

## NOTES TO THE INTERIM FINANCIAL REPORT

### PART A : EXPLANATORY NOTES AS PER FRS 134

#### A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with Financial Reporting Standards ("FRS") 134: Interim Financial Reporting, issued by the Malaysian Accounting Standards Board (MASB) and Chapter 9 Part K of the 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 2008 of Classic Scenic Berhad ("CSCENIC" or "the Company"). 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 2008.

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 2008 except for the adoption of the following Financial Reporting Standards ("FRSs") and Interpretations issued by MASB but are not yet effective:-

<b>FRSs / Interpretations</b>	<b>Effective date</b>
- FRS 4, <i>Insurance Contracts</i>	1 January 2010
- FRS 7, <i>Financial Instruments: Disclosures</i>	1 January 2010
- FRS 8, <i>Operating Segment</i>	1 July 2009
- FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
- IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
- IC Interpretation 10, <i>Interim Financial Reporting and Impairment</i>	1 January 2010

The Group plan to apply the abovementioned FRSs / Interpretations from the annual period beginning 1 January 2010.

The impact of applying FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective FRSs. The initial application of the other standards (and its consequential amendments) and interpretations is not expected to have any material impact on the financial statements of the Group.

#### A2. Auditors' Report

The auditors' report on the financial statements for the year ended 31 December 2008 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.

#### A5. Material Changes in Estimates

There were no changes in accounting estimates that have had material effect in the current quarter under review.

**NOTES TO THE INTERIM FINANCIAL REPORT**

**PART A : EXPLANATORY NOTES AS PER FRS 134**

**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**

No dividends were paid by the Company in the current quarter under review.

On 20 July 2009, a first and final tax-exempt dividend of 6% or 3.0 sen per ordinary share totalling RM3.6 million in respect of the previous financial year ended 31 December 2008 was paid.

**A8. Segmental Reporting**

Segmental reporting is not provided as the Group's primary business segment is principally engaged in the manufacturing and sale of wooden picture frame moulding and timber products and its operation are carried out solely in Malaysia.

**A9. Valuation of Property, Plant and Equipment**

There was no revaluation of property, plant and equipment since the last Audited Financial Statements for the year ended 31 December 2008.

**A10. Post Balance Sheet Events**

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

**A11. Change in The Composition of The Group**

There were no changes in the composition of the Group for the quarter ended 30 June 2009 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinued operation.

**A12. Changes in Contingent Liabilities and Contingent Assets**

Since the last Audited Financial Statements for the year ended 31 December 2008 until the date of this report, there were no changes in contingent liabilities and contingent assets of a material nature save as follow:-

	RM'000
Cancellation of corporate guarantee granted by the Company in favour of licensed banks for credit facilities granted to subsidiaries	1,900
	<u>1,900</u>

**A13. Capital Commitments Outstanding Not Provided In The Interim Financial Report**

	As at
	30.6.2009
	RM'000
Property, plant and equipment :	
Approved and contracted for	<u>274</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 revenue of RM11.0 million for the current quarter, a decrease of RM0.4 million or 3.5% compared to RM11.4 million of the preceding year corresponding quarter mainly due to lower sales revenue from export of wooden picture frame moulding. The Group's profit before tax was RM2.4 million, an increase of RM0.2 million or 9.1% compared to RM2.2 million in the preceding year corresponding quarter. The increase in profit before tax is mainly attributable to the gain in foreign exchange resulting from the strengthening of the US Dollar against Malaysian Ringgit.

For the sixth month ended 30 June 2009, the Group's revenue was RM19.9 million, a decrease of 10.0% or RM2.2 million as compared to RM22.1 million in the preceding year corresponding period. The decrease in revenue was primarily due to lower sales revenue from export of wooden picture frame moulding. Despite a lower revenue, the Group managed to maintain the profit before tax for the sixth month ended 30 June 2009 at RM3.7 million as in the preceding year correspondence period, mainly due to gain in foreign exchange resulting from the strengthening of the US Dollar against Malaysian Ringgit.

**B2. Variation of Results Against Preceding Quarter**

The Group registered a revenue of RM11.0 million for the current quarter under review, representing an increase of RM2.1 million or 23.6% from RM8.9 million in the preceding quarter mainly due to the increase in sales revenue from export of wooden picture frame moulding. The Group's profit before tax was RM2.4 million compared to RM1.3 million in the preceding quarter, an increase of RM1.1 million or 84.6% mainly due to the increase in sales revenue and recognition of foreign exchange gain.

**B3. Current Year Prospects**

With the various global economic stimulus packages being passed and designed to boost the world economy, the Group begin to experience some positive signs of a recovery with a pick-up in consumer confidence in the world's largest economy and we foresee the growth opportunities are more forthcoming. Meanwhile, the Group's constant efforts in developing new innovative and marketable products have not only enabled the Group to maintain its market share during the downturn but has also put us in good stead to capitalise on the recovery. Besides, our perseverance in seeking greater operational efficiency has further strengthened the Group's competitive edge. Barring any unforeseen circumstances, the Group's performance for the financial year ending 31 December 2009 is expected to remain profitable.

**B4. Variance of Actual and Forecast Profit**

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

**B5. Taxation**

	Current Year Quarter 30.6.2009 RM'000	Preceding Year Corresponding Quarter 30.6.2008 RM'000	Current Year To Date 30.6.2009 RM'000	Preceding Year Corresponding Period 30.6.2008 RM'000
Current tax expense				
- current	239	202	341	332
Deferred tax expense				
Origination and reversal of temporary differences				
- current	(16)	6	14	42
	<u>223</u>	<u>208</u>	<u>355</u>	<u>374</u>

The effective tax rate for the quarter under review and current year to date was 9% and 10% respectively, which was lower than the statutory income tax rate of 25% mainly due to the pioneer status granted to one of its subsidiaries under the Promotion Investment Act 1986 for 5 years from 1 February 2006 to 31 January 2011.

**NOTES TO THE INTERIM FINANCIAL REPORT**

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**B6. Sale of Unquoted Investments and/or Properties**

There were no sale of unquoted investments and/or properties for the current quarter and financial year to date save as follows:-

Lim Ket Leng Realty Sdn. Bhd., a wholly-owned subsidiary of CSCENIC, entered into Sale and Purchase Agreement ("SPA") on 23 July 2009 to dispose a leasehold three storey shop office for a total consideration of RM795,000. The completion of the transaction shall be three months after the date of SPA.

**B7. Purchase or Disposal of Quoted Securities**

There was no purchase or disposal of quoted securities for the current quarter under review and financial year to date.

**B8. Status of Corporate Proposal**

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

**B9. Group Borrowings and Debt Securities**

As at 30 June 2009, the Group does not have any bank borrowings.

**B10. Off Balance Sheet Financial Instruments**

The Group enters into forward foreign exchange contracts to hedge part of its confirmed sales orders in foreign currencies. The purpose of hedging is to minimise the impact of unfavourable movement in exchange rate.

As at 13 August 2009, the Group has the following outstanding forward foreign currency contracts:-

Currency	Outstanding Contract Amount US\$'000	Equivalent Amount in RM'000	Expiry Month
US Dollars	2,500	8,898	Aug '09 to Jan '10

There are no cash requirements for these contracts. As the exchange rate is pre-determined under such contracts, the Group is not exposed to any market risk. These transactions are not exposed to any credit risk.

As at balance sheet date, the differences between the contracted rate of forward contracts and prevailing market rate were recognised in the income statement.

**B11. Material Litigation**

Since the last Audited Financial Statements for the year ended 31 December 2008, the Group does not have any material litigation until the date of this report.

**B12. Dividends**

The Board does not recommend any interim dividend for the current quarter under review.

**NOTES TO THE INTERIM FINANCIAL REPORT**

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

**B13. Basis of Calculation of Earnings Per Share**

	Current Year Quarter 30.6.2009	Preceding Year Corresponding Quarter 30.6.2008	Current Year To Date 30.6.2009	Preceding Year Corresponding Period 30.6.2008
<b>Basic earnings per share</b>				
Net profit attributable to equity holders (RM'000)	<u>2,151</u>	<u>1,970</u>	<u>3,308</u>	<u>3,352</u>
Weighted average number of ordinary shares of RM0.50 each in issue ('000)	<u>120,001</u>	<u>120,226</u>	<u>120,001</u>	<u>120,363</u>
Basic Earnings Per Share (sen)	<u>1.79</u>	<u>1.64</u>	<u>2.76</u>	<u>2.78</u>
<b>Diluted earnings per share</b>				
Net profit attributable to equity holders (RM'000)	<u>2,151</u>	<u>1,970</u>	<u>3,308</u>	<u>3,352</u>
Weighted average number of ordinary shares ('000)	120,001	120,226	120,001	120,363
Adjustment for ESOS ('000)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>120,001</u>	<u>120,226</u>	<u>120,001</u>	<u>120,363</u>
Diluted Earnings Per Share (sen)	<u>1.79</u>	<u>1.64</u>	<u>2.76</u>	<u>2.78</u>

By order of the Board

CHOW CHOOI YOONG  
Company Secretary  
MAICSA 0772574  
Date: 20 August 2009