

# CONCRETE ENGINEERING PRODUCTS BERHAD

Company No 88143-P  
(Incorporated in Malaysia)

Quarterly report on consolidated results for the second quarter ended 28 Feb 2014.

The figures have not been audited.

## **CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**For the Second Financial Quarter Ended 28 Feb 2014.**

	2014 Current Quarter Ended 28/02/2014 (RM'000)	2013 Comparative Quarter Ended 28/02/2013 (RM'000)	2014 6 months Cumulative to date 28/02/2014 (RM'000)	2013 Comparative 6 months Cumulative to date 28/02/2013 (RM'000)
<b><u>Continuing Operations</u></b>				
Revenue	31,836	41,455	72,851	104,590
Cost of sales	(25,247)	(32,209)	(54,884)	(79,939)
Gross profit	6,589	9,246	17,967	24,651
Other income	101	210	369	407
(Decrease)/Increase in fair value of quoted investment through profit and loss	(3,485)	7,552	(4,066)	20,112
Administrative and other expenses	(6,869)	(7,968)	(17,774)	(18,413)
Finance cost	(767)	(788)	(1,602)	(1,630)
Profit/(loss) before taxation	(4,431)	8,252	(5,106)	25,127
Taxation	-	-	-	(1,250)
Profit/(loss) for the period	(4,431)	8,252	(5,106)	23,877
<b>Other comprehensive income for the period</b>				
Dividend paid	(3,693)	-	(3,693)	-
Total comprehensive income for the period	(8,124)	8,252	(8,799)	23,877
Profit/(loss) for the period attributable to:				
Owners of the Company	(4,431)	8,252	(5,106)	23,877
Minority interest	-	-	-	-
	(4,431)	8,252	(5,106)	23,877
Total comprehensive income attributable to:				
Owners of the Company	(8,124)	8,252	(8,799)	23,877
Minority interest	-	-	-	-
	(8,124)	8,252	(8,799)	23,877
Earnings per RM1.00 share				
Basic (based on ordinary shares - sen)	(9.90)	18.43	(11.40)	53.33
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)	2.24		2.43	

(The Condensed Consolidated Statement on Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 Aug 2013)

**CONDENSED STATEMENT OF FINANCIAL POSITION****As at 28 Feb 2014**

	AS AT 28 Feb 2014 RM '000	AS AT 31 Aug 2013 RM '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, Plant and Equipment	38,669	39,675
Investment properties	9,242	9,242
Other investment	47,632	51,698
	<u>95,543</u>	<u>100,615</u>
<b>Current Assets</b>		
Stocks	41,674	34,760
Trade receivables	38,678	50,767
Other receivables, Deposit and Prepayments	163	320
Tax recoverable	489	197
Deposit with licensed banks	3,286	8,843
Cash and bank balances	514	2,326
	<u>84,804</u>	<u>97,213</u>
<b>TOTAL ASSETS</b>	<u>180,347</u>	<u>197,828</u>
<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
Retained profits	24,859	33,659
Total equity	<u>100,204</u>	<u>109,004</u>
<b>Non-current Liabilities</b>		
Bank borrowings - Long term	10,363	11,868
Deferred taxation	433	433
	<u>10,796</u>	<u>12,301</u>
<b>Current Liabilities</b>		
Trade payables	22,780	37,415
Other payables	2,919	2,382
Bank borrowings - short term	38,132	33,931
Bank overdraft	5,516	2,795
Tax payable	-	-
	<u>69,347</u>	<u>76,523</u>
Total Liabilities	<u>80,143</u>	<u>88,824</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>180,347</u>	<u>197,828</u>
<b>Net Assets Per Share (RM)</b>	2.24	2.43

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2013)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the financial period ended 28 Feb 2014**

	← Attributable to equity holders of the Company →				
	<u>Non-distributable</u>	<u>Distributable</u>		<u>Total reserves</u>	<u>Total equity</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Accumulated profits</u>		
RM	RM	RM			
<b><u>2nd quarter ended 28 Feb 2014</u></b>					
<b>Balance at 1 Sep 2013</b>	44,775,000	30,569,833	33,659,317	64,229,150	109,004,150
<b>Total comprehensive income</b>	-	-	(5,106,247)	(5,106,247)	(5,106,247)
<b>Transactions with owners</b>					
Dividends paid to the shareholders of the company	-	-	(3,693,525)	(3,693,525)	(3,693,525)
<b>Balance at 28 Feb 2014</b>	44,775,000	30,569,833	24,859,545	55,429,378	100,204,378

	← Attributable to equity holders of the Company →				
	<u>Non-distributable</u>	<u>Distributable</u>		<u>Total reserves</u>	<u>Total equity</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Accumulated profits</u>		
RM	RM	RM			
<b><u>2nd quarter ended 28 Feb 2013</u></b>					
<b>Restated balance at 1 Sep 2012</b>	44,775,000	30,569,833	8,495,340	39,065,173	83,840,173
<b>Total comprehensive income</b>	-	-	23,877,516	23,877,516	23,877,516
<b>Balance at 28 Feb 2013</b>	44,775,000	30,569,833	32,372,856	62,942,689	107,717,689

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2013)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Financial Period Ended 28 Feb 2014**

	6 months ended	
	28/02/2014	28/02/2013
	<u>RM'000s</u>	<u>RM'000s</u>
<b>Cash flows from operating activities</b>		
(Loss)/Profit before taxation	(5,106)	25,127
Adjustments for:-		
Depreciation and amortisation	1,855	1,890
Reversal of diminution in value of quoted investments	4,066	(20,112)
Interest income and expenses	735	1,399
Other non-cash items	(283)	(195)
Operating profit before changes in working capital	<u>1,267</u>	<u>8,109</u>
Changes in working capital:		
Net change in inventories	(6,913)	7,019
Net change in receivables	12,529	(9,767)
Net change in payables	(14,098)	4,328
Cash (used in)/generated from operating activities	<u>(7,215)</u>	<u>9,689</u>
Finance costs	(768)	(1,630)
Net income tax paid	(292)	1,016
Net cash flows (used in)/generated from operating activities	<u>(8,275)</u>	<u>9,075</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(850)	(1,767)
Purchase of quoted investment	-	(927)
Interest income	32	231
Net cash flows used in investing activities	<u>(818)</u>	<u>(2,463)</u>
<b>Cash flows from financing activities</b>		
Dividend paid	(3,693)	-
Repayment of term loan	(1,805)	(1,793)
Drawdown/(repayment) of short term borrowings	4,501	1,551
Net cash flows generated from/(used in) financing activities	<u>(997)</u>	<u>(242)</u>
Net (decrease)/increase in cash and cash equivalents	(10,090)	6,370
Cash and cash equivalents at the beginning of financial period	<u>7,356</u>	<u>9,300</u>
Cash and cash equivalents at end of financial period	<u>(2,734)</u>	<u>15,670</u>
Cash and cash equivalent comprise the following:-		
Bank and cash balances	3,800	19,391
Bank overdraft	(5,516)	(2,703)
	<u>(1,716)</u>	<u>16,688</u>
Deposit pledged with licensed bank	<u>(1,018)</u>	<u>(1,018)</u>
	<u>(2,734)</u>	<u>15,670</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2013)

## **A - NOTES TO THE INTERIM FINANCIAL REPORT PURSUANT TO MFRS 134**

### **1. First-time Adoption of Malaysian Financial Reporting Standards (MFRS)**

The consolidated interim financial statements (Condensed Report) are unaudited and have been prepared in compliance with Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting Standards ("IFRS"), the requirements of the Companies Act, 1965 in Malaysia and paragraph 9.22 of Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 Aug 2013.

### **2. Significant Accounting Policies**

MFRS, Amendments to MFRS and IC Interpretation issued but not yet effective.

At the date of authorization of these interim financial statements, the following MFRS, Amendments to MFRS and IC Interpretation were issued but not yet effective and have not yet in effect.

#### ***Effective for annual periods beginning on or after 1 January 2013***

MFRS 13	Fair Value Measurement
MFRS 127	Separate Financial Statements
Amendments to MFRS 101	Presentation of Items Other Comprehensive Income

#### ***Effective for annual periods beginning on or after 1 January 2014***

Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities
Amendments to MFRS 132	Financial Instruments : Presentation - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

#### ***Effective for annual periods beginning on or after 1 January 2015***

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in Nov 2009 and Oct 2010)
Amendments to MFRS 7	Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures

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

The auditors' report in respect of the annual financial statement for the financial year ended 31 Aug 2013 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 decrease in fair value of quoted investments totaling RM3.485 million for the current quarter. This represents a decrease 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 effects 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 28 Feb 2014 of 11% less 25% tax for the year amounting to RM3.693 million, was in respect of profits for the financial year ended 31 Aug 2013.

## **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 Current Financial Quarter	As at Preceding Corresponding Financial Quarter
	28/02/2014	28/02/2013
	RM'000	RM'000
Malaysia	25,424	35,588
Others	<u>6,412</u>	<u>5,867</u>
	<u><u>31,836</u></u>	<u><u>41,455</u></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 August 2013.

## **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**

The Group's revenue decreased by 23.20% compared to the preceding year's corresponding quarter. The decreased sales volume is due to a comparative decrease in actual deliveries in the corresponding quarters.

Whilst the effect of the decreased fair value of quoted investment of RM3.485 million, as compared to increase in fair value of RM7.552 million in the preceding year's corresponding quarter, represents the change in the market price of the quoted investment.

The Group recorded a decrease in gross profit of RM6.589 million as compared to RM9.246 million, in the preceding year's corresponding quarter, attributable to the lower levels of deliveries for the period and decreased levels of production.

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

The revenue of RM31.8 million for the quarter ended 28 Feb 2014 was 22.38% lower than registered in the preceding quarter.

The decrease in revenue has been due to the lower levels of deliveries due to the customer's current site requirements.

#### **16. Current Year Prospects**

The current year prospects are backed against our current order book and potential orders from new projects in Malaysia and regionally. The effects of major raw material prices would also have a direct effect on the prospects of the Group as selling prices are based on current prices of raw materials. The Group's major raw materials include cement, steel bars, sand and aggregates.

#### **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 28/02/2014 RM'000	As at Preceding Financial Year End 31/08/2013 RM'000
<b><u>Malaysian Taxation</u></b>		
Income tax		
- Current year	-	(1,573)
- Prior year over provision	-	42
- Deferred tax	-	(454)
	<u>-</u>	<u>(1,985)</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. Corporate Proposals**

There was no corporate proposal being carried out during the period under review.

## 20. Group Borrowings and Debts Securities

	As at end of Current Quarter 28/02/2014 RM'000	As at Preceding Financial Year End 31/08/2013 RM'000
a) <u>Long Term Borrowings:-</u>		
Term loan - secured	9,643	10,954
Hire purchase - secured	720	914
	10,363	11,868
<u>Short Term Borrowings:-</u>		
Term loan - secured	2,990	3,484
Revolving credit - secured	7,400	8,200
Hire purchase - secured	710	752
Bankers' Acceptance - secured	17,192	14,801
Bankers' Acceptance - unsecured	5,000	5,000
Bank overdrafts - secured	4,516	2,795
Bank overdrafts - unsecured	1,000	-
LC discounting - unsecured	4,840	1,694
	43,648	36,726
<b>TOTAL BORROWINGS</b>	<b>54,011</b>	<b>48,594</b>
b) No borrowings in foreign currency.		

## 21. Material Litigation

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

## 22. Proposed Dividend

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

## 23. Earnings/(Losses) per share

The basic earnings per share is calculated by dividing the Group's profit/(loss) for the financial period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial period as follows:-

	Current Year Quarter 28/02/2014	Preceding Year Corresponding Quarter 28/02/2013	Current Year To Date 28/02/2014	Preceding Year Corresponding Quarter To Date 28/02/2013
Profit/(loss) attributable to equity holders of the Company (RM'000)	(4,431)	8,252	(5,106)	23,877
Weighted average number of ordinary shares in issue ('000)	44,775	44,775	44,775	44,775
Basic Earnings per share (sen)	(9.90)	18.43	(11.40)	53.33

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the current quarter and financial period-to-date.



## 24. Realised and Unrealised Profits Disclosure

The retained profits as at 28 Feb 2014 and 31 Aug 2013 are analysed as follows:-

	As at end of Current Quarter 28/02/2014 RM'000	As at Preceding Financial Year End 31/08/2013 RM'000
The retained profits of the Company and the subsidiaries:-		
- Realised	35,665	40,399
- Unrealised	(10,806)	(6,740)
Total group retained profits as per consolidated accounts	<u>24,859</u>	<u>33,659</u>

## 25. Notes to the Statement of Comprehensive Income

Included in the statement of comprehensive income for the current quarter and financial year-to-date, are as follows:-

	Current Quarter 28/02/2014 RM'000	Current year-to- date 28/02/2014 RM'000
a) Interest income	32	116
b) Other income including investment income	68	252
c) Interest expense	(767)	(1,602)
d) Depreciation and amortization	(20)	(40)
e) Provision for and write off of receivables	0	0
f) Provision for and write off of inventories	0	0
g) Gain/(Loss) on disposal of quoted investments or properties	0	0
h) Impairment of assets	0	0
i) Foreign exchange gain/(loss)	(62)	119
j) Gain/(Loss) on derivatives	0	0
k) Exceptional items - Increase/(Decrease) in fair value of quoted investment	(3,485)	(4,066)

**By Order of the Board**