

# CONCRETE ENGINEERING PRODUCTS BERHAD

Company No 88143-P  
(Incorporated in Malaysia)

Quarterly report on consolidated results for the third financial quarter ended 31 May 2011.  
The figures have not been audited.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the Financial Period Ended 31 May 2011

	2011 Current Quarter Ended 31/05/11 (RM '000)	2010 Comparative Quarter Ended 31/05/10 (RM '000)	2011 9 months Cumulative to date 31/05/11 (RM '000)	2010 9 months Cumulative to date 31/05/10 (RM '000)
<u>Continuing operations</u>				
Revenue	51,325	30,119	96,586	97,070
Cost of sales	(39,523)	(24,847)	(80,047)	(78,890)
Gross profit	11,802	5,272	16,539	18,180
Other income	357	161	620	606
Increase/(decrease) in fair value through profit and loss financial assets	2,751	0	8,255	5,503
Administrative and other expenses	(7,928)	(5,157)	(17,125)	(14,053)
Finance cost	(743)	(619)	(2,255)	(1,840)
Profit/(loss) before taxation	6,239	(343)	6,034	8,396
Taxation	0	146	0	(855)
Profit/(loss) for the period	6,239	(197)	6,034	7,541
<b>Other comprehensive income for the period</b>				
Dividend paid	0	0	(1,008)	0
Total comprehensive income for the period	6,239	(197)	5,026	7,541
Profit/(loss) for the period attributable to:				
Owners of the Company	6,239	(197)	6,034	7,541
Minority interest	0	0	0	0
Total comprehensive income attributable to:	6,239	(197)	5,026	7,541
Owners of the Company	6,239	(197)	5,026	7,541
Minority interest	0	0	0	0
Earnings/(loss) per RM1.00 share				
Basic (based on ordinary shares-sen)	13.93	(0.44)	13.48	16.84
Fully diluted (based on ordinary shares-sen)				
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
Net assets per share attributable to ordinary equity holders of the parent (RM)	2.04		1.92	

(The Condensed Consolidated Statement on Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31<sup>st</sup> August 2010)

**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**As at 31 May 2011**

	<b>AS AT 31 MAY 2011 RM '000</b>	<b>AS AT 31 Aug 2010 (Audited) RM '000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, Plant and Equipment	42,083	41,495
Investment properties	8,480	8,480
Deferred Tax Assets	350	350
Other investment	40,174	31,919
	<b>91,087</b>	<b>82,244</b>
<b>Current Assets</b>		
Stocks	23,427	29,854
Trade receivables	46,837	32,238
Other receivables, Deposit and Prepayments	514	1,051
Tax recoverable	4,149	2,651
Deposit with licensed banks	6,390	8,285
Cash and bank balances	830	357
	<b>82,147</b>	<b>74,436</b>
<b>TOTAL ASSETS</b>	<b>173,234</b>	<b>156,680</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share Capital	44,775	44,775
Share Premium	30,570	30,570
Revaluation Reserves	3,917	3,917
Retained Profits	11,900	6,874
Total Equity	<b>91,162</b>	<b>86,136</b>
<b>Non-current liabilities</b>		
Bank borrowings – Long Term	14,238	14,962
Deferred taxation	0	0
	<b>14,238</b>	<b>14,962</b>
<b>Current Liabilities</b>		
Trade Payables	31,479	17,654
Other Payables	2,442	2,387
Bank borrowings – short term	32,640	32,038
Bank overdraft	1,273	3,503
Tax Payable	0	0
	<b>67,834</b>	<b>55,582</b>
<b>Total Liabilities</b>	<b>82,072</b>	<b>70,544</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>173,234</b>	<b>156,680</b>
<b>Net Assets per share (RM)</b>	<b>2.04</b>	<b>1.92</b>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31<sup>st</sup> August 2010)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the financial period ended 31 May 2011**

	← Attributable to equity holders of the Company →				<u>Total</u>
	<u>Non-distributable</u>			<u>Distributable</u>	<u>equity</u>
	<u>Share capital</u>	<u>Asset revaluation reserve</u>	<u>Share premium</u>	<u>Accumulated profits</u>	
	RM	RM	RM	RM	RM
3 <sup>rd</sup> quarter ended <u>31 May 2011</u>					
Balance at 1 Sep 2010	44,775,000	3,917,092	30,569,833	6,873,908	86,135,833
Profit for the period	-	-	-	6,034,130	6,034,130
Dividends on ordinary shares in respect of previous year				(1,007,738)	(1,007,738)
<b>Balance at 31 May 2011</b>	44,775,000	3,917,092	30,569,833	11,900,300	91,162,225

	← Attributable to equity holders of the Company →				<u>Total</u>
	<u>Non-distributable</u>			<u>Distributable</u>	<u>equity</u>
	<u>Share capital</u>	<u>Asset revaluation reserve</u>	<u>Share premium</u>	<u>Accumulated losses</u>	
	RM	RM	RM	RM	RM
3 <sup>rd</sup> quarter ended <u>31 May 2010</u>					
Balance at 1 Sep 2009	44,775,000	3,917,092	30,569,833	(9,151,400)	70,110,525
Profit for the period	-	-	-	7,541,273	7,541,273
<b>Balance at 31 May 2010</b>	44,775,000	3,917,092	30,569,833	(1,610,127)	77,651,798

(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 2010)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**For the Financial Period Ended 31 May 2011**

	<b>9 months ended</b>	
	<b>31/05/11</b>	<b>31/05/10</b>
	<b><u>RM'000s</u></b>	<b><u>RM'000s</u></b>
Net cash generated from operating activities	4,606	7,428
Net cash used in investing activities	(3,675)	(590)
Net cash used in financing activities	(123)	(1,420)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	808	5,418
Cash and cash equivalents at the beginning of financial period	4,121	5,196
	<hr/>	<hr/>
Cash and cash equivalents at end of financial period	4,929	10,614
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Cash and cash equivalent comprise the following:-

	<b>9 months ended</b>	
	<b>31/05/11</b>	<b>31/05/10</b>
	<b><u>RM'000s</u></b>	<b><u>RM'000s</u></b>
Bank and cash balances	7,220	11,605
Bank Overdraft	(1,273)	(991)
	<hr/>	<hr/>
	5,947	10,614
Deposit pledged with licensed bank	(1,018)	0
	<hr/>	<hr/>
	4,929	10,614
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(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 2010)



IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

*Effective for financial periods beginning on or after 1 March 2010:*

Amendments to FRS 132	Classifications of Rights Issues
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*Effective for financial periods beginning on or after 1 July 2010:*

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (revised)
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 138	Intangible Assets
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

The Group has not elected for early adoption of the following new and revised FRSs and IC Interpretations relevant to the current operations of the Group, which were issued but not yet effective for the financial quarter ending 30 November 2010:

*Effective for financial periods beginning on or after 1 January 2011:*

Amendments to FRS 1	Limited exemption from comparative FRS 7 Disclosures for First-time adopters and Additional Exemptions for First-time Adopters.
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers

*Effective for financial periods beginning on or after 1 January 2012:*

IC Interpretation 15	Agreements for the Construction of Real Estate
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The FRSs which are effective and have significant impact on the financial statements of the Group are:

a) FRS 8 Operating Segments

The Group applied this standard from financial period 1 September 2009. As this is a disclosure standard, there is no impact on the financial position or results of the Group. This new standard requires a ‘management approach’, under which segment information is presented on the same bases as that used for internal reporting purposes.

b) FRS 101 Presentation of Financial Statements

The new FRS 101 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense, either in one single statement, or in two linked statements.

This is a disclosure standard with no impact on the financial position or financial performance of the Company and the Group.

c) FRS 117 Leases

Prior to the adoption of the Amendment to FRS 117, leasehold land that normally had an indefinite economic life and where title was not expected to pass to the lessee by end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land was accounted for as prepaid land lease payment that were amortised over the lease term in accordance with the pattern of benefit provided.

Upon the adoption of the Amendment to FRS 117 in relation to classification of lease of land, the Group reassessed the classification of a leasehold land as a finance lease or an operating lease based on the extend of risks and rewards associated with the land. The Group has determined that certain leasehold land of the Group are in substance finance leases and has reclassified those leasehold land from “Prepaid land lease payments” to “Property, plant and equipment”.

The reclassification has been made retrospectively in accordance with the transitional provision and does not affect the results of the Group.

The effects of the reclassification to the comparatives following the adoption of the Amendments to FRS 117 are as follows:

	As previously reported RM'000	Effects of Amendment to FRS 117 RM'000	As restated RM'000
Property, plant and equipment	26,910	14,585	41,495
Prepaid land lease payments	14,585	(14,585)	0

The change in accounting policies due to adoption of amendments to FRS 117 has no effect on the profit for the current quarter.

d) FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Depending on the categorization applied for each individual financial asset and liability, some financial assets and liabilities will need to be fair valued and others are stated at amortized cost. FRS 139 prescribes prospective application for the first time adoption. Significant policies adopted are summarized below:

Financial Assets

Financial assets are recognized in the statement of financial position when and only when the Group becomes a party to the contractual provisions of the instruments. Financial assets are derecognized if the Group's contractual rights to the cash flow from the financial assets expired or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the assets.

*Initial recognition*

Financial assets within the scope of FRS 139 are classified as financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives as hedging instruments in an effective hedge, as appropriate. The group determines the classification of its financial assets at initial recognition.

Financial assets are recognized initially at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets.

Purchase or sales of financial assets that require delivery of asset within a time frame established by regulation or convention in the market place (regular way purchase) are recognized on the trade date i.e. date the Group commits to purchase or sell the assets.

#### *Subsequent measurement*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. Such financial assets are carried at amortized cost using the effective interest rate method less impairment losses. Gain and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

#### *Impairment of financial assets*

FRS 139 requires the Group to assess at each statement of financial position date, whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is deemed to be impaired if, and only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated.

#### Financial Liabilities

Financial liabilities are recognized in the statement of financial position when and only when the Group becomes a party to the contractual provision of the instrument. Financial liabilities are derecognized if the Group's obligations specified in the contract expired or are discharged or cancelled.

#### *Initial Recognition*

Financial liabilities within the scope of FRS 139 are classified as financial liabilities at fair value through profit and loss, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determined the classifications of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value plus, and in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities include trade and other payable and financial guarantees. All financial liabilities of the Group are classified as loans and borrowings.

#### *Subsequent measurement*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through amortization process.

In accordance with the transitional provision of FRS 139, the impact of FRS 139 is accounted prospectively with adjustments to be made to the opening balances in the statement of financial position. Comparative figures need not be adjusted.

The adoption of FRS 139 has no effects on the opening balance in the consolidated statement of financial position as at 1 September 2010.

### **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 2010 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 RM2,751,620 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**

The dividend paid during the three months ended 30 November 2010 of 3% less 25% tax for the year amounting to RM1,007,438, declared on 4 October 2010, was in respect of profits for the financial year ended 31 August 2010.

9. **Segmental Reporting**

The activity of the Group comprises principally the manufacturing and distribution of prestressed spun concrete piles and poles and is conducted predominantly in Malaysia.

Geographical information

Revenue information based on geographical location of customers' country of incorporation are as follows:

	As at end of Current Financial Period 31/05/2011 RM'000	As at Preceding Financial Year End 31/08/2010 RM'000
Malaysia	41,537	98,666
Others	9,788	22,678
	<u>51,325</u>	<u>121,344</u>

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 2010.

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 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring or discontinuing of operations.

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 51.3 million for the quarter ended 31 May 2011 reflected an increase of 70.4 % over the RM 30.1 million registered in the preceding year's corresponding quarter. This quarter, the Group recorded a profit after taxation of RM 6.239 million as compared to preceding year's corresponding quarter loss after taxation of RM 0.197 million.

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

The turnover of RM 51.3 million for the quarter ended 31 May 2011 was 107.7% higher than registered in the preceding quarter. The Group recorded a profit after taxation of RM 6.239 million compared to preceding quarter loss of RM 5.959 million.

**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 31/05/2011 RM'000	As at Preceding Financial Year End 31/08/2010 RM'000
<b><u>Malaysian Taxation</u></b>		
Income tax		
- Current year	0	(1,410)
- Prior year under provision	0	513
- Deferred tax	0	1,650
	<u>0</u>	<u>753</u>

The effective tax rate on the Group's profit is lower than the statutory tax rate substantially due to the non-taxability of gains in quoted investments which are capital in nature.

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

There were no sales 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 31 May 2011.

(b) Investment in quoted shares during the quarter ended 31 May 2011 was as follows:

	RM'000
(i) At cost	61,954
(ii) At market value	40,174
(iii) Carrying value	40,174

**21. Corporate Proposals**

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

## 22. Group Borrowings and Debts Securities

a)	As at end of Current Quarter 31/05/2011 RM'000	As at Preceding Financial Year End 31/08/2010 RM'000
<u>Long Term Borrowings:-</u>		
Term loan – secured	13,573	14,211
Hire Purchase – secured	665	751
	<u>14,238</u>	<u>14,962</u>
<u>Short Term Borrowings:-</u>		
Term loan – secured	3,928	3,604
Revolving credit – secured	13,000	13,000
Hire Purchase – secured	825	750
Bankers' Acceptance – unsecured	6,860	8,858
Bankers' Acceptance – secured	8,027	5,826
Bank overdrafts – secured	0	1,747
Bank overdrafts – unsecured	1,273	1,756
	<u>33,913</u>	<u>35,541</u>
TOTAL BORROWINGS	<u>48,151</u>	<u>50,503</u>

b) No borrowings in foreign currency.

## 23. Off Balance Sheet Risk 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

There is no material litigation as at the date of issuance of this quarterly report against the Group.

## 25. Dividend

The Board of Directors has not recommended any dividend for the financial quarter under review.

## 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 RM6,239,000 (preceding year corresponding period: loss of RM 197,000) and profit for the current cumulative quarter of RM6,034,000 (preceding year corresponding quarter: profit of RM 7,541,000) 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 31 May 2011.

**28. Realised and unrealised profits disclosure**

The retained profits as at 31 May 2011 and 31 August 2010 are analysed as follows:-

	As at end of Current Quarter 31/05/2011 RM'000	As at Preceding Financial Year End 31/08/2010 RM'000
The retained profits of the Company and the subsidiaries:-		
- Realised	33,271	36,465
- Unrealised	<u>(21,371)</u>	<u>(29,591)</u>
Total group retained profits as per consolidated accounts	<u>11,900</u>	<u>6,874</u>