's revenue recognition | Current year's revenue recognition |
|--------------------------------|--|---|
| Wooden picture frame mouldings | The Group previously recognises revenue when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. | Revenue is recognised when the goods are delivered on board of the export vessel (export sales) or delivered and accepted by the customers at their premises (local sales). |
| Other timber products | The Group previously recognises revenue when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. | Revenue is recognised when the goods are delivered and accepted by the customers at their premises. |

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 34 to 86 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

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

.....
Lim Chee Keong
Director

.....
Lim Chee Hwa
Director

Petaling Jaya,

Date: 2 April 2019

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **Lim Chee Hwa**, the Director primarily responsible for the financial management of Classic Scenic Berhad, do solemnly and sincerely declare that the financial statements set out on pages 34 to 86 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Lim Chee Hwa, NRIC: 580714-10-5941, at Kuala Lumpur, in the Federal Territory on 2 April 2019.

.....
Lim Chee Hwa

Before me:

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CLASSIC SCENIC BERHAD

(COMPANY NO. 633887-M) (INCORPORATED IN MALAYSIA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Classic Scenic Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 34 to 86.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key audit matters for the Group

Valuation of sawn timber inventories

Refer to Note 2(f) - Significant accounting policy: Inventories and Note 6 - Inventories.

The key audit matter:

The Group kept a significant amount of raw material inventories. These raw material inventories comprise mainly sawn timber amounting to RM8,585,859.

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

Independent Auditors' Report

To The Members Of Classic Scenic Berhad (cont'd)

(Company No. 633887-M) (Incorporated in Malaysia)

How the matter was addressed in our audit:

We performed the following audit procedures, amongst others:

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

We observed the year end physical inventory count conducted by the management and have inspected the physical conditions of sawn timber inventories to identify instances of physically deteriorated sawn timber inventories that should be written down/written off by the management.

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

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

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

Key audit matters for the Company

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Independent Auditors' Report

To The Members Of Classic Scenic Berhad (cont'd)

(Company No. 633887-M) (Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Independent Auditors' Report

To The Members Of Classic Scenic Berhad (cont'd)

(Company No. 633887-M) (Incorporated in Malaysia)

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

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

Other Matter

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

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

Chan Chee Keong
Approval Number: 03175/04/2019 J
Chartered Accountant

Petaling Jaya

Date: 2 April 2019

ANALYSIS OF SHAREHOLDINGS

AS AT 3 APRIL 2019

ISSUED SHARES OF THE COMPANY

Total Number of Issued Shares & Class of Shares : 120,499,740 Ordinary Shares
 Number of Shareholders : 2,895
 Voting Rights : One vote per Ordinary Share

ANALYSIS BY SIZE OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % | No. of Shares Held | % |
|--|---------------------|--------|--------------------|--------|
| Less than 100 | 26 | 0.90 | 608 | 0.00 |
| 100 - 1,000 | 564 | 19.48 | 291,557 | 0.24 |
| 1,001 - 10,000 | 1,623 | 56.06 | 8,038,790 | 6.67 |
| 10,001 - 100,000 | 614 | 21.21 | 17,644,700 | 14.64 |
| 100,001 to less than 5% of issued shares | 66 | 2.28 | 36,412,953 | 30.22 |
| 5% and above of issued shares | 2 | 0.07 | 58,111,132 | 48.23 |
| Total | 2,895 | 100.00 | 120,499,740 | 100.00 |

LIST OF THIRTY LARGEST SHAREHOLDERS

| Name | No. of Shares Held | % |
|--|--------------------|-------|
| 1. Lim Ket Leng Holding Sdn. Bhd. | 49,933,132 | 41.44 |
| 2. Lim Kwee Huay | 8,178,000 | 6.79 |
| 3. UOB Kay Hian Nominees (Asing) Sdn. Bhd. <i>Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)</i> | 6,009,000 | 4.99 |
| 4. Ting Be Be | 4,910,024 | 4.07 |
| 5. Lim Chee Khoo | 3,713,900 | 3.08 |
| 6. Ang Toon Chew & Sons (Malaysia) Sendirian Berhad | 2,400,000 | 1.99 |
| 7. Chong Man Kiyau | 1,533,073 | 1.27 |
| 8. Chung Sook Cheng | 1,500,000 | 1.24 |
| 9. Ong Ken Sim | 1,130,000 | 0.94 |
| 10. Ng Chin Peng | 1,126,431 | 0.93 |
| 11. Yap Teong Peng | 1,000,000 | 0.83 |
| 12. Shoptra Jaya (M) Sdn. Bhd. | 882,800 | 0.73 |
| 13. Lim Soong Hwatt | 660,000 | 0.55 |
| 14. Yap Yee Loong | 554,000 | 0.46 |
| 15. Lim Jeng Dong | 500,000 | 0.41 |
| 16. Moh Woon Chiow | 496,400 | 0.41 |
| 17. Ong Yik Gee | 450,000 | 0.37 |
| 18. HSBC Nominees (Asing) Sdn. Bhd. <i>Exempt An for Bank Julius Baer & Co. Ltd. (Singapore BCH)</i> | 407,600 | 0.34 |
| 19. Adviable Ventures Sdn. Bhd. | 400,000 | 0.33 |
| 20. HLB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Patrick Tan Lee Fong</i> | 370,000 | 0.31 |
| 21. Tay Cheng Weng | 350,000 | 0.29 |
| 22. Ming Yau Chuan | 341,400 | 0.28 |
| 23. Citigroup Nominees (Asing) Sdn. Bhd. <i>Exempt An for OCBC Securities Private Limited (Client A/C-NR)</i> | 323,800 | 0.27 |
| 24. Lau Kon Hing | 320,000 | 0.27 |
| 25. CIMSEC Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lee Khee Lin (Penang-CL)</i> | 290,000 | 0.24 |

Analysis of Shareholdings

As At 3 April 2019 (cont'd)

LIST OF THIRTY LARGEST SHAREHOLDERS (cont'd)

| Name | No. of Shares Held | % |
|-------------------------------------|--------------------|-------|
| 26. Ong Hab Tong @ Ong Hup Thong | 264,000 | 0.22 |
| 27. Loke Khoo Mung @ Loke Khoo Ming | 235,700 | 0.20 |
| 28. Koh Kok Choon | 226,900 | 0.19 |
| 29. Goh Tian Hock | 219,400 | 0.18 |
| 30. Kua Beng Chuan | 215,500 | 0.18 |
| Total | 88,941,060 | 73.80 |

SUBSTANTIAL SHAREHOLDERS

| Name of Substantial Shareholders | Direct | No. of Ordinary Shares | | % |
|----------------------------------|------------|------------------------|-------------|-------|
| | | % | Indirect | |
| Lim Ket Leng Holding Sdn. Bhd. | 49,933,132 | 41.44 | - | - |
| Lim Chee Keong | - | - | *51,966,205 | 43.13 |
| Lim Chee Hwa | - | - | #49,933,132 | 41.44 |
| Lim Chee Beng | - | - | *51,433,132 | 42.68 |
| Lim Kwee Huay | 8,178,000 | 6.79 | - | - |

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

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

STATEMENT OF DIRECTORS' SHAREHOLDINGS

| Directors' Name | Direct | No. of Ordinary Shares | | % |
|----------------------------|--------|------------------------|-------------|-------|
| | | % | Indirect | |
| Lim Chee Keong | - | - | *51,966,205 | 43.13 |
| Lim Chee Hwa | - | - | #49,933,132 | 41.44 |
| Lim Chee Beng | - | - | *51,433,132 | 42.68 |
| Au Thin Ann @ Low Teen Ann | 48,000 | 0.04 | ~218,300 | 0.18 |
| Lee Kong Weng | 20,800 | 0.02 | ~4,800 | ^0.00 |
| Chow Chooi Yoong | - | - | - | - |

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

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

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

^ Negligible

LIST OF PROPERTIES

| No. | Title and Location | Description and Existing Use | Tenure / Approx. Age of Buildings | Land Area / Built-up Area (Square feet) | Net Book Value as at 31 December 2018 (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 / 24 years | 76,209 / 69,369 | 5,030,942 | 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 / 21 years | 76,058 / 65,383 | 5,259,804 | 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 title 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 / 14 years | 94,422 / 70,347 | 6,433,659 | 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 / 17 years | 98,631 / 106,692 | 8,298,847 | 21.04.1999 (acquisition) 01.01.2011 (R) |
| 5 | Lot 13, Jalan RP3, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan held under title 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 / 18 years | 76,478 / 60,500 | 5,390,434 | 08.01.1999 (acquisition) 01.01.2011 (R) |

List of Properties

(cont'd)

| No. | Title and Location | Description and Existing Use | Tenure / Approx. Age of Buildings | Land Area / Built-up Area (Square feet) | Net Book Value as at 31 December 2018 (RM) | Date of acquisition / approval/ last revaluation |
|-----|--|---|--|---|--|--|
| 6 | Lot 41, Jalan RP, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan held under title GRN 86350, Lot 204 Seksyen 19 (formerly under HSD 28293 PT 10365, Mukim of Rawang), Bandar Rawang, District of Gombak, Selangor Darul Ehsan. | Factory complex and warehouse premises for the manufacturing of wooden picture frame moulding | Freehold / 11 year | 79,739 / 74,261 | 6,080,729 | 25.01.2006 (acquisition) 01.01.2011 (R) |
| 7 | Lot 2375, Jalan RP3, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan. | Factory complex and warehouse for storing of wooden picture frame moulding | In progress of seeking Temporary Occupation License renewal (expired since 2014)/ 15 years | 23,400 / 22,435 | 780,036 | 24.9.2002 (approval) |
| 8 | GM 4833, Lot 1371, Mukim Ulu Yam, Tempat Ulu Kg. Tembayan, Daerah Hulu Selangor, Selangor Darul Ehsan. | Vacant land | Freehold / N/A | 125,238 / N/A | 1,630,910 | 11.05.2012 (acquisition) |
| 9 | GM6281 (formerly known as EMR3236), Lot 1832, Mukim Ulu Yam, Daerah Hulu Selangor, Selangor Darul Ehsan. | Vacant land | Freehold / N/A | 78,953 / N/A | 593,694 | 22.06.2012 (acquisition) |
| 10 | GM4848 (formerly known as EMR3181), Lot 1833, Mukim Ulu Yam, Daerah Hulu Selangor, Selangor Darul Ehsan. | Vacant land | Freehold / N/A | 95,282 / N/A | 717,182 | 22.06.2012 (acquisition) |
| 11 | Lot 569, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan held under title GRN 86843, Lot 569 Seksyen 19 (formerly under HSD 28340 PT 10412, Mukim of Rawang), Bandar Rawang, District of Gombak, Selangor Darul Ehsan. | Warehouse building construction in-progress | Freehold / N/A | 39,148 / N/A | 1,333,673 | 26.09.2012 (acquisition) |

Note:

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

ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

1. Attendance at the Board and Board Committee Meetings held during the financial year ended 31 December 2018 is as reflected below :-

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

2. The Directors have attended the following training programmes, seminar and/or conferences during the financial year ended 31 December 2018 :-

| Director | List of Training Programmes/ Seminars/Conferences Attended | Date |
|---------------------------|---|---------------------|
| Lim Chee Keong | Malaysian Timber Conference 2018 : Towards A Better Tomorrow | 18 October 2018 |
| Lim Chee Beng | FMM Technology Talk : IIoT and The Future of Smart Factory | 9 August 2018 |
| Lim Chee Hwa | FinTech and Its Impact to Capital Markets | 22 May 2018 |
| Au Thin An @ Low Teen Ann | 1. Independent Directors Programme : The Essence of Independence | 29 October 2018 |
| | 2. 14 th Tricor Tax Seminar | 14 November 2018 |
| Lee Kong Weng | 1. MIA Ethics Seminar on Code of Ethics – A Key to Public Trust | 18 July 2018 |
| | 2. MIA International Accountants Conference 2018 Kuala Lumpur, Malaysia | 9 & 10 October 2018 |
| Chow Chooi Yoong | 1. Drafting A Constitution For Your Company & Preparing A Gap Analysis Report | 4 December 2018 |
| | 2. Nuts and Bolts of Disclosure Obligations of Directors | 17 December 2018 |

3. Utilisation of Proceeds

The Company did not undertake any corporate proposal to raise proceeds during the financial year ended 31 December 2018.

4. Material Contracts

There were no material contracts entered into by the Group and its subsidiary companies involving the interests of the Directors and/or major shareholders, either still subsisting at the end of the financial year ended 31 December 2018 or entered into since the end of the previous financial year.

Additional Compliance Information Disclosures (cont'd)

5. Related Party Transaction

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

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

For the financial year ended 31 December 2018, there was no significant related party transaction except for as disclosure in Note 26 of the financial statements for the year ended 31 December 2018.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixteenth (16th) Annual General Meeting ("AGM") of the Company will be held at the Saga Room, Sri Damansara Club Berhad, Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur on Thursday, 20 June 2019 at 10.00 a.m. for the transaction of the following businesses:-

AGENDA

Ordinary Business

- | | |
|--|--|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and the Auditors thereon. | [Please refer to Explanatory Note 7(a)] |
| 2. To approve the payment of Directors' fees and benefits payable to the Non-Executive Directors up to an amount of RM100,000/-, from 21 June 2019 until the next Annual General Meeting of the Company. | Ordinary Resolution 1 |
| 3. To re-elect the following Directors who retire pursuant to Article 92 of the Company's Constitution and, being eligible, offer themselves for re-election :- (a) Mr Lim Chee Keong (b) Mr Au Thin An @ Low Teen Ann | Ordinary Resolution 2 Ordinary Resolution 3 |
| 4. To re-appoint Messrs KPMG PLT as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors to fix their remuneration. | Ordinary Resolution 4 |

Special Business

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

- | | |
|--|------------------------------|
| 5. Authority to Issue Shares "THAT subject always to the Companies Act, 2016 ("Act"), Constitution of the Company, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and approvals of the relevant governmental/regulatory bodies (if any), the Directors be and are hereby authorised and empowered pursuant to Section 76 of the Act to issue new shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued in any one financial year of the Company pursuant to this resolution does not exceed ten percentage (10%) of the total number of the issued shares of the Company at the time of issue and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company." | Ordinary Resolution 5 |
| 6. Continuing in Office as Independent Non-Executive Director "THAT subject to the passing of Ordinary Resolution 3 and pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance, approval be and is hereby given for Mr Au Thin An @ Low Teen Ann, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to serve as an Independent Non-Executive Director of the Company." | Ordinary Resolution 6 |

Notice of Annual General Meeting (cont'd)

7. Proposed Adoption of New Constitution of the Company ("Proposed Adoption of New Constitution")

"THAT the existing Constitution of the Company be deleted in its entirety and that the new Constitution as set out in Appendix I, be and is hereby adopted as the new Constitution of the Company.

Special Resolution

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things as necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution with full power to assent to any conditions, modifications, and/or amendments as may be required by any relevant authorities."

8. To transact any other business for which due notice shall have been given in accordance with the Companies Act, 2016 and the Company's Constitution.

BY ORDER OF THE BOARD,

WONG YOUN KIM
(MAICSA 7018778)
Company Secretary

Kuala Lumpur

29 April 2019

Notes:

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint up to two proxies to attend and vote instead of him/her. There shall be no restriction as to the qualification of proxy.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
3. Where a member of the Company is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.
4. In the case of a corporate member, the instrument appointing the proxy shall be given under its Common Seal or under the hand of a duly authorised officer or attorney and supported by a notarially certified copy of that power or authority.
5. The Form of Proxy must be deposited at the Company's Registered Office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than 48 hours before the time set for the meeting or any adjournment thereof.
6. **General Meeting Record of Depositors**

For purposes of determining who shall be entitled to attend this Sixteenth (16th) AGM, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 47(C) of the Constitution of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 13 June 2019. Only a depositor whose name appears on the Record of Depositors as at 13 June 2019 shall be entitled to attend this AGM or appoint proxy to attend and/or vote in his/her behalf.

Notice of Annual General Meeting (cont'd)

7. Explanatory Notes on Special Business

(a) Item 1 of the Agenda

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

(b) Ordinary Resolution 5 - Authority to Issue Shares

The proposed Ordinary Resolution under item 5 is to seek a renewal of the general mandate for the issue of new ordinary shares that was approved by shareholders at the last year's AGM. As at the date of this Notice, no shares have been issued pursuant to this general mandate granted at the last AGM of the Company.

The proposed Ordinary Resolution, if passed, will empower the Directors of the Company to issue and allot new shares in the Company at any time and for such purposes as the Directors considered would be in the interests of the Company up to an aggregate not exceeding 10% of the total number of issued shares of the Company without convening a general meeting. This authority unless revoked or varied at a general meeting will expire at the next AGM.

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

(c) Ordinary Resolution 6 - Continuing in Office as Independent Non-Executive Director

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

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

(d) Special Resolution – Proposed Adoption of New Constitution

The proposed Special Resolution, if passed, will align the Constitution of the Company with the Companies Act, 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The proposed new Constitution is set out in Appendix I, a copy of which is dispatched together with the Company's Annual Report 2018.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. The Sixteenth (16th) Annual General Meeting ("AGM") of the Company will be held at the Saga Room, Sri Damansara Club Berhad, Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur on Thursday, 20 June 2019 at 10.00 a.m.
2. The Directors who are standing for re-election as Directors or continuing in office as Independent Non-Executive Director at the Sixteenth (16th) AGM of the Company are:-
 - (a) Mr Lim Chee Keong (Article 92)
 - (b) Mr Au Thin An @ Low Teen Ann (Article 92 & Practice 4.2 of MCCG)

Details of the above Directors seeking re-election as Directors or continuing in office as Independent Non-Executive Director are set out in the Profile of Board of Directors as disclosed on pages 13 to 14 of this Annual Report.

Mr Lim Chee Keong's and Mr Au Thin An @ Low Teen Ann's interests in the securities of the Company and/or its subsidiaries are set out in the Statement of Directors' Shareholdings on page 93 of this Annual Report.

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

PROXY FORM

I/We _____ (NRIC No./Company No.) _____
(FULL NAME IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

being a member/members of CLASSIC SCENIC BERHAD hereby appoint the following person(s) or failing whom, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf, at the Sixteenth (16th) Annual General Meeting of the Company to be held at Saga Room, Sri Damansara Club Berhad, Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur on Thursday, 20 June 2019 at 10.00 a.m. and at any adjournment thereof.

| Name of Proxy, NRIC No. & Address | No. of Shares to be represented by Proxy |
|--------------------------------------|--|
| 1. Name : NRIC No. : Address : | |
| 2. Name : NRIC No. : Address : | |

| NO. | RESOLUTIONS | | FOR | AGAINST |
|-----|---|-----------------------|-----|---------|
| 1. | Approval of Directors' fees and benefits to the Non-Executive Directors up to an amount of RM100,000/-, from 21 June 2019 until the next Annual General Meeting | Ordinary Resolution 1 | | |
| 2. | Re-election of Mr Lim Chee Keong as Director | Ordinary Resolution 2 | | |
| 3. | Re-election of Mr Au Thin An @ Low Teen Ann as Director | Ordinary Resolution 3 | | |
| 4. | Re-appointment of Messrs KPMG PLT as Auditors | Ordinary Resolution 4 | | |
| 5. | Authority to Issue Shares | Ordinary Resolution 5 | | |
| 6. | Approval for Mr Au Thin An @ Low Teen Ann to continue in office as Independent Non-Executive Director | Ordinary Resolution 6 | | |
| 7. | Proposed Adoption of New Constitution | Special Resolution | | |

Please indicate with an "X" in the appropriate boxes on how you wish your vote to be casted on the Resolutions specified in the Notice of Meeting. Unless voting instructions are indicated in the space above, the proxy will vote as he/she thinks fit.

| | |
|--------------------|--|
| No. of Shares Held | |
| CDS Account No.: | |

Date _____

Signature of Shareholder _____

Notes:

- 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.
- Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
- Where a member of the Company is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.
- In the case of a corporate member, the instrument appointing the proxy shall be given under its Common Seal or under the hand of a duly authorised officer or attorney and supported by a notarially certified copy of that power or authority.
- The Form of Proxy must be deposited at the Company's Registered Office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than 48 hours before the time set for the meeting or any adjournment thereof.
- General Meeting Record of Depositors**
For purposes of determining who shall be entitled to attend this Sixteenth (16th) AGM, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 47(C) of the Constitution of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 13 June 2019. Only a depositor whose name appears on the Record of Depositors as at 13 June 2019 shall be entitled to attend this AGM or appoint proxy to attend and/or vote in his/her behalf.

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Affix
Stamp

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

fold here



CLASSIC SCENIC BERHAD

(633887-M)

Lot 12, Jalan RP3, Taman Rawang Perdana,
48000 Rawang, Selangor Darul Ehsan, Malaysia

Tel : +60 3 6091 7477

Fax : +60 3 6091 6766 / 9929

Email : cscenic@classicscenic.com

<http://www.classicscenic.com>