

CONCRETE ENGINEERING PRODUCTS BERHAD

Company No 88143-P
(Incorporated in Malaysia)

Quarterly report on consolidated results for the third quarter ended 31 May 2014.

The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Third Financial Quarter Ended 31 May 2014.

	2014 Current Quarter Ended 31/05/2014 (RM'000)	2013 Comparative Quarter Ended 31/05/2013 (RM'000)	2014 9 months Cumulative to date 31/05/2014 (RM'000)	2013 Comparative 9 months Cumulative to date 31/05/2013 (RM'000)
<u>Continuing Operations</u>				
Revenue	45,237	55,203	118,088	159,793
Cost of sales	(35,392)	(42,854)	(90,276)	(122,793)
Gross profit	9,845	12,349	27,812	37,000
Other income	733	1,085	1,102	1,492
(Decrease)/Increase in fair value of quoted investment through profit and loss	(581)	2,904	(4,647)	23,016
Administrative and other expenses	(9,798)	(10,030)	(27,572)	(28,443)
Finance cost	(703)	(846)	(2,305)	(2,476)
Profit/(loss) before taxation	(504)	5,462	(5,610)	30,589
Taxation	-	(432)	-	(1,682)
Profit/(loss) for the period	(504)	5,030	(5,610)	28,907
Other comprehensive income for the period				
Dividend paid	-	-	(3,693)	-
Total comprehensive income for the period	(504)	5,030	(9,303)	28,907
Profit/(loss) for the period attributable to:				
Owners of the Company	(504)	5,030	(5,610)	28,907
Minority interest	-	-	-	-
Total comprehensive income attributable to:	(504)	5,030	(9,303)	28,907
Owners of the Company	(504)	5,030	(9,303)	28,907
Minority interest	-	-	-	-
Earnings per RM1.00 share				
Basic (based on ordinary shares - sen)	(1.13)	11.23	(12.53)	64.56
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)	2.23		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 31 May 2014**

	AS AT 31 May 2014 RM '000	AS AT 31 Aug 2013 RM '000
ASSETS		
Non-current assets		
Property, Plant and Equipment	38,402	39,675
Investment properties	9,242	9,242
Other investment	47,051	51,698
	<u>94,695</u>	<u>100,615</u>
Current Assets		
Stocks	33,942	34,760
Trade receivables	44,917	50,767
Other receivables, Deposit and Prepayments	103	320
Tax recoverable	673	197
Deposit with licensed banks	2,174	8,843
Cash and bank balances	562	2,326
	<u>82,371</u>	<u>97,213</u>
TOTAL ASSETS	<u>177,066</u>	<u>197,828</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	44,775	44,775
Share premium	30,570	30,570
Retained profits	24,355	33,659
Total equity	<u>99,700</u>	<u>109,004</u>
Non-current Liabilities		
Bank borrowings - Long term	9,899	11,868
Deferred taxation	433	433
	<u>10,332</u>	<u>12,301</u>
Current Liabilities		
Trade payables	26,821	37,415
Other payables	2,985	2,382
Bank borrowings - short term	31,112	33,931
Bank overdraft	6,116	2,795
Tax payable	-	-
	<u>67,034</u>	<u>76,523</u>
Total Liabilities	<u>77,366</u>	<u>88,824</u>
TOTAL EQUITY AND LIABILITIES	<u>177,066</u>	<u>197,828</u>
Net Assets Per Share (RM)	2.23	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 31 May 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	RM	RM
<u>3rd quarter ended 31 May 2014</u>					
Balance at 1 Sep 2013	44,775,000	30,569,833	33,659,317	64,229,150	109,004,150
Total comprehensive income	-	-	(5,609,824)	(5,609,824)	(5,609,824)
Transactions with owners					
Dividends paid to the shareholders of the company	-	-	(3,693,525)	(3,693,525)	(3,693,525)
Balance at 31 May 2014	44,775,000	30,569,833	24,355,968	54,925,801	99,700,801

	← 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	RM	RM
<u>3rd quarter ended 31 May 2013</u>					
Restated balance at 1 Sep 2012	44,775,000	30,569,833	8,495,340	39,065,173	83,840,173
Total comprehensive income	-	-	28,907,759	28,907,759	28,907,759
Balance at 31 May 2013	44,775,000	30,569,833	37,403,099	67,972,932	112,747,932

(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 31 May 2014

	9 months ended	
	31/05/2014	31/05/2013
	<u>RM'000s</u>	<u>RM'000s</u>
Cash flows from operating activities		
(Loss)/Profit before taxation	(5,610)	30,589
Adjustments for:-		
Depreciation and amortisation	2,782	2,830
Reversal of diminution in value of quoted investments	4,647	(23,016)
Interest income and expenses	670	2,131
Dividend income	-	(845)
Other non-cash items	(168)	(297)
Operating profit before changes in working capital	<u>2,321</u>	<u>11,392</u>
Changes in working capital:		
Net change in inventories	818	9,552
Net change in receivables	6,235	(21,385)
Net change in payables	(9,991)	3,640
Cash (used in)/generated from operating activities	<u>(617)</u>	<u>3,199</u>
Finance costs	(703)	(2,475)
Net income tax paid	(476)	225
Net cash flows (used in)/generated from operating activities	<u>(1,796)</u>	<u>949</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,509)	(2,534)
Purchase of quoted investment	-	(927)
Interest income	32	344
Dividend received	-	845
Net cash flows used in investing activities	<u>(1,477)</u>	<u>(2,272)</u>
Cash flows from financing activities		
Dividend paid	(3,693)	-
Repayment of term loan	(2,677)	(2,633)
Drawdown/(repayment) of short term borrowings	(2,111)	6,482
Net cash flows generated from/(used in) financing activities	<u>(8,481)</u>	<u>3,849</u>
Net (decrease)/increase in cash and cash equivalents	(11,754)	2,526
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>(4,398)</u>	<u>11,826</u>
Cash and cash equivalent comprise the following:-		
Bank and cash balances	2,736	15,823
Bank overdraft	(6,116)	(2,979)
	<u>(3,380)</u>	<u>12,844</u>
Deposit pledged with licensed bank	(1,018)	(1,018)
	<u>(4,398)</u>	<u>11,826</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 RM0.581 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

There were no dividend paid for the current quarter under review.

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
	31/05/2014	31/05/2013
	RM'000	RM'000
Malaysia	39,797	43,351
Others	5,440	11,852
	<u>45,237</u>	<u>55,203</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 18.05% 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.

The effect of the decrease in the fair value of quoted investment of RM0.581 million, as compared to increase in fair value of RM2.904 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 RM9.845 million as compared to RM12.349 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 RM45.2 million for the quarter ended 31 May 2014 was 42.09% higher than registered in the preceding quarter.

The increase in revenue has been due to the higher levels of deliveries due to the customers' 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 31/05/2014 RM'000	As at Preceding Financial Year End 31/08/2013 RM'000
<u>Malaysian Taxation</u>		
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 31/05/2014 RM'000	As at Preceding Financial Year End 31/08/2013 RM'000
a) <u>Long Term Borrowings:-</u>		
Term loan - secured	9,022	10,954
Hire purchase - secured	877	914
	<u>9,899</u>	<u>11,868</u>
<u>Short Term Borrowings:-</u>		
Term loan - secured	2,739	3,484
Revolving credit - secured	7,400	8,200
Hire purchase - secured	830	752
Bankers' Acceptance - secured	13,400	14,801
Bankers' Acceptance - unsecured	5,000	5,000
Bank overdrafts - secured	5,116	2,795
Bank overdrafts - unsecured	1,000	-
LC discounting - unsecured	1,743	1,694
	<u>37,228</u>	<u>36,726</u>
TOTAL BORROWINGS	<u>47,127</u>	<u>48,594</u>
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 31/05/2014	Preceding Year Corresponding Quarter 31/05/2013	Current Year To Date 31/05/2014	Preceding Year Corresponding Quarter To Date 31/05/2013
Profit/(loss) attributable to equity holders of the Company (RM'000)	(504)	5,030	(5,610)	28,907
Weighted average number of ordinary shares in issue ('000)	44,775	44,775	44,775	44,775
Basic Earnings per share (sen)	(1.13)	11.23	(12.53)	64.56

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 31 May 2014 and 31 Aug 2013 are analysed as follows:-

	As at end of Current Quarter 31/05/2014 RM'000	As at Preceding Financial Year End 31/08/2013 RM'000
The retained profits of the Company and the subsidiaries:-		
- Realised	35,742	40,399
- Unrealised	(11,387)	(6,740)
Total group retained profits as per consolidated accounts	<u>24,355</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 31/05/2014 RM'000	Current year-to- date 31/05/2014 RM'000
a) Interest income	32	149
b) Other income including investment income	700	953
c) Interest expense	(702)	(2,305)
d) Depreciation and amortization	(20)	(60)
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)	16	135
j) Gain/(Loss) on derivatives	0	0
k) Exceptional items - Increase/(Decrease) in fair value of quoted investment	(581)	(4,647)

By Order of the Board