

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.09.2018 RM'000 (Unaudited)	Preceding Year Corresponding Quarter Ended 30.09.2017 RM'000 (Unaudited)	Current Year To Date Ended 30.09.2018 RM'000 (Unaudited)	Preceding Year To Date Ended 30.09.2017 RM'000 (Audited)
Revenue	16,246	13,627	47,390	43,373
Cost of sales	(11,708)	(8,406)	(34,930)	(26,077)
Gross profit	<u>4,538</u>	<u>5,221</u>	<u>12,460</u>	<u>17,296</u>
Operating expenses	(2,006)	(1,514)	(6,014)	(4,665)
Other operating income	100	132	245	488
Profit before taxation	<u>2,632</u>	<u>3,839</u>	<u>6,691</u>	<u>13,119</u>
Taxation	(485)	(883)	(1,404)	(3,127)
Profit and total comprehensive income for the period	<u><u>2,147</u></u>	<u><u>2,956</u></u>	<u><u>5,287</u></u>	<u><u>9,992</u></u>
Attributable to:				
Owners of the Company	2,147	2,956	5,287	9,992
Non-controlling interest	-	-	-	-
	<u><u>2,147</u></u>	<u><u>2,956</u></u>	<u><u>5,287</u></u>	<u><u>9,992</u></u>
Earning per share				
Basic earnings per share (sen)	<u>1.78</u>	<u>2.45</u>	<u>4.39</u>	<u>8.29</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 2017 and the accompanying explanatory notes attached to the Interim Financial Statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	(Unaudited) As at 30.09.2018 RM'000	(Audited) As at 31.12.2017 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	51,349	50,321
Intangible asset	878	878
Total non-current assets	<u>52,227</u>	<u>51,199</u>
Current Assets		
Trade and other receivables	7,451	8,002
Derivative financial assets	-	734
Prepayments paid	660	1,407
Inventories	23,467	26,781
Current tax assets	1,039	59
Cash and cash equivalents	16,682	14,190
Total current assets	<u>49,299</u>	<u>51,173</u>
Total assets	<u>101,526</u>	<u>102,372</u>
EQUITY		
Share capital	60,691	60,691
Retained earnings	32,569	35,717
Total equity attributable to owners of the Company	<u>93,260</u>	<u>96,408</u>
Non-controlling interest	-	-
Total equity	<u>93,260</u>	<u>96,408</u>
LIABILITIES		
Non-Current Liabilities		
Deferred tax liabilities	3,267	3,155
Total non-current liabilities	<u>3,267</u>	<u>3,155</u>
Current Liabilities		
Current tax liabilities	85	91
Derivative financial liabilities	439	-
Dividend payable	2,410	-
Trade and other payables	2,062	2,674
Prepayments received	3	44
Total current liabilities	<u>4,999</u>	<u>2,809</u>
Total liabilities	<u>8,266</u>	<u>5,964</u>
Total equity and liabilities	<u>101,526</u>	<u>102,372</u>
Net assets per share (RM)	0.77	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 2017 and the accompanying explanatory notes attached to the Interim Financial Statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

(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 2018	60,691	-	35,717	96,408
Dividends to the owners of the Company	-	-	(8,435)	(8,435)
Profit and total comprehensive income for the period	-	-	5,287	5,287
At 30 September 2018	<u>60,691</u>	<u>-</u>	<u>32,569</u>	<u>93,260</u>
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	<u>60,691</u>	<u>-</u>	<u>33,418</u>	<u>94,109</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 2017 and the accompanying explanatory notes attached to the Interim Financial Statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018**
(The figures have not been audited)

	Current Year-to-date 30.09.2018 RM'000	Preceding Corresponding Period 30.09.2017 RM'000
Cash flows from operating activities		
Profit before taxation	6,691	13,119
Adjustments for :		
Depreciation of property, plant and equipment	1,562	1,232
Finance income	(244)	(438)
Loss/(gain) on disposal of property, plant and equipment	55	(50)
Unrealised loss/(gain) on foreign exchange	407	(1,868)
Operating profit before changes in working capital	8,471	11,995
Changes in working capital :		
- Inventories	3,313	(1,432)
- Trade and other payables	(153)	(2,763)
- Trade and other receivables	1,565	1,660
Cash generated from operations	13,196	9,460
Net income tax paid	(2,278)	(3,701)
Interest received	244	438
Net cash generated from operating activities	11,162	6,197
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2,675)	(2,031)
Proceeds from disposal of property, plant and equipment	30	82
Net cash used in investing activities	(2,645)	(1,949)
Cash flows from financing activities		
Dividend	(6,025)	(6,025)
Net cash used in financing activities	(6,025)	(6,025)
Net increase/(decrease) in cash and cash equivalents	2,492	(1,777)
Cash and cash equivalents at the beginning of period	14,190	23,915
Cash and cash equivalents at the end of period (Note 1)	16,682	22,138

Note 1

	RM'000	RM'000
Cash and bank balances	4,334	7,203
Highly liquid investment with non-bank financial institution	12,348	14,935
	16,682	22,138

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 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 2017 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 2017.

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 2017 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 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*

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 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*

Effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 2, *Share-Based Payment*
- Amendment to MFRS 3, *Business Combinations*
- Amendments to MFRS 6, *Exploration for and Evaluation of Mineral Resources*
- Amendment to MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 134, *Interim Financial Reporting*
- Amendment to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*
- Amendment to MFRS 138, *Intangible Assets*
- Amendment to IC Interpretation 12, *Service Concession Arrangements*
- Amendment to IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendment to IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendment to IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to IC Interpretation 132, *Intangible Assets—Web Site Costs*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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 2017 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 2018, 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 2017 was paid on 21 May 2018.

A8. Segmental Reporting

The business of the Group is based in Malaysia, but the Group sells to overseas. In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are not disclosed as all assets are located in Malaysia.

	North America Current Year To Date 30.09.2018 RM'000	Asia Pacific Current Year To Date 30.09.2018 RM'000	Other regions Current Year To Date 30.09.2018 RM'000	Total Current Year To Date 30.09.2018 RM'000
Segment revenue	33,311	12,496	1,583	47,390

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 2018 and financial year to date including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinued operation.

A11. Capital Commitments Outstanding Not Provided in The Interim Financial Report

Capital expenditure commitments	As at 30.09.2018 RM'000
Property, plant and equipment Approved and contracted for	<u>298</u>

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 To Date 30.09.2018	Preceding Year Corresponding Quarter 30.09.2017			Current Year To Date 30.09.2018	Preceding Year Corresponding Quarter 30.09.2017		
	RM'000	RM'000	RM'million	%	RM'000	RM'000	RM'million	%
Revenue	16,246	13,627	2.6	19.1%	47,390	43,373	4.0	9.2%
Gross profit	4,538	5,221	(0.7)	-13.5%	12,460	17,296	(4.8)	-27.7%
Profit before tax	2,632	3,839	(1.2)	-31.6%	6,691	13,119	(6.4)	-48.9%
Profit after tax	2,147	2,956	(0.9)	-30.0%	5,287	9,992	(4.7)	-47.0%
Profit attributable to Owners of the Company	2,147	2,956	(0.9)	-30.0%	5,287	9,992	(4.7)	-47.0%

The Group registered a revenue of RM16.2 million for the current quarter ended 30 September 2018, an increase of RM2.6 million or 19.1% compared to RM13.6 million in the corresponding quarter ended 30 September 2017 mainly attributable to higher export sales volume from wooden picture frame moulding. Nevertheless, the weakening of US Dollar, price hike in raw materials and higher labour cost had resulted in the decline of the Group's gross profit by RM0.7 million or 13.5%. The Group's profit before tax was RM2.6 million, a decrease of RM1.2 million or 31.6% as compared to RM 3.8 million in the preceding year corresponding quarter ended 30 September 2017. The decrease was mainly attributable to the weakening of USD and higher input costs and operating expenses as a result of lower fair value gain from foreign exchange forward contracts.

For the nine months ended 30 September 2018, the Group's revenue recorded at RM47.4 million, an increase of RM4.0 million or 9.2% compared to the preceding year corresponding period of RM43.4 million mainly attributable to higher export sales volume from export of wooden picture frame moulding. The Group's profit before tax was RM6.7 million, a decrease of RM6.4 million or 48.9% as compared to RM 13.1 million in the preceding year corresponding quarter ended 30 September 2017 attributed mainly to the weakening of US Dollar, price hike in raw materials, higher labour cost and higher operating expenses as a result of lower fair value gain from foreign exchange forward contracts.

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 30.09.2018	Immediate Preceding Quarter 30.06.2018	Changes	
	RM'000	RM'000	RM'million	%
Revenue	16,246	15,192	1.0	6.6%
Gross profit	4,538	3,919	0.6	15.4%
Profit before tax	2,632	1,959	0.6	30.0%
Profit after tax	2,147	1,562	0.5	31.3%
Profit attributable to Owners of the Company	2,147	1,562	0.5	31.3%

The Group recorded revenue of RM16.2 million, an increase of RM1.0 million or 6.6% compared to RM15.2 million in the preceding quarter ended 30 June 2018 mainly due to higher export sales volume from wooden picture frame moulding and the strengthening of US Dollar. The Group's profit before tax for the current quarter was RM2.6 million, an increase of RM0.6 million or 30.0% as compared to RM2.0 million in the preceding quarter ended 30 June 2018 mainly attributed to higher export sales revenue.

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 strong job market together with tax cuts are expected to bode well for the consumption-driven economy of USA. However, uncertainties arising from the ongoing trade war between the two world largest economies coupled with constantly rising materials costs pose immense challenges to the Group. To be better equipped to weather the uncertainties and challenges, the Group shall remain steadfast in developing and introducing new sellable products that could drive steady earnings growth. Barring any unforeseen circumstances, we expect to perform satisfactorily for the remaining period of 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 period ending 31 December 2018.

B5. Variance of Actual and Forecast Profit

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

B6. Taxation

	Current Year Quarter 30.09.2018 RM'000	Preceding Year Corresponding Quarter 30.09.2017 RM'000	Current Year To Date 30.09.2018 RM'000	Preceding Year Corresponding Period 30.09.2017 RM'000
Current tax expense				
- current	329	1,083	1,254	2,785
- prior year	38	(58)	38	(58)
Deferred tax expense				
Origination and reversal of temporary differences				
- current	118	(127)	112	415
- prior year	-	(15)	-	(15)
	<u>485</u>	<u>883</u>	<u>1,404</u>	<u>3,127</u>

The effective tax rate for the quarter under review and current year to date was 18% and 21%. The effective rate for the current quarter under review and year to date was lower than the statutory rate of 24% mainly due to the Automation Capital Allowance Incentive granted to one of its subsidiaries under the Income Tax Automation Equipment Rules 2017.

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 2018, the Group does not have any bank borrowings.

B9. Derivative Financial Instruments

As at 30 September 2018, 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>20,695</u>	<u>-</u>	<u>439</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 liabilities amounting to RM439,000 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 2017, the Group does not have any material litigation until the date of this report.

B11. Dividends

On 23 August 2018, the Board declared a first interim single tier dividend 2.0 sen per ordinary share totalling RM2.4 million in respect of the financial year ending 31 December 2018. The dividend was paid on 29 October 2018 to depositors registered in the Record of Depositors on 15 October 2018.

B12. Basis of Calculation of Earnings Per Share

	Current Year Quarter 30.09.2018	Preceding Year Corresponding Quarter 30.09.2017	Current Year To Date 30.09.2018	Preceding Year Corresponding Period 30.09.2017
Basic earnings per share				
Net profit attributable to equity holders (RM'000)	2,147	2,956	5,287	9,992
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)	1.78	2.45	4.39	8.29

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 30.09.2018 RM'000	Preceding Year Corresponding Quarter 30.09.2017 RM'000	Current Year To Date 30.09.2018 RM'000	Preceding Year Corresponding Period 30.09.2017 RM'000
Profit and total comprehensive income for the period is arrived at after crediting/(charging):				
Interest income	100	132	244	438
Depreciation of property, plant and equipment	(561)	(400)	(1,562)	(1,232)
Gain/(loss) on foreign exchange	183	(107)	(17)	(389)
(Loss)/gain on derivatives	(365)	346	(137)	1,047
(Loss)/gain on disposal of property, plant and equipment	-	-	(55)	50

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