

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2016**
(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.2016 RM'000	Preceding Year Corresponding Quarter 30.06.2015 RM'000	Current Year To Date 30.06.2016 RM'000	Preceding Year Corresponding Period 30.06.2015 RM'000
Revenue	14,375	13,530	29,815	27,441
Cost of sales	(8,408)	(8,577)	(17,256)	(16,847)
Gross profit	<u>5,967</u>	<u>4,953</u>	<u>12,559</u>	<u>10,594</u>
Operating expenses	(1,446)	(1,648)	(2,646)	(3,725)
Other operating income	116	67	247	141
Profit before taxation	<u>4,637</u>	<u>3,372</u>	<u>10,160</u>	<u>7,010</u>
Taxation	(1,027)	(881)	(2,371)	(1,806)
Profit and total comprehensive income for the period	<u><u>3,610</u></u>	<u><u>2,491</u></u>	<u><u>7,789</u></u>	<u><u>5,204</u></u>
Attributable to:				
Owners of the Company	3,610	2,491	7,789	5,204
Non-controlling interest	-	-	-	-
	<u><u>3,610</u></u>	<u><u>2,491</u></u>	<u><u>7,789</u></u>	<u><u>5,204</u></u>
Earning per share				
Basic earnings per share (sen)	<u><u>3.00</u></u>	<u><u>2.07</u></u>	<u><u>6.46</u></u>	<u><u>4.32</u></u>
Diluted earnings per share (sen)	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

N/A - Not applicable

Notes:

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the Interim Financial Statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Unaudited As at 30.06.2016 RM'000	Audited As at 31.12.2015 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	47,293	47,550
Intangible asset	878	878
Total non-current assets	<u>48,171</u>	<u>48,428</u>
Current Assets		
Trade and other receivables	5,670	6,643
Prepayments paid	1,303	1,485
Inventories	24,700	26,763
Current tax assets	25	21
Derivative financial assets	667	-
Cash and cash equivalents	25,025	21,386
Total current assets	<u>57,390</u>	<u>56,298</u>
Total assets	<u>105,561</u>	<u>104,726</u>
EQUITY		
Share capital	60,250	60,250
Share premium	441	441
Retained earnings	37,210	36,651
Total equity attributable to owners of the Company	<u>97,901</u>	<u>97,342</u>
Non-controlling interest	-	-
Total equity	<u>97,901</u>	<u>97,342</u>
LIABILITIES		
Non-Current Liabilities		
Deferred tax liabilities	2,982	3,152
Total non-current liabilities	<u>2,982</u>	<u>3,152</u>
Current Liabilities		
Current tax liabilities	2,304	876
Trade and other payables	2,297	2,511
Prepayments received	77	136
Derivative financial liabilities	-	709
Total current liabilities	<u>4,678</u>	<u>4,232</u>
Total liabilities	<u>7,660</u>	<u>7,384</u>
Total equity and liabilities	<u>105,561</u>	<u>104,726</u>
Net assets per share (RM)	0.81	0.81

Notes :

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the Interim Financial Statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2016
(The figures have not been audited)**

	Share Capital RM'000	Non- distributable Share Premium RM'000	Treasury Share RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
At 1 January 2016	60,250	441	-	36,651	97,342
Dividends to the owners of the Company	-	-	-	(7,230)	(7,230)
Profit and total comprehensive income for the period	-	-	-	7,789	7,789
At 30 Jun 2016	<u>60,250</u>	<u>441</u>	<u>-</u>	<u>37,210</u>	<u>97,901</u>
At 1 January 2015	60,250	441	-	34,801	95,492
Dividends to the owners of the Company	-	-	-	(4,820)	(4,820)
Profit and total comprehensive income for the period	-	-	-	5,204	5,204
At 30 Jun 2015	<u>60,250</u>	<u>441</u>	<u>-</u>	<u>35,185</u>	<u>95,876</u>

Notes:

The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the Interim Financial Statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 30 JUNE 2016
(The figures have not been audited)

	Current Year-to-date 30.06.2016 RM'000	Preceding Year Corresponding Period 30.06.2015 RM'000
Cash flows from operating activities		
Profit before taxation	10,160	7,010
Adjustments for :		
Depreciation of property, plant and equipment	900	993
Finance income	(247)	(141)
Loss on disposal of property, plant and equipment	20	12
Reversal of impairment loss on trade receivables	-	(3)
Unrealised foreign exchange gain	(1,095)	(1,044)
Operating profit before changes in working capital	<u>9,738</u>	<u>6,827</u>
Changes in working capital :		
- Inventories	2,063	1,017
- Trade and other payables	(968)	(1,995)
- Trade and other receivables	1,569	2,441
Cash generated from operations	<u>12,402</u>	<u>8,290</u>
Net income tax paid	(1,117)	(1,517)
Interest received	247	141
Net cash generated from operating activities	<u>11,532</u>	<u>6,914</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(743)	(392)
Proceeds from disposal of property, plant and equipment	80	108
Net cash used in investing activities	<u>(663)</u>	<u>(284)</u>
Cash flows from financing activities		
Dividend paid	(7,230)	(4,820)
Net cash used in financing activities	<u>(7,230)</u>	<u>(4,820)</u>
Net increase in cash and cash equivalents	3,639	1,810
Cash and cash equivalents at the beginning of period	21,386	16,524
Cash and cash equivalents at the end of period (Note 1)	<u>25,025</u>	<u>18,334</u>

Note 1

	RM'000	RM'000
Cash and bank balances	9,290	11,529
Highly liquid investment with non-bank financial institution	15,735	6,805
	<u>25,025</u>	<u>18,334</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the Interim Financial Statements.

NOTES TO THE INTERIM FINANCIAL REPORT

PART A : EXPLANATORY NOTES AS PER MFRS 134

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting, issued by the Malaysian Accounting Standards Board (MASB), International Accounting Standard ("IAS") 34: Interim Financial Reporting, issued by the International Accounting Standard Board ("IASB") and Chapter 9 Part K of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 of Classic Scenic Berhad ("CSCENIC" or "the Company"), which were prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"). The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2015.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2015 except for the adoption of the following MFRSs and Amendments to MFRSs, which are applicable to its financial statements and are relevant to its operations:-

Effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7, Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
- 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.
- Amendments to MFRS 10, Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception.
- Amendments to MFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, Presentation of Financial Statements – Disclosure Initiative
- Amendments to MFRS 116 and MFRS 141, Agriculture: Bearer Plants
- Amendments to MFRS 116 and MFRS 138, *Clarification of Acceptable Methods of Depreciation Amortisation*
- Amendments to MFRS 119, Employee Benefits (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 127, Separate Financial Statements - Equity Method in Separate Financial Statements
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)

The adoption of the above MFRS and amendments to MFRSs did not have any significant financial impacts on the Group's financial results.

The following are MFRSs and amendments that have been issued by the Malaysian Accounting Standard Board ("MASB") but have not been adopted by the Group:

Effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative
- Amendments to MFRS 112, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2018

- MFRS 9, Financial Instruments (IFRS 9 as issued by IASB in 2014)
- MFRS 15, Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2019

- MFRS 16, Leases

Effective date to be determined by the MASB at a later date

- 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.

NOTES TO THE INTERIM FINANCIAL REPORT

PART A : EXPLANATORY NOTES AS PER MFRS 134

A2. Auditors' Report

The auditors' report on the financial statements for the year ended 31 December 2015 of the Group was not qualified.

A3. Seasonal and Cyclical factors

The Group's performance is not subject to seasonality or cyclicity.

A4. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items and amounts of items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review and financial year to date.

A5. Material Changes in Estimates

There were no changes in accounting estimates that have had material effect in the current quarter under review and financial year to date.

A6. Issuances and Repayment of Debt and Equity Securities

There were no issuance and repayment of debts and equity securities, shares buy-back, shares cancellation, shares held as treasury shares or resale of treasury shares during the current quarter under review and financial year to date.

A7. Dividends Paid

During the current quarter review, a second interim single tier dividend of 12% or 6.0 sen per ordinary shares totalling RM7.2 million in respect of the financial year ended 31 December 2015 was paid on 18 May 2016.

A8. Segmental Reporting

The Group's Executive Directors ("ED") review the operation in three reportable geographical segments as follow:-

	North America	Asia Pacific	Other regions	Total
	Current Year	Current Year	Current Year	Current Year
	To Date	To Date	To Date	To Date
	30.06.2016	30.06.2016	30.06.2016	30.06.2016
	RM000	RM000	RM000	RM000
Segment revenue	21,840	6,771	1,204	29,815
Segment trade receivables	3,187	1,230	208	4,625

Since the reportable segment of the Group is primarily confined within one business, which is the manufacturing and sale of wooden picture frame moulding and timber products and its operation are carried out solely in Malaysia, it is not practicable for the Group to incur excessive cost to develop the necessary information, which is not available, for the disclosure of segment profit and segment asset (other than trade receivables) and it is not included in the internal management reports that are reviewed by the ED.

A9. Subsequent Events

There were no material events subsequent to the end of the reporting quarter that have not been reflected in the interim financial statements.

A10. Change in The Composition of The Group

There were no changes in the composition of the Group for the quarter ended 30 June 2016 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinued operation.

NOTES TO THE INTERIM FINANCIAL REPORT
PART A : EXPLANATORY NOTES AS PER MFRS 134

A11. Contingent Liabilities and Contingent Assets

As at 30 June 2016, the corporate guarantees of the Company are as follow:

	As at 30.6.2016 RM'000
Corporate guarantees issued to licensed banks in respect of banking facilities granted to a subsidiary	<u>10,076</u>
A12. Capital Commitments Outstanding Not Provided in The Interim Financial Report	
	As at 30.6.2016 RM'000
Capital expenditure commitments	
Property, plant and equipment	
Approved and contracted for	<u>523</u>

NOTES TO THE INTERIM FINANCIAL REPORT

PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B1. Review of Performance

The Group registered a revenue of RM14.4 million for the current quarter ended 30 June 2016, an increase of RM0.9 million or 6.7% compared to RM13.5 million in the corresponding quarter ended 30 June 2015 mainly due to higher sales volume from export of wooden picture frame moulding and the strengthening of US Dollar. The Group's profit before tax was RM4.6 million, an increase of RM1.2 million or 35.3% as compared to RM3.4 million in the preceding year corresponding quarter ended 30 June 2015. The increase was mainly attributed to higher sales revenue and lower operating expenses as a result of the fair value gain from foreign currency forward contracts.

For the six months ended 30 June 2016, the Group's revenue was RM29.8 million, an increase of RM2.4 million or 8.8% compared to the preceding year corresponding period of RM27.4 million mainly due to higher sales revenue from export of wooden picture frame moulding resulting from the strengthening of US Dollar. The profit before tax improved by RM3.2 million or 45.7% to RM10.2 million as compared to RM7.0 million in the preceding year corresponding period attributed mainly to the reasons as explained above and lower operating expenses as a result of the fair value gain from foreign currency forward contracts.

As disclosed in Note A8, the Group is primarily involved in the manufacturing and sale of wooden picture frame moulding and timber products, and its operation are carried out solely in Malaysia. Hence, there is no detailed analysis on revenue and earnings of other business operating segments.

B2. Variation of Results Against Preceding Quarter

The Group's revenue recorded at RM14.4 million, RM1.0 million or 6.5% lower than the preceding quarter of RM15.4 million mainly due to the weakening of US Dollar. The Group's profit before taxation for the current quarter declined by RM0.9 million or 16.4% as compared to RM5.5 million in the preceding quarter ended 31 March 2016. The decline was mainly attributed to lower sales revenue and higher operating expenses as a result of lower fair value gain from foreign currency forward contracts.

B3. Current Year Prospects

The aggressive stimulus measures currently undertaken by Central Banks of advanced economies is a reflection of a global economy experiencing sluggish growth. This weak growth is also felt in the U.S where the July 2016 retail sales is reportedly flat compared to June 2016. With the various measures that the Group has had in place, the Group is adequately equipped to counter the external threat of lackluster growth in the U.S economy. Barring any unforeseen circumstances, we expect to perform satisfactorily for the remaining period of the financial year ending 31 December 2016.

B4. Profit Forecast and Estimates Announced or Disclosed

Not applicable as there were no profit forecast or estimates that have been announced or disclosed for the financial year ending 31 December 2016.

B5. Variance of Actual and Forecast Profit

Not applicable as there were no profit forecast and profit guarantee published.

B6. Taxation

	Current Year Quarter 30.6.2016 RM'000	Preceding Year Corresponding Quarter 30.6.2015 RM'000	Current Year To Date 30.6.2016 RM'000	Preceding Year Corresponding Period 30.6.2015 RM'000
Current tax expense				
- current	878	649	2,541	1,323
Deferred tax expense				
Origination and reversal of temporary differences				
- current	149	232	(170)	483
	<u>1,027</u>	<u>881</u>	<u>2,371</u>	<u>1,806</u>

The effective tax rate for the quarter under review and current year to date was 22% and 23% respectively. The effective tax rate was lower than the statutory rate of 24% mainly due to the non taxable income and tax incentives.

NOTES TO THE INTERIM FINANCIAL REPORT

PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B7. Status of Corporate Proposal

There were no announced corporate proposals not completed as at the date of this report.

B8. Group Borrowings and Debt Securities

As at 30 June 2016, the Group does not have any bank borrowings.

B9. Derivative Financial Instruments

As at 30 June 2016, the Group has the following outstanding derivatives financial instruments: -

Currency Forward Contracts	Principal or Notional Amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
- Less than 1 year	<u>23,816</u>	<u>667</u>	<u>-</u>

The purpose of entering currency forward contracts is to minimise the impact of unfavourable movement in exchange rate on the trade receivables and expected sales denominated in United States Dollar. There are no cash requirements for these contracts.

The market risk posed by the Group's currency forward contracts depends on the economic changes that may impact market prices. As the exchange rate is pre-determined under such contracts, the market risk in these instruments is not significant. The currency forward contracts are transacted with the Group's banker and the credit risk for non-performance by the counterparty in these instruments is minimal.

The fair value derivative assets amounting to RM667,000/- has been recognised in the financial statements.

B10. Material Litigation

Since the last Audited Financial Statements for the year ended 31 December 2015, the Group does not have any material litigation until the date of this report.

B11. Dividends

On 17 August 2016, the Board declared a first interim single tier dividend 12% or 6.0 sen per ordinary share totalling RM7.2 million in respect of the financial year ending 31 December 2016. The dividend will be payable on 16 November 2016 to depositors registered in the Record of Depositors on 2 November 2016.

The first interim dividend paid for the financial year ended 31 December 2015 was 8% or 4.0 sen per ordinary share.

B12. Basis of Calculation of Earnings Per Share

	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter 30.06.2016	Corresponding Quarter 30.06.2015	To Date 30.06.2016	Corresponding Period 30.06.2015
Basic earnings per share				
Net profit attributable to equity holders (RM'000)	<u>3,610</u>	<u>2,491</u>	<u>7,789</u>	<u>5,204</u>
Weighted average number of ordinary shares of RM0.50 each in issue ('000)	<u>120,500</u>	<u>120,500</u>	<u>120,500</u>	<u>120,500</u>
Basic Earnings Per Share (sen)	<u>3.00</u>	<u>2.07</u>	<u>6.46</u>	<u>4.32</u>

There was no dilution in the earnings per share.

NOTES TO THE INTERIM FINANCIAL REPORT

PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B13. Realised and unrealised retained earnings

The breakdown of the Group's retained earnings as at the reporting date, into realised and unrealised, pursuant to the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") on 25 March 2010 is as follows:-

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	49,078	47,650
- Unrealised	<u>8,070</u>	<u>8,888</u>
	57,148	56,538
Less: Consolidation adjustments	<u>(19,938)</u>	<u>(19,887)</u>
Total group retained earnings as per consolidated accounts	<u><u>37,210</u></u>	<u><u>36,651</u></u>

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

B14. Profit for the Period

	Current Year Quarter 30.06.2016 RM'000	Preceding Year Corresponding Quarter 30.06.2015 RM'000	Current Year To Date 30.06.2016 RM'000	Preceding Year Corresponding Period 30.06.2015 RM'000
Profit and total comprehensive income for the period is arrived at after crediting/(charging):				
Interest income	116	67	247	141
Depreciation of property, plant and equipment	(391)	(500)	(900)	(993)
Gain/(loss) on foreign exchange	435	50	(560)	655
(Loss)/ gain on derivatives	(253)	(53)	1,618	(1,160)
Gain/(loss) on disposal of property, plant and equipment	4	-	(20)	(12)
Reversal of impairment loss on trade receivables	-	-	-	3

Save as disclosed above, the other items as required under Appendix 9B Part A (16) of the Main Market Listing Requirements of Bursa Securities are not applicable.

By order of the Board

WONG YOUN KIM
Company Secretary
MAICSA 7018778
Date: 17 August 2016