

# Message from the Chairman

*On behalf of the Board of Directors, I am pleased to present the Annual Report of Classic Scenic Berhad (“CSCENIC”), for the financial year ended 31 December 2008.*

## MARKET ENVIRONMENT, CHALLENGES AND SUSTAINABLE STRATEGIES

Worldwide, the levels of volatility in commodity prices, most notably oil, have been unprecedented, causing economic turmoil when its price hit the stratosphere in 2008, with an overall worldwide dampening of consumer confidence due to rocketing inflation. Just when the oil prices came down to more logical levels, consumer recovery was hit by the sudden financial tsunami afflicting much of the western world! All of which inevitably led to a prolonged downturn in demand and intense price competitiveness in many of our traditional export markets. Additionally, the currency swings also made for a most difficult balancing act in our international trading.

However, I am glad to say here that the strategic directions we have taken have allowed us to achieve a modest turnover of RM47.4 million. Although this represents a 17% drop from previous financial period, when viewed against the backdrop of the truly trying times of 2008, I am proud to say with conviction that we have prevailed, and more importantly, will continue to sustain the momentum we have initiated in managing the challenges .



LIM CHEE KEONG  
Executive Chairman

## Message from the Chairman (cont'd)

A war on waste was declared whereby we diligently and rationally strove to trim the fat of all aspects of production by optimizing line runs, minimizing power and water usage, and reducing quality incidents among others. Innovation and renovation efforts continue unabated as we explore in detail the needs of our customers, deftly managing the balancing act of giving them what they want, in the most cost-effective way, and with the best value in the market.

Extra efforts were also put in to source raw materials from alternative origins, without compromising on our quality and sustainability specifications, even as we actively engaged long-term suppliers in looking at ways to rationalize their costs, and henceforth share the savings together if successful. Last but most certainly not least, we continue to invest heavily on our human capital with constant trainings, both industrial and on personal development, and all geared towards alignment with CSCENIC's strategies and goals.

With all the above either in place, or well into implementation, we believe we will be in a very favorable position to take full

### DIVIDEND

With the still positive outcome on earnings, we are confident that we will manage to sustain best performance amid the present and future challenging times, and duly deliver shareholder value, the Board proposes to declare a first and final tax-exempt dividend of 6% in respect of the financial year ended 31st December 2008 (31.12.2008: Tax exempt dividend of 9%). This proposal will be as usual, subject to shareholders' approval at the forthcoming AGM.

On 20th July 2008, a first and final tax-exempt dividend of 9%, or 4.5 cents per share, totaling RM5.4 million in respect of previous financial year ended 31st December 2007, was duly paid out.

### CORPORATE SOCIAL RESPONSIBILITY

We are firm believers in Corporate Social Responsibility ("CSR") being not only good for business, but more importantly, the principles and practices of CSR make for a long term sustainable creation of shared value among all in CSCENIC, and its network of both suppliers and buyers.



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and fast advantage of the upswing in our export markets in time to come.

### FINANCIAL PERFORMANCE REVIEW

As mentioned earlier, CSCENIC achieved a total revenue of RM47.4 million in 2008, a 17% drop from 2007's RM57.3 million, attributed mainly to lesser sales revenue in our major export markets, many of them as we all know are under the throes of recession! The positive side is that we still managed to turn in a reasonably profit after tax of RM7.8million under a shrinking global economy, with nett assets per share increasing slightly to RM0.74 in current financial year, versus RM0.72 in previous year.

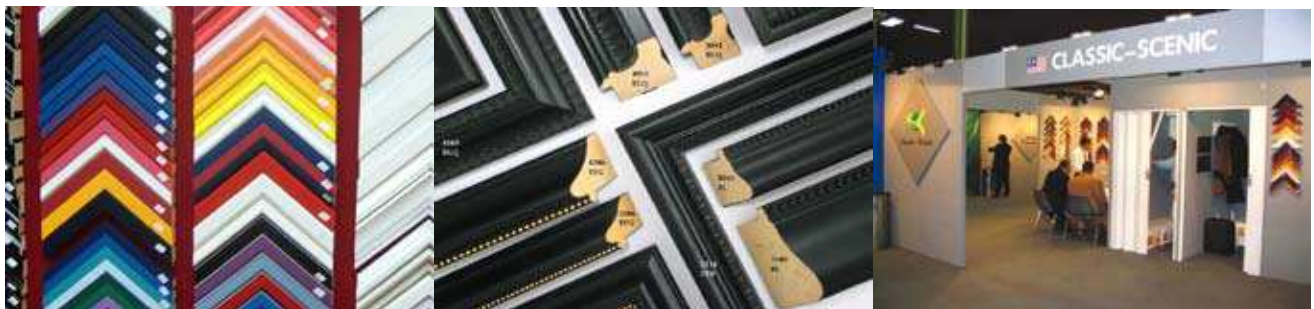
On a product basis, CSCENIC on its own accord, carried out Lead content testing on its manufactured products, to ensure CSCENIC products are all within safety levels, and also in strict compliance to Code of Federal Regulations, Chapter 11 - Consumer Products Safety Commission of USA.

We have in place Corporate Governance best practices (as disclosed in the Statement on Corporate Governance), which is maintained as an assurance to protect shareholder's interests. On top of that, a Code of Business Ethics was further established and adopted to inculcate ethical values among all at CSCENIC, and in support of that initiative, a channel of communication was opened between all stratas of CSCENIC management, to enable quick and direct inputs for suggestions, opinions, and grievances.

## Message from the Chairman (cont'd)

Remuneratively, we periodically review the total compensation package to ensure our competitiveness in the labor market so as to retain existing talents, as well as recruit new ones. Lower income staffs are accorded Cost of Living Allowances, as well as a small transportation stipend, and for all, a team building was held to foster togetherness as well as a gesture of appreciation to all from CSCENIC for a job well done. But money aside, human capital development is equally important, and CSCENIC provides a wide gamut of training opportunities for its staffs, ranging from Federation of Malaysian Manufacturers (FMM) run technical courses, to personal development seminars, without fear nor favor to any in CSCENIC.

In the area of Safety where apparent trivialities matter, we are slowly but surely ingraining upon our work force, the importance of personal behavior and common sense upon their own safety while at work in CSCENIC, as it is our philosophy that one accident is already one too many.



Environment-wise, our wood waste has been considerably reduced, as much of the wood waste is used to produce steam and generate energy. Additionally, the saw dust from our production processes are now being compressed into wood briquettes, which are used to produce heat energy. Also worthy of mention, we ensure all our timbers are from legal and traceable origins. All in all, we are proud of developments here, especially so in terms of being a good and sustainable corporate citizen.

Ever willing and conscious of the community around us, CSCENIC has made voluntary contributions to schools, charitable bodies and lesser privileged sectors of our society, without much fanfare and with much earnestness to just help.

### OUTLOOK AND PROSPECTS

We expect the current year to continue being a most challenging one, and stand prepared for further short-term negative impacts to CSCENIC on a few fronts, but we have a guarded optimism that the global economy, especially among our export markets, will be on the road to recovery by later part of 2009.

The USD has strengthened, which spells out a more competitive pricing for our export-driven products. Stimulus packages introduced by many western countries, including major initiatives in the USA, also garner well that we should be able to see light at the end of the tunnel that is the global recession.

Internally, our continuous improvement initiatives born from the learning curves of the trying times experienced thus far, will surely stand us in good stead to weather the worst 2009 may bring, and more significantly, to quickly and effectively capitalize on the expected upswing to come.

Barring any unforeseen circumstances, the Group will remain profitable in the coming year.

### ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board, I would like to express my deepest appreciation to the management, staff, and work force of CSCENIC, for their dedication, commitment and untiring contributions. To our shareholders, customers and suppliers, I also thank you for their support and considerations as we undertook the difficult journey of 2008, and look forward to their continued understanding in 2009 such that a win-win situation will always be in place for all. Lastly, I also wish to put on record my sincere gratitude to my fellow directors for their invaluable counsel, and strong support.

**LIM CHEE KEONG**  
Executive Chairman

Kuala Lumpur  
18 May 2009