

CONCRETE ENGINEERING PRODUCTS BERHAD

Company No 88143-P
(Incorporated in Malaysia)

Quarterly report on consolidated results for the third quarter ended 31 May 2016

The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME **For the Third Financial Quarter Ended 31 May 2016.**

	2016 Current Quarter Ended 31/5/2016 (RM'000)	2015 Comparative Quarter Ended 31/5/2015 (RM'000)	2016 9 months Cumulative to date 31/5/2016 (RM'000)	2015 Comparative 9 months Cumulative to date 31/5/2015 (RM'000)
Continuing Operations				
Revenue	37,232	70,714	133,752	160,031
Cost of sales	(28,748)	(53,840)	(102,963)	(125,417)
Gross profit	8,484	16,874	30,789	34,614
Other income	867	122	1,696	542
Increase/(Decrease) in fair value of quoted investment through profit and loss	3,485	(291)	5,519	(11,037)
Provision for increase in fair value of investment properties through profit and loss	-	-	-	-
Administrative and other expenses	(7,418)	(9,607)	(22,943)	(20,875)
Finance cost	(945)	(690)	(2,647)	(2,023)
Profit before taxation	4,473	6,408	12,414	1,221
Taxation	(900)	(2,246)	(2,505)	(3,300)
Profit/(loss) before taxation	3,573	4,162	9,909	(2,079)
Other comprehensive income for the period				
Dividend paid	-	-	-	-
Total comprehensive income for the period	3,573	4,162	9,909	(2,079)
Profit/(loss) for the period attributable to:				
Owners of the Company	3,573	4,162	9,909	(2,079)
Minority interest	-	-	-	-
Total comprehensive income attributable to:	3,573	4,162	9,909	(2,079)
Owners of the Company	3,573	4,162	9,909	(2,079)
Minority interest	-	-	-	-
Earnings per RM1.00 share				
Basic (based on ordinary shares - sen)	7.98	9.30	22.13	(4.64)
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)	2.61		2.39	

(The Condensed Consolidated Statement on Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 Aug 2015)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 31 May 2016**

	AS AT 31 May 2016 RM '000	AS AT 31 Aug 2015 RM '000
ASSETS		
Non-current assets		
Property, Plant and Equipment	34,663	34,644
Investment properties	11,060	11,060
Other investment	43,276	37,757
	<u>88,999</u>	<u>83,461</u>
Current Assets		
Stocks	43,386	32,134
Trade receivables	60,666	78,078
Other receivables, Deposit and Prepayments	962	1,168
Tax recoverable	-	468
GST Receivables	1,618	1,282
Deposit with licensed banks	11,086	15,427
Cash and bank balances	1,858	686
	<u>119,576</u>	<u>129,243</u>
TOTAL ASSETS	<u>208,575</u>	<u>212,704</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	41,397	31,488
Total equity	<u>116,742</u>	<u>106,833</u>
Non-current Liabilities		
Bank borrowings - Long term	8,069	6,402
Deferred taxation	1,654	1,654
	<u>9,723</u>	<u>8,056</u>
Current Liabilities		
Trade payables	39,506	56,664
Other payables	2,274	2,186
Bank borrowings - short term	35,703	36,278
Bank overdraft	3,805	2,687
Tax payable	822	-
	<u>82,110</u>	<u>97,815</u>
Total Liabilities	<u>91,833</u>	<u>105,871</u>
TOTAL EQUITY AND LIABILITIES	<u>208,575</u>	<u>212,704</u>
Net Assets Per Share (RM)	- 2.61	2.39

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2015)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 31 May 2016

← Attributable to equity holders of the Company →
Non-distributable Distributable

	<u>Share capital</u>	<u>Share premium</u>	<u>Accumulated profits</u>	<u>Total reserves</u>	<u>Total equity</u>
	RM	RM	RM	RM	RM
<u>3rd quarter ended 31 May 2016</u>					
Balance at 1 Sep 2015	44,775,000	30,569,833	31,488,260	62,058,093	106,833,093
Total comprehensive income	-	-	9,908,409	9,908,409	9,908,409
Balance at 31 May 2016	44,775,000	30,569,833	41,396,669	71,966,502	116,741,502

← Attributable to equity holders of the Company →
Non-distributable Distributable

	<u>Share capital</u>	<u>Share premium</u>	<u>Accumulated profits</u>	<u>Total reserves</u>	<u>Total equity</u>
	RM	RM	RM	RM	RM
<u>3rd quarter ended 31 May 2015</u>					
Balance at 1 Sep 2014	44,775,000	30,569,833	29,121,499	59,691,332	104,466,332
Total comprehensive loss	-	-	(2,079,552)	(2,079,552)	(2,079,552)
Balance at 31 May 2015	44,775,000	30,569,833	27,041,947	57,611,780	102,386,780

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2015)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial period ended 31 May 2016

	9 months ended	
	31/5/2016 RM'000s	31/5/2015 RM'000s
Cash flows from operating activities		
Profit before taxation	12,414	1,221
Adjustments for:-		
Depreciation and amortisation	3,456	2,972
Reversal in diminution quoted investments value	(5,519)	11,037
Fair value adjustment of investment properties	-	-
Interest income net expenses	(328)	1,933
Dividend income	-	-
Other non-cash items	-	872
Operating profit before changes in working capital	<u>10,023</u>	<u>18,035</u>
Changes in working capital:		
Net change in inventories	(11,252)	867
Net change in receivables	17,282	(37,530)
Net change in payables	(17,070)	27,206
Cash (used in)/generated from operating activities	<u>(1,017)</u>	<u>8,578</u>
Finance costs	(2,647)	(2,023)
Net income tax paid	(1,215)	(861)
Net cash flows (used in)/generated from operating activities	<u>(4,879)</u>	<u>5,694</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,559)	(264)
Interest income	328	-
Dividend received	-	90
Placement of deposit which are pledged with a licensed bank	(111)	-
Net cash flows used in investing activities	<u>(2,342)</u>	<u>(174)</u>
Cash flows from financing activities		
Dividend paid	-	-
Drawdown/(repayment) of term loan	1,667	(1,938)
Drawdown/(repayment) of short term borrowings	1,156	(3,284)
Net cash flows generated from/(used in) financing activities	<u>2,823</u>	<u>(5,222)</u>
Net (decrease)/increase in cash and cash equivalents	(4,398)	298
Cash and cash equivalents at the beginning of financial period	<u>12,243</u>	<u>836</u>
Cash and cash equivalents at end of financial period	<u>7,845</u>	<u>1,134</u>
Cash and cash equivalent comprise the following:-		
Bank and cash balances	1,858	645
Deposits with licensed banks	11,086	6,837
Bank overdraft	(3,805)	(5,199)
	<u>9,139</u>	<u>2,283</u>
Deposit pledged with licensed bank	(1,294)	(1,149)
	<u>7,845</u>	<u>1,134</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2015)

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

1. Basis of preparation

The consolidated interim financial statements (Condensed Report) are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 Aug 2015.

2. Significant Accounting Policies

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the year ended 31 Aug 2015 except for the adoption of new FRSs and amendments that are mandatory for the Group of the annual periods beginning 1 January 2016:

Effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 5	Annual improvements to MFRSs 2012-2014 cycle
Amendments to MFRS 7	Annual improvements to MFRSs 2012-2014 cycle
Amendments to MFRS 10 MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisition of interests in Joint Operations
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Disclosure Initiatives
Amendments to MFRS 116 and MFRS 138	Financial Instruments: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Equity Method in Separate Financial Statements

The adoption of these new FRSs and amendments does not have a material impact on the interim financial information of the Group

Standards issued but not yet effective

At the date of authorisation of the Condensed Report, the following Standards, Amendments and Annual Improvements to Standards were issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group:

Effective for annual periods beginning on or after 1 January 2017

Amendments to MFRS 107	Statement of Cash Flows - Disclosure Initiative
Amendments to MFRS 112	Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases
---------	--------

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report in respect of the annual financial statement for the financial year ended 31 August 2015 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 an increase in fair value of quoted investments totaling RM3.48 million for the current quarter. This represents an 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 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 Ended 31/5/2016 RM'000	As at Preceding Corresponding Financial Quarter Ended 31/5/2015 RM'000
Malaysia	26,912	31,737
Others	10,320	38,977
	<u>37,232</u>	<u>70,714</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 2015.

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 47% compared to the preceding year's corresponding quarter. The decrease in sales volume is due to less deliveries to overseas projects in this quarter.

The effect of the increase in the fair value of quoted investment of RM3.48 million as in the preceding year's corresponding quarter, represents the change in the market price of the quoted investments.

The Group recorded an decrease in gross profit of RM8.48 million as compared to RM16.87 million, in the preceding year's corresponding quarter. This difference has been attributed to lower deliveries during the current quarter.

15. Comparisons with Preceding Quarter's Results

The revenue of RM37.23 million for the quarter ended 31 May 2016 was 0.5% lower than registered in the preceding quarter.

16. Current Year Prospects

The current year prospects is dependent on our on going order book and potential orders from new projects in Malaysia and regionally. Our raw materials which comprises cement, steel bars, sand and aggregate will have an impact on our selling price and viability of the Company.

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 Ended 31/5/2016 RM'000	As at Preceding Financial Year End 31/8/2015 RM'000
<u>Malaysian Taxation</u>		
Income tax		
- Current year	2,505	1,425
- Prior year over provision	-	(7)
- Deferred tax	-	618
	<u>2,505</u>	<u>2,036</u>

The effective tax rate on the Group's profit is higher than the statutory tax rate due to certain expenses which are not tax deductible.

19. Corporate Proposals

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

20. Group Borrowings and Debts Securities

	As at Financial Period Ended 31/5/2016 RM'000	As at Preceding Financial Year End 31/8/2015 RM'000
a) <u>Long Term Borrowings:-</u>		
Term loan - secured	7,537	6,029
Hire purchase - secured	532	373
	<u>8,069</u>	<u>6,402</u>
<u>Short Term Borrowings:-</u>		
Term loan - secured	2,484	2,484
Revolving credit - secured	6,600	6,600
Hire purchase - secured	725	727
Bankers' Acceptance - secured	20,926	18,117
Bankers' Acceptance - unsecured	4,968	8,350
	<u>35,703</u>	<u>36,278</u>
TOTAL BORROWINGS	<u><u>43,772</u></u>	<u><u>42,680</u></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 31/5/2016	Preceding Year Corresponding Quarter 31/5/2015	Current Year To Date 31/5/2016	Preceding Year Corresponding Quarter To Date 31/5/2015
Profit/(loss) attributable to equity holders of the Company (RM'000)	3,573	4,162	9,909	(2,079)
Weighted average number of ordinary shares in issue ('000)	44,775	44,775	44,775	44,775
Basic Earnings per share (sen)	7.98	9.30	22.13	(4.64)

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 2016 and 31 Aug 2015 are analysed as follows:-

	As at end of Current Quarter 31/5/2016 RM'000	As at Preceding Financial Year End 31/8/2015 RM'000
The retained profits of the Company and the subsidiaries:-		
- Realised	37,195	32,805
- Unrealised	4,202	(1,317)
Total group retained profits as per consolidated accounts	<u>41,397</u>	<u>31,488</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 31/5/2016 RM'000	Current year-to-date 31/5/2016 RM'000
a) Interest income	111	328
b) Other income including investment income	757	1,368
c) Interest expense	(945)	(2,647)
d) Depreciation and amortization	(1,286)	(3,456)
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)	528	3,217
j) Gain/(Loss) on derivatives	0	0
k) Exceptional items - Increase/(Decrease) in fair value of quoted investment	3,485	5,519

By Order of the Board