

Statement On Corporate Governance

The Board of Directors of Classic Scenic Berhad (“CSCENIC”) acknowledges the importance of maintaining good corporate governance in the Group and is committed to ensure that the principles and best practices of corporate governance as set out in the Malaysian Code on Corporate Governance (“the Code”) are being observed.

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

The Board of Directors

The Company is led and managed by an effective Board comprising directors with professional and business experience. The Board currently has seven (7) members comprising an Executive Chairman, a Managing Director, two Executive Directors and three Independent Non-Executive Directors. The composition of the Board is well balanced and complies with the Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa Securities”) that requires at least two or one-third, whichever is higher, of the total number of Directors to be independent. The roles and responsibilities of the Executive Chairman and Managing Director are separated to ensure balance of authority. The Chairman is responsible for the orderly conduct and working of the Board. The Managing Director is responsible for the running of the Group’s operation and execution of the Board’s overall direction and strategy. In addition, Mr. Tang Kam Chee continues to act as the Senior Independent Non-Executive Director to whom shareholders can convey their concerns and seek clarifications from the Board.

A description of the background of each director is presented on pages 8 to 9.

The Board is provided with appropriate and timely information to enable it to discharge its duties effectively. The management and auditors are also invited to be present at the Board and Audit Committee meetings to provide further explanations and reports to the Board as and when necessary.

During the financial year, six (6) Board meetings were held. The number of board meetings held and attendance of the directors for the financial year ended 31 December 2008 are as follows:

Directors	Attendance at the Board Meetings Attended / Held
Lim Chee Keong	6/6
Lim Chee Beng	5/6
Lim Chee Khoon	6/6
Lim Chee Hwa	4/6
Tang Kam Chee	6/6
Yeh Sau Tou	6/6
Au Thin An @ Low Teen Ann (Appointed on 2 January 2008)	6/6

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

Statement On Corporate Governance (cont'd)

The Executive Committee ("EC") which was established in 2005, comprises all Executive Directors and selected senior management staff. This Committee meets at least once a month, and additional meetings will be held as and when required by the Chairman of the EC.

The EC assists the Board in the following:

- i) Manage overall operations of the Group;
- ii) Implement strategic business plan and policy approved by the Board;
- iii) Establish an adequately resourced risk management framework;
- iii) Review risks and opportunities associated with business strategies and operating processes;
- iv) Formulate corporate policies; and
- v) Promote awareness of the importance of good corporate practices.

Appointment to the Board

The Nomination Committee ("NC") was established on 19 October 2004. The objective of this NC is to ensure that there is a formal and transparent procedure for the appointment of new directors to the Board. The NC had held one (1) meeting during the financial year ended 31 December 2008.

The members of the NC are as follows:-

Chairman:

Tang Kam Chee

(Independent Non-Executive Director)

Member:

Yeh Sau Tou

(Independent Non-Executive Director)

Au Thin An @ Low Teen Ann
(Appointed on 2 January 2008)

(Independent Non-Executive Director)

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

- (a) To determine the core competencies and skills required of the Board members to best serve the business and operations of the Group as a whole and the optimum size of the Board to reflect the desired skills and competencies.
- (b) To recommend to the Board on the appropriate balance and size of executive and non-executive participation and whether the current Board representation satisfies this requirement.
- (c) To recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board. In making its recommendations, the Nomination Committee should consider the candidates' skills, knowledge expertise and experience, professionalism, integrity and, in the case of candidates for the position of independent non-executive directors, the Nomination Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive directors.
- (d) To consider in making its recommendations, candidates for directorships proposed by the Executive Chairman/Managing Director and, within the bounds of practicability, by any other Director or shareholder.
- (e) To recommend to the Board, Directors to fill the seats on Board Committees.
- (f) To undertake an annual review of the required mix of skills and experience and other qualities of Directors, including core competencies, which Non-Executive Directors should bring to the Board.
- (g) To assist the Board in implementing procedures that would enable the Nomination Committee to conduct an annual assessment on the effectiveness of the board as a whole, on the committees of the Board and on the contributions and performance of each individual director, including independent non-executive director, executive chairman and Board Committee members. All assessments and evaluation should be properly documented.

The NC conducted its annual director's appraisal in November 2008.

Statement On Corporate Governance (cont'd)

Directors' Training

The Board views continuous learning and training as an integral part of directors' development. All Board members have completed the Mandatory Accreditation Programme in accordance with the Listing Requirements. In addition, members of the Board are informed of various directors' development programmes and encouraged to attend these programmes to keep abreast with the development in the industry and relevant regulatory requirements in furtherance of their duties.

All the Directors have attended training during the financial year ended 31 December 2008. A brief description on the type of training the directors have attended is listed below:

Title of seminar/conference/courses	Mode of Training	No. of days spent
Key Performance Indicators Training Workshop	Seminar	2 days
Effective Strategic Planning & Risk Management	Seminar	1 day
Property Developers and Land Owners – Tax Cases	Seminar	1 day
Advanced Corporate Tax Planning	Workshop	1 day
MIT Workshop on Indirect Tax: Sales Tax & Service Tax Refunds	Seminar	1 day
Percukaian Hasil 2008 e-filing: Module for Tax Agents	Seminar	1 day
Driving a credible profession: enhancing the value chain	Conference	2 days
2009 Budget Seminar	Seminar	1 day
National Tax Conference 2008	Conference	2 days

Re-election of Directors

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

New directors appointed during the year shall be subjected to retirement and being eligible offer themselves for re-election at the next AGM.

In addition, directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Information of each director standing for re-election covering their personal profile, meeting attendance, directorships in other public companies and shareholdings in the Group is furnished in the Statement Accompanying the Notice of AGM.

Statement On Corporate Governance (cont'd)

Directors' Remuneration

The Remuneration Committee ("RC") was established on 19 October 2004. The objective of this RC is to recommend to the Board the remuneration of Executive Directors in all its forms. To this end, the RC adopts the principles recommended by the Code in determining the directors' remuneration, whereby, the Executive Directors' remuneration is designed to link rewards to the Group's performance whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience and the level of responsibilities assumed. The RC had held one (1) meeting during the financial year ended 31 December 2008.

The members of the RC are as follows:

Chairman:	
Tang Kam Chee	(Independent Non-Executive Director)
Member:	
Yeh Sau Tou	(Independent Non-Executive Director)
Lim Chee Keong	(Executive Chairman)

The duties and responsibilities of the RC are as follows:

- i) To recommend to the Board the remuneration of the Executive Chairman, Managing Director and Executive Directors;
- ii) To ensure a fair remuneration of the Board members and other level of management;
- iii) To conduct continued assessment of individual Executive Directors to ensure that their remuneration is directly related to corporate and individual performance;
- iv) To obtain the advice and information from external source, if necessary, to compare the remuneration currently earned by the Executive Directors and those paid to Executive Directors of other companies of similar size in a comparable industry sector; and
- v) To ensure that the base salary element is competitive but fair and to provide objective and independent assessment of the benefits granted to Executive Directors.

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

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

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

	Fees*	Salaries (including bonuses & EPF)	Benefits-in-kind	Allowances	Total
Executive Directors	-	1,394,996	102,250	-	1,497,246
Non-Executive Directors	36,000	-	-	19,500	55,500

* subject to approval by shareholders at the AGM.

Statement On Corporate Governance (cont'd)

Shareholders

- **Communication and Investor Relations**

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

Mr. Tang Kam Chee has been designated at the Senior Independent Director and investors are welcome to direct their concerns and queries to him. Where practicable, the Board is prepared to enter into a dialogue with shareholders and analysts. Nevertheless, in conducting this dialogue, the Board and the management are mindful of the share price sensitive information and the fair opportunity of information to shareholders and investors.

During the financial year, 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.

- **AGM**

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

Accountability and Audit

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

The Board also affirms its responsibility for maintaining a sound system of internal control for the Group. The internal audit function was established in June 2005 and is outsourced to an Independent Consultant. The Audit Committee reviews and approves the internal audit plan, which is developed based on the key risk areas and major operating units of the Group. Audit reviews were carried out on quarterly basis and audit findings were reported to the Audit Committee.

To maintain a transparent and formal relationship with the Company's external auditors, the Audit Committee reviews the appointment, performance, independence and remuneration of the external auditors. If deemed necessary, the Audit Committee will convene meetings with the external auditors without the present of executive members of the Committee. The Audit Committee Report covering its terms of reference, composition, activities and attendance of the members are reported separately on pages 16 to 20.

Compliance with Best Practices

Other than the disclosure of detailed remuneration of each director, the Board of Directors believes that CSCENIC has complied with the best practices of corporate governance as set out in Part 2 of the Code throughout the current financial year.

The Board views that the transparency in respect of the Directors' remuneration has been appropriately dealt with by the 'band disclosure' presented on the previous page.

Statement On Corporate Governance (cont'd)

Directors' Responsibility for Preparing the Financial Statements

The Directors are responsible for ensuring that the annual audited financial statements of the Group and of the Company are drawn up in accordance the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the Listing Requirements of the Bursa Securities so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and of the results of their operations and cash flows for the year ended on that date.

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

- applied appropriate and relevant accounting policies consistently;
- complied with all applicable approved accounting standards;
- made judgments and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

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

This statement was made in accordance with a resolution of the Board dated 17 April 2009.