

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2017**

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2017 RM'000	Preceding Year Corresponding Quarter 30.09.2016 RM'000	Current Year To Date 30.09.2017 RM'000	Preceding Year Corresponding Period 30.09.2016 RM'000
Revenue	13,627	14,022	43,373	43,837
Cost of sales	(8,406)	(7,865)	(26,077)	(25,121)
Gross profit	<u>5,221</u>	<u>6,157</u>	<u>17,296</u>	<u>18,716</u>
Operating expenses	(1,514)	(2,063)	(4,665)	(4,709)
Other operating income	132	153	488	400
Profit before taxation	<u>3,839</u>	<u>4,247</u>	<u>13,119</u>	<u>14,407</u>
Taxation	(883)	(1,028)	(3,127)	(3,399)
Profit and total comprehensive income for the period	<u><u>2,956</u></u>	<u><u>3,219</u></u>	<u><u>9,992</u></u>	<u><u>11,008</u></u>
Attributable to:				
Owners of the Company	2,956	3,219	9,992	11,008
Non-controlling interest	-	-	-	-
	<u><u>2,956</u></u>	<u><u>3,219</u></u>	<u><u>9,992</u></u>	<u><u>11,008</u></u>
Earning per share				
Basic earnings per share (sen)	<u><u>2.45</u></u>	<u><u>2.67</u></u>	<u><u>8.29</u></u>	<u><u>9.14</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 2016 and the accompanying explanatory notes attached to the Interim Financial Statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

	(Unaudited) As at 30.09.2017 RM'000	(Audited) As at 31.12.2016 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	48,308	47,543
Intangible asset	878	878
Total non-current assets	<u>49,186</u>	<u>48,421</u>
Current Assets		
Trade and other receivables	6,607	6,461
Derivative financial assets	372	-
Prepayments paid	765	1,074
Inventories	25,764	24,332
Current tax assets	106	106
Cash and cash equivalents	22,138	23,915
Total current assets	<u>55,752</u>	<u>55,888</u>
Total assets	<u>104,938</u>	<u>104,309</u>
EQUITY		
Share capital	60,691	60,250
Share premium	-	441
Retained earnings	33,418	35,476
Total equity attributable to owners of the Company	<u>94,109</u>	<u>96,167</u>
Non-controlling interest	-	-
Total equity	<u>94,109</u>	<u>96,167</u>
LIABILITIES		
Non-Current Liabilities		
Deferred tax liabilities	2,971	2,570
Total non-current liabilities	<u>2,971</u>	<u>2,570</u>
Current Liabilities		
Current tax liabilities	79	1,054
Trade and other payables	1,648	2,619
Dividend payable	6,025	-
Prepayments received	106	157
Derivative financial liabilities	-	1,742
Total current liabilities	<u>7,858</u>	<u>5,572</u>
Total liabilities	<u>10,829</u>	<u>8,142</u>
Total equity and liabilities	<u>104,938</u>	<u>104,309</u>
Net assets per share (RM)	0.78	0.80

Notes :

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the Interim Financial Statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2017**
(The figures have not been audited)

	Share Capital RM'000	Share Premium RM'000	Retained Earnings RM'000	Total Equity RM'000
At 1 January 2017	60,250	441	35,476	96,167
Effect of adoption of Companies Act 2016*	441	(441)	-	-
Dividends to the owners of the Company	-	-	(12,050)	(12,050)
Profit and total comprehensive income for the period	-	-	9,992	9,992
At 30 September 2017	60,691	-	33,418	94,109
At 1 January 2016	60,250	441	36,651	97,342
Dividends to the owners of the Company	-	-	(14,460)	(14,460)
Profit and total comprehensive income for the period	-	-	11,008	11,008
At 30 September 2016	60,250	441	33,199	93,890

*With the implementation of the Companies Act 2016 ("CA 2016") on 26 January 2017, all shares shall have no par or nominal value. In view thereof, the amount standing in share premium as at 31 January 2017 will be part of the Company's share capital. Nevertheless, the Company may within 24 months upon the commencement of the CA 2016, utilised the amount standing in share premium account for such purposes allowed under CA 2016.

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 2016 and the accompanying explanatory notes attached to the Interim Financial Statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 SEPTEMBER 2017
(The figures have not been audited)**

	Current Year-to-date 30.09.2017 RM'000	Preceding Year Corresponding Period 30.09.2016 RM'000
Cash flows from operating activities		
Profit before taxation	13,119	14,407
Adjustments for :		
Depreciation of property, plant and equipment	1,232	1,291
Finance income	(438)	(398)
(Gain)/loss on disposal of property, plant and equipment	(50)	20
Unrealised foreign exchange gain	(1,868)	(404)
Operating profit before changes in working capital	<u>11,995</u>	<u>14,916</u>
Changes in working capital :		
- Inventories	(1,432)	2,456
- Trade and other payables	(2,763)	(176)
- Trade and other receivables	1,660	186
Cash generated from operations	<u>9,460</u>	<u>17,382</u>
Net income tax paid	(3,701)	(2,357)
Interest received	438	398
Net cash generated from operating activities	<u>6,197</u>	<u>15,423</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2,031)	(910)
Proceeds from disposal of property, plant and equipment	82	80
Net cash used in investing activities	<u>(1,949)</u>	<u>(830)</u>
Cash flows from financing activities		
Dividend	(6,025)	(7,230)
Net cash used in financing activities	<u>(6,025)</u>	<u>(7,230)</u>
Net (decrease)/increase in cash and cash equivalents	(1,777)	7,363
Cash and cash equivalents at the beginning of period	<u>23,915</u>	<u>21,386</u>
Cash and cash equivalents at the end of period (Note 1)	<u>22,138</u>	<u>28,749</u>

Note 1 _____

	RM'000	RM'000
Cash and bank balances	7,203	7,567
Highly liquid investment with non-bank financial institution	14,935	21,182
	<u>22,138</u>	<u>28,749</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 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 2016 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 2016.

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 2016 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 2017

- Amendments to MFRS 12, Disclosure of Interests in Other Entities
- Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative
- Amendments to MFRS 112, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above 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 2018

- MFRS 9, *Financial Instruments* (2014)
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendment to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendment to MFRS 140, *Investment Property - Transfers of Investment Property*

Effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

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.*



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 2016 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 nine months ended 30 September 2017, a second interim single tier dividend of 5.0 sen per ordinary shares totalling RM6.0 million in respect of the financial year ended 31 December 2016 was paid on 16 May 2017.

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
	30.09.2017	30.09.2017	30.09.2017	30.09.2017
	RM'000	RM'000	RM'000	RM'000
Segment revenue	30,013	11,747	1,613	43,373
Segment trade receivables	4,359	1,199	88	5,646

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 September 2017 and financial year to date 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 September 2017, the corporate guarantees of the Company are as follow:

Corporate guarantees issued to licensed banks in
respect of banking facilities granted to a subsidiary

As at
30.09.2017
RM'000

504

A12. Capital Commitments Outstanding Not Provided in The Interim Financial Report

Capital expenditure commitments
Property, plant and equipment
Approved and contracted for

As at
30.09.2017
RM'000

3,035

NOTES TO THE INTERIM FINANCIAL REPORT

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

B1. Review of Performance

Table 1: Financial review for current quarter and financial year to date

	Individual Period 3rd Quarter		Changes		Cumulative Period		Changes	
	Current Year Quarter 30.09.2017	Preceding Year Corresponding Quarter 30.09.2016			Current Year To Date 30.09.2017	Preceding Year Corresponding Period 30.09.2016		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	13,627	14,022	(0.4)	-2.9%	43,373	43,837	(0.4)	-0.9%
Gross profit	5,221	6,157	(1.0)	-16.1%	17,296	18,716	(1.4)	-7.5%
Profit before tax	3,839	4,247	(0.4)	-9.5%	13,119	14,407	(1.3)	-9.0%
Profit after tax	2,956	3,219	(0.2)	-6.3%	9,992	11,008	(1.0)	-9.1%
Profit attributable to Owners of the Company	2,956	3,219	(0.2)	-6.3%	9,992	11,008	(1.0)	-9.1%

The Group registered a revenue of RM13.6 million for the current quarter ended 30 September 2017, a decrease of RM0.4 million or 2.9% compared to RM14.0 million in the preceding year corresponding quarter ended 30 September 2016 mainly attributable to lower export sales revenue from wooden picture frame moulding as a result of lower export volume. The Group's profit before tax was RM3.8 million, a decrease of RM0.4 million or 9.5% as compared to RM4.2 million in the preceding year corresponding quarter ended 30 September 2016. The decrease in profit before tax was mainly attributable to lower sales revenue and higher input cost, which mainly resulted by higher labour cost and price hike in imported raw materials.

For the nine months ended 30 September 2017, the Group's revenue slipped slightly by RM0.4 million or 0.9% to RM43.4 million compared to the preceding year corresponding period of RM43.8 million mainly attributable to lower export sales revenue from wooden picture frame moulding as the market demand for wooden picture frame in North America remained flat. The profit before tax was RM13.1 million, a decrease of RM1.3 million or 9.0% as compared to RM14.4 million in the preceding year corresponding period mainly attributable to higher labour cost and price hike in imported raw materials. The input cost of timber raw material was fairly stable for the financial period ended 30 September 2017.

The Group maintained a healthy financial position and also posted a strong net cash position of RM22.1 million as at 30 September 2017.

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

Table 2: Financial review for current quarter compared with immediate preceding quarter.

	Current Year Quarter 30.09.2017	Immediate Preceding Quarter 30.06.2017	Changes	
	RM'000	RM'000	RM'000	%
Revenue	13,627	14,205	(0.6)	-4.2%
Gross profit	5,221	5,800	(0.6)	-10.3%
Profit before tax	3,839	4,451	(0.7)	-15.6%
Profit after tax	2,956	3,366	(0.4)	-11.8%
Profit attributable to Owners of the Company	2,956	3,366	(0.4)	-11.8%

The Group's revenue recorded at RM13.6 million for the current quarter under review, a decrease of RM0.6 million or 4.2% compared to RM14.2 million in the preceding quarter ended 30 June 2017 mainly due to lower sales revenue from export of wooden picture frame moulding as a result of lower export volume. The Group's profit before taxation for the current quarter under review declined by RM0.7 million or 15.6% as compared to RM4.5 million in the preceding quarter ended 30 June 2017. The decrease in profit before tax was mainly due to lower sales revenue and higher labour cost.

NOTES TO THE INTERIM FINANCIAL REPORT

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

B3. Current Year Prospects

The persistently below target inflation level in the US economy has to a certain extent had a dampening effect on retail sales particularly those less essential items, the purchase of which could be deferred to a later date. The Group's relatively flat performance recorded in the 3rd quarter did reflect the weak sentiment. On the flip side, ongoing strength in the labour market is expected to lend support to growth in consumer spending in the near term. The Group is making every effort to weather the external challenges by focusing more on development of new marketable products and coming out with other operational improvements. Barring any unforeseen circumstances, we expect to perform satisfactorily for the remaining period of the financial year ending 31 December 2017.

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 2017.

B5. Variance of Actual and Forecast Profit

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

B6. Taxation

	Current Year Quarter 30.09.2017 RM'000	Preceding Year Corresponding Quarter 30.09.2016 RM'000	Current Year To Date 30.09.2017 RM'000	Preceding Year Corresponding Period 30.09.2016 RM'000
Current tax expense				
- current	1,083	1,222	2,785	3,763
- prior year	(58)	(73)	(58)	(73)
Deferred tax expense				
Origination and reversal of temporary differences				
- current	(127)	(126)	415	(296)
- prior year	(15)	5	(15)	5
	<u>883</u>	<u>1,028</u>	<u>3,127</u>	<u>3,399</u>

The effective tax rate for the quarter under review and current year to date was 23% and 24% respectively. The effective rate for the current quarter under review was slightly lower than the statutory rate of 24% mainly due to the reversal of prior year over provision of tax expenses.

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 September 2017, the Group does not have any bank borrowings.

B9. Derivative Financial Instruments

As at 30 September 2017, 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>16,965</u>	<u>372</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 RM372,000 has been recognised in the financial statements.

NOTES TO THE INTERIM FINANCIAL REPORT

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

B10. Material Litigation

Since the last Audited Financial Statements for the year ended 31 December 2016, the Group does not have any material litigation until the date of this report.

B11. Dividends

On 22 August 2017, the Board declared a first interim single tier dividend 5.0 sen per ordinary share totalling RM6.0 million in respect of the financial year ending 31 December 2017. The dividend was paid on 17 November 2017 to depositors registered in the Record of Depositors on 3 November 2017.

B12. Basis of Calculation of Earnings Per Share

	Current Year Quarter 30.09.2017	Preceding Year Corresponding Quarter 30.09.2016	Current Year To Date 30.09.2017	Preceding Year Corresponding Period 30.09.2016
Basic earnings per share				
Net profit attributable to equity holders (RM'000)	2,956	3,219	9,992	11,008
Weighted average number of ordinary shares of RM0.50 each in issue ('000)	120,500	120,500	120,500	120,500
Basic Earnings Per Share (sen)	2.45	2.67	8.29	9.14

The diluted earnings per share is not presented as there is no dilutive potential outstanding share in issue.

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 30.09.2017 RM'000	As at 31.12.2016 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	44,636	48,002
- Unrealised	8,843	7,460
	53,479	55,462
Less: Consolidation adjustments	(20,061)	(19,986)
Total group retained earnings as per consolidated accounts	33,418	35,476

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.

NOTES TO THE INTERIM FINANCIAL REPORT

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

B14. Profit for the Period

	Current Year Quarter 30.09.2017 RM'000	Preceding Year Corresponding Quarter 30.09.2016 RM'000	Current Year To Date 30.09.2017 RM'000	Preceding Year Corresponding Period 30.09.2016 RM'000
Profit and total comprehensive income for the period is arrived at after crediting/(charging):				
Interest income	132	153	438	400
Depreciation of property, plant and equipment	(440)	(391)	(1,232)	(1,291)
(Loss)/gain on foreign exchange	(107)	296	(389)	(264)
Gain/(loss) on derivatives	346	(429)	1,047	1,189
Gain/(loss) on disposal of property, plant and equipment	-	-	50	(20)
	=====	=====	=====	=====

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