

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 DECEMBER 2017**

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.12.2017 RM'000 (Unaudited)	Preceding Year Corresponding Quarter Ended 31.12.2016 RM'000 (Unaudited)	Current Year To Date Ended 31.12.2017 RM'000 (Unaudited)	Preceding Year To Date Ended 31.12.2016 RM'000 (Audited)
Revenue	13,995	13,530	57,368	57,367
Cost of sales	(9,270)	(7,631)	(35,347)	(32,752)
Gross profit	<u>4,725</u>	<u>5,899</u>	<u>22,021</u>	<u>24,615</u>
Operating expenses	(2,625)	(2,993)	(7,290)	(7,702)
Other operating income	1,002	164	1,490	564
Profit before taxation	<u>3,102</u>	<u>3,070</u>	<u>16,221</u>	<u>17,477</u>
Taxation	(803)	(793)	(3,930)	(4,192)
Profit and total comprehensive income for the period	<u><u>2,299</u></u>	<u><u>2,277</u></u>	<u><u>12,291</u></u>	<u><u>13,285</u></u>
Attributable to:				
Owners of the Company	2,299	2,277	12,291	13,285
Non-controlling interest	-	-	-	-
	<u><u>2,299</u></u>	<u><u>2,277</u></u>	<u><u>12,291</u></u>	<u><u>13,285</u></u>
Earning per share				
Basic earnings per share (sen)	<u>1.91</u>	<u>1.89</u>	<u>10.20</u>	<u>11.02</u>
Diluted earnings per share (sen)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</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 FOURTH QUARTER ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	(Unaudited) As at 31.12.2017 RM'000	(Audited) As at 31.12.2016 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	50,321	47,543
Intangible asset	878	878
Total non-current assets	<u>51,199</u>	<u>48,421</u>
Current Assets		
Trade and other receivables	8,002	6,461
Derivative financial assets	734	-
Prepayments paid	1,407	1,074
Inventories	26,781	24,332
Current tax assets	59	106
Cash and cash equivalents	14,190	23,915
Total current assets	<u>51,173</u>	<u>55,888</u>
Total assets	<u>102,372</u>	<u>104,309</u>
EQUITY		
Share capital	60,691	60,250
Share premium	-	441
Retained earnings	35,717	35,476
Total equity attributable to owners of the Company	<u>96,408</u>	<u>96,167</u>
Non-controlling interest	-	-
Total equity	<u>96,408</u>	<u>96,167</u>
LIABILITIES		
Non-Current Liabilities		
Deferred tax liabilities	3,155	2,570
Total non-current liabilities	<u>3,155</u>	<u>2,570</u>
Current Liabilities		
Current tax liabilities	91	1,054
Trade and other payables	2,674	2,619
Prepayments received	44	157
Derivative financial liabilities	-	1,742
Total current liabilities	<u>2,809</u>	<u>5,572</u>
Total liabilities	<u>5,964</u>	<u>8,142</u>
Total equity and liabilities	<u>102,372</u>	<u>104,309</u>
Net assets per share (RM)	0.80	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 FOURTH QUARTER ENDED 31 DECEMBER 2017

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 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
Transfer pursuant to Company Act 2016	441	(441)	-	-
Dividends to the owners of the Company	-	-	(12,050)	(12,050)
Profit and total comprehensive income for the period	-	-	12,291	12,291
At 31 December 2017	<u>60,691</u>	<u>-</u>	<u>35,717</u>	<u>96,408</u>
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	-	-	13,285	13,285
At 31 December 2016	<u>60,250</u>	<u>441</u>	<u>35,476</u>	<u>96,167</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 2016 and the accompanying explanatory notes attached to the Interim Financial Statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 DECEMBER 2017**

(The figures have not been audited)

	(Unaudited)	(Audited)
	Current Year-to-date Ended 31.12.2017 RM'000	Preceding Year-to-date Ended 31.12.2016 RM'000
Cash flows from operating activities		
Profit before taxation	16,221	17,477
Adjustments for :		
Depreciation of property, plant and equipment	1,684	1,677
Finance income	(542)	(557)
(Gain)/loss on disposal of property, plant and equipment	(50)	66
Impairment loss on trade receivables	-	55
Unrealised (gain)/loss on foreign exchange	(1,922)	869
Operating profit before changes in working capital	<u>15,391</u>	<u>19,587</u>
Changes in working capital :		
- Inventories	(2,449)	2,431
- Trade and other payables	(308)	1,117
- Trade and other receivables	(2,177)	(286)
Cash generated from operations	<u>10,457</u>	<u>22,849</u>
Net income tax paid	(4,261)	(4,681)
Interest received	542	557
Net cash generated from operating activities	<u>6,738</u>	<u>18,725</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(4,495)	(1,874)
Proceeds from disposal of property, plant and equipment	82	138
Net cash used in investing activities	<u>(4,413)</u>	<u>(1,736)</u>
Cash flows from financing activities		
Dividend	(12,050)	(14,460)
Net cash used in financing activities	<u>(12,050)</u>	<u>(14,460)</u>
Net (decrease)/increase in cash and cash equivalents	(9,725)	2,529
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>14,190</u>	<u>23,915</u>
<u>Note 1</u>		
	RM'000	RM'000
Cash and bank balances	5,220	6,080
Highly liquid investment with non-bank financial institution	8,970	17,835
	<u>14,190</u>	<u>23,915</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.*

Companies Act 2016

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by Dewan Rakyat and gazette on 15 September 2016. The New Act (except 241 and Division 8 of Part 111) becomes effective on 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Company upon the commencement of the New Act on 31 January 2017 includes:

- i) removal of authorized share capital;
- ii) shares of the Company will cease to have par or nominal value; and
- iii) the Company's share premium account will become part of the Company's share capital.

During the period, the Company had transferred RM441,000 from its share premium account to the share capital pursuant to the New Act.

The adoption of the New Act did not have any significant financial impact on the Group for the current financial year ended 31 December 2017.



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 financial year ended 31 December 2017, the Company paid:-

- (i) A second interim single tier dividend of 5.0 sen per ordinary share totalling RM6.0 million in respect of the financial year ended 31 December 2016 on 16 May 2017; and
- (ii) A first interim single tier dividend of 5.0 sen per ordinary share totalling RM6.0 million in respect of the financial year ended 31 December 2017 on 17 November 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
	31.12.2017	31.12.2017	31.12.2017	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Segment revenue	40,212	15,025	2,131	57,368
Segment trade receivables	5,210	1,426	118	6,754

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 31 December 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. Capital Commitments Outstanding Not Provided in The Interim Financial Report

As at
31.12.2017
RM'000

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

710

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 4th Quarter		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended 31.12.2017	Preceding Year Corresponding Quarter Ended 31.12.2016			Current Year To Date Ended 31.12.2017	Preceding Year To date Ended 31.12.2016		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	13,995	13,530	0.5	3.7%	57,368	57,367	*	0.0%
Gross profit	4,725	5,899	(1.2)	-20.3%	22,021	24,615	(2.6)	-10.6%
Profit before tax	3,102	3,070	*	0.0%	16,221	17,477	(1.3)	-7.4%
Profit after tax	2,299	2,277	*	0.0%	12,291	13,285	(1.0)	-7.5%
Profit attributable to Owners of the Company	2,299	2,277	*	0.0%	12,291	13,285	(1.0)	-7.5%

* Amount less than RM100,000.00

The Group registered a revenue of RM14.0 million for the current quarter ended 31 December 2017, an increase of RM0.5 million or 3.7% compared to RM13.5 million in the preceding year corresponding quarter ended 31 December 2016 mainly attributable to higher local sales revenue from other timber products. The higher input cost, mainly due to higher labour cost and price hike in imported raw materials, had resulted in the decline of the Group's gross profit by RM1.2 million or 20.3%. Nevertheless, the Group's profit before tax recorded at RM3.1 million, which is almost similar to preceding year corresponding quarter mainly attributable to higher foreign exchange gain on derivatives and lower operating expenses.

For the financial year ended 31 December 2017, the Group recorded revenue of RM57.4 million which approximated that of the preceding financial year ended 31 December 2016. The profit before tax was RM16.2 million, a decrease of RM1.3 million or 7.4% as compared to RM17.5 million in the preceding financial year 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 current financial year.

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 Ended 31.12.2017	Immediate Preceding Quarter 30.09.2017	Changes	
	RM'000	RM'000	RM'000	%
Revenue	13,995	13,627	0.4	2.9%
Gross profit	4,725	5,221	(0.5)	-9.6%
Profit before tax	3,102	3,839	(0.7)	-18.4%
Profit after tax	2,299	2,956	(0.7)	-23.3%
Profit attributable to Owners of the Company	2,299	2,956	(0.7)	-23.3%

The Group recorded revenue of RM14.0 million for the current quarter under review, an increase of RM0.4 million or 2.9% compared to RM13.6 million in the preceding quarter ended 30 September 2017 mainly due to higher local sales revenue from other timber products. The Group's profit before tax for the current quarter under review declined by RM0.7 million or 18.4% as compared to RM3.8 million in the preceding quarter ended 30 September 2017. The decrease in profit before tax was mainly due to higher labour cost and imported raw materials 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 overall USA economy is all set to gain from the benefits of lower taxes, strong global growth and a post-crisis economic recovery. Consumption is also expected to be boosted by lower jobless rate which has improved to the pre-crisis level. However, challenges in the form of rising costs in labour and raw materials shall be among the primary concern for the Group. To strengthen our competitive position, the Group shall continue to focus on knowing the market trend and developing new saleable products to fulfill the market needs in order to drive sales growth. Barring any unforeseen circumstances, we expect to perform satisfactorily for the financial year ending 31 December 2018.

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 ended 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 31.12.2017 RM'000	Preceding Year Corresponding Quarter 31.12.2016 RM'000	Current Year To Date 31.12.2017 RM'000	Preceding Year Corresponding Period 31.12.2016 RM'000
Current tax expense				
- current	618	1,084	3,403	4,847
- prior year	-	-	(58)	(73)
Deferred tax expense				
Origination and reversal of temporary differences				
- current	185	(291)	600	(587)
- prior year	-	-	(15)	5
	<u>803</u>	<u>793</u>	<u>3,930</u>	<u>4,192</u>

The effective tax rate for the quarter under review and current year to date was 26% and 24% respectively. The effective rate for the current quarter under review was higher than the statutory rate of 24% mainly due to non-tax allowable 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 31 December 2017, the Group does not have any bank borrowings.

B9. Derivative Financial Instruments

As at 31 December 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>13,755</u>	<u>734</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 RM734,000 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

The Board had declared a first interim single tier dividend of 5.0 sen per ordinary share totalling RM6.0 million in respect of the financial year ended 31 December 2017, which was paid on 17 November 2017.

The Board is declaring a second interim single tier dividend of 5.0 sen per ordinary share totalling RM6.0 million in respect of the financial year ended 31 December 2017. The dividend will be payable on 21 May 2018 to depositors registered in the Record of Depositors on 8 May 2018.

The total net dividend declared for the financial year ended 31 December 2017 was 10.0 sen (2016: 11.0 sen) per ordinary share and the dividend payout ratio was 98% (2016: 100%).

B12. Basis of Calculation of Earnings Per Share

	Current Year Quarter 31.12.2017	Preceding Year Corresponding Quarter 31.12.2016	Current Year To Date 31.12.2017	Preceding Year Corresponding Period 31.12.2016
Basic earnings per share				
Net profit attributable to equity holders (RM'000)	2,299	2,277	12,291	13,285
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)	1.91	1.89	10.20	11.02

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

B13. Profit for the Period

	Current Year Quarter 31.12.2017 RM'000	Preceding Year Corresponding Quarter 31.12.2016 RM'000	Current Year To Date 31.12.2017 RM'000	Preceding Year Corresponding Period 31.12.2016 RM'000
Profit and total comprehensive income for the period is arrived at after crediting/(charging):				
Interest income	104	157	542	557
Depreciation of property, plant and equipment	(452)	(387)	(1,684)	(1,678)
(Loss)/gain on foreign exchange	(459)	440	(848)	176
Gain/(loss) on derivatives	678	(1,774)	1,725	(585)
(Loss)/gain on disposal of property, plant and equipment	-	(47)	50	(67)
Impairment loss on trade receivables	-	(55)	-	(55)

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