

# CONCRETE ENGINEERING PRODUCTS BERHAD

Company No 88143-P  
(Incorporated in Malaysia)

Quarterly report on consolidated results for the second financial quarter ended 28 Feb 2010.  
The figures have not been audited.

## **CONDENSED CONSOLIDATED INCOME STATEMENT** **For the Period Ended 28 Feb 2010**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>Current</b>	<b>Comparative</b>	<b>6 months</b>	<b>6 months</b>
	<b>Quarter</b>	<b>Quarter</b>	<b>Cumulative</b>	<b>Cumulative</b>
	<b>Ended</b>	<b>Ended</b>	<b>to date</b>	<b>to date</b>
	<b>28/02/10</b>	<b>28/02/09</b>	<b>28/02/10</b>	<b>28/02/09</b>
	<b>(RM '000)</b>	<b>(RM '000)</b>	<b>(RM '000)</b>	<b>(RM '000)</b>
Revenue	29,383	63,904	66,951	136,019
Operating expenses excluding depreciation, diminution and amortization	(27,613)	(54,481)	(61,517)	(115,461)
Other operating income	205	97	445	311
Profit/(loss) before finance cost, depreciation and amortization, exceptional items, income tax, minority interests and extraordinary items	1,975	9,520	5,879	20,869
Depreciation and amortization	(711)	(710)	(1,422)	(1,322)
Reversal/(Provision) for diminution in quoted investment	1,651	(2,976)	5,503	(8,255)
Provision for impairment in investment properties	0	0	0	0
Profit/ (loss) from operation before income tax, minority interests and extraordinary items.	2,915	5,834	9,960	11,292
Finance cost	(603)	(710)	(1,221)	(1,543)
Profit/(loss) before taxation	2,312	5,124	8,739	9,749
Taxation	(356)	(2,105)	(1,001)	(4,705)
Profit/(Loss) after taxation	1,956	3,019	7,738	5,044
Net Profit/(loss) attributable to:				
Equity holders of the Company	1,956	3,019	7,738	5,044
Minority interest	0	0	0	0
Profit for the period	1,956	3,019	7,738	5,044
Earnings/(loss) per RM1.00 share				
Basic (based on ordinary shares-sen)	4.37	6.74	17.28	11.27
Fully diluted (based on ordinary shares-sen)				
	<b>AS AT END OF CURRENT</b>	<b>AS AT PRECEDING</b>		
	<b>QUARTER</b>	<b>FINANCIAL YEAR END</b>		
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.74	1.57		

(The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the year ended 31<sup>st</sup> August 2009)

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**As at 28 FEB 2010**

	<b>AS AT 28 Feb 2010 RM '000</b>	<b>AS AT 31 Aug 2009 (Audited) RM '000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, Plant and Equipment	22,711	23,909
Investment properties	8,001	8,001
Prepaid lease payments	11,274	11,424
Other investment	25,865	20,362
	<b>67,851</b>	<b>63,696</b>
<b>Current Assets</b>		
Stocks	34,173	29,665
Trade receivables	38,703	58,896
Other receivables, Deposit and Prepayments	2,090	631
Tax recoverable	1,718	
Deposit with licensed banks	9,773	7,202
Cash and bank balances	652	157
	<b>87,109</b>	<b>96,551</b>
<b>TOTAL ASSETS</b>	<b>154,960</b>	<b>160,247</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share Capital	44,775	44,775
Share Premium	30,570	30,570
Revaluation Reserves	3,917	3,917
Retained earnings – Loss	(1,413)	(9,151)
Total Equity	<b>77,849</b>	<b>70,111</b>
<b>Non-current liabilities</b>		
Bank borrowings – Long Term	12,188	10,717
Deferred taxation	1,299	1,299
	<b>13,487</b>	<b>12,016</b>
<b>Current Liabilities</b>		
Trade Payables	24,394	36,140
Other Payables	1,802	3,006
Bank borrowings – short term	34,111	34,464
Bank overdraft	3,317	2,163
Tax Payable	0	2,347
	<b>63,624</b>	<b>78,120</b>
<b>Total Liabilities</b>	<b>77,111</b>	<b>90,136</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>154,960</b>	<b>160,247</b>
<b>Net Assets per share (RM)</b>	<b>1.74</b>	<b>1.57</b>

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31<sup>st</sup> August 2009)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For Six Months Period Ended 28 Feb 2010**

	<u>Share capital</u>	<u>Asset revaluation reserve</u>	<u>Share premium</u>	<u>Accumulated losses</u>	<u>Total</u>
	RM	RM	RM	RM	RM
<u>2<sup>nd</sup> quarter ended 28 Feb 2010</u>					
Balance at 31 Aug 2008	44,775,000	3,917,092	30,569,833	(29,902,583)	49,359,342
Profit for the year	-	-	-	20,751,183	20,751,183
Balance at 31 Aug 2009	44,775,000	3,917,092	30,569,833	(9,151,400)	70,110,525
Profit for the period	-	-	-	7,738,157	7,738,157
<b>Balance at 28 Feb 2010</b>	<b>44,775,000</b>	<b>3,917,092</b>	<b>30,569,833</b>	<b>(1,413,243)</b>	<b>77,848,682</b>
<u>2<sup>nd</sup> quarter ended 28 Feb 2009</u>					
Balance at 31 Aug 2008	44,775,000	3,917,092	30,569,833	(24,835,097)	54,426,828
Loss for the year				(5,067,486)	(5,067,486)
Balance at 31 Aug 2008	44,775,000	3,917,092	30,569,833	(29,902,583)	49,359,342
Profit for the period	-	-	-	5,043,595	5,043,595
<b>Balance at 28 Feb 2009</b>	<b>44,775,000</b>	<b>3,917,092</b>	<b>30,569,833</b>	<b>(24,858,988)</b>	<b>54,402,937</b>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31<sup>st</sup> August 2009)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**For Six Months Period Ended 28 Feb 2010**

	<b>6 months ended</b>	
	<b>28/02/10</b>	<b>28/02/09</b>
	<b><u>RM'000s</u></b>	<b><u>RM'000s</u></b>
Net cash generated from operating activities	775	5,345
Net cash used in investing activities	19	(856)
Net cash generated from financing activities	1,118	1,455
Net increase/ (decrease) in cash and cash equivalents	<u>1,912</u>	<u>5,944</u>
Cash and cash equivalents at the beginning of financial period	5,196	6,900
Cash and cash equivalents at end of financial period	<u><u>7,108</u></u>	<u><u>12,844</u></u>

Cash and cash equivalent comprise the following:-

	<b>6 months ended</b>	
	<b>28/02/10</b>	<b>28/02/09</b>
	<b><u>RM'000s</u></b>	<b><u>RM'000s</u></b>
Bank and cash balances	10,425	16,593
Bank Overdraft	(3,317)	(3,749)
	<u><u>7,108</u></u>	<u><u>12,844</u></u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31<sup>st</sup> August 2009)

## **A – NOTES TO THE INTERIM FINANCIAL REPORT PURSUANT TO FRS 134**

### **1. Basis of Preparation**

The Interim Financial Report of the Group is unaudited and has been prepared in accordance with the reporting requirements outlined in Financial Reporting Standards (“FRS”) 134: “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (MASB) and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (Bursa) Listing Requirements and should be read in conjunction with the audited financial statements of the Group for the year ended 31 August 2009. These explanatory notes attached to the interim report provide explanation of events and transactions that are significant to the understanding of the changes in the financial year ended 28 Feb 2010.

### **2. Changes in Accounting Policies**

The significant accounting policies and methods of computation are consistent with those of the audited financial statements for the financial year ended 31 August 2009.

### **3. Auditors’ Report on Preceding Annual Financial Statements**

The auditors’ report in respect of the annual financial statement for the financial year ended 31<sup>st</sup> August 2009 was not subject to any qualification.

### **4. Seasonal or Cyclical Factors**

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

### **5. Exceptional Items**

Exceptional items for current year quarter:

There is a reversal of provision of diminution in the value of quoted investments totaling RM 1,650,972 has been made for the current quarter. The reversal represents the increase in market value of our quoted securities held during the current quarter.

### **6. Changes in Estimates of Amounts Previously Reported**

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years that may have a material effect on the current interim period.

### **7. Issuance or repayment of Debt and Equity Securities**

There were no issuance and repayment of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares by the Company for the financial period under review.

### **8. Dividends Paid**

There was no dividend declared and paid by the Company for the financial year ended 31 Aug 2009.

### **9. Segmental Reporting**

No segmental reporting has been prepared as the Group’s activities are mainly manufacturing of spun concrete piles and poles.

### **10. Valuation of Property, Plant and Equipment**

The valuations of property, plant and equipment have been brought forward without amendment from the audited financial statements for the year ended 31<sup>st</sup> August 2009.

### **11. Subsequent Material Events**

There were no material events subsequent to the end of the period under review which require disclosure or adjustments to the quarterly financial statements.

### **12. Changes in Composition/Group**

There were no material changes in the composition of the Group for the financial period under review.

### **13. Contingent Liabilities and Contingent Assets**

There were no contingent liabilities and contingent assets as at the date of issue of this report.

**14. Review of Performance**

Group revenue of RM 29.4 million for the quarter ended 28 Feb 2010 reflected a decrease of 54.0 % over the RM 63.9 million registered in the preceding year's corresponding quarter. This quarter, the Group recorded a profit after taxation of RM 1.956 million as compared to preceding year's corresponding quarter profit after taxation of RM 3.019 million. The current quarter profit has taken into account exceptional items totaling RM1,650,972 as disclosed in Note 5.

The reduction in sales during the current period is attributable to the current decreased levels of construction activity in the market.

**15. Comparisons with Preceding Quarter's Results**

The turnover of RM 29.4 million for the quarter ended 28 Feb 2010 was 21.8% lower than registered in the preceding quarter. The Group recorded a profit after taxation of RM 1.956 million compared to preceding quarter profit of RM 5.782 million. The results of the current quarter were substantially affected by exceptional items totaling RM1,650,972.

**16. Current Year Prospects**

The prospects for the current year are backed by our current outstanding order book.

**17. Variance from Profit Forecast and Profit Guarantee**

The Group did not issue any profit forecast or profit guarantee for the financial period under review.

**18. Taxation**

	As at end of Current Financial Period 28/02/2010 RM'000	As at Preceding Financial Year End 31/08/2008 RM'000
<b><u>Malaysian Taxation</u></b>		
Income tax		
- Current year	(1,001)	(7,977)
- Prior year under provision	0	(177)
- Deferred tax	0	(44)
	<u>(1,001)</u>	<u>(8,198)</u>

The effective tax rate on the Group's profit is higher than the statutory tax rate due to the non-deductibility of certain expenses and provisions.

**19. Profit on sales of Investment and/or Properties**

There was no profit or loss on sale of investment and/or properties for the financial period under review.

**20. Purchases or Disposal of Quoted Securities**

(a) There was no purchase of quoted securities during the quarter ended 28 Feb 2010.

(b) Investment in quoted shares during the quarter ended 28 Feb 2010 was as follows:

	RM'000
(i) At cost	61,954
(ii) At market value	25,865
(iii) Carrying value	25,865

## 21. Corporate Proposals

The Company had on 14<sup>th</sup> Dec 2009 announced the proposed acquisition of a piece of land in Batang Kali, Selangor together with buildings erected thereon and all related machinery and equipment for a total purchase consideration of RM6,500,000.

As at the date of this announcement, the completion of this proposal is pending the:-

- (i) procurement by the Purchaser, the State consent to charge the land;
- (ii) procurement by the Vendor, the redemption statement of the property; and
- (iii) balance sum of RM5,850,000 payable by the purchaser upon the fulfillment of (i), and (ii) above.

## 22. Group Borrowings and Debts Securities

a)	As at end of Current Quarter	As at Preceding Financial Year End
	28/02/2010 RM'000	31/08/2009 RM'000
<u>Long Term Borrowings:-</u>		
Term loan – secured	11,604	9,780
Hire Purchase – secured	584	937
	<u>12,188</u>	<u>10,717</u>
<u>Short Term Borrowings:-</u>		
Term loan – secured	2,865	2,454
Revolving credit – secured	14,000	14,000
Revolving credit – unsecured	0	1,500
Hire Purchase – secured	574	521
Bankers' Acceptance – unsecured	9,984	15,989
Bankers' Acceptance – secured	6,688	0
Bank overdrafts – secured	1,795	0
Bank overdrafts – unsecured	1,522	2,163
	<u>37,428</u>	<u>36,627</u>
TOTAL BORROWINGS	<u>49,616</u>	<u>47,344</u>

b) No borrowings in foreign currency.

## 23. Off Balance Sheet Financial Instruments

There were no material instruments with off balance sheet risk that were issued by the Group as at the date of issue of this report.

## 24. Material Litigation

The Court of Appeal had on 30 December 2004 dismissed the High Court suit by Industrial Concrete Products Berhad (“ICP”) against the Company for an alleged breach of contract and specific performance on the purported Management Agreement dated 5 June 1996. The Company had received a sum of RM15.3 million on 3 January 2005 from ICP for goods taken from the Company by ICP as determined by the court order dated 30 December 2004. CEPCO has proceeded to file a suit to enforce the judgment against ICP for the balance of the interest payable of RM1,576,907.97, being the differential in interest computed on the said judgment sum of RM15.3 million. The learned Judge had on 31 October 2006 ruled against CEPCO’s claim on this matter. Based on legal advice, the Board of CEPCO had filed an appeal on 6 November 2006. On 13<sup>th</sup> April 2010, the Court of Appeal has allowed the appeal with cost in favor of CEPCO and entered judgment for the sum of RM1,440,795.45. The final judgment sum shall be stated in the Judgment to be issued by the court in due course.

## 25. Dividend

The Board of Directors has not recommended any dividend for the financial year.

**26. Earnings/(Losses) per share**

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share of the Group is calculated by dividing the current individual quarter profit of RM1,956,000 (preceding year corresponding period: profit of RM3,019,000) and profit for the current cumulative quarter of RM7,738,000 (preceding year corresponding quarter: profit of RM 5,044,000) and on the number of ordinary shares for the current cumulative quarter of 44,775,000 (Preceding year: 44,775,000) in issue during the year.

(b) Diluted earnings per share

Not applicable

**27. Related Party Transaction.**

There are no related party transactions of the Group for the current quarter ended 28 Feb 2010.